

ANNUAL REPORT 2012 - 2013



Moving Forward



UNITED BREWERIES (HOLDINGS) LIMITED



Dr. Vijay Mallya
Chairman

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UNITED BREWERIES [HOLDINGS] LIMITED

Directors <i>(As on August 14, 2013)</i>	<p>Dr. Vijay Mallya, Chairman</p> <p>Mr. Sidhartha V Mallya</p> <p>Mr. N Srinivasan</p> <p>Mr. S G Ruparel <i>[up to February 11, 2013]</i></p> <p>Mr. B S Patil <i>[up to June 1, 2013]</i></p> <p>Mr. M S Kapur</p> <p>Mr. V K Rekhi</p> <p>Dr. Lalit Bhasin <i>[from May 30, 2013]</i></p> <p>Mr. V Shashikanth <i>[from August 14, 2013]</i></p> <p>Mr. A Harish Bhat, <i>Managing Director</i></p>
Executive Vice Chairman The UB Group	<p>Mr. S R Gupte</p>
President & Chief Financial Officer The UB Group	<p>Mr. Ravi Nedungadi</p>
Company Secretary and Compliance Officer	<p>Mr. Kaushik Majumder</p>
Auditors	<p>M/s Vishnu Ram & Co., Chartered Accountants No.12, Margosa Road, Malleswaram, Bangalore – 560 003</p>
Registered Office	<p>UB Tower, Level 12, UB City, No.24, Vittal Mallya Road, Bangalore – 560 001</p>
Registrars and Transfer Agents	<p>Integrated Enterprises (India) Limited No. 30, Ramana Residency, 4th Cross, Malleswaram, Bangalore – 560 003</p>

Report of the Directors

Your Directors have pleasure in presenting the 97th Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

The summary of financial results of the Company for the financial year ended March 31, 2013 is as under:

(₹ in million)

	2012-2013	2011-2012
The working for the year resulted in		
• Profit/(Loss) from Operations	(1,577.425)	185.315
(Add)/Less		
• Depreciation	(92.145)	102.328
• Taxation	-	6.499
Profit /(Loss) after tax	(1,669.570)	76.488
Profit /(Loss) for the year carried to the Balance Sheet	(1,669.570)	76.488

DIVIDEND

In view of loss for the year, your Directors are unable to recommend any dividend for the year ended March 31, 2013.

OPERATIONS

The Company's revenues comprise of sale/lease rentals of property at UB City, Bangalore, Export Sales, Trade Mark License Fees, Dividends, Guarantee Commission and Interest on Loans and Deposits.

PROPERTY DEVELOPMENT

The construction work for development of a luxury residential building "Kingfisher Towers – Residences at UB City" in the available land in UB City is progressing fast and is expected to be completed in 2015. The super built up area of the building would be 7,67,870 sq. ft. and the share of the Company would be 4,18,388 sq. ft. When completed, this residential development will become a landmark in Bangalore and will also augment revenues on sale of the residential units.

Your Company continues to earn rentals from the retail and office spaces let out in UB City.

EXPORT BUSINESS

For an unprecedented eighteenth consecutive year, UB Global has been awarded the Golden Trophy Award by Agricultural Produce Export Development Authority of India for achieving the highest exports of beverage alcohol. This helped UB Global in achieving its highest sales of ₹ 328 crores, despite uncertain market sentiment in Europe. With the addition of another manufacturing unit, apparel sales has grown by 32%.

SUBSIDIARIES

The following are the subsidiaries of the Company:

A. Indian Subsidiary Companies

1. Bangalore Beverages Limited
2. Bestride Consultancy Private Limited
3. City Properties Maintenance Company Bangalore Limited
4. Kingfisher Finvest India Limited [Formerly Kingfisher Radio Limited]
5. Kingfisher Training and Aviation Services Limited [Formerly Kingfisher Airlines Limited]
6. Kingfisher Aviation Training Limited [Formerly Kingfisher Training Academy Limited]
7. Kingfisher Goodtimes Private Limited
8. UB Electronic Instruments Limited
9. UB Infrastructure Projects Limited
10. UB International Trading Limited
11. UB Sports Limited

B. Overseas Subsidiary Companies

12. Inversiones Mirabel, S.A.
13. Mendocino Brewing Co. Inc, USA
14. Rubic Technologies Inc
15. Rigby International Corp
16. Releta Brewing Company LLC
17. UB Overseas Limited
18. UBHL [BVI] Limited
19. United Breweries of America Inc., Delaware
20. United Breweries International [UK] Limited
21. Kingfisher Beer Europe Limited (Formerly UBSN Limited)

A summary of performance of all the above mentioned subsidiaries including turnover, profit before and after taxation are available in the statement under the heading Summarized Financials of Subsidiary Companies 2012 -13 included in the Annual Report. The Company had invested in the above subsidiaries besides significant advances to them over the years.

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011 has issued directions under Section 212(8) of the Companies Act, 1956 granting general exemption from applicability of the provisions of Section 212 of the Companies Act, 1956 in relation to the Subsidiary Companies, subject to fulfillment of the conditions specified in the said circular.

The Company has availed the benefit of general exemption provided by the aforesaid circular and accordingly, the documents mentioned in Section 212(a) to (d) of the Companies Act, 1956 relating to the Company's subsidiaries are not attached to the Accounts of the Company. In terms of the said circular, your Company shall fulfill the prescribed conditions, make the requisite disclosures and further undertake that the Annual Accounts of the Subsidiary Companies and the related detailed information shall be made available to Shareholders of the Company and its Subsidiary Companies seeking such information. These documents will also be available for inspection during business hours at the Registered Office of the Company and of the respective Subsidiary Companies concerned.

SALE OF INVESTMENTS IN UNITED SPIRITS LIMITED TO RELAY B.V., AN INDIRECT WHOLLY OWNED SUBSIDIARY OF DIAGEO PLC

On November 9, 2012, the Board of Directors of your Company approved the execution, delivery and performance of a share purchase agreement between your Company, Kingfisher Finvest India Limited (a wholly owned subsidiary of the Company), certain other shareholders of United Spirits Limited ("USL"), Diageo plc and Relay B.V., an indirect wholly owned subsidiary of Diageo plc ("**Share Purchase Agreement**"), which agreement provided for the sale and purchase of certain shares of USL to Relay B.V. Further on November 9, 2012, your Company, Kingfisher Finvest India Limited the wholly owned subsidiary of your Company, Diageo plc and Relay B.V., entered into a shareholders agreement

to record their respective rights and obligations as shareholders of USL ("**Shareholders Agreement**") which agreement would become effective upon the completion of the sale and purchase of USL shares as contemplated under the Share Purchase Agreement ("**Completion**"). The sale of shares under the Share Purchase Agreement was subject to various conditions precedent, including obtaining leave of relevant High Court under Sections 536(2) and 537(1) of the Companies Act, 1956 in respect of winding up petitions filed against your Company (and other sellers, if any) before Completion. Accordingly, the Company filed applications before the Hon'ble High Court of Karnataka ("**High Court**") under Sections 536(2) and 537(1) of the Companies Act, 1956 and the High Court passed an order on May 24, 2013 granting leave to the Company to sell 13,612,591 equity shares of USL to Relay B.V. at a price of ₹ 1,440 per share (the "**Court Order**"). Following receipt of the Court Order, on July 4, 2013, your Company sold 10,141,437 equity shares of the face value of ₹10/- each held by your Company in USL to Relay B.V. for a consideration of ₹ 1,440/- per equity share and an aggregate consideration of ₹ 14,603,669,280 and Kingfisher Finvest India Limited sold 6,575,550 equity shares of the face value of ₹ 10/- each held by it in USL to Relay B.V. for a consideration of ₹ 1,440/- per equity share and an aggregate consideration of ₹ 9,468,792,000. As contemplated under the Share Purchase Agreement, the shares sold by your Company were released by certain lenders (in whose favour some of the shares were pledged) along with the simultaneous transfer of the sale consideration to those lenders as repayment of amounts owed to them through an escrow mechanism. With the completion of the Share Purchase Agreement, the Shareholders' Agreement between Diageo plc, Relay B.V., your Company and Kingfisher Finvest India Limited became effective from July 4, 2013 and Relay B.V. and Diageo plc have been included as co-promoters of USL, together with your Company and other existing promoters. Following the sale, your Company, together with, Kingfisher Finvest India Limited now holds 16,108,323 shares representing 11.08% of USL's share capital. Consequent upon the above sale, United Spirits Limited, will not be considered as an Associate, for accounting purposes.

The Hon'ble High Court of Karnataka in the Company Petitions while passing an Order on May 24, 2013 granting leave to the Company to sell 13,612,591 equity

Report of the Directors (contd.)

shares of USL to Relay B.V. at a price of ₹.1,440 per share has imposed some restrictions on your Company, inter alia refraining your Company “from creating pledge/hypothecation/charge/encumbrance over its movable and immovable properties pending disposal of the company winding up petitions.” Your Company is complying with these restrictions imposed by the Hon’ble High Court of Karnataka and has applied for modification of the Order.

KINGFISHER AIRLINES LIMITED

Kingfisher Airlines Limited [KFA] is an Associate of the Group where your Company through itself and through its other subsidiaries holds 30.25% of the paid up capital of KFA. As a significant shareholder in KFA, your Company has significant exposure on various counts in it by way of loans and guarantees.

The lenders of KFA have, pursuant to certain Corporate Guarantees given by the Company (the validity of which is disputed), demanded from the Company, their alleged dues from KFA amounting to ₹ 6203.35 crores and have moved the Debt Recovery Tribunal (“DRT”) for recovery of these alleged dues. The Company is taking steps to defend the proceedings before the DRT as per the advice of its lawyers.

The Goa Senior Division Court has granted an interim injunction against any coercive action by lenders of KFA in respect of the Company’s property in Goa, tenanted to United Spirits Limited. Subsequently, KFA lenders have sent a notice under the SARFAESI Act in respect of the said property. The Company has responded to the notice issued to it purportedly under the SARFAESI Act challenging the same.

KFA lenders have also sold certain investments belonging to the Company pursuant to invocation of the purported pledge by the Company of certain investments. The Company and others have filed a suit in the Hon’ble Bombay High Court, being Suit No. 311 of 2013 against the consortium of bankers (Bombay Suit) who have advanced loans to KFA, inter alia, seeking the following reliefs:-

(a) For a declaration that the Corporate Guarantee dated 21st December, 2010 given by the Company and the Pledge Agreement dated 21st December, 2010, are void ab-initio and non-est;

(b) For a permanent order and injunction restraining the consortium of bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance or in any manner giving effect to the impugned Notices dated 16th March, 2013, or from taking any other or further steps to act upon or in furtherance of the Pledge Agreement dated 21st December, 2010, save and except in accordance with the procedure set out in clause 8.1 of the Master Debt Recast Agreement (MDRA), including issuing a notice there under.

(c) For a permanent order and injunction restraining the consortium of bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance of the Corporate Guarantee dated 21st December, 2010 given by the Company and the Pledge Agreement dated 21st December, 2010;

(d) That an order and decree of damages of the sum of ₹ 3,199.68 Cr. as set out in the Particulars of Claim be awarded to the Plaintiffs.

(e) That the maximum limit under the Company’s Corporate Guarantees be ₹ 16,014.300 million for reasons set out in the Suit.

The said Suit is pending adjudication in the Hon’ble Bombay High Court.

The Company (UBHL) and Kingfisher Finvest India Limited (KFIL, a wholly owned subsidiary of the Company) have filed a suit, inter alia, against IDBI Trusteeship Services Limited and SREI Venture Capital Limited in the City Civil Court at Calcutta, being T.S. No. 966 of 2013, inter alia, for the Security Trustee Agreement dated 30th June, 2008 and the Consolidated Deed of Pledge dated 21st December, 2010 (in respect of 4,937,375 equity shares of United Spirits Limited held by UBHL and KFIL) are void, unenforceable and of no effect.

SBICAP Trustee and the Consortium of Banks, which have advanced loans to KFA have filed a suit, inter alia, against IDBI Trusteeship Services Limited, SREI Venture Capital Limited, UBHL and KFIL in the court of City Civil Judge in Bangalore, being O.S. No. 25877 of 2013 to enforce their alleged rights under the Release of Residual Interest Agreement dated 21st December, 2010 in respect of the 3,147,985 shares held by UBHL in USL, 59,150,000 shares

held by UBHL in KFA and 1,789,410 shares held by KFIL in USL. In the suit, the Plaintiffs have called upon the Defendants to sell the pledged shares in the market, discharge their loan commitment and pass on the residue to the consortium. By an Order dated 14th July, 2013, the Judge granted ex-parte reliefs restraining the defendants therein from selling the pledged shares below the best available market price and at any event, at any price below Rs. 2350.68 per share (95% of the average closing market price on 07/06/2013 on the BSE/NSE), without the consent of the Plaintiffs therein, and restraining the Defendant Nos. 1 to 3 (IDBI Trusteeship Services Limited, SREI Venture Capital Limited and India Global Competitive Fund) from returning/ handing over the pledged shares to UBHL and KFIL and/or releasing the pledge over the pledged shares and/or altering the nature of the pledge in any manner, till the disposal of the suit. UBHL is in the process of obtaining appropriate legal advice to defend the aforesaid O.S. No. 35877 of 2013 and the ex-parte ad-interim orders passed therein.

Guarantee Commission arising out of the corporate guarantee given and Security Commission arising out of security pledged in favour of lenders of KFA, has not been accrued in view of KFA being precluded by its Bankers from making payment of any Guarantee Commission and in view of the stand taken by the Company and the other Plaintiffs in the Bombay Suit. Similarly, interest has not been accrued on the outstanding loans relating to KFA.

Certain alleged Corporate Guarantees on behalf of KFA have been invoked and certain purported benefactors of Corporate Guarantees issued on behalf of KFA have filed petitions against the Company under Sections 433/434 of the Companies Act 1956.

The Company ably assisted by eminent Counsel is taking all necessary steps to protect the interest of the Company.

Although KFA's license has expired on December 31, 2012, under civil aviation regulations, KFA has a period of 24 months to reinstate the same. A revival plan has been submitted to DGCA which is under consideration. Further, discussions are in progress with some prospective investors for restarting the airline operations which of course will be subject to statutory and regulatory approvals.

The Board of Directors of your Company at an appropriate time will discuss the merits of commissioning an in-depth study to assess the recoverability of the amounts advanced to KFA as part of its strategic review of all core investments. Meanwhile, in order to keep its investment

prospects alive, your Board has decided to keep the Airline funded on a need basis.

DIRECTORS

Dr. Lalit Bhasin was appointed as Director of the Company with effect from May 30, 2013 in the casual vacancy caused by the demise of Mr. Shrikant G. Ruparel.

Mr. V Shashikanth was appointed as an Additional Director with effect from August 14, 2013 to hold office up to the date of the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose Mr. V Shashikanth as a candidate for the office of the Director of the Company not liable to retire by rotation. Mr. V Shashikanth was also appointed by the Board as Managing Director of the Company with effect from August 21, 2013 for a period of three years subject to approval of the Members at the ensuing Annual General Meeting.

Mr. A Harish Bhat was appointed as Managing Director of the Company, without remuneration, with effect from the close of business hours on August 20, 2010 for a period of three years. Accordingly, the term of office of Mr. Bhat as Managing Director ends on August 20, 2013. Mr. Bhat will cease to be a Director and Managing Director of the Company with effect from close of business hours on August 20, 2013. The Board wishes to place on record the valuable services rendered by Mr. Bhat during his tenure as Director and Managing Director of the Company.

Mr. Shrikant G. Ruparel, a Member of the Board of Directors of the Company expired on February 11, 2013. Mr. Ruparel was a Director for the past 22 years since December 21, 1991. The Board placed on record the valuable services rendered by Mr. Ruparel during his tenure as a Director of the Company.

Mr. B S Patil resigned as Director of the Company with effect from June 1, 2013. The Board placed on record the valuable services rendered by Mr. Patil during his tenure as a Director of the Company.

Mr. M S Kapur and Mr. N. Srinivasan, Directors, retire by rotation and, being eligible, offer themselves for re-appointment, as Directors liable to retire by rotation.

A brief resume of the Directors proposed to be appointed/ re-appointed is given in the Annexure to the Notice.

Report of the Directors (contd.)

AUDITORS

Messrs. Vishnu Ram & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

With reference to observations in the Auditors Report regarding accrual of guarantee/security commission from an Associate Company (erstwhile subsidiary), inclusion of interest from Subsidiaries and Associates, non-provision for loans & advances to certain Subsidiaries and an Associate Company and for decline in value of investment in certain Subsidiaries and an Associate Company, the relevant notes to the accounts comprehensively explain the management's views on such matters.

LISTING OF SHARES OF THE COMPANY

The shares of your Company are listed on Bangalore Stock Exchange Limited [Regional Exchange], The BSE Limited, Mumbai and National Stock Exchange of India Limited.

CORPORATE GOVERNANCE

A Report on Corporate Governance is annexed separately as part of the Report along with a Certificate of Compliance from the Statutory Auditor. Necessary requirements of obtaining certifications/declarations in terms of Clause 49 of the Listing Agreement 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

The Fixed Deposits accepted from the Public and Shareholders stood at ₹ 524.754 million as on March 31, 2013 (including an amount of ₹ 132.553 million accepted during the year under review).

A sum of ₹ 0.261 million from Public and Shareholders remained unclaimed as at March 31, 2013.

There have been no defaults in the repayment of fixed deposits during the year excepting occasional short delay for which interest had been paid along with matured deposits.

The Board of your Company has decided not to accept fresh deposits or renewals.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A[5] and 205C of the Companies Act, 1956, an amount of ₹ 0.237 million [Previous Year ₹ 0.132 million] being the aggregate of the Unclaimed Dividend and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

PARTICULARS OF EMPLOYEES

The information as are required to be provided in terms of Section 217[2A] of the Companies Act, 1956 read with the Companies [Particulars of Employees] Rules, 1975 is enclosed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

Particulars of Conservation of Energy, Technology Absorption

The Provisions of Section 217[1][e] of the Act relating to conservation of energy and technology absorption do not apply to this Company since it is not engaged in manufacturing activities.

Foreign Exchange Earnings and outgo

The particulars are given in the Notes to the Audited Accounts.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217[2AA] of the Companies Act, 1956 the Board of Directors hereby state that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) accounting policies have been selected and applied consistently and the judgments 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 that period.

Report of the Directors (contd.)



- (iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
- (iv) the Annual Accounts have been prepared on a going concern basis.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is carrying out CSR activities through its other Associate Companies.

GREEN INITIATIVE

Annual Report is transmitted through emails to those identifiable members while print version of the Annual Report is posted to others. The other details are available in the Company's website www.theubgroup.com.

ACKNOWLEDGEMENT

Your Directors place on record the support received from Group Companies, shareholders, depositors, banks, financial institutions and employees.

By Order of the Board

Goa
August 14, 2013

Dr. Vijay Mallya
Chairman



Annexure to Directors' Report

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Employed throughout the year and in receipt of remuneration in aggregate of not less than ₹ 60,00,000 per annum.							
Sl. No.	Name	Age	Total Remuneration (₹ in lacs)	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Anand Deepak	64	348.08	President	B.A. (Eco.) (Hons), A.C.A.	39	Director, A F Ferguson & Co.
2.	Shashikanth V	52	163.50	Deputy President – UB Global	B.E., PGDIT	29	Project Director, Bharat Forge Limited
3.	D. Banerjee	54	93.20	Senior Vice President	B.Tech (Hons.) PGDM	29	United Spirits Limited
4.	Anil Pisharody	54	62.90	Senior Vice President-Finance	B.Com., .A.C.A	28	Commercial Manager-Contract Advertising India Limited

Employed for part of the year and in receipt of remuneration at the rate of not less than ₹ 5,00,000 per month							
Sl. No.	Name	Age	Total Remuneration (₹ in lacs)	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Ashoke Roy	56	56.30	Deputy President – Internal Audit	B.Com., A.C.A., ICMA, ICSA	29	Senior Auditor, Philips India Limited

Notes:

1. Remuneration shown above includes Salary, Allowance, Medical Leave, Travel Expenses and monetary value of perquisites as per Income Tax Rules.
2. None of the employees mentioned above is a relative of any Director of the Company.
3. None of the above mentioned employees is holding more than 2% of the Paid up Equity Capital of the Company.

Annexure to Directors' Report (contd.)



Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2013

(₹ in million)

Sl. No.	Name of the Subsidiary	No. of equity shares at the end of the financial year of the Company		Percentage of holding		Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Shareholders of the Company			
		United Breweries (Holdings) Limited	Other Subsidiary Companies	United Breweries (Holdings) Limited	Other Subsidiary Companies	a) Not dealt with in the Accounts of the Company		b) Dealt with in the Accounts of the Company	
						(i)	(ii)	(i)	(ii)
						For the subsidiary's financial year ended March 31, 2013	For previous year of the subsidiary since it became a subsidiary	For the subsidiary's financial year ended March 31, 2013	For previous year of the subsidiary since it became a subsidiary
1	2	3		4		5	6	7	8
1	Bangalore Beverages Limited	-	50,000	-	100.00	(374.874)	(1.891)	-	-
2	City Properties Maintenance Company Bangalore Limited	50,000	-	55.00	-	5.903	4.411	-	-
3	Kingfisher Finvest India Limited [Formerly Kingfisher Radio Limited]	50,000	-	100.00	-	(435.851)	(787.552)	-	-
4	Bestride Consultancy Private Limited	-	10,000	-	100.00	(40.012)	0.124	-	-
5	Kingfisher Training and Aviation Services Limited [Formerly Kingfisher Airlines Limited]	33,216	2,747	66.43	5.49	(30.462)	(17.048)	-	-
6	Kingfisher Aviation Training Limited [Formerly Kingfisher Training Academy Limited]	3,000,000	-	100.00	-	(0.144)	(0.278)	-	-
7	UB Electronic Instruments Limited	280,976	6,410	96.25	2.19	2.898	3.324	-	-
8	UB Infrastructure Projects Limited	50,000	-	100.00	-	(8.898)	3.487	-	-
9	UB International Trading Limited	50,002	-	100.00	-	(11.255)	(1.093)	-	-
10	UB Sports Limited	-	50,000	-	100.00	(0.076)	0.080	-	-
11	Kingfisher Goodtimes Private Limited	-	9,960	-	99.60	(0.005)	(0.004)	-	-
12	Rigby International Corp.	15,115,488	-	100.00	-	(0.109)	(0.102)	-	-
13	UB Overseas Limited	50	950	5.00	95.00	(160.755)	(32.842)	-	-
14	Rubic Technologies Inc.	5,500,000	-	100.00	-	(0.004)	(0.010)	-	-
15	UBHL (BVI) Limited	238,370	-	100.00	-	21.949	(195.674)	-	-
16	United Breweries International (UK) Limited	-	100,000	-	100.00	-	0.205	-	-
17	Kingfisher Beer Europe Limited [Formerly UBSN Limited]	-	100,000	-	100.00	-	(1.996)	-	-
18	United Breweries of America Inc., Delaware	-	14,542	-	92.49	0.882	1.195	-	-
19	Releta Brewing Company LLC	-	100	-	100.00	2.351	3.044	-	-
20	Inversiones Mirabel, S.A	-	2	-	100.00	(0.163)	(0.153)	-	-
21	Mendicino Brewing Company Inc. USA	-	8,587,818	-	68.10	(16.834)	0.615	-	-

By Order of the Board

Goa
August 14, 2013

Dr. Vijay Mallya
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE COMPANY

The Company is the principal Holding Company of the UB Group, through which the Promoters and the Promoter Group own controlling interest in a number of Companies collectively forming the UB Group that have market leading positions in fast-growing consumer businesses. Through its holdings in United Spirits Limited (which from 4th July, 2013 is no longer an Associate Company) and United Breweries Limited, the Company is one of the world leaders in the consumer-oriented beverage alcohol market. Mangalore Chemicals & Fertilizers Limited (MCF), a UB Group Company has built up a "branded" fertilizer business and its Mangala brand of urea is sought for by name in core markets. The Company also holds significant stake in Kingfisher Airlines Limited, the aviation Company promoted by the Group. The Company has a presence in the property development, fertilizer and engineering industries through UB City, Mangalore Chemicals & Fertilizers Limited, McDowell Holdings Limited and UB Engineering Limited. The Company has a substantial export trading in the areas of alcoholic beverages, footwear, clothing etc. Other income sources include lease rentals, property development, dividend from Investee Companies, licensing fees, interest and guarantee commissions from Investee Companies. The Company owns several brands and trademarks, including the UB "Pegasus" and the "Kingfisher" brand under certain classes of the Trade Marks Act, 1999.

2. RISKS, CONCERNS AND MITIGATIONS

The lenders of KFA have, pursuant to certain Corporate Guarantees given by the Company (the validity of which is disputed), demanded from the Company, their dues from KFA amounting to ₹ 6203.35 crores and have moved the Debt Recovery Tribunal ("DRT") for recovery of these dues. The Company is taking steps to defend the proceedings before the DRT as per the advice of its lawyers.

The Goa Senior Division Court has granted an interim injunction against any coercive action by lenders of KFA in respect of the Company's property in Goa, tenanted to United Spirits Limited. Subsequently, KFA lenders have sent a notice purportedly under the SARFAESI Act in respect of the said property. The Company has responded to the notice issued to it purportedly under the SARFAESI Act challenging the same.

KFA lenders have also sold certain investments belonging to the Company pursuant to purported invocation of the pledge by the Company of certain investments. The Company and others have filed a suit in the Hon'ble Bombay High Court, being Suit No. 311 of 2013 against the consortium of bankers (Bombay Suit) who have advanced loans to KFA and KFA, inter alia, seeking the following reliefs:-

- (a) For a declaration that the Corporate Guarantee dated 21st December, 2010 given by the Company and the Pledge Agreement dated 21st December, 2010, are void ab-initio and non-est;
- (b) For a permanent order and injunction restraining the consortium of bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance or in any manner giving effect to the impugned Notices dated 16th March, 2013, or from taking any other or further steps to act upon or in furtherance of the Pledge Agreement dated 21st December, 2010, save and except in accordance with the procedure set out in clause 8.1 of the MDRA, including issuing a notice there under.
- (c) For a permanent order and injunction restraining the consortium of bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance of the Corporate Guarantee dated 21st December, 2010 given by the Company and the Pledge Agreement dated 21st December, 2010;
- (d) That an order and decree of damages of the sum of ₹ 3,199.68 Cr. as set out in the Particulars of Claim be awarded to the Plaintiffs.
- (e) That the maximum limit under the Company's Corporate Guarantees be ₹ 16,014.300 million for reasons set out in the Suit.

The said Suit is pending in the Hon'ble Bombay High Court.

The Company (UBHL) and Kingfisher Finvest India Limited (KFIL, a wholly owned subsidiary of the Company) have filed a suit, inter alia, against IDBI Trusteeship Services Limited and SREI Venture Capital Limited in the City Civil Court at Calcutta, being T.S. No. 966 of 2013, inter alia, for the Security Trustee Agreement dated 30th June, 2008 and the Consolidated Deed of Pledge dated 21st December, 2010 (in respect of 4,937,375 equity shares of United Spirits Limited held by UBHL and KFIL) are void, unenforceable and of no effect.

SBICAP Trustee and the Consortium of Banks, which have advanced loans to KFA have filed a suit, inter alia, against IDBI Trusteeship Services Limited, SREI Venture Capital Limited, UBHL and KFIL in the court of City Civil Judge in Bangalore, being O.S. No. 25877 of 2013 to enforce their alleged rights under the Release of Residual Interest Agreement dated 21st December, 2010 in respect of the 3,147,985 shares held by UBHL in USL, 59,150,000 shares held by UBHL in KFA and 1,789,410 shares held by KFIL in USL. In the suit, the Plaintiffs have called upon the Defendants to sell the pledged shares in the market, discharge their loan commitment and pass on the residue to the consortium. By an Order dated 14th July, 2013, the Judge granted ex-parte reliefs restraining the defendants therein from selling the pledged shares below the best available market price and at any event, at any price below Rs. 2350.68 per share (95% of the average closing market price on 07/06/2013 on the BSE/NSE), without the consent of the Plaintiffs therein, and restraining the Defendant Nos. 1 to 3 (IDBI Trusteeship Services Limited, SREI Venture Capital Limited and India Global Competitive Fund) from returning/ handing over the pledged shares to UBHL and KFIL and/or releasing the pledge over the pledged shares and/or altering the nature of the pledge in any manner, till the disposal of the suit. UBHL is in the process of obtaining appropriate legal advice to defend the aforesaid O.S. No. 35877 of 2013 and the ex-parte ad-interim orders passed therein.

Guarantee Commission arising out of the Corporate Guarantee given and Security Commission arising out of security pledged in favour of lenders of KFA, has not been accrued in view of KFA being precluded by its Bankers from making payment of any Guarantee Commission and in view of the stand taken by the Company and the other Plaintiffs in the Bombay Suit. Similarly, interest has not been accrued on the outstanding loans relating to KFA.

Certain alleged Corporate Guarantees on behalf of KFA have been invoked and certain purported benefactors of Corporate Guarantees issued on behalf of KFA have filed petitions against the Company including Company Petitions under Sections 433/434 of the Companies Act 1956. These petitions are being contested by the Company.

The Hon'ble High Court of Karnataka in the Company Petitions while passing an Order on May 24, 2013 granting leave to the Company to sell equity shares of USL to Relay B.V. has imposed some restrictions on your Company including restraining the Company from creating pledge/hypothecation/charge/encumbrance over its movable and immovable properties pending further orders of the Court. The Company will apply for modification of the Order at the appropriate time, but the outcome cannot be predicted.

The Company is exposed to the following other risks and concerns:

- i) Dividend distribution by Subsidiaries and Associate Companies would largely depend upon their dividend policy and developments plans. The profitability of UB Global is subject to world economic scenario and volatility of various currencies including Indian rupees. Property values could reflect overall consumer sentiment. All these factors would have some bearing on the Company's future profitability.
- ii) Certain Subsidiaries for reasons beyond their control have incurred financial losses impairing the carrying value of their equity. These investments are strategic in nature and close continuous monitoring is required to improve their performance which would also ensure that the advances given to them together with interest thereon are adequately protected and recoverable over time.
- ii) Even though part of Company's investments in Associate Companies are under pledge with lending institutions, this by itself should not be a cause of concern since their intrinsic values are far above their carrying values.
- iv) All the above issues of concerns are but common in holding-subsidiary relationships. The Company has in place adequate mechanism of checks and balances supported by effective internal control and audit.

A risk identification and mitigation process in place in the Company are as under:

a) Risk Identification process

The Company has put in place a risk identification and mitigation process. This process generally involves the following steps:

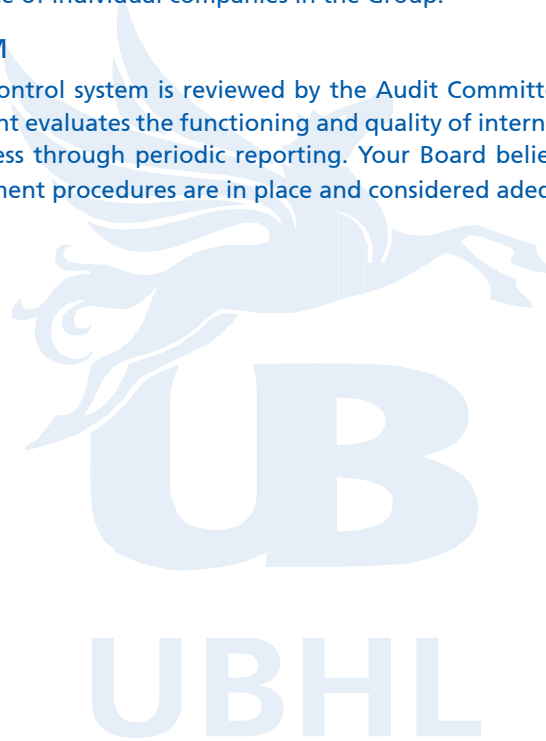
- Identifying risks inherent in the Group strategy
- Selecting the appropriate risk management plans
- Implementing controls to manage the risks
- Monitoring the effectiveness of risk management processes and controls
- Periodically reviewing the Internal control effectiveness and effecting improvements to give reassurance to the Audit Committee

b) Risk Mitigation

The Chairman, Managing Director, the Audit Committee and Internal Audit keep constant vigil over the functioning and performance of individual companies in the Group.

3. INTERNAL CONTROL SYSTEM

The adequacy of the internal control system is reviewed by the Audit Committee of the Board of Directors. The Group Internal Audit Department evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Board believes that appropriate procedures, controls and monitoring assessment procedures are in place and considered adequate.



1. COMPANY'S POLICY ON CORPORATE GOVERNANCE

The Company has always endorsed the principles of good Corporate Governance and has endeavoured to follow these principles in their true letter and spirit. The Board of the Company, which is charged with the responsibility of ensuring true Corporate Governance, is constantly striving to ensure that the management protects the long term interests of all the stake-holders of the Company.

2. BOARD OF DIRECTORS

Composition and Category of Directors

In compliance of Clause 49 of the Listing Agreement with the Stock Exchanges, the Board consists of 4 Independent Directors and 4 Non-Independent Directors (including a Non Executive Chairman and a Managing Director). The requirement of the Listing Agreement that 50% of the Board should comprise of Independent Directors is met.

The Company held Nine Board Meetings during 2012-13 and the gap between two meetings did not exceed four months. The Board Meetings were held on May 9, 2012, June 29, 2012, August 8, 2012, August 24, 2012, September 27, 2012, November 9, 2012, December 11, 2012, February 5, 2013 and March 21, 2013.

The details of attendance of Directors at the Board Meetings during the financial year 2012-13 and at the last Annual General Meeting (AGM) held on September 27, 2012, and also the number of Directorships and Committee positions held by each of the Directors in other Companies as on date are given below:

Name	Category	No. of Board Meetings Attended	Attendance at the last AGM held on 27.9.2012	Directorship in Other Public Limited Companies	No. of Committees (other than the Company) in which Member/Chairman
Dr. Vijay Mallya	Non-Executive Chairman	8	Yes	9	Nil
Mr. Sidhartha V Mallya	Non-Executive Director	1	No	1	Nil
Mr. N Srinivasan	Independent Director	7	Yes	13	9 (Chairman of 4)
Mr. S G Ruparel*	Independent Director	5	Yes	Nil	Nil
Mr. B S Patil	Independent Director	5	Yes	12	9 (Chairman of 1)
Mr. M S Kapur	Independent Director	8	Yes	8	7 (Chairman of 2)
Mr. V K Rekhi	Non-Executive Director	4	Yes	3	Nil
Mr. A Harish Bhat	Executive/ Managing Director	9	Yes	8	3 (Chairman of 1)

* ceased to be a Director w.e.f. February 11, 2013 due to death;

Notes:

1. Dr. Lalit Bhasin was appointed as a Director in the casual vacancy w.e.f. May 30, 2013 caused by the demise of Mr. S G Ruparel.
2. Except Dr. Vijay Mallya and Mr. Sidhartha V Mallya none of the other Directors are inter-related.
3. None of the Directors has any business relationships with the Company.
4. The above numbers exclude Directorships in Private Limited Companies, Companies incorporated under Section 25 of the Act.

Directors seeking Appointment/Re-appointment

The brief particulars of the Directors of the Company, seeking appointment/re-appointment at the ensuing Annual General Meeting are given in the Annexure to the Notice.

3. COMMITTEES OF THE BOARD

The Board of Directors has constituted Mandatory Committees viz., Audit Committee, and Shareholders'/ Investors' Grievance Committee and Non-Mandatory Committees i.e. Remuneration Committee and General Committee of Directors. The functions of these Committees are summarized below.

AUDIT COMMITTEE

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

The Executive Vice Chairman- The UB Group, The Chief Financial Officer-The UB Group, the Managing Director and the Internal Auditors are permanent invitees of the Audit Committee. The Statutory Auditors are also invited to attend the meetings. The Company Secretary acts as the Secretary to the Committee.

Five Meetings of the Audit Committee were held during 2012-13 i.e., on May 8, 2012, August 8, 2012, August 24, 2012, November 7, 2012, and February 5, 2013. The composition and attendance of Members at the Meetings of the Audit Committee held during 2012-13 are as follows:

Name	Designation	Category	Meetings held during 2012-13	Meetings attended
Mr. N Srinivasan	Chairman	Independent Director	5	5
Mr. S G Ruparel*	Member	Independent Director	5	4
Mr. B S Patil	Member	Independent Director	5	3

* ceased to be a Member w.e.f. February 11, 2013 due to death;

Consequent to the death of Mr. S G Ruparel, the Committee was reconstituted on March 21, 2013 and Mr. M S Kapur was appointed as a Member of this Committee in the place of Mr. S G Ruparel. The Committee was again reconstituted on May 30, 2013 by appointing Dr. Lalit Bhasin as a Member.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Shareholders' / Investors' Grievance Committee oversees the transfer of shares lodged for transfer, transmission, dematerialization / rematerialization, split and stock option allotments and complaints received from shareholders and other statutory bodies. The Company's Registrars and Share Transfer Agents viz., Integrated Enterprises (India) Limited Bangalore, have adequate infrastructure to process the above mentioned activities.

Majority of the complaints from Shareholders are received directly by Integrated Enterprises (India) Limited, Registrars & Share Transfer Agents, and those received by the Company are forwarded to them for immediate redressal.

Seven Meetings of the Shareholders' / Investors' Grievance Committee were held during 2012-13 i.e., on April 16, 2012, May 24, 2012, July 9, 2012, August 16, 2012, November 8, 2012, January 3, 2013 and February 5, 2013. The composition and attendance of Members at the Meetings of the Shareholders'/ Investors' Grievance Committee held during 2012-13 are as follows:

Name	Designation	Category	Meetings held during 2012-13	Meetings attended
Mr. S G Ruparel*	Chairman	Independent Director	7	2
Mr. B S Patil	Member	Independent Director	7	5
Mr. A Harish Bhat	Member	Non-Independent Director	7	7

* ceased to be a Member w.e.f. February 11, 2013 due to death;

Consequent to the death of Mr. S G Ruparel, the Committee was reconstituted on March 21, 2013 and Mr. V K Rekhi and Mr. M S Kapur were appointed as Members of this Committee. Mr. V K Rekhi, a Non Executive Director is the Chairman of the Committee.

Mr. Kaushik Majumder, Corporate Vice President-Legal & Company Secretary is the Compliance Officer.

Details of complaints resolved during the financial year 2012-13 are as follows:

No. of Complaints	Received during 2012-13	Resolved during 2012-13	Closing
As per SEBI Category	12	12	Nil
Other Correspondences	515	515	Nil

None of the complaints were kept pending for more than one month. As on March 31, 2013, no share transfer requests or complaints were pending at our end.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board recommends to the Board, from time to time, compensation package for Whole-Time Directors.

Composition of Remuneration Committee

Name	Designation	Category
Mr. S G Ruparel*	Chairman	Independent Director
Mr. N Srinivasan	Member	Independent Director
Mr. B S Patil	Member	Independent Director

* ceased to be a Member w.e.f. February 11, 2013 due to death;

Consequent to the death of Mr. S G Ruparel, the Committee was reconstituted on March 21, 2013 and Mr. V K Rekhi and Mr. M S Kapur were appointed as Members of this Committee. Mr. M S Kapur, an Independent Director is the Chairman of the Committee.

There was no occasion for the Remuneration Committee to meet during the year 2012-13.

Remuneration to Managing Director

Mr. Harish Bhat, Managing Director of the Company does not draw any remuneration and perquisites from the Company.

Remuneration to Non-Executive Directors

Non-Executive Directors are being paid sitting fees of ₹ 20,000 per meeting of the Board and Audit Committee and ₹ 10,000 per meeting of the other Committees attended by them.

The details of sitting fees paid to the Directors of the Company for attending the Board and Committee Meetings for the year 2012-13 are as follows:

Name	Fees Paid (₹)
Dr. Vijay Mallya	1,60,000
Mr. Sidhartha V Mallya	20,000
Mr. N Srinivasan	2,40,000
Mr. S G Ruparel*	2,00,000
Mr. B S Patil	2,10,000
Mr. M S Kapur	1,60,000
Mr. V .K. Rekhi	80,000
Total	10,70,000

*paid up to February 11, 2013.

Report on Corporate Governance (contd.)

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

Name	Number of Shares held	
	As on March 31, 2013	As on March 31, 2012
Dr. Vijay Mallya	5,284,978	5,284,978
Mr. N Srinivasan	120	120
Mr. S G Ruparel*	Nil	Nil
Mr. A Harish Bhat	600	600
Mr. Sidhartha V Mallya	Nil	Nil
Mr. B S Patil	Nil	Nil
Mr. M S Kapur	Nil	Nil
Mr. V K Rekhi	Nil	Nil

* ceased to be a Director w.e.f. February 11, 2013 due to death;

GENERAL COMMITTEE OF DIRECTORS

In view of the difficulties in convening Board Meeting[s] with requisite quorum at short notice, for matters requiring immediate and prompt action, on behalf of the Company, the Board constituted a Committee of Directors on October 26, 2006 which was reconstituted on August 2, 2011.

The powers to be delegated to the Committee of Directors consisting of Mr. N Srinivasan, Mr. A Harish Bhat and Mr. B S Patil are regulated by the Board of Directors from time to time. There was no occasion for the General Committee to meet during the year 2012-13.

4. SECRETARIAL AUDIT

As required under Listing Agreement, Secretarial Audit was carried out by a qualified Practicing Company Secretary for reconciling the total admitted capital with National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL.

This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges, NSDL and CDSL and is also placed before the Board of Directors.

5. COMPLIANCE OFFICER

Mr. Kaushik Majumder, the Company Secretary has been functioning as Compliance Officer for the purpose of complying with various provisions of Securities and Exchange Board of India Regulations, Listing Agreement with Stock Exchanges, Registrar of Companies and for monitoring the share transfer process etc. His email address is kmajumder@ubmail.com.

6. GENERAL BODY MEETINGS

The details of the last three Annual General Meetings (AGMs) of the Company held are furnished as under:

Financial Year	Date	Time	Venue	Special Resolutions passed
94 th Annual General Meeting April 2009 – March 2010	Thursday, September 30, 2010	10.30.a.m	Good Shepherd Auditorium, Residency Road, Bangalore 560 025	<ol style="list-style-type: none"> 1. Re-appointment of Mr. R N Pillai as Managing Director of the Company, without remuneration, from March 18, 2010 up to the close of business of August 20, 2010. 2. Appointment of Mr. A Harish Bhat as Managing Director of the Company, without remuneration, from the close of business hours of August 20, 2010 for a period of three years or date of superannuation whichever is earlier. 3. Conversion of loans given by the Company to Kingfisher Airlines Limited, into convertible instrument which is compulsorily convertible into equity shares.

Financial Year	Date	Time	Venue	Special Resolutions passed
95 th Annual General Meeting April 2010 – March 2011	Wednesday, September 28, 2011	2.30.p.m.	Good Shepherd Auditorium, Residency Road, Bangalore 560 025	Nil
96 th Annual General Meeting April 2011 – March 2012	Thursday, September 27, 2012	11.30.a.m.	Good Shepherd Auditorium, Residency Road, Bangalore 560 025	Nil

Postal Ballot

Pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011, the Company had conducted a Postal Ballot exercise following the provisions and rules framed under the Act for conducting Postal Ballot.

The details/results of the Postal Ballot exercise so conducted are as under:

Date of Notice of Postal Ballot	Date of Passing	Description	Result
February 5, 2013	March 25, 2013	by a Special Resolution under Section 372A of the Companies Act, 1956 for increase in Lending Limits and reduction in Investment Limits to Kingfisher Airlines Limited.	Carried with requisite majority.

The Postal Ballot exercise, under Section 192A of the Act, was conducted by Mr. M R Gopinath, a Company Secretary in practice, Scrutinizer appointed for the purpose.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing of resolution through Postal Ballot.

7. DISCLOSURES

Materially significant related party transactions

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

Transactions with related parties as per the requirements of Accounting Standards 18 issued by The Institute of Chartered Accountants of India are disclosed in the relevant Schedule of Notes to Annual Accounts.

Details of non-compliance

There were no instances of non-compliance by the Company with any legal requirements nor have there been any strictures passed by Stock Exchanges or Securities and Exchange Board of India, on any matters relating to the capital market during the last three years.

Code of Conduct

The Company has adopted a Code of Ethics for Board Members and Senior Management Personnel. This code is in addition to the Company's Code of Business Conduct, applicable to all the designated employees of the Company.

A copy of the said Code of Ethics for Board Members and Senior Management Personnel is available at the Company's website, www.theubgroup.com.

All the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Ethics for Board Members and Senior Management Personnel and the Code of Business Conduct, as on March 31, 2013.

Report on Corporate Governance (contd.)

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

The Company has updated the Code as per the requirements of SEBI and has made it applicable to all Directors and designated employees. The Code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

Details of compliance with mandatory requirements and adoption of the non mandatory requirements of this clause

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. The details of these compliances have been given in the relevant sections of this Report. The status of compliance with the Non mandatory requirements is given at the end of the Report.

8. MEANS OF COMMUNICATION

Website

The Company has its own web-site and all vital information relating to the Company and its performance, including quarterly results, official press releases and presentation to analysts are posted on the web-site. The Company’s website address is “www.theubgroup.com”.

Other means of communication

Quarterly Results	The Company’s quarterly results are published in English and Kannada newspapers. Press Releases are also issued which are carried by other newspapers. Hence, the same are not sent to the Shareholders.
Newspapers in which results are normally published	i) The Financial Express ii) Kannada Prabha (Kannada) [a regional daily published from Bangalore]
Any website where displayed	www.theubgroup.com
Whether it also displays official news releases and the presentations made to Institutional Investors or to the analysts	Yes
Whether Management Discussion and Analysis is a part of the Annual Report	Yes

Designated e-mail address for Investor Services

In terms of Clause 47[f] of the Listing Agreement, the designated e-mail address for investor complaints is ubhlinvestor@ubmail.com.

9. GENERAL SHAREHOLDER INFORMATION

The particulars of the Annual General Meeting for the year ended March 31, 2013 is as under:

Date of 97 th Annual General Meeting	Venue	Time
September 12, 2013	Good Shepherd Auditorium, Opp. St. Joseph’s Pre-University College, Residency Road, Bangalore 560 025	3.15 p.m.
Book Closure	From September 11, 2013 To September 12, 2013	

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

Financial Calendar		Declaration of Unaudited/Audited Results
1 st Quarter	April 1 to June 30	By August 14 th
2 nd Quarter	July 1 to September 30	By November 14 th
3 rd Quarter	October 1 to December 31	By February 14 th
Audited Financial Results	April 1 to March 31	By May 30 th

Unclaimed Dividend

Section 205A of the Companies Act, 1956, mandates that Companies transfer dividend that has been unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund [IEPF]. In accordance with the following schedule, the dividend for the years mentioned below, if unclaimed within a period of seven years, will be transferred to IEPF.

Financial Year	Type of dividend	Dividend per Share (₹)	Date of declaration	Due date for transfer
2006-07	Final	₹ 1.00 per share	November 28, 2007	December 26, 2014
2007-08	Final	₹ 1.00 per share	December 26, 2008	January 24, 2015
2008-09	No Dividend Declared			
2009-10	Final	₹ 1.00 per share	September 30, 2010	October 29, 2017
2010-11	Final	₹ 1.00 per share	September 28, 2011	October 27, 2018
2011-12	No Dividend Declared			-

Unclaimed dividend pertaining to the financial year 2005-06 has been transferred to the IEPF.

The Company has sent communications to the concerned shareholders, advising them to lodge their claims with respect to unclaimed dividend. Shareholders are advised that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof, either against the Company or against IEPF.

Unclaimed Shares

In terms of Clause 5A of the Listing Agreement, the Company's Registrars and Share Transfer Agent [Integrated Enterprises (India) Limited] have already sent three reminders to all the shareholders whose share certificates were returned undelivered and remained unclaimed. Necessary action is being taken to transfer the unclaimed shares, in respect of the shareholders who have not yet responded, to a folio in the name of "Unclaimed Suspense Account". The voting rights on such shares shall remain frozen till rightful owners claim the shares.

Listing on Stock Exchanges and Stock Codes

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

Sl. No.	Name of the Stock Exchanges	Address	Scrip Name, Scrip Code & Scrip ID
1	Bangalore Stock Exchange Limited [Regional Exchange]	No. 51, Stock Exchange Towers, 1 st Cross, J C Road, Bangalore 560 027	UNITEDBRED
2	The BSE Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	United Brewr / 507458/ UBHOLDING
3	National Stock Exchange of India Limited	Bandra Kurla Complex, Bandra East, Mumbai 400 051	UBHOLDINGS

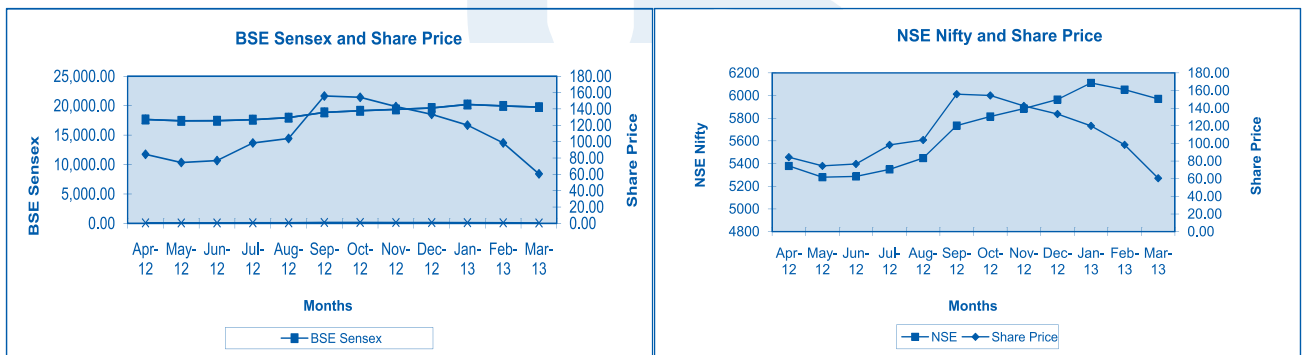
The Listing Fees for the year 2013-2014 has been paid to all the above Stock Exchanges.

Market Price Data

The details of market price of the shares of the Company at the BSE Limited and National Stock Exchange of India Limited during the period from April 1, 2012 to March 31, 2013 are provided in the table hereunder.

Months	BSE			NSE		
	High	Low	Volume	High	Low	Volume
	₹	₹		₹	₹	
April, 2012	84.5	66.20	25883	84.40	66.15	4950707
May, 2012	74.45	55.20	8264	74.50	55.00	1631976
June, 2012	76.80	53.65	32907	76.70	53.50	7130518
July, 2012	98.35	64.00	124175	98.30	64.10	34000996
August, 2012	103.85	82.00	243970	103.90	81.75	66789021
September, 2012	155.85	85.90	279160	155.90	85.70	75280499
October, 2012	154.25	108.10	350817	154.40	107.55	95313476
November, 2012	142.85	109.15	160823	142.55	109.10	49068691
December, 2012	133.40	115.45	69263	133.40	115.10	19512487
January, 2013	120.15	81.60	74105	119.90	81.30	15702175
February, 2013	98.40	49.35	69450	98.40	49.45	15281154
March, 2013	60.50	36.20	27175	60.50	36.30	8304292

The stock performance in comparison to BSE Sensex and NSE Nifty are provided in the chart below.



Registrars and Share Transfer Agents

All matters pertaining to Share Transfers / Transmissions are being handled by Integrated Enterprises (India) Limited. Share Transfer requests are processed by them and a Memorandum of Transfer along with relevant documents sent to the Company for approval by the Shareholders' /Investors' Grievance Committee.

Time taken for processing Share Transfer requests including dispatch of Share Certificates is 21 days, while it takes a minimum of 10-12 days for processing dematerialisation requests. The Company regularly monitors and supervises the functioning of the system so as to ensure that there are no delays or lapses in the system.

Share Transfer System

The power of approving transfers up to 5000 shares has been delegated to the Company Secretary and two Directors. Transfers are approved every fortnight. Share transfers above 5000 shares are approved by the Board of Directors.

Dematerialization of shares and liquidity

United Breweries [Holdings] Limited shares are tradable compulsorily in electronic form and through Integrated Enterprises (India) Limited, Registrars and Share Transfer Agents. The Company has established connectivity with both the depositories i.e., National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The International Securities Identification Number [ISIN] allotted to the Company's Shares under the Depository System is INE696A01025.

Percentage of Shares held in Physical & Electronic form as on March 31, 2013

Sl. No.	Particulars	No. of Share Holders	No. of Shares	%
1	Demat Mode			
	NSDL	28570	52696114	78.87
	CDSL	12147	12464336	18.65
	Total	40717	65160450	97.52
2	Physical Mode	15748	1658071	2.48
	Grand Total	56465	66818521	100.00

ECS (Electronic Clearing Service) / Mandates / Bank Details

Members may please note that ECS details contained in the BENPOS downloaded from the Depositories would be reckoned for payment of dividend. In order to avoid fraudulent encashment of dividend, please register either ECS mandate or Bank details for payment of dividend.

Distribution of Shareholding as on March 31, 2013

Category	Number of Shareholders	%	Number of Shares	%
Up to 5,000	55844	98.90	12861187	19.25
5,001 - 10,000	308	0.55	2272886	3.40
10,001 - 20,000	147	0.26	2080619	3.11
20,001 - 30,000	51	0.09	1243026	1.86
30,001 - 40,000	22	0.04	787534	1.18
40,001 - 50,000	17	0.03	772929	1.16
50,001 - 1,00,000	32	0.06	2204312	3.30
1,00,001 and above	44	0.08	44596028	66.74
Total	56465	100.00	66818521	100.00

Total Foreign Share Holding as on March 31, 2013 is 2,03,32,422 Equity Shares i.e. 30.43% [FDI comprising of 2,02,27,071 Equity Shares representing 30.28%] of total paid up Capital.

Outstanding Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) / Warrants or Convertible Bonds

- Not Applicable -

Shareholding Pattern as on March 31, 2013

Categories of Shareholding	%
Indian Promoters	
Dr. Vijay Mallya and his relatives	7.91
Kamsco Industries Private Limited	3.62
Mallya Private Limited	3.62
The Gem Investment and Trading Company Private Limited	0.37
Pharma Trading Company Private Limited	0.63
Vittal Investments Private Limited	0.15
Devi Investments Private Limited	0.69
McDowell Holdings Limited	7.87
Ganapathy Mallya Investments Private Limited	-
Rossi & Associates Private Limited	-
VJM Investments Private Limited	-
Foreign Promoters	
Watson Limited	21.19
FirStart Inc	4.22
Total Promoters' Holdings	50.27
Foreign Institutional Investors	
Mutual Funds /UTI	2.94
Financial Institutions / Banks	0.39
Insurance Companies	1.17
Other Bodies Corporate	13.73
Individuals holding up to ` 1 lakh in nominal capital	19.67
Individuals holding more than ` 1 lakh in nominal capital	5.14
Others	1.67
NRIs	0.71
Total Non-Promoter's Holdings	49.73
Grand Total	100.00

Plant Location

The Company has no plants.

Address for Correspondence

For any assistance regarding Share Transfers, Transmissions, Duplicate / misplaced Share Certificates, change of address, non- receipt of dividends, and other relevant matters, shareholders may write to:

Address for correspondence with Registrars and Share Transfer Agents	Integrated Enterprises (India) Limited 30, Ramana Residency, 4 th Cross, Sampige Road, Malleswaram, Bangalore – 560 003 Tel.No. : 080 – 23460815 – 18 Fax No. : 080 – 23460819
Contact Persons	Mr. S Vijayagopal / Mr. S Giridhar / Mr. Ramesh Chandra
e-mail address	vijayagopal@integratedindia.in; giri@integratedindia.in; ramesh@integratedindia.in
Address for correspondence with the Company	The Company Secretary United Breweries (Holdings) Limited "UB Tower", Level 12, UB City No. 24, Vittal Mallya Road, Bangalore 560 001. Tel. No.: 080 - 3985 6079 / 3985 6097 / 3985 6094 Fax No.: 080 – 2227 4890
Address for correspondence for shareholders holding shares in dematerialised form	Shareholders holding shares in dematerialized form should address all their correspondence (including change of address, nominations, ECS mandates, bank details to be incorporated on dividend warrants, powers of attorney, etc.) to their Depository Participant.

10. NON MANDATORY REQUIREMENTS

Chairman of the Board

The Chairman's Office is maintained by the Company.

Remuneration Committee

The Company has in place a Remuneration Committee.

Shareholders Rights

The Company's half yearly results are published in English and Kannada newspapers. Hence the same are not sent to the shareholders.

Training of Board Members

Having regard to the seniority and expertise in their respective areas of specialization, their training is not considered necessary for the time being.

Mechanism for evaluating non-executive Board Members

The Board of Directors may consider adopting such a requirement in the future.

Whistle Blower Policy

The Board may consider adopting a separate mechanism for Whistle Blower Policy in future.

Report on Corporate Governance (contd.)

CEO/ CFO Certificate

In terms of the requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, the certificates from CEO/ CFO have been obtained.

On behalf of the Board of Directors

Mumbai
May 30, 2013

A Harish Bhat
Managing Director

Annexure

Compliance with Code of Business Conduct and Ethics

In terms of the requirement of Clause 49 of the Listing Agreement, the Board Members and Senior Management Personnel of the Company have confirmed compliance with the Code of Business Conduct and Ethics for the financial year ended March 31, 2013.

Mumbai
May 30, 2013

A Harish Bhat
Managing Director

CERTIFICATE

To the Members of
United Breweries (Holdings) Limited

We have examined the compliance of conditions of Corporate Governance by United Breweries [Holdings] Limited ("the Company"), for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors and the management of the Company, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month as on March 31, 2013 against the Company as per the records maintained by the Shareholders' / Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Vishnu Ram & Co
Chartered Accountants
Firm Registration No. 0047425

Mumbai
May 30, 2013

S Vishnumurthy
Proprietor
Membership No. : 22715

To

The members of

UNITED BREWERIES (HOLDINGS) LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of UNITED BREWERIES (HOLDINGS) LIMITED ('the Company') which comprise the Balance Sheet as at 31st March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Basis for qualified opinion

- a. *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.*
- b. *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).*
- c. *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).*

Independent Auditors' Report (contd.)

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

6. Emphasis of Matter

Attention is invited to the following;

- a. note 40 (a) to financial statements dealing with sale of pledged investments by lenders of Kingfisher Airlines Limited.
- b. note 40 (b) to financial statements dealing with invocation of corporate guarantee by lenders of Kingfisher Airlines Limited.

7. Report on Other Legal and Regulatory Requirements

- i. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- ii. As required by section 227(3) of the Act, we report that:
 - a. 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;
 - b. 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;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Vishnu Ram & Co.,
Chartered Accountants,
Firm Registration No. 004742S

(S. Vishnumurthy)
Proprietor.
Membership No.22715

Place: Mumbai
Date : 30-05-2013

Referred to in paragraph 7(i) of our report of even date

Re: United Breweries (Holdings) Limited

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) Most of the assets have been physically verified by the management during the year. Some of the assets have not been verified. However, there is a regular programme of physical verification whereunder, every asset gets verified atleast once every three years. In our opinion, such verification is reasonable having regard to the size of the company and the nature of its assets. Discrepancies noticed on verification during the year have been properly dealt with in the books of account.
- (c) During the year, the company has not disposed off any substantial part of its fixed assets.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of such verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of its inventory. The discrepancies noticed on physical verification of inventory have been properly dealt with in the books of account.
- (iii) (a) *According to the information and explanations given to us, the company has granted unsecured loans to parties covered in the register maintained under section 301 of the Companies Act, 1956. Maximum amount involved during the year is Rs. 2,258.938 million. The amount of such loans outstanding as at 31-3-2013 is Rs. 3,575.680 million. The company has discontinued charging interest on such loans. Repayment schedules are yet to be fixed for the loans granted during the year.*
- (b) According to the information and explanations given to us, the company has taken unsecured loans from parties covered in the register maintained under section 301 of the Companies Act, 1956. Maximum amount involved during the year is Rs. 4,966.133 million. The amount of loans outstanding as at 31-3-2013 is Rs. 6,967.412 million. In our opinion, the rate of interest and other terms and conditions of loans taken by the company are prima facie not prejudicial to the interest of the company. The repayments of the dues are in accordance with terms and conditions stipulated.
- (iv) In our opinion and according to the information and explanations given to us, there exists in the company an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system of the company.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of 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 section 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or Reserve Bank of India or any Court or any other Tribunal in relation to the deposits accepted by the company.
- (vii) In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us the provisions of section 209(1) (d) of the Companies Act, 1956 with regard to maintenance of cost records are not applicable to the company.

Annexure to the Independent Auditors' Report (contd.)

- (ix) (a) In our opinion and according to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including dues in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax and other material statutory dues *except service tax amounting to Rs. 21.388 million and custom duty of Rs. 0.700 million both of which are outstanding for more than six months.*
- (b) According to the information and explanations given to us, following is the list of dues on account of taxes, which have not been deposited on account of disputes.

Name of the Statute	Nature of dues	Disputed amount (₹ in million)	Forum where dispute is pending.
Income Tax Act, 1961	Income tax for the A.Y. 1997-98.	31.998	Supreme Court
Income Tax Act, 1961	Interest for A.Y 2001-02	1.929	High Court of Karnataka
Income Tax Act, 1961	Income tax for the A.Y. 2007-08.	111.790	CIT (Appeals)
Income Tax Act, 1961	Income tax for the A.Y. 2008-09.	171.040	CIT (Appeals)
Income Tax Act, 1961	Income tax for the A.Y. 2009-10.	68.990	CIT (Appeals)
Income Tax Act, 1961	Income tax for the A.Y. 2010-11.	723.480	CIT (Appeals)
Foreign Trade (Development & Regulation) Act, 1992	Penalty	5.000	High Court of Judicature, Madras

- (x) The company does not have any accumulated losses. *The company has incurred cash losses during the financial year covered by our audit.* The company has not incurred cash losses during the immediately preceding financial year.
- (xi) *Based on our audit procedures and as per the information and explanations given to us, the company has defaulted in repayment of dues to a financial institution and banks. The unpaid overdue interest to banks and financial institutions as at March 31, 2013 were Rs. 75.470 million. Out of that Rs. 27.036 million has been paid in April 2013.* The company has not issued any debentures.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiii) In our opinion and according to the information and explanations given to us, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures or other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, during the year, the company has not given any guarantees in favour of banks and financial institutions for loans taken by others.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans raised during the year have been applied for the purposes for which they were raised.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that *amount of Rs. 13,227.606 million raised on short-term basis have been used for granting long-term loans and advances.*
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to any parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xix) According to the information and explanations given to us, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

Annexure to the Independent Auditors' Report (contd.)



- (xx) According to the information and explanations given to us, the company has not raised any money during the year by public issue. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Vishnu Ram & Co.,
Chartered Accountants,
Firm Registration No. 004742S

(S. Vishnumurthy)
Proprietor.
Membership No.22715

Place: Mumbai
Date: 30-05-2013



Balance Sheet as at March 31, 2013

₹ in million

	Note No.	As at March 31, 2013	As at March 31, 2012
Equity and Liabilities			
Shareholders' funds			
Share capital	2	668.185	668.185
Reserves and surplus	3	13,490.326	15,161.256
Non-current liabilities			
Long term borrowings	4	15,871.908	17,258.360
Other long term liabilities	5	3,925.920	3,695.529
Long term provisions	6	68.990	71.261
Current liabilities			
Short term borrowings	7	13,158.366	3,958.005
Trade payables	8	466.530	300.431
Other current liabilities	9	15,028.086	4,979.812
Short term provisions	10	1,006.435	1,006.966
		63,684.746	47,099.805
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	1,945.359	2,041.948
Capital work in progress		1,140.341	1,033.068
Non-current investments	12	16,186.320	16,464.497
Long term loans and advances	13	40,214.000	22,583.267
Other non-current assets	14	64.484	68.852
Current assets			
Current investments	15	26.512	26.512
Inventories	16	261.524	255.817
Trade receivables	17	241.083	303.549
Cash and cash equivalents	18	1,275.812	408.364
Short term loans and advances	19	2,204.461	1,407.794
Other current assets	20	124.850	2,506.137
		63,684.746	47,099.805
Significant Accounting Policies and other notes	1		

The accompanying notes are an integral part of the accounts.

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

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S.Vishnumurthy
Proprietor
Membership No. 22715

Statement of Profit and Loss for the year ended March 31, 2013



₹ in million

	Note No.	For the year ended	
		March 31, 2013	March 31, 2012
Revenues			
Revenue from operations	21	5,335.866	5,020.475
Other incomes	22	1,103.082	1,610.393
		6,438.948	6,630.868
Expenses			
Purchase of traded goods		2,200.092	1,922.262
Cost of packing materials consumed	23	214.824	220.507
Change in inventories	24	14.193	(155.420)
Employee benefit expenses	25	201.295	233.857
Finance costs	26	4,573.180	3,516.672
Depreciation	11	92.145	102.328
Other expenses	27	812.789	707.675
		8,108.518	6,547.881
Profit/(Loss) before taxation		(1,669.570)	82.987
Tax Expense:			
Current tax		-	6.043
Earlier year		-	0.456
Profit/(Loss) for the year		(1,669.570)	76.488
Basic / Diluted Earnings Per Share (Face value of ₹10 each)		(24.99)	1.14
Significant Accounting Policies and other notes	1		

The accompanying notes are an integral part of the accounts.

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

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S.Vishnumurthy
Proprietor
Membership No. 22715

Mumbai
May 30, 2013

Kaushik Majumder
Company Secretary

Cash Flow Statement for the year ended March 31, 2013

₹ in million

	For the year ended March 31, 2013		For the year ended March 31, 2012	
A. Cash Flow from Operating Activities				
Net profit/(loss) before taxes		(1,669.570)		82.987
Adjustments for :				
Depreciation	92.145		102.328	
Dividend income	(115.003)		(112.735)	
Profit on sale of investments (other than short term investments)	(863.025)		(163.663)	
Profit on sale of old assets	-		(0.378)	
Property development	(27.860)		(500.959)	
Interest and finance charges	4,573.180		3,516.672	
Interest income	(1,067.762)		(1,309.155)	
Liabilities no longer required written back	(2.220)		(36.323)	
Unrealised exchange fluctuation (gain) / loss	32.806		(274.419)	
Loss on asset discarded / written off	10.439		0.022	
		2,632.700		1,221.390
Operating profit before working capital changes		963.130		1,304.377
Adjustments for :-				
(Increase)/decrease in trade and other receivables	(576.094)		65.390	
Increase in inventories	(5.707)		(181.166)	
Increase in trade payable / other liabilities	260.271		276.050	
		(321.530)		160.274
Cash from operations		641.600		1,464.651
Direct taxes paid		(175.121)		(200.768)
Net cash from operating activities		466.479		1,263.883
B. Cash Flow from Investing Activities				
Purchase of fixed assets (including changes in capital work in progress)	(117.920)		(172.200)	
Sale of assets	338.438		1,349.153	
Loans and advances (net)	(16,540.276)		(1,745.209)	
Purchase of investments (other than short term investments)	(69.888)		-	
Sale of investments (other than short term investments)	3,615.448		172.605	
Dividend income	115.003		112.735	
Increase in fixed deposits with bank	(52.913)		(61.509)	
Net cash used in investing activities		(12,712.108)		(344.425)

Cash Flow Statement for the year ended March 31, 2013 (contd.)



₹ in million

	For the year ended March 31, 2013		For the year ended March 31, 2012	
C: Cash Flow from Financing Activities				
Interest and finance charges	(3,821.158)		(3,096.779)	
Interest received	17.885		23.883	
Dividend and dividend distribution tax paid	-		(77.918)	
Increase/(decrease) in short term borrowings	13,380.395		(1,254.691)	
Increase in bank borrowings	2,239.381		897.543	
Increase long term borrowings	1,243.662		1,760.906	
Net cash (used in) / generated from financing activities		13,060.164		(1,747.056)
Net increase / (decrease) in cash and cash equivalents		814.535		(827.598)
Cash and cash equivalents at the beginning of the year		355.458		1,183.056
Closing balance of cash and cash equivalents		1,169.993		355.458
Cash and Cash equivalents comprises of:				
Cash in hand (including foreign currencies)		0.323		0.238
Balance with banks in current accounts		1,143.158		328.708
Current investments		26.512		26.512
		1,169.993		355.458
Reconciliation of cash and cash equivalents as per Balance Sheet and Cash Flow Statement				
Cash and cash equivalents as per Balance Sheet		1,275.812		408.364
Less: Deposits maturing beyond 3 months		132.331		79.418
Add: Current investments		26.512		26.512
		1,169.993		355.458

Notes to the Cash Flow Statement

- Short term investments represents amounts invested in mutual funds which are readily convertible into cash.
- Balances with banks include ₹ 3.239 million being balances in unpaid dividend account which cannot be used by the Company except for payment of unpaid dividend / transfer to Investor Education and Protection Fund.

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

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S.Vishnumurthy
Proprietor
Membership No. 22715

Mumbai
May 30, 2013

Kaushik Majumder
Company Secretary

Notes to the Financial Statements

CORPORATE INFORMATION:

United Breweries (Holdings) Limited (UBHL), headquartered in UB City, Bangalore is the holding company of the UB Group of Companies. It holds investments in the Groups' alcoholic beverages business through United Spirits Limited and United Breweries Limited. UBHL also holds investments in Mangalore Chemicals & Fertilizers Limited, Kingfisher Airlines Limited and UB Engineering Limited. In addition to financing Group Companies by way of capital and loans and advances, it also exports alcoholic beverages, leather goods, garments and processed foods.

1. ACCOUNTING POLICIES

i. Basis of preparation of financial statements:

The financial statements of the Company have been prepared, unless otherwise stated, under historical cost convention, having due regard to the fundamental accounting assumptions of going concern, consistency, accrual and in compliance with the mandatory Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006.

ii. Use of estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

iii. Revenue recognition:

Revenues are generally recognized on accrual basis except where there is an uncertainty of ultimate realization.

- a. Sales are recognized when the properties in goods are transferred for a price and their collection is expected within the agreed time.
- b. Lease incomes from non-cancellable operating leases are recognized in the Statement of Profit and Loss, on straight line basis, over the lease term. In respect of other operating leases, lease income is recognized in accordance with the terms of the lease deeds as modified based on negotiations from time to time.
- c. Interest is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- d. Dividends and royalty income are accounted for, when the right to receive the payment is established.

iv. Valuation of Inventories:

Inventories are valued at lower of weighted average cost and net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition

v. Fixed Assets:

Fixed assets are stated at cost less depreciation, wherever applicable. The land in Bangalore is stated at the revalued amount as adjusted in accordance with the revaluation done in August 2001 at the market value determined by approved valuers. All costs relating to the acquisition and installation of fixed assets are capitalised and such costs include borrowing cost relating to borrowed funds attributable to the acquisition of qualifying assets for the period upto the date of acquisition / installation.

vi. Borrowing Cost:

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

vii. Depreciation:

Depreciation is provided under written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

viii. Effects of changes in Foreign Exchange rates :

- a. Transactions in foreign currencies are translated applying the following exchange rates:

In respect of export transactions, at the average exchange rate prevailing in the month preceding month in which the transaction takes place.

In respect of all other transactions at the rate of exchange prevailing on the date of transaction.

- b. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognized in Statement of Profit and Loss except exchange differences arising on reporting of long term foreign currency monetary items which are accumulated in a Foreign Currency Monetary Item Translation Difference Account and amortised over the balance period of such long term asset/liability but not beyond March 31, 2020.
- c. Non monetary items are carried at historical cost denominated in foreign currency and these are translated using the exchange rate prevailing on the date of transaction.

ix. Accounting for Export benefits :

Export benefits available to the company are considered for inclusion in the accounts where there is reasonable assurance that the Company will comply with the conditions attached to them and where such benefits have been earned by the Company and it is reasonably certain that the ultimate collection will be made. Export benefits of revenue nature are recognised in the Statement of Profit and Loss.

x. Investments :

- i) Current investments refer to the investments that are readily realizable and intended to be held for not more than a year.
- ii) Trade investments refer to the investments made with the aim of enhancing the group's business interest.
- iii) Long term investments are stated at cost. All expenses relating to acquisition of investments are capitalized. Diminution in the value of investments, if considered permanent, is provided for.
- iv) Current investments are stated at lower of cost and fair value on the Balance Sheet date.

xi. Employee Benefits:

- a) **Defined-contribution plans :**

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employees' Provident Fund, Superannuation Fund, Employees' Pension Scheme and certain state plans like Employees' State Insurance. The Company's payments to the defined contribution plans are recognized as expenses during the period in which the employees perform the services that the payment covers.

- b) **Defined-benefit plans:**

Gratuity: The Company provides for gratuity, a defined benefit plan (Gratuity Plan), to certain categories of employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method, and carried out by an independent actuary, at the Balance Sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Statement of Profit and Loss as income or expense.

- c) **Other long term employee benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date based on actuarial valuation carried out at each Balance Sheet date.

Notes to the Financial Statements (contd.)

d) **Short term employee benefits:**

Undiscounted amount of short term employees benefits expected to be paid in exchange for the services rendered by the employees is recognized during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

xii. **Segment reporting:**

The operations of the Company are divided into alcoholic beverages, leather products, readymade garments, investments, guarantee services, property development and other activities. Accordingly, the primary segment reporting comprises the performance under these segments and the secondary segment reporting is based on geographical locations of customers.

xiii. **Related Party disclosures:**

Transactions between related parties are disclosed as per Accounting Standard 18- "Related Party Disclosures". Accordingly, disclosures regarding the name of the transacting related party, description of the relationship between the parties, nature of transactions and the amount outstanding as at the end of the accounting year, are made.

xiv. **Taxes on Income:**

Provision for income tax comprises of 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 recognized 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 recognized and carried forward to the extent that there is reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

xv. **Impairment of assets:**

The Company evaluates all its assets for assessing any impairment and accordingly recognises the impairment, wherever applicable, as provided in Accounting Standard 28- "Impairment of Assets".

xvi. **Provisions and Contingencies:**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an out flow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on Management estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current Management estimates.

xvii. **Earnings per share:**

Earnings per equity share (basic / diluted) is arrived at by dividing the Net Profit or Loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Notes to the Financial Statements (contd.)



₹ in million

2. Share capital

Authorised

	As at March 31, 2013	As at March 31, 2012
100,000,000 (2012: 100,000,000) Equity Shares of ₹ 10/- each	1,000.000	1,000.000
	1,000.000	1,000.000

Issued, Subscribed and Paid-up

66,818,521 (2012: 66,818,521) Equity Shares of ₹ 10/- each fully paid up.	668.185	668.185
	668.185	668.185

a. Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	2012-13		2011-12	
	No. of Shares	Amount	No. of Shares	Amount
As at the beginning of the year	66,818,521	668.185	66,818,521	668.185
Issued during the year	-	-	-	-
Outstanding at the end of the year	66,818,521	668.185	66,818,521	668.185

b. Terms and rights attached to equity shares

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting. The rights of shareholder is governed by the Articles of Association of the Company and the Companies Act, 1956.

c. Details of shareholders holding more than 5% shares in the Company

	31-03-2013		31-03-2012	
	Number of shares	% holding	Number of shares	% holding
Dr Vijay Mallya	5,284,978	7.91	5,284,978	7.91
McDowell Holdings Limited	5,260,002	7.87	5,260,002	7.87
Watson Limited	14,159,986	21.19	14,159,986	21.19
Platinum Investment Management Limited*	-	-	7,213,505	10.80

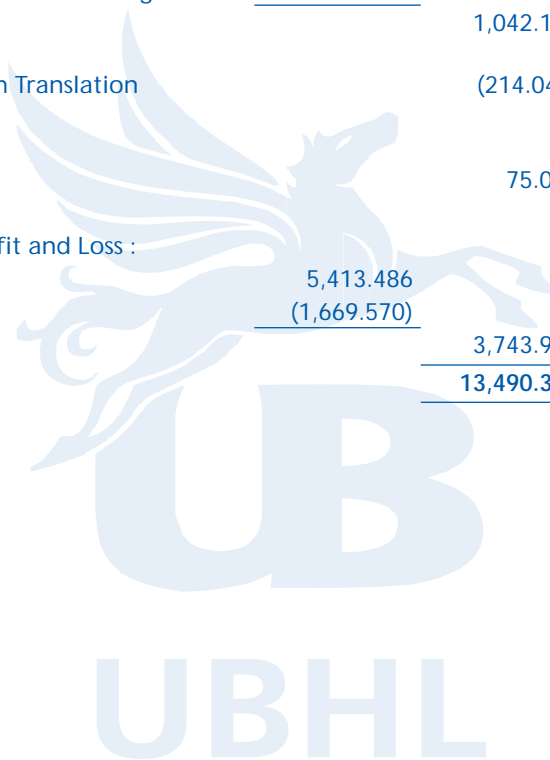
* holds less than 5% as an 31.03.2013

d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date is nil.

Notes to the Financial Statements (contd.)

₹ in million

	As at March 31, 2013	As at March 31, 2012
3. Reserves and surplus		
Capital reserve	511.365	511.365
Securities premium account	8,331.975	8,331.975
Fixed assets revaluation reserve :		
At the beginning of the year	1,044.484	1,090.511
Less: Adjustment on sale of land and building	<u>2.371</u>	<u>46.027</u>
	1,042.113	1,044.484
Foreign Currency Monetary Item Translation Difference Account	(214.043)	(215.054)
General reserve	75.000	75.000
Surplus as per Statement of Profit and Loss :		
At the beginning of the year	5,413.486	5,336.998
Add: Profit/(loss) for the year	<u>(1,669.570)</u>	<u>76.488</u>
	<u>3,743.916</u>	<u>5,413.486</u>
	<u>13,490.326</u>	<u>15,161.256</u>



Notes to the Financial Statements (contd.)



	₹ in million	
	As at	
	March 31, 2013	March 31, 2012
4 Long term borrowings		
Secured		
From banks	4,662.688	2,207.486
From others	17,950.106	15,949.711
Unsecured		
Fixed deposits	524.675	850.793
From bank	-	500.000
From group companies	270.000	450.000
From others	895.652	895.652
	24,303.121	20,853.642
Less: Current maturities		
Secured		
From banks	151.416	62.616
From others	7,653.636	2,468.116
Unsecured		
Fixed deposits	361.161	564.550
From bank	-	500.00
From group companies	250.000	-
From others	15.000	-
	8,431.213	3,595.282
	15,871.908	17,258.360

a. Nature of security and terms of repayment for secured borrowings

Nature of security	Terms of repayment
(1) Vehicle loan from HDFC Bank amounting to ₹ 6.497 million (Pr. year ₹ 8.201 million) is secured by hypothecation of vehicle.	Repayable in 60 equated monthly instalments from the date of loan (May 2011) along with interest of 10.25% p.a. Last instalment due in April 2016.
(2) Loan from The Lakshmi Vilas Bank Limited amounting to ₹ 224.220 million (Pr. year ₹ 289.789 million) is secured by assignment of future receivables for use of Pegasus logo by group companies.	Repayable in 84 equated monthly instalments from the date of loan (February 2009) along with interest at the rate of BPLR + 0.75% (presently @ 18% p.a.) Last instalment due in December 2016.
(3) Loan from Yes Bank Limited amounting to ₹ 1,424.496 million (Pr year ₹ 1,424.496 million) is secured by subservient charge on all current assets and movable fixed assets of the company, both present and future, deposit in debt service reserve account equal to the total amount of scheduled interest payment due for one month and pledge of 1,310,472 shares in United Spirits Limited held by the company, 6,300,000 shares in United Breweries Limited held by an associate company and 322,600 shares in United Spirits Limited held by a subsidiary company besides corporate guaranteed by an associate company. These are also extended to other credit facilities to Company from bank.	Repayment of ₹ 91.100 million on March 31, 2014 and repayment of ₹ 166.67 million every 3 months there after till March 30, 2016. Interest @ 3.50% above the Yes Bank Base rate prevailing from time to time (presently 14.00% p.a.). Overdue interest of ₹ 16.938 million is since paid.

Nature of security	Terms of repayment
(4) Loan from Yes Bank Limited amounting to ₹ 810.675 million (Pr year ₹ 485 million) (for securities refer point no. 3 above).	Moratorium of 24 months followed by 12 equal quarterly instalments from the date of each respective disbursement i.e. March 31, 2012. Interest @ 3.50% above the Yes Bank Base rate prevailing from time to time (presently 14.00% p.a.). Overdue interest of ₹ 8.533 million is since paid.
(5) Loan from Yes Bank Limited amounting to ₹ 2,196.800 million (Pr year ₹ nil) (for securities refer point no. 3 above)	Moratorium of 24 months followed by 12 equal quarterly instalments from the date of each respective disbursement i.e. March 30, 2013. Interest @ 2.50% above the Yes Bank Base rate prevailing from time to time (presently 13.00% p.a.). Overdue interest of ₹ 1.565 million is since paid.
(6) Loan from Capital First Limited (formerly Future Capital Holdings Limited) amounting to ₹ 950 million (Pr Year ₹ 950 million) is secured by the pledge of 1,279,688 shares in United Spirits Limited held by the company and 1,171,312 shares in United Spirits Limited held by a subsidiary company.	Repayment of ₹ 450 million in March 2013 and ₹ 500 million in June 2013. Rate of interest @ 15.5% p.a.
(7) Loan from L&T Finance Limited amounting to ₹ 12.792 million (Pr. year ₹ 23.909 million) is secured by the fixed assets for which the loan was taken.	Repayable in monthly instalments. Last instalment due in March 2014. Rate of interest @ 14.01% p.a.
(8) Loan from ECL Finance Limited amounting to ₹ 1,560.882 million (Pr. year ₹ 1,000.000 million) is secured by the pledge of 3,240,000 shares in United Spirits Limited held by the company. The security also extend to borrowings from Edelweiss Finance and Investments Limited.	Repayable on the last day of 18th month period commencing from 1st drawdown date i.e October 2012. Rate of interest @18.75% p.a.
(9) Loan from Edelweiss Finance and Investment Limited amounting to ₹ 384.697 million (Pr year ₹ nil) (for security details refer point no. 8 above)	Repayable on the last day of 18th month period commencing from 1st drawdown date i.e October 2012. Rate of interest @18.75% p.a. Overdue interest of ₹ 0.056 is since paid.
(10) Loan from Religare Finvest Limited amounting to ₹ 970 million (Pr year ₹ 970 million) is secured by the pledge of 1,951,183 shares in United Spirits Limited held by the company	Repayable in October 2012. Rate of interest @ 18.51% p.a. Overdue principal of ₹ 970 million is pending for repayment.
(11) Loan from IFCI Limited amounting to ₹ 2,500 million (Pr year ₹ 2,500 million) is secured by the pledge of 402,550 shares in United Spirits Limited and 7,673,422 shares in United Breweries Limited held by the company and 1,467,523 shares in United Spirits Limited held by a subsidiary company. These securities also extend to borrowings of a subsidiary company.	Repayable in 4 equal instalments of ₹ 625 million on April 15, 2013, July 15, 2013, October 15, 2013 and January 15, 2014. Rate of interest @ 16.5% p.a. Overdue interest of ₹ 33.781 million is pending for payment.
(12) Loan from IL & FS Financial Services Limited of ₹ 1,400 million (Pr year ₹ 1,400 million) is secured by the pledge of 1,619,000 shares in United Spirits Limited held by the company and 465,647 shares in United Spirits Limited held by a subsidiary company.	Repayment of ₹ 1,000 million in Nov 2015 and ₹ 400 million in March 2015. Rate of interest @ 15.75% p.a. overdue interest of ₹ 39.744 million is pending for payment.

Nature of security	Terms of repayment
<p>(13) Loan from SICOM Limited amounting to ₹ 1,010 million (Pr year ₹ 540 million) is secured by pledge of 2,333,500 shares in United Spirits Limited, 400,000 shares in Kingfisher Airlines Limited, 9,000,000 shares in Mangalore Chemicals and Fertilizers Limited and 6,269,728 shares in UB Engineering Limited held by the company and 85,000 shares in United Spirits Limited, 20,800,000 shares in Kingfisher Airlines Limited held by a subsidiary company. These securities also extends to borrowings of a subsidiary company.</p>	<p>Repayment of ₹ 100 million in June 2013 and ₹ 440 million in May 2013. Interest at the rate of 15.75% p.a. on ₹ 100 million and 16.50% p.a. on ₹ 440 million. Overdue interest of ₹ 7.837 million is pending for payment.</p> <p>Repayment of ₹ 470 million in April 2014. Interest at the rate of 15.75% p.a. on ₹ 470 million. Overdue interest of ₹ 6.489 million is pending for payment.</p>
<p>(14) Loans from HDFC Limited (including foreign currency denominated loan of USD) amounting to ₹ 9,161.741 million (Pr year ₹ 8,565.802 million) are secured by the pledge of 1,585,154 shares in United Spirits Limited, 317,030 shares in McDowell Holdings Limited held by the company, mortgage by deposit of title deed of the company's land in Bangalore, the superstructure thereon and assignment of the rent receivable from the property let out, securitisation of future sale proceeds from the luxury residential building "Kingfisher Towers - Residences in UB City", pledge of 5,000,000 shares in United Spirits Limited and 35,222,231 shares in Kingfisher Airlines Limited held by a subsidiary company.</p>	<p>Loan of ₹ 1,886.500 million repayable in 120 monthly instalments from February 2012. Loan of ₹ 613.500 million is repayable in 119 monthly instalments from February 2012. Loan of ₹ 1,000 million is repayable in instalment of ₹ 400 million in September 2013 and ₹ 600 million in March 2014. Loan of USD 103.640 million repayable in 12 quarterly instalments commencing from April 2013.</p>
b. Terms of repayment for Unsecured borrowings	
(1) Loan from group companies	
a) Amounting to ₹ 250 million	Repayable in November 2013. Rate of interest @ 15.5% p.a.
b) Amounting to ₹ 20 million	Repayable in October 2014. Rate of interest @ 12% p.a.
(2) Loan from others	
a) Amounting to ₹ 15 million	Repayable in December 2013. Rate of interest @ 12%
b) Amounting to ₹ 880.652 million	Amount realised over and above ₹ 20,000 per sft from sale of owner units in KF Tower. Rate of interest @ 12%.
(3) Public deposits	
	Repayable within 1 to 3 years from the date of deposit and not on demand or notice except at the sole discretion of the company. Rate of interest is 11- 11.5%

5. Other long term liabilities

Trademark licence security deposits	2,365.000	2,425.000
Lease security deposits	354.950	350.617
Interest accrued but not due	3.248	25.487
Refundable deposit	67.500	67.500
Instalments from allottees for residential units	1,135.222	826.925
	3,925.920	3,695.529

6. Long term provisions

For legal cases	37.428	37.428
Leave encashment	31.562	33.833
	68.990	71.261

As at	
March 31, 2013	March 31, 2012
2,365.000	2,425.000
354.950	350.617
3.248	25.487
67.500	67.500
1,135.222	826.925
3,925.920	3,695.529

₹ in million

	As at	
	March 31, 2013	March 31, 2012
7. Short term borrowings		
Secured		
From Bank	1,442.025	-
Working Capital Loan / Cash Credit from Bank	192.680	1,261.726
From others	4,256.248	375.000
Unsecured		
From a Group company	6,717.413	1,971.279
Intercompany deposits	550.000	350.000
	13,158.366	3,958.005

a. Nature of security and terms of repayment for secured borrowings

Nature of security	Terms of repayment
1) Loan from ICICI Bank amounting to ₹ 1,442.025 million (Pr year ₹ Nil) is secured on second charge over the following securities/pledges provided to HDFC Limited. 1,585,154 shares in United Spirits Limited, 317,030 shares in McDowell Holdings Limited held by the company and mortgage by deposit of title deed of the company's land in Bangalore, the superstructure thereon, securitisation of future sale proceeds from the luxury residential building "Kingfisher Towers - Residences in UB City", pledge of 5,000,000 shares in United Spirits Limited held by a subsidiary company and 35,222,231 shares in Kingfisher Airlines Limited held by a subsidiary company.	Repayable in May 2013. Rate of interest shall be aggregate of base rate + margin (Presently 12% p.a.) Overdue interest of ₹ 14.653 million is pending for payment.
2) Working capital loan from HDFC Bank is secured by pledge of 662,103 shares in United Spirits Limited, 4,753,881 shares in Mangalore Chemicals and Fertilizers Limited held by the company, first charge on movable fixed assets i.e. plant and machinery, furniture and fixtures valued at ₹ 370 million.	Repayable on demand. Average rate of interest @ 13.5% p.a.
3) Loan from Citicorp Finance India Limited amounting to ₹ 2,000 million (Pr year ₹ Nil) is secured by pledge of 2,780,100 shares in United Breweries Limited held by the company.	Repayable in June 2013. Rate of interest @15.50% p.a.
4) Loan from HDFC Limited amounting to ₹ 750 million (Pr year ₹ Nil) (for security details, refer point no 14 under Note 4).	Repayable in October 2013. Rate of interest @13% p.a. Overdue interest of ₹ 23.579 million is since paid.
5) Loan from Motilal Oswal Finance Limited amounting to ₹ 400 million (Pr year ₹ Nil) is secured by pledge of 475,000 shares in United Spirits Limited held by the company.	Repayable in June 2013. Rate of interest @16.25% p.a.

Notes to the Financial Statements (contd.)



Nature of security	Terms of repayment
6) Loan from LKP Finance Limited amounting to ₹ 715.300 million (Pr year ₹ Nil) is secured by pledge of 122,000 shares in United Spirits Limited held by the company.	Repayable in June 2013 Rate of interest @ 18% p.a.
7) Loan from Narayan Sriram Investments Private Limited amounting to ₹ 50 million (Pr year ₹ Nil) is secured by pledge of 76,500 shares in United Spirits Limited held by the company.	Repayable in August 2013. Rate of interest @16.50% p.a.
8) Loan from SREI Infrastructure Financial Services Limited amounting to ₹ 340.948 million (Pr year ₹ Nil) is secured by pledge of 500,000 shares in United Spirits Limited held by the company.	Repayable in February 2014. Rate of interest @16% p.a. overdue interest of ₹ 4.170 million is since paid.

b. Terms of repayment for unsecured borrowings

1) Loan from a group company of ₹ 6,236.595 million	Repayable in June 2013 Rate of interest @17.5% p.a. on ₹ 460 million and balance @12% p.a.
2) Loan from a group company of ₹ 480.818 million	Repayable in June 2013 Rate of interest @18.25% p.a.
3) Intercompany deposits of ₹ 550 million	Rate of interest @ 18% p.a.

	₹ in million	
	As at March 31, 2013	March 31, 2012
8. Trade payables		
Trade creditors	466.530	300.431
	466.530	300.431
9. Other Current Liabilities		
Current maturities of long term borrowings	8,431.213	3,595.282
Interest accrued and but not due	837.750	419.856
Interest accrued and due	288.560	199.234
Statutory dues	92.050	113.206
Employee dues	0.729	0.864
Security deposit	0.100	0.100
Advertisement and sales promotion expenses payable	201.997	114.540
Advances received from customers	126.138	148.236
Claims payable	14.906	14.973
Other liabilities	4,895.004	313.881
Provision for expenses	123.134	43.140
Creditor for capital goods	13.043	12.727
Investor Education and Protection Fund:		
Unclaimed public deposits/interest	0.217	0.498
Unclaimed dividends	3.245	3.275
	15,028.086	4,979.812
10. Short-term provisions		
Income tax	1,005.988	1,005.988
Wealth tax	0.447	0.978
	1,006.435	1,006.966

11. TANGIBLE ASSETS (Refer note 31)

₹ in million

Description	COST / VALUATION			DEPRECIATION			Net Value of Assets as at 31.03.12
	As at 01.04.12	Additions during the year	Deletions during the year	As at 31.3.13	For the year	As at 31.3.13	
Land	1,091.137	-	2.414	1,088.723	-	-	1,091.137
Building	708.948	-	23.844	685.104	11.510	30.478	559.345
Plant & Machinery	405.664	5.541	0.044	411.161	0.038	33.470	243.797
Office Equipment	35.465	0.086	0.338	35.213	0.174	2.822	20.286
Furniture and Fixture	220.438	1.121	0.929	220.630	0.797	20.141	111.319
Computers	19.307	3.840	1.014	22.133	0.975	2.154	4.215
Vehicles	36.311	0.059	0.075	36.294	0.073	3.080	11.849
TOTAL	2,517.269	10.647	28.658	2,499.258	13.567	92.145	2,041.948
Capital work in progress							1,033.068
							1,140.341

Description	COST / VALUATION			DEPRECIATION			Net Value of Assets As on 31.03.11
	As on 01.04.11	Additions during the year	Deletions during the year	As on 31.3.12	For the year	As on 31.03.12	
Land	1,137.993	-	46.856	1,091.137	-	-	1,137.993
Building	733.605	24.947	49.604	708.948	9.921	30.444	604.524
Plant & machinery	390.024	15.640	-	405.664	-	37.907	266.065
Office equipment	34.355	1.192	0.082	35.465	0.009	3.410	22.576
Furniture and fixture	209.319	11.444	0.325	220.438	0.227	24.260	124.232
Computers	18.335	1.063	0.091	19.307	0.057	2.472	5.659
Vehicles	26.902	10.473	1.064	36.311	0.868	3.835	5.407
TOTAL	2,550.533	64.759	98.022	2,517.269	11.082	102.328	2,166.456
Capital work in progress							925.627
							1,033.068

Notes to the Financial Statements (contd.)



₹ in million

As at March 31, 2013

As at March 31, 2012

12. Non-current investments (Refer note 32 and 40)

Particulars	Number Of Shares	Face Value	Cost	Number Of Shares	Face Value	Cost
TRADE INVESTMENTS IN FULLY PAID EQUITY SHARES:						
QUOTED						
United Breweries Limited	30,295,911	₹ 1	1,165.238	30,295,911	₹ 1	1,165.238
Mangalore Chemicals & Fertilizers Limited	29,043,797	₹ 10	334.569	29,043,797	₹ 10	334.569
United Spirits Limited	23,020,320	₹ 10	676.575	23,577,490	₹ 10	692.950
McDowell Holdings Limited	3,599,887	₹ 10	120.357	4,392,691	₹ 10	146.038
UB Engineering Limited	6,345,554	₹ 10	424.928	6,345,554	₹ 10	424.928
Kingfisher Airlines Limited	194,633,555	₹ 10	9,082.940	199,598,555	₹ 10	9,315.321
			11,804.607			12,079.044
UN-QUOTED						
In Equity Shares						
In Subsidiary Companies						
Kingfisher Training & Aviation Services Ltd	33,216	₹ 10	0.332	33,216	₹ 10	0.332
UB Infrastructure Projects Limited	50,000	₹ 10	0.500	50,000	₹ 10	0.500
UB Electronic Instruments Limited	280,976	₹ 100	27.209	280,976	₹ 100	27.209
UB International Trading Limited	50,002	₹ 10	0.500	50,002	₹ 10	0.500
Kingfisher Finvest India Limited	50,000	₹ 10	0.500	50,000	₹ 10	0.500
Kingfisher Aviation Training Limited	3,000,000	₹ 10	30.000	3,000,000	₹ 10	30.000
City Properties Maintenance Company Bangalore Limited	50,000	₹ 10	0.500	50,000	₹ 10	0.500
UB Overseas Limited	50 USD	1	0.002	50 USD	1	0.002
UBHL (BVI) Limited	238,370 USD	1	10.040	238,370 USD	1	10.040
Rigby International Corp.	15,115,488 USD	1	660.238	15,115,488 USD	1	660.238
Rubic Technologies Inc.	5,500,000 USD	0.01	26.558	5,500,000 USD	0.01	26.558
			756.379			756.379
In Other Companies						
United Racing & Bloodstock Breeders Limited	40,045	₹ 10	0.400	40,045	₹ 10	0.400
WIE Engineering Limited	306,860	₹ 10	1.419	306,860	₹ 10	1.419
UB Pharma (Kenya) Limited	120,000	KS 100	7.616	120,000	KS 100	7.616
			9.435			9.435

Notes to the Financial Statements (contd.)

₹ in million

PARTICULARS	As at March 31, 2013			As at March 31, 2012		
	NUMBER OF SHARES	FACE VALUE	COST	NUMBER OF SHARES	FACE VALUE	COST
In Preference Shares						
In Subsidiary Companies						
UB Overseas Limited						
0.001% Unsecured Optionally Convertible Redeemable Preference shares	23,515,605	USD 1	1,151.893	25,115,605	USD 1	1,155.633
Kingfisher Finvest India Limited	10,000,000	₹ 1	2,500.000	10,000,000	₹ 1	2,500.000
			<u>3,651.893</u>			<u>3,655.633</u>
			<u>16,222.314</u>			<u>16,500.491</u>
Less : Provision for diminution in value of certain investments			35.994			35.994
			<u>16,186.320</u>			<u>16,464.497</u>
Aggregate amount of quoted investments			11,804.605			12,079.044
Aggregate amount of un quoted investments			4,381.715			4,385.453
Market value of quoted investments*			59,802.266			35,600.262

* Includes 16,716,987 shares of United Spirits Ltd valued at ₹ 1,440/- per share, since the Company has entered into a Share Purchase Agreement with Diageo plc to sell the share at a price of ₹ 1,440/- per equity share.

SHARES / MUTUAL FUNDS MOVEMENTS DURING THE YEAR			
A.	ADDITION DURING THE YEAR	No. of shares	COST
	In Mutual Funds	-	250.000
	UB Overseas Limited - 0.001% Unsecured Optionally Convertible Redeemable Preference shares	1,300,000	69.888
	Total Additions		319.888
B. SALES / REALISATION DURING THE YEAR			
	UB Overseas Limited - 0.001% Unsecured Optionally Convertible Redeemable Preference shares	1,600,000	73.627
	United Spirits Limited	357,170	16.375
	In Mutual Funds	-	250.000
	McDowell Holdings Limited	772,804	26.346
	Kingfisher Airlines Limited	4,985,000	231.717
	Total Sale / Realisation		598.065

Notes to the Financial Statements (contd.)



₹ in million

	As at March 31, 2013		As at March 31, 2012	
13. Long term loans and advances (Refer note 36,37 and 43)				
Loans and advances to others				
Considered good		17.367		21.063
Loans and Advances to subsidiaries				
Considered good	34,328.523		19,589.914	
Considered doubtful	20.000		20.000	
	34,348.523		19,609.914	
Less: Provision	20.000	34,328.523	20.000	19,589.914
Loans and Advances to Associates				
Considered good		5,868.110		2,971.865
Other receivables				
Considered good		-		0.425
		<u>40,214.000</u>		<u>22,583.267</u>
14. Other non-current assets				
Other deposits - considered good		64.484		68.852
		<u>64.484</u>		<u>68.852</u>
15. Current investments				
Mutual funds		26.512		26.512
		<u>26.512</u>		<u>26.512</u>
16. Inventories				
Raw materials		3.403		-
Packing materials, stores and spares		49.249		32.753
Finished goods including goods in transit		208.872		223.064
		<u>261.524</u>		<u>255.817</u>

Notes to the Financial Statements (contd.)

₹ in million

	As at March 31, 2013		As at March 31, 2012	
17. Trade receivables				
Unsecured				
Exceeding six months:				
Considered good	19.102		34.063	
Considered doubtful	2.538		4.758	
	<u>21.640</u>		<u>38.821</u>	
Less: Provision	2.538	19.102	4.758	34.063
Others: considered good		221.981		269.486
		<u>241.083</u>		<u>303.549</u>
18. Cash and cash equivalents				
Cash on hand		0.323		0.238
Balances with Banks:				
in Current accounts		1,139.919		325.395
in Unpaid dividend account		3.239		3.313
in Deposit account		132.331		79.418
		<u>1,275.812</u>		<u>408.364</u>
19. Short term loans and advances				
Advances to suppliers		840.909		189.774
Advance income tax		1,330.591		1,156.002
Prepaid expenses		0.287		4.585
Other receivables		32.674		57.433
		<u>2,204.461</u>		<u>1,407.794</u>
20. Other current assets				
Receivable on account of redemption of preference shares		-		2,404.357
Duty drawback receivable		124.850		101.780
		<u>124.850</u>		<u>2,506.137</u>

Notes to the Financial Statements (contd.)



₹ in million

	Year ended	
	March 31, 2013	March 31, 2012
21. Revenue from operations		
Sales	3,275.579	2,715.431
Property development	27.860	500.959
Dividends	115.003	112.735
Guarantee commission	73.672	543.568
Lease rent	474.468	461.976
Income from property maintenance	98.261	92.713
Licence fees	162.045	197.320
Management service fees	34.200	26.000
Profit on sale of investments	864.361	200.316
Duty drawback	210.417	169.457
	5,335.866	5,020.475
22. Other income		
Interest income	1,067.762	1,309.155
Profit on sale of old assets	-	0.378
Provisions/liabilities no longer required/payable written back	2.220	36.323
Exchange gain (net)	23.453	256.005
Miscellaneous income	9.647	8.532
	1,103.082	1,610.393
23. Cost of packing material consumed		
Packing materials consumed	214.824	220.507
	214.824	220.507
24. Changes in inventories of finished goods and work-in-progress		
Opening stock:		
Finished goods	223.064	67.644
	223.064	67.644
Closing stock:		
Finished goods	208.871	223.064
	208.871	223.064
(Increase)/ decrease in stocks	14.193	(155.420)



Notes to the Financial Statements (contd.)

₹ in million

	Year ended	
	March 31, 2013	March 31, 2012
25. Employee benefits expenses		
Salaries, wages and bonus	146.718	171.496
Contribution to provident and other funds	29.263	33.968
Workmen and staff welfare	25.314	28.393
	201.295	233.857
26. Finance costs		
Interest expense	4,285.079	3,324.422
Processing charges and bank charges	288.101	192.250
	4,573.180	3,516.672
27. Other expenses		
Rent including lease rent	30.649	27.903
Rates and taxes	21.940	24.194
Insurance premium	3.547	4.027
Communication expenses	8.319	9.910
Travel and conveyance	24.531	29.764
Electricity charges	1.234	3.285
Printing and stationery	2.490	3.441
Repairs & maintenance		
i) Buildings	12.637	14.038
ii) Machinery	3.339	2.871
iii) Others	0.256	0.913
Vehicle repairs and maintenance	5.784	6.463
Property maintenance expenses	75.774	72.775
Advertisement and sales promotion	177.225	132.519
Brokerage	5.459	23.265
Rebate and discount	0.093	8.467
Commission paid to selling agents	26.159	21.839
Freight charges	206.976	210.712
Miscellaneous expenses	18.867	14.211
Claims paid	0.206	3.552
Professional charges	85.262	61.781
Legal charges	66.548	12.233
Directors' sitting fees	1.070	1.274
Auditors' remuneration	2.865	2.815
Loss on assets discarded / written off	10.439	0.022
Other expenses	21.120	15.401
	812.789	707.675

28. UB City Luxury residential Project

The Company has executed a Joint Development Agreement with a Developer on 26th April, 2010 for development of a luxury residential building to be named as "Kingfisher Towers – Residences at UB City" in the available land in UB City. The development of above project (in which the Company is entitled to 55% share of super built up area) is under progress and is expected to be completed in 2015.

The Company has issued allotment letters in respect of seven residential units in Kingfisher Towers by collecting booking amounts of ₹ 1,135.222 million (Pr year ₹ 826.925 million)

29. Estimated amount of contracts remaining to be executed on capital account as at 31st March 2013 and not provided for is ₹ 2.190 million (net of advances) (Pr year ₹ 5.357 million).

30. Contingent liabilities:

	As at March 31, 2013	As at March 31, 2012
a) Guarantees given by the Company on behalf of subsidiaries to banks and financial institutions and others	1500.000	1500.000
b) Guarantees given by the Company on behalf of associates to banks and financial institutions and others (The enforceability of the Guarantees issued for Kingfisher Airlines Limited beneficiaries are being contested in appropriate Courts of law)	90,852.200	77,228.600
c) Demand raised by Income Tax authorities against which the Company has preferred appeals	948.793	234.210

Certain beneficiaries have invoked the corporate guarantees given by the company on behalf of Kingfisher Airlines Limited, an associate company. The total amount invoked and outstanding as on March 31, 2013 is ₹ 9,874.600 million (Pr year ₹ 8,357.700 million) and Kingfisher Airlines Limited is under negotiation with the beneficiaries. The Company continues to recognise these obligations as only 'contingent liabilities' in view of the legal advice obtained by the company.

31. Fixed Assets

- The Company's land in Bangalore was revalued in August 2001, based on an independent valuer's report. Accordingly, the value of the land was restated at ₹ 1,707 million, with a corresponding adjustment to the Fixed Assets Revaluation Reserve. The amounts shown in the Balance Sheet are after making adjustments for disposals.
- The Company owns certain valuable trademarks which are carried at NIL value. Some of these trademarks / logo have been licenced to Group companies.
- The Company's UB City property and the land, in which residential properties are being developed, are under charge in favour of HDFC Limited, for facilities granted to the Company. ICICI Bank has second charge in UB City properties for the loans granted by them.
- The Company's property in Goa is tenanted to an associate company and is also under charges in favour of a bank for facilities granted to another associate company. The lessee has obtained an injunction from court restraining the lender from taking any coercive action in enforcing the charge.

32. Investments:

- The Company has pledged 22,451,587 shares of United Spirits Limited, 14,961,610 shares of Mangalore Chemicals & Fertilizers Limited, 6,269,728 shares of UB Engineering Limited, 194,633,555 shares of Kingfisher Airlines Limited and 3,420,239 shares of McDowell Holdings Limited to secure the borrowings of the company along with the borrowings of subsidiary companies and an associate company.
- Investment as on March 31, 2013, includes 21,870,156 shares of Kingfisher Airlines Limited, 7,196 shares of McDowell Holdings Limited, 10,000,000 shares of Mangalore Chemicals & Fertilizers Limited and 2,446,352 shares of United Spirits Limited held in custody of lenders after they have invoked the pledge of these shares.

Notes to the Financial Statements (contd.)

- c) 21,870,156 shares of Kingfisher Airlines Limited, 215,000 shares of McDowell Holdings Limited, 10,000,000 shares of Mangalore Chemicals & Fertilizers Limited, 2,446,155 shares of United Spirits Limited held by the Company and pledged with banks for credit facilities extended to Kingfisher Airlines Limited have been sold by them, subsequent to Balance Sheet date.
- d) The Company's investment of ₹ 26.512 million with IDFC Mutual Fund is given as a lien to secure the borrowings of an associate company.
- e) The investment in subsidiaries (including step down subsidiaries) have been considered as long term strategic investments and diminution in their market value / net worth, though significant is considered temporary and hence no provision is considered necessary.
- f) The Preference Shares held in an overseas subsidiary, UB Overseas Limited are to be redeemed anytime at the option of the company or at the end of 10 years from the date of allotment of shares. The company also has the option for partial / full conversion of preference shares into equity shares of UB Overseas Limited, in the ratio one equity share for one preference share held, at face value of USD 1 each to be determined and issued by the issuer. During the year, the subsidiary has redeemed 1.600 million preference shares of USD 1 each.

33. Agreement to sell shares in United Spirits Limited

The Company and its wholly owned subsidiary Kingfisher Finvest India Limited have entered into a share purchase agreement on 9th November, 2012 with Relay B.V. and Diageo plc. for the sale of 16,716,987 equity shares of United Spirits Limited at a price of ₹ 1,440/- per equity share. All the requisite permissions, including the leave of Hon'ble High Court of Karnataka have been obtained and it is expected that the transaction of sale of shares will be consummated shortly.

34. Sale of pledged shares by lenders of Kingfisher Airlines Limited

Certain lenders of Kingfisher Airlines Limited (KFA) have disposed of the securities in the form of shares pledged with them. These actions on the part of the lenders are under challenge by the Company in legal proceedings, including Suit No. 311 of 2013 filed, inter alia, by the Company in the Hon'ble Bombay High Court. These proceedings are pending. Without prejudice to the rights and contentions of the Company in various pending legal proceedings the profits arising on such sale is included under "Profit on sale of investments". Although the sale proceeds have been appropriated by the lenders against KFA's dues, without prejudice to the right and contentions of the Company in the legal proceedings as well as the stance adopted by KFA against the purported recall of its loans by the lenders, pursuant to which the shares pledged by the Company were sold by the lenders, it is included under "Loans and advances" recoverable from KFA.

35. Confirmation of balances from certain sundry debtors and sundry creditors are awaited. Adjustment for differences, if any, arising out of confirmation and reconciliation thereof would be made in the current year. The Management is of the opinion that the effect of adjustments, if any, is not likely to be significant.

36. The Company, over the years has advanced significant amounts to subsidiaries including overseas subsidiaries aggregating to ₹ 1,709.556 million (Pr year ₹ 1,627.300 million) which have not yet been repaid. Even though there is erosion in the net worth of these subsidiaries, the Management is of the view that all the amounts are ultimately recoverable, taking into consideration their business plans and growth strategies

37. The Company has accrued interest of ₹ 1,046.459 million (Pr year ₹ 1,285.272 million) on loans to associate / subsidiaries, including overseas subsidiaries as per Loan Agreements signed with them. Considering the income stream of those companies, realisability of this interest could possibly take protracted period of time beyond those stipulated in the Loan Agreements.

38. Cash in hand includes foreign currency notes.

39. As required under Section 205C of the Companies Act, 1956, the Company has transferred ₹ 0.237 million (Pr year ₹ 0.132 million) to the Investor Education and Protection Fund (IEPF) during the year. As on March 31, 2013, no amount was due to be transferred to the IEPF.

40. Events occurring after the date of the Balance sheet

- a) Kingfisher Airlines Limited (KFA) lenders have sold the following investments belonging to the company:

- i) 2,446,155 equity shares in United Spirits Limited
 - ii) 215,000 equity shares in McDowell Holdings Limited
 - iii) 10,000,000 equity shares in Mangalore Chemicals & Fertilizers Limited
 - iv) 21,870,156 equity shares in Kingfisher Airlines Limited
- b) KFA lenders have invoked company's Corporate Guarantee and demanded payment of dues, due from KFA amounting to ₹ 64,932.900 million
- c) the Company and others have filed a suit in Hon' ble Bombay High Court against the Consortium of lenders who have advanced loans to Kingfisher Airlines Ltd, inter alia seeking the following reliefs:
- i) for a declaration that the corporate guarantee agreement and pledge agreement, both dated 21st December, 2010 and executed by the Company are void ab-initio and non-est;
 - ii) for a permanent order and injunction, restraining Consortium of Bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance or in any manner giving effect to the impugned notices dated 16th March, 2013, or from taking any other or further steps to act upon or in furtherance of the Pledge Agreement dated 21st December, 2010 save and except in accordance with the procedure set out in clause 8.1 of the MDRA, including issuing a notice thereunder.
 - iii) for a permanent order and injunction restraining Consortium of Bankers, their servants, agents or assigns, or any other person claiming by or through or under or any of them, from acting upon or in furtherance of the Corporate Guarantee dated 21st December, 2010 given by the company and Pledge Agreement dated 21st December, 2010.
 - iv) that an order and decree for damages of sum of ₹ 31,996.800 million as set out in the particulars of claim be awarded to the plaintiffs.
 - v) that the maximum limit under the Companys' Corporate Guarantees be ₹ 16,014.300 million for reasons set out in the Suit.
- 41. Cash flows**
The mis-match between the inflows and outflows of cash has resulted in the company not being able to meet certain interest and loan installments on due dates. Proceeds from the sale of certain shares to Diageo plc. pursuant to an agreement dated 9th november 2012 is expected to address the mis-match.
- 42. Winding up Petitions**
Certain Aircraft lessors of KFA have invoked the company's Corporate Guarantees and have filed winding up petitions against the company. These petitions are pending disposal before the Hon' ble High Court of Karnataka. The Company has filed a Suit for damages, claiming an amount of ₹ 13,193.000 million against some of the above Petitioners in the City Civil Court, Bangalore.
- 43.** The Company along with its subsidiaries has significant financial exposure on various counts to Kingfisher Airlines Limited (KFA). Although KFA's license has expired on December 31, 2012, under civil aviation regulations, KFA has period of 24 months to reinstate the same. As at March 31, 2013, the financial exposure includes equity investment of ₹ 20,953.043 million, loans and advances ₹ 23,592.484 million & other receivables ₹ 3,104.505 million & corporate guarantees to banks/aircraft lessors, some of which have been invoked. Such invocations are being contested in court. The Management is reasonably confident that none of the guarantees would eventually devolve upon the Company. The ultimate diminution of investments and non-recovery of loans and advances are not presently quantifiable and hence no provision has been considered in the accounts.
- 44.** The Company has accrued interest of ₹ 83.756 million (Pr year ₹ 44.733 million) on loans to Kingfisher Airlines Limited (KFA) as per loan agreement signed with them. Taking into account the financial position of KFA and pending its recapitalisation, interest has not been accrued on the outstanding loans with effect from 1st October 2012.
- 45.** In view of Kingfisher Airlines Limited (KFA) being precluded by its bankers from making payment of any guarantee commission arising out of the corporate guarantee given and security commission arising out of security pledged in favour of lenders of KFA and in view of the stand taken by the Company and other Plaintiffs in the Suit, before the Hon' ble Bombay High Court, guarantee commission arising out of the corporate guarantee given and security commission arising out of security pledged in favour of lenders of KFA have not been accounted for, in the current financial year.

Notes to the Financial Statements (contd.)

46. The Company's Rupee loan from HDFC Limited was converted into a "Dollar Denominated Loan" at concessional rate of interest in 2011-12. A portion of the foreign currency translation difference has been recognised as interest in terms of AS 16 – 'Borrowing costs', and the balance is kept in Foreign Currency Monetary Item Translation Difference Account which is amortised over the life of the loan but not beyond March 2020, as provided in Government of India Notification No G.S.R.913 (E) (F.No. 17/133/208-CL. Vj, Dated 29-12-2011). Accordingly an amount of ₹ 339.415 million is charged to the Statement of Profit and Loss and the Balance of ₹ 214.043 million is carried in Foreign Currency Monetary Item Translation Difference Account.

47. Remuneration to Chairman, Managing Director and Managerial Personnel

- i) The Chairman of the Company has received remuneration from two subsidiaries, amounting to USD 120,000 (Pr year USD 120,000) and GBP 89,600 (Pr year GBP 89,600) during the year 2012-13.
- ii) The Company has not paid any remuneration to the Managing Director. However, he has received remuneration of ₹ 14.985 million as an executive of an associate company.
- iii) Subsidiaries have paid sitting fees of ₹ 0.090 million (Pr year ₹ 0.090 million) to Directors including the Managing Director.

48. Remuneration to Auditors:

	₹ in million	
	2012-13	2011-12
Statutory Audit	2.000	2.000
Tax Audit	0.200	0.200
Limited Reviews	0.300	0.300
Certification fees	0.365	0.315
	2.865	2.815

49. Employee benefit

Gratuity computations as on 31-03-2013

Disclosure as per AS 15

Defined benefit plans

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2012-13	2011-12
Obligations at period beginning	62.624	56.175
Service cost	10.343	7.064
Interest cost	3.663	4.369
Benefits settled	(10.321)	(9.549)
Actuarial (gain)/loss	4.371	4.565
Obligations at period end	70.680	62.624
Defined benefit obligation liability as at the balance sheet		
Is wholly funded by the Company		
Change in plan assets		
Plan assets at period beginning, at fair value	55.264	63.625
Expected return on plan assets	4.113	5.028
Actuarial gain/(loss)	(3.824)	(3.793)
Contributions	11.921	-
Benefits settled	(10.321)	(9.549)
Plans assets at period end, at fair value	57.153	55.264
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	57.153	55.264
Present value of the defined benefit obligations at the end of the period	70.680	62.624
Liability recognized in the Balance Sheet	13.527	7.360

Details of Gratuity cost

Service cost	10.343	7.064
Interest cost	3.663	4.369
Expected return on plan assets	(4.113)	(5.028)
Actuarial (gain) / loss	3.544	8.357
Net gratuity cost	13.437	14.763
Actual return on plan assets	4.941	1.235

Description of the basis used to determine the overall expected rate of return on assets including major categories of plan assets.

The expected return is calculated on the average fund balance based on the mix of investments and the expected yield on them.

Assumptions

Interest rate	8.50%	8.50%
Discount factor	8.50%	8.50%
Estimated rate of return on plan assets	8.00%	8.00%
Salary Increase	5.00%	5.00%
Attrition rate	5.00%	1.00%
Retirement age	58	58

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

50. Details of dues to Micro, Small and Medium Enterprises and Small Scale Industries.

Based on the response received by the Company, there are no outstanding as at March 31, 2013 to suppliers, as defined under the Micro, Small & Medium Enterprises Development Act, 2006.

51. The Company has recognized the rent from cancellable operating leases in accordance with the terms of the lease deed.

In respect of the non- cancellable operating leases, the Company recognizes the rent on a straight line basis over the non- cancellable lease term.

Future minimum lease payments receivable under non-cancellable operating lease ₹ nil (Pr year ₹ nil)

52. The gross carrying amount, accumulated depreciation and net carrying value of leased building are as follows:

Description	2012-13		2011-12	
Gross block at the beginning of the year	457.716		507.320	
Less: Deletion	2.621	455.095	49.604	457.716
Accumulated depreciation	124.268		116.778	
Less: Deletion	0.524	123.744	9.921	106.857
Net block at the end of the year		331.351		350.859

53. Deferred tax

Particulars	2012-13	2011-12
Deferred Tax Asset in respect of		
i) Depreciation of fixed assets	2.169	2.988
ii) Allowance for carried forward losses	50.525	53.190
iii) Others	14.701	13.365
Total	67.395*	69.543*

Note :

* Deferred tax asset is not recognized as a matter of prudence.

Notes to the Financial Statements (contd.)

54. Quantitative Particulars

Particulars of Purchases and Sales of Goods traded by the Company

Products	Units	Opening Stock		Purchases		Sales		Closing Stock	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1. Alcoholic beverages	Cases	303,943 (102,728)	121.754 (34.123)	3,123.695 (3,019,578)	1,392.872 (957.251)	3,031,084 (2,818,363)	2,330.163 (1,695.500)	396,554 (303,943)	144.601 (121.754)
2. Leather products	Pairs	- (4,383)	- (4.104)	207,789 (286,947)	207.975 (354.388)	204,291 (291,330)	252.548 (379.640)	3,498 -	3.461 -
3. Processed Food	Tons	582 (-)	36.640 (-)	1,109 (2,543)	77.282 (129.648)	1,489 (1,961)	121.075 (167.460)	202.242 (582)	10.570 (36.640)
4. Readymade garments	Pcs	151,445 (37,063)	64.672 (8.584)	1,489,065 (1,365,816)	520.945 (323.220)	1,505,124 (1,251,434)	562.701 (426.470)	135,386 (151,445)	50.240 (64.672)
5. Pharmaceuticals	Boxes EA	- -	- -	5,860 (7,780)	1.019 (2.754)	5,860 (7,780)	1.324 (3.148)	- -	- -

Figures in brackets relate to previous year

55. Segment reporting:

Segment-wise business performance for the year ended March 31, 2013

Primary Segment Information	Segment Revenue		Segment Result	
	2012-13	2011-12	2012-13	2011-12
a) Alcoholic beverages	2,474.635	1805.844	455.444	349.815
b) Leather products	277.578	439.396	16.683	(16.934)
c) Readymade garments	604.336	455.441	15.151	7.284
d) Investments	979.364	313.051	867.117	208.542
e) Guarantee services	73.672	543.568	(38.575)	439.059
f) Property development	502.328	962.935	369.453	836.188
g) Others	423.953	500.240	115.255	165.312
Total	5,335.866	5,020.475	1,800.528	1,989.266
Other income			1,103.082	1,610.393
Finance costs			(4,573.180)	(3,516.672)
Profit \ (loss) before tax			(1,669.570)	82.987

Other Information:	2012-13		2011-12		2012-13		2011-12	
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
a) Alcoholic beverages	560.813	918.106	439.444	464.615	0.046	0.012	-	0.032
b) Leather products	215.045	35.924	314.938	45.550	0.074	10.378	36.233	11.561
c) Readymade garments	934.655	10.890	290.921	6.835	5.641	7.437	4.528	9.663
d) Investments	59,035.180	47,543.989	43,271.225	29,711.702	-	-	-	-
e) Property development	1,481.123	-	1,517.079	-		21.209	-	13.081
f) Others	127.338	10.890	110.197	34.696	4.886	53.109	23.998	67.991
Total	62,354.154	48,519.799	45,943.804	30,263.398	10.647	92.145	64.759	102.328

Notes :

- Income under the segment "investments" represents dividends received, profit on sale of investments.
- Income under the segment "property development" represents lease rent and profit on sale of immovable property.
- Segment results represents profit/ (loss) before interest expenses, other income and tax.
- Capital expenditure represents the gross additions made to fixed assets during the year.
- Segment assets includes Non Current Assets and Current Assets except income tax assets.
- Segment Liabilities includes Non Current liabilities and Current Liabilities except provision for tax and dividend.

Notes to the Financial Statements (contd.)



Secondary segments, based on geographical locations

Particulars	Segment Revenue		Segment Assets	
	2012-13	2011-12	2012-13	2011-12
Segment				
Within India	2,068.055	2,348.250	59,681.692	40,876.702
Outside India	3,267.811	2,672.225	2,672.192	5,067.102
Total	5,335.866	5,020.475	62,354.154	45,943.804

Note: Segment assets includes Non Current and Current Assets except income tax assets.

56. Related Party Transactions:

Key Management Personnel: Dr. Vijay Mallya - Chairman

Mr. A. Harish Bhat - Managing Director

i) Name of the Related Parties and description of relationship

Subsidiaries

UB Electronic Instruments Limited*, UB Infrastructure Projects Limited*, UB International Trading Limited*, Kingfisher Finvest India Limited*, Kingfisher Training and Aviation Services Limited*, Kingfisher Aviation Training Limited*, Kingfisher Goodtimes Private Limited, City Properties Maintenance Company Bangalore Limited*, Bangalore Beverages Limited*, UB Sports Limited*, Rigby International Corp., United Breweries of America Inc., Delaware, Inversiones Mirabel, S.A, Mendocino Brewing Co. Inc, USA, United Breweries International [UK] Limited, Kingfisher Beer Europe Limited (formerly known as UBSN Limited), Rubic Technologies, Inc, Releta Brewing Company LLC, UB Overseas Limited*, UBHL (BVI) Limited*, Bestride Consultancy Pvt Limited*.

Associates

United Spirits Limited*, Mangalore Chemicals & Fertilizers Limited*, UB Engineering Limited*, WIE Engineering Limited (Under Liquidation), McDowell Holdings Limited*, Pixray India Limited, UB Pharma (Kenya) Limited, Kingfisher Airlines Limited*.

Subsidiary of an Associate

SW Finance Co. Limited* (formerly Shaw Wallace Breweries Limited), Royal Challengers Sports Private Limited*.

* With which there have been transactions during the year.

Notes to the Financial Statements (contd.)

ii) Transactions with Related Parties during the year.

Subsidiary Companies	Kingfisher Finvest India Ltd		UB Electronic Instruments Limited		Kingfisher Training and Aviation Services Ltd		UB Infrastructure Projects Ltd		Kingfisher Aviation Training Ltd		City Prperties Maintenance Company B'Lore Ltd	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Purchase of goods (finished or unfinished)	-	-	-	-	-	-	-	-	-	-	-	-
Sale of goods (finished or unfinished) *	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Receiving of services	-	-	-	-	-	-	-	-	-	-	26.714	13.814
Leasing arrangement	-	-	-	-	-	-	-	-	-	-	0.630	0.749
Investments Redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Licence Agreement	-	-	-	-	-	-	-	-	-	-	-	-
Finance (including loans in cash or in kind) paid	899.370	366.388	0.240	0.136	-	13.700	1,080.982	707.262	0.009	0.191	34.479	25.772
Finance (including loans in cash or in kind) received	495.158	727.497	-	20.000	0.910	1.065	7.776	809.579	-	-	2.496	18.666
Investments made	-	-	-	-	-	-	-	-	-	-	-	-
Dividend received	-	-	-	-	-	-	-	-	-	-	-	-
Guarantee Commission received	-	-	-	-	-	0.037	-	-	-	-	-	-
Deposit Received	-	-	-	-	-	-	-	-	-	-	-	-
Interest Received	-	-	-	-	9.098	10.608	75.766	71.810	-	-	-	-
Interest Paid	-	-	2.400	1.200	-	-	-	-	-	-	-	-
Guarantees and collaterals	1,500.000	1,500.000	-	-	-	-	-	-	-	-	-	-
Management contracts including deputation of employees	-	-	-	-	-	-	-	-	-	-	-	-
Amount due from as on 31 March	8,978.060	8,573.848	-	-	119.982	111.794	2,121.068	972.096	383.498	383.489	7.806	1.793
Amount due to as on 31 March	-	-	23.248	21.088	-	-	-	-	-	-	0.734	0.620

Associate Companies	United Spirits Limited		Mangalore Chemicals and Fertilizers Limited		UB Engineering Limited		Shaw wallace Breweries Limited		Kingfisher Airlines Ltd		Royal Challenger Sports Pvt Ltd	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Purchase of goods (finished or unfinished)	520.181	656.993	-	-	-	-	-	-	-	-	-	-
Sale of goods (finished or unfinished) *	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Receiving of services	-	-	-	-	-	-	-	-	-	-	-	-
Rendering of Services	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Assets	-	541.471	-	-	-	-	-	-	-	-	-	-
Licence Agreement-Pegasus	-	-	60.000	60.000	25.500	25.796	-	-	16.540	51.519	-	-
Finance (including loans in cash or in kind) paid	8,944.155	1,933.582	150.000	0.042	387.089	2.366	26.941	4,303.422	2,240.514	938.279	3.875	1.539
Finance (including loans in cash or in kind) received	12,712.055	1,503.705	127.342	39.663	6.716	77.938	4,265.315	2,080.389	60.500	-	-	250.000
Investments made	-	-	-	-	-	-	-	-	-	-	-	-
Dividend received	58.943	59.705	34.853	34.853	-	-	-	-	-	-	-	-
Guarantee Commission received	6.623	7.513	-	-	13.000	14.874	-	-	54.048	521.143	-	-
Deposit Received	-	-	-	420.000	-	-	-	-	-	-	-	-
Interest Received	-	-	-	-	25.114	12.600	-	-	83.756	44.733	-	-
Interest Paid	339.504	1.887	-	-	-	-	269.410	340.768	-	-	38.750	15.393
Guarantees and collaterals	550.000	550.000	-	-	650.000	650.000	-	-	87,669.500	89,258.600	-	-
Management contracts including deputation of employees	-	-	34.200	26.000	-	-	-	-	-	-	-	-
Amount due from as on 31 March	-	-	179.279	62.421	565.351	121.364	-	-	5,120.766	2,786.408	-	-
Amount due to as on 31 March	6,282.531	1,661.569	520.000	520.000	250.000	250.000	6,627.249	2,119.465	-	-	298.729	263.854

Notes to the Financial Statements (contd.)



UB International Trading Ltd		UB Overseas Ltd		UBHL-BVI Ltd.		Bangalore Beverages Limited		UB Sports Limited		Kingfisher Beer Europe Ltd		Bestride Consultancy Pvt Ltd		Total	
2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
222.237	354.388	-	-	-	-	-	-	-	-	-	-	-	-	222.237	354.388
1.793	30.509	-	-	-	-	-	-	-	-	-	-	-	-	1.793	30.509
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	6.686	-	-	26.714	20.500
-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.630	0.749
-	-	73.628	2,404.356	-	-	-	-	-	-	-	-	-	-	73.628	2,404.356
-	-	-	-	0.005	-	-	-	-	-	-	-	-	-	0.005	-
226.200	386.400	0.013	-	-	-	9,249.719	6,696.125	0.002	-	-	6.686	3,832.855	0.028	15,323.869	8,202.688
83.596	0.004	2,404.355	-	-	-	615.840	5,988.924	-	0.150	-	-	111.000	-	3,721.132	7,565.883
-	-	69.888	-	-	-	-	-	-	-	-	-	-	-	69.888	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.037
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	32.566	30.709	-	-	820.159	1,127.412	-	-	-	-	-	-	937.589	1,240.539
-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.400	1.200
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500.000	1,500.000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61.593	139.434	389.557	2,742.727	274.671	252.693	18,283.389	8,829.352	6.352	6.350	-	-	3,721.884	0.028	34,347.858	22,013.605
-	-	-	-	-	-	-	-	-	-	-	-	-	-	23.982	21.708

McDowell Holdings Limited	Total	
-	520.181	656.993
-	-	-
-	-	-
-	-	-
-	-	-
-	-	541.471
-	102.040	137.315
12.794	11,765.368	7,179.229
480.818	17,652.746	3,951.695
-	-	-
-	93.796	94.557
-	73.672	543.531
-	-	420.000
-	108.870	57.333
27.944	675.608	358.048
-	88,869.500	90,458.600
-	34.200	26.000
-	5,865.396	2,970.194
495.968	14,474.477	4,814.888



Notes to the Financial Statements (contd.)

57. Disclosures required by Accounting Standard (AS) 29- "Provisions, Contingent Liabilities and Contingent Assets"

Provisions:

Particulars of disclosure		Provision for contingent claims	Provision for leave encashment
1	Balance as on 1.04.12	37.428	33.833
2	Provision made during year	-	1.499
3	Provision used during the year.	-	3.770
4	Balance as on 31.03.13	37.428	31.562

Year and quantum of outflow of cash in respect of the above contingent claims is not presently ascertainable. Time of outflow of cash on account of leave encashment is contingent upon the time of employee's separation from the Company.

58.	Earnings per Share	2012-13	2011-12
	Net profit after tax	(1669.570)	76.488
	Number of equity shares	66,818.521	66,818.521
	Earnings per share (Basic)/ (Diluted) - in ₹	(24.99)	1.14

59.	Value of imports calculated on CIF basis	2012-13	2011-12
	Raw materials	21.815	78.123
	Packing materials	-	1.761
	Capital Goods	0.199	9.597
	Total	22.014	89.481

60.	Expenditure in Foreign Currency:	2012-13	2011-12
	Foreign Travel expenses	2.945	4.517
	Commission to Agents	0.784	0.729
	Professional and Legal fees	1.280	0.098
	Imports of material and capital goods	22.014	89.481
	Others	59.983	36.388
	Investments	69.888	-
	Total	156.894	131.213

61.	Earnings in Foreign Exchange	2012-13	2011-12
	Export of goods calculated on FOB basis	3,139.495	2,572.197
	Receivable on account of redemption of Preference Shares	86.014	2,404.357
	Total	3,225.509	4,976.554

62. The Company has not entered into any speculative derivative transactions. Hedging is restricted to the business needs of the Company. As at the Balance Sheet date, foreign currency receivable / payable that is not hedged by any derivative instrument or otherwise are as under:

Particulars	Net Receivable / (Payable) Foreign Currency Amount		Net Receivable / (Payable) Amount in local currency	
	2012-13	2011-12	2012-13	2011-12
Currency				
USD	12.213	56.326	664.233	2,881.441
GBP	-	0.009	-	0.736
Euro	(0.010)	(0.049)	(0.733)	(3.349)
USD	(105.049)	(104.983)	(5,713.541)	(5,370.583)
GBP	(0.012)	-	(0.967)	-

Notes to the Financial Statements (contd.)



63. All amounts are in Rupees million, unless otherwise stated.
64. Previous years' figures have been regrouped wherever necessary.

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S. Vishnumurthy
Proprietor
Membership No. 22715

Mumbai
May 30, 2013

Kaushik Majumder
Company Secretary



COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details				
	Registration / CIN	:		740/85110KA1915PLC000740	
	State Code	:		08	
	Balance Sheet Date	:		31.03.2013	
II	Capital Raised during the year				
	Public Issue	:		Nil	
	Rights Issue	:		Nil	
	Private Placement	:		Nil	
	Bonus Issue	:		Nil	
	Private Placement	:		Nil	
III	Position of Mobilisation and Deployment of Funds			(₹ in thousands)	
	Total Liabilities		63,684,745	63,684,745	
	Sources of funds			Application of Funds	
	Paid up Capital		668,185	Net Fixed Assets	3,085,699
	Reserves & surplus		13,490,326	Investments	16,212,832
	Secured Loans		22,612,794	Other Assets	44,386,214
	Unsecured Loans		1,690,327	P&L a/c Balance	-
	Other Liabilities		25,223,113		
IV	Performance of the Company				
	Turnover		6,438,948	Total Expenditure	8,108,518
	Profit Before Tax		(1,669,570)	Profit after Tax	(1,669,570)
	Earning per Share		(24.99)	Dividend Rate	Nil
V	Generic Name of three Principal Products / Services of the Company				
	1. Trading in following goods				
	ITC Code	Beer		220300	
		Liquor		220830	
		Leather Shoes		640320	
	2. Real Estate Development and Investment Holding				

Disclosure under Clause 32 of the Listing Agreement in the Books of the Holding Company United Breweries (Holdings) Limited

₹ in million

SI No	Name of the Company	Value of Investment			Amount of Outstanding as at March 31,2013	Maximum amount outstanding during the year
		Parent Company	Subsidiaries	Total		
	Subsidiaries					
1	Bangalore Beverages Limited	-	0.500	0.500	18,283.389	18,283.389
2	Bestride Consultancy Private Limited	-	0.100	0.100	3,721.884	3,721.884
3	City Properties Maintenance Company Bangalore Limited	0.500	-	0.500	7.806	11.818
4	Kingfisher Finvest India Limited	2,500.500	-	2,500.500	8,978.060	8,984.179
5	Kingfisher Aviation Training Limited	30.000	-	30.000	383.498	383.498
6	Kingfisher Goodtimes Private Limited	-	0.100	0.100	-	-
7	Kingfisher Training and Aviation Services Limited	0.332	0.027	0.359	119.982	119.982
8	UB Electronic Instruments Limited	27.209	0.327	27.536	23.248	23.248
9	UB Infrastructure Projects Limited	0.500	-	0.500	2,121.068	2,146.569
10	UB International Trading Limited	0.500	-	0.500	61.593	61.593
11	UB Sports Limited	-	0.500	0.500	6.352	6.352
12	Rigby International Corp.	660.238	-	660.238	-	-
13	UB Overseas Limited	1,151.895	0.051	1,151.946	389.557	389.557
14	Rubic Technologies Inc.	26.558	-	26.558	-	-
15	UBHL (BVI) Limited	10.040	-	10.040	274.671	274.671
		4,408.272	1.605	4,409.877	34,371.108	34,406.740
	Associates					
1	United Spirits Limited	676.575	421.319	1,097.894	6,282.531	6,282.531
2	McDowell Holdings Limited	120.357	178.196	298.553	495.968	495.968
3	Mangalore Checmicals & Fertilizers Limited	334.569	34.170	368.739	340.721	340.721
4	United racing & Bloodstock Breeders Limited	0.400	-	0.400	-	-
5	Pixray India Limited	-	0.153	0.153	-	-
6	WIE Engineering Limited	1.419	-	1.419	-	-
7	UB Pahrma (Kenya) Limited	7.616	-	7.616	-	-
8	UB Engineering Limited	424.928	-	424.928	315.351	315.351
9	Kingfisher Airlines Limited	9,082.940	12,605.583	21,688.523	5,120.766	5,873.561
		10,648.804	13,239.421	23,888.225	12,555.337	13,308.132

Independent Auditors' Report on Consolidated Financial Statements

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

1. Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **UNITED BREWERIES (HOLDINGS) LIMITED** ('the Company'), its subsidiaries and associates (hereinafter collectively referred to as the "Group"), which comprise the Consolidated Balance Sheet as at 31st March 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Basis for qualified opinion

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 32 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 31 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 33 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 Consolidated 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.

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates as noted below, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

6. Emphasis of Matter

Attention is invited to the following;

- a. note 31 (a) to financial statements dealing with sale of pledged investments by lenders of Kingfisher Airlines Limited.
- b. note 31 (b) to financial statements dealing with invocation of corporate guarantee by lenders of Kingfisher Airlines Limited.
- c. For the reasons stated in note 34 to financial statements, the company has followed "AS-13 – Accounting for investments" in respect of its investments in its associate company, Kingfisher Airlines Limited, instead of "AS 23- Accounting for investments in Associates in Consolidated Financial Statements".

7. Other Matters

- a. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 43,075.325 million as at March 31, 2013, total revenues of Rs. 3,432.042 million and net cash inflows amounting to Rs. 92.959 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.
- b. We did not audit the financial statements of certain associate companies, which reflect the group's share of loss (net) for the year of Rs. 231.059 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

UBHL

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

(S. Vishnumurthy)
Proprietor
Membership no. 22715

Place: Mumbai
Date : 30-05-2013

Consolidated Balance Sheet as at March 31, 2013

₹ in million

	Note No.	As at March 31, 2013	As at March 31, 2012
Equity and Liabilities			
Shareholders' funds			
Share capital	2	668.185	668.185
Reserves and surplus	3	20,353.079	22,966.411
Minority interest		2,106.164	91.097
Non current liabilities			
Long term borrowings	4	19,025.382	22,253.875
Deferred tax liabilities (net)		2.915	3.063
Other long term liabilities	5	3,922.672	3,694.028
Long term provisions	6	76.118	76.961
Current liabilities			
Short term borrowings	7	16,493.817	8,909.781
Trade payables	8	944.463	774.759
Other current liabilities	9	18,895.065	5,439.338
Short term provisions	10	1,083.645	1,087.553
		83,571.505	65,965.051
Assets			
Non current assets			
Fixed assets			
Tangible assets	11	2,567.087	2,637.496
Intangible assets		-	1.903
Capital work in progress		1,140.341	1,033.068
Goodwill on consolidation		434.537	434.537
Non current investments	12	38,605.191	38,531.255
Long term loans and advances	13	35,174.040	19,716.715
Other non current assets	14	100.370	104.758
Current assets			
Current investments	15	26.512	26.512
Inventories	16	421.756	448.200
Trade receivables	17	579.768	624.776
Cash and cash equivalents	18	1,434.105	475.182
Short term loans and advances	19	2,962.948	1,828.869
Other current assets	20	124.850	101.780
		83,571.505	65,965.051
Significant Accounting Policies and other notes	1		

The accompanying notes are an integral part of the accounts.

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

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S.Vishnumurthy
Proprietor
Membership No. 22715

Consolidated Statement of Profit and Loss for the year ended March 31, 2013



₹ in million

	Note No.	For the year ended	
		March 31, 2013	March 31, 2012
Revenue			
Revenue from operations	21	7,592.237	60,039.488
Other income	22	1,108.953	6,108.565
		8,701.190	66,148.053
Expenses			
Purchase of traded goods		1,978.036	1,568.143
Cost of materials consumed	23	1,815.749	1,858.884
Change in inventories		43.386	(168.881)
Aircraft fuel, lease rentals, maintenance & other expenses		-	48,048.689
Employee benefit expenses	24	336.165	6,507.250
Finance costs	25	5,615.353	15,359.261
Depreciation	11	157.831	2,802.967
Other expenses	26	1,449.090	11,499.907
		11,395.610	87,476.220
Loss before tax and before share in profits/(losses) of associates		(2,694.420)	(21,328.167)
Tax expense:			
Current tax		4.784	13.881
Earlier year		-	0.456
Deferred tax		(0.147)	(5,650.632)
Loss after tax and before share in profits/(losses) of associates		(2,699.057)	(15,691.872)
Share in profits/(losses) of associates		(216.913)	581.589
Loss before minority interest		(2,915.970)	(15,110.283)
Share of minority interest		(7.378)	(4.293)
Net loss for the year		(2,923.348)	(15,114.576)
Basic / diluted earnings per share (Face value of ₹ 10 each)		(43.75)	(226.20)
Significant Accounting Policies and other notes.	1		

The accompanying notes are an integral part of the accounts.

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

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S.Vishnumurthy
Proprietor
Membership No. 22715

Mumbai
May 30, 2013

Kaushik Majumder
Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2013

₹ in million

		For the year ended March 31, 2013		For the year ended March 31, 2012	
A.	Cash flow from operating activities				
	Net loss before taxation		(2,694.420)		(21,328.167)
	Adjustments for :				
	Depreciation	157.831		186.358	
	Loss pertaining to erstwhile subsidiary	-		20,408.218	
	Dividend income	(157.225)		(157.226)	
	Interest income	(1,064.123)		(1,869.362)	
	Property development	(27.860)		(500.959)	
	(Profit)/ loss on sale of assets	(0.268)		5.664	
	Loss on assets written off	10.535			
	(Profit)/ loss on sale of investments (other than short term investments)	(863.025)		259.837	
	Interest and finance charges	5,615.353		4,418.766	
	Liabilities no longer required	(5.835)		44.112	
	Unrealised exchange fluctuation loss	73.386		29.614	
	Effect of exchange differences on translation of subsidiaries	(212.053)		(316.156)	
	Effect of exchange differences on translation of foreign currency cash and cash equivalents	(0.503)		(1.788)	
	Bad debts / advances written off	2.050		2.982	
			3,528.263		22,510.059
	Operating profit/(loss) before working capital changes		833.843		1,181.892
	Adjustment for changes in working capital:				
	(Increase) /decrease in inventories	26.444		(220.735)	
	(Increase)/ decrease in trade and other receivables	(930.974)		45.990	
	Increase in current liabilities / other liabilities	173.550	(730.980)	1,758.948	1,584.203
	Cash from/operations		102.863		2,766.095
	Less : taxes paid (including fringe benefit tax)		(184.837)		(6.277)
	Net cash generated from / (used in) operating activities		(81.974)		2,759.818
B.	Cash flow from investing activities				
	Purchase of fixed assets (Including changes in capital work in progress)	(210.474)		(253.991)	
	Sale of fixed assets/ advance for residential units	341.202		1,390.133	
	Purchase of investments	(34.170)		-	
	Sale of investments	1,137.463		449.026	
	Loan to other companies	(14,428.870)		(9,866.679)	
	Dividend income	157.225		157.226	
	Interest received	35.243		303.988	
	Increase in fixed deposits with bank	(53.720)		(54.552)	
	Net cash used in investing activities		(13,056.101)		(7,874.850)

Consolidated Cash Flow Statement for the year ended March 31, 2013 (contd.)



₹ in million

	For the year ended March 31, 2013		For the year ended March 31, 2012	
C. Cash flow from financing activities				
Proceeds from issue of shares	2,000.000		2.916	
Interest and finance charges	(4,446.896)		(3,831.218)	
Dividend paid and corporate dividend tax paid	-		(77.918)	
Proceeds from loans from banks and others	16,489.670		8,221.536	
Net cash generated from financing activities		14,042.774		4,315.316
Net increase (decrease) in cash and cash equivalents		904.699		(799.716)
Cash and cash equivalents at the beginning of the year		412.751		2,092.848
Elimination on cessation of subsidiaries		-		(882.169)
Effect of exchange differences on translation of foreign currency cash and cash equivalents		0.503		1.788
Cash and cash equivalents at the end of the year		1,317.954		412.751
Cash and cash equivalents comprise of :				
Cash in hand		7.238		8.542
Balance with banks in current accounts		1,284.204		377.697
Short term investments		26.512		26.512
		1,317.954		412.751
Reconciliation of cash and cash equivalents as per Balance Sheet and Cash Flow Statement				
Cash and cash equivalents as per balance sheet		1,434.105		475.182
Less: Deposits maturing beyond 3 months		142.663		88.943
Add: current Investments		26.512		26.512
		1,317.954		412.751

Notes to the Consolidated Cash Flow Statement

- Short term investments represents amounts invested in mutual funds which are readily convertible into cash
- Balances with banks include ₹ 3.239 million being balances in unpaid dividend account which cannot be used by the Company except for payment of unpaid dividend / transfer to Investor Education and Protection Fund.

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

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S.Vishnumurthy
Proprietor
Membership No. 22715

Mumbai
May 30, 2013

Kaushik Majumder
Company Secretary

Notes to the Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

i. Basis of Preparation of Consolidated Financial Statements:

The consolidated financial statements relate to UNITED BREWERIES (HOLDINGS) LIMITED (the Company), its subsidiaries and associates (the Group). The consolidated financial statements are prepared in accordance with Accounting Standard 21- "Consolidated Financial Statements" and Accounting Standard 23-"Accounting for Investments in Associates in Consolidated Financial Statements". The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statement, except as otherwise stated.

ii. The subsidiary companies considered in the consolidated financial statements are:

	Name of the Subsidiary	Ownership Percentage	Country of Incorporation
1	Kingfisher Training and Aviation Services Limited	71.92	India
2	UB International Trading Limited	100.00	India
3	UB Electronic Instruments Limited	98.44	India
4	Kingfisher Finvest India Limited	100.00	India
5	UB Infrastructure Projects Limited	100.00	India
6	Kingfisher Aviation Training Limited	100.00	India
7	City Properties Maintenance Company Bangalore Limited	55.00	India
8	Bangalore Beverages Limited	100.00	India
9	UB Sports Limited	100.00	India
10	Kingfisher Goodtimes Private Limited	71.92	India
11	Rigby International Corp.	100.00	British Virgin Islands
12	Rubic Technologies Inc.	100.00	British Virgin Islands
13	United Breweries of America Inc., Delaware	92.49	United States of America
14	Inversiones Mirabel, S.A.	100.00	Republic of Panama
15	Mendocino Brewing Company, Inc.	66.26	United States of America
16	United Breweries International [UK] Limited	66.26	United Kingdom
17	Kingfisher Beer Europe Limited (formerly known as UBSN Limited)	66.26	United Kingdom
18	Releta Brewing Company, LLC	66.26	United States of America
19	UB Overseas Limited	100.00	British Virgin Islands
20	UBHL [BVI] Limited	100.00	British Virgin Islands
21	Bestride Consultancy Private Limited	100.00	India

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

	Name of the Associate Company	Ownership Percentage	Country of Incorporation
1	Kingfisher Airlines Limited	33.59	India
2	UB Engineering Limited	37.18	India
3	Mangalore Chemicals & Fertilizers Limited	25.52	India
4	United Spirits Limited	27.29	India
5	McDowell Holdings Limited	39.00	India
6	Pixray India Limited	30.36	India
7	WIE Engineering Limited (under liquidation)	25.88	India
8	UB Pharma (Kenya) Limited	50.00	Kenya

Notes to the Consolidated Financial Statements (contd.)

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

	Name of the Associate Company	Reason for exclusion
1	WIE Engineering Limited	Under liquidation proceedings
2	UB Pharma (Kenya) Limited	Closed operations
3	Kingfisher Airlines Limited	It is operating under severe long term restrictions that has significantly impaired its ability to transfer funds to the company.

Investments in the above companies are reflected as prescribed under AS 13 - Accounting for investments.

iii. Basis of Presentation of Financial Statements:

The financial statements of the parent Company and that of its subsidiaries, UB Electronic Instruments Limited, Kingfisher Finvest India Limited, UB International Trading Limited, UB Infrastructure Projects Limited, Kingfisher Aviation Training Limited, Kingfisher Training and Aviation Services Limited, Kingfisher Goodtimes Private Limited, City Properties Maintenance Company Bangalore Limited, Bestride Consultancy Private Limited, Bangalore Beverages Limited and UB Sports Limited have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the financial statements of Rigby International Corp, Rubic Technologies Inc, Inversiones Mirabel, S.A., Mendocino Brewing Company, Inc., United Breweries of America, Inc., Delaware, United Breweries International (UK) Limited, Kingfisher Beer Europe Limited (formerly known as UBSN Limited), Releta Brewing Company LLC, UB Overseas Limited and UBHL [BVI] Limited have been prepared in accordance with the accounting / financial reporting standards applicable in their respective countries of incorporation and as realigned to GAAP applicable in India. The consolidated financial statements have been prepared based on such financial statements.

iv. Principles of Consolidation:

- i) The financial statements of the parent Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and intra-group transactions.
- ii) Unless otherwise stated, the financial statements of the parent Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- iii) Goodwill represents the difference between the group's share in the networth of a subsidiary and the cost of acquisition at each point of time of making the investment in the subsidiary. Goodwill arising on consolidation is not amortised. For this purpose the group's share of networth is determined on the basis of the latest financial statement prior to the acquisition after making necessary adjustments for material events between the date of such audited financial statement and the date of respective acquisition. Negative goodwill is recognised as capital reserve on consolidation. However for the purposes of consolidation, capital reserve arising on consolidation of subsidiaries is set off against the goodwill arising on consolidation.

v. Accounting for Investment in Associates:

Accounting for investments in Associate companies have been carried out under the Equity method of accounting prescribed under Accounting Standard 23 "Accounting for Investments in Associates", wherein goodwill/ capital reserve arising on acquisition of an associate included in the carrying amount of the investment is disclosed separately.

	Name of the Associate Company	Basis of inclusion
1	UB Engineering Limited	Audited results for the year ended 31/3/13
2	Mangalore Chemicals & Fertilizers Limited	Audited results for the year ended 31/3/13
3	United Spirits Limited	Audited results for the year ended 31/3/13
4	McDowell Holdings Limited	Audited results for the year ended 31/3/13
5	Pixray India Limited	Un-audited results for the year ended 31/3/13

vi. Valuation of Inventories:

Inventories are valued at lower of costs and net realizable value. Cost of inventories comprise of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

In respect of the Company and its Indian subsidiary, UB International Trading Limited, and its overseas subsidiaries, cost is determined under the weighted average cost method.

Notes to the Consolidated Financial Statements (contd.)

vii. Revenue recognition:

All Revenues are generally recognized on accrual basis except where there is an uncertainty of ultimate realization.

- i) Sales are recognized when the property in goods are transferred for a price and it is reasonable to expect the ultimate collection.
- ii) Interest is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- iii) Dividends and royalty income are accounted for, when the right to receive the payment is established.

viii. Fixed Assets:

- i) Fixed Assets are stated at cost less depreciation, wherever applicable. The land in Bangalore is stated at the revalued amount as adjusted in accordance with the revaluation done in August 2001 at the market value determined by approved valuers. All costs relating to the acquisition and installation of fixed assets are capitalized and include borrowing cost relating to borrowed funds attributable to the acquisition of qualifying assets for the period upto the date of acquisition.
- ii) Capital work-in-progress comprise advances paid towards acquisition of fixed assets and cost of fixed assets that are not ready for intended use at the year-end.

ix. Borrowing costs:

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

x. Depreciation:

- i) Depreciation has been provided at the rates prescribed under Schedule XIV of the Companies Act, 1956, under written down value method with regard to the Company and its Indian subsidiaries other than Kingfisher Training and Aviation Services Limited.
- ii) In respect of Kingfisher Training and Aviation Services Limited,
 - a) a) Depreciation on fixed assets (other than computer software and interiors) is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
 - b) Computer Software is amortized over a period of four years.
 - c) Interiors in leased premises are amortized over a period of five years.
- iii) In respect of foreign subsidiaries, depreciation is provided on straight line basis.

xi. Effect of changes in foreign exchange rates:

- i) Transactions in foreign currencies are translated applying the following exchange rates:
 - a) In respect of export transactions of the Company, at the average exchange rate prevailing in the month preceding the month in which the transaction took place.
 - b) In respect of all other transactions at the rate of exchange prevailing on the date of transaction.
- ii) Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognized in the Statement of Profit and Loss except exchange difference arising on reporting of long term foreign currency monetary items which are accumulated in a Foreign Currency Monetary Translation Difference Account and amortised over the balance period of such long term asset / liability but not beyond March 31, 2020.
- iii) Financial statements of non-integral foreign operations are translated using the average rate of exchange for the year, in so far as their Statement of Profit and Loss is concerned and the closing rate in so far as their Balance Sheet is concerned.
- iv) Exchange difference arising on translation of financial statements of non-integral foreign operations is accumulated in foreign currency translation reserve.

xii. Accounting for Export benefits:

Export benefits available to the company are considered for inclusion in the accounts where there is reasonably assurance that the Company will comply with the conditions attached to them and where such benefits have been earned by the Company and it is reasonable certain that the ultimate collection will be made. Export benefits of revenue nature are recognised in the Statement of Profit and Loss.

xiii. Investments:

- i) Current investments refer to the investments that are readily realizable and intended to be held for not more than a year.
- ii) Trade investments refer to the investments made with the aim of enhancing the group's business interest.
- iii) Long term investments are stated at cost. All expenses relating to acquisition of investments are capitalized. Diminution in the value of investment, if considered permanent, is provided for.
- iv) Current investments are stated at the lower of cost and fair value.

xiv. Retirement Benefits:

a) Defined-contribution plans

These are plans in which the group pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employees' Provident Fund, Superannuation Fund and Employees' Pension Scheme and certain state plans like Employees' State Insurance. The group's payments to the defined contribution plans are recognized as expenses during the period in which the employees perform the services that the payment covers.

b) Defined-benefit plans

Gratuity: The group provides for gratuity, a defined benefit plan (Gratuity Plan), to certain categories of employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary, at the Balance Sheet date. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions are recognized immediately in the Statement of Profit and Loss as income or expense.

c) Other long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date based on actuarial valuation carried out at each Balance Sheet date.

d) Short term employee benefits

Undiscounted amount of short term employees benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

xv. Segment reporting:

The operations of the Group are divided into alcoholic beverages, leather products, readymade garments, investment, property development, maintenance, training and other activities. Accordingly, the primary segment reporting comprises the performance under these segments and the secondary segment reporting is based on geographical locations of customers.

xvi. Related Party disclosures:

Transactions between related parties are disclosed as per Accounting Standard 18, "Related Party Disclosure", and disclosure regarding the name of the transacting related party, description of the relationship between the parties, nature of transactions and amount outstanding as at the end of the accounting year, are made.

Notes to the Consolidated Financial Statements (contd.)

xvii. Taxes on Income:

- i) Tax expenses comprises of current and deferred tax.
- ii) Current income tax is measured at the amount expected to be paid to the tax authorities by the components (holding and subsidiary companies) and in accordance with the Income tax laws of the respective countries in which they are incorporated.
- iii) Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

xviii. Accounting for Leases:

Lease income from non cancellable operating leases are recognized in the Statement of Profit and Loss, on straight line basis, over the non-cancellable lease term. In respect of other operating leases, lease income is recognized in accordance with the terms of the lease deeds as modified based on negotiations from time to time.

xix. Impairment of assets:

The group evaluates all its assets for assessing any impairment and accordingly recognizes the impairment wherever applicable as provided in Accounting Standards 28 "Impairment of Assets".

xx. Provisions and Contingencies:

A provision is recognized when there is a present obligation as a result of past event and it is probable that an out flow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on Management estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

xxi. Earnings per share:

Earnings per equity share (basic/diluted) is arrived at by dividing the net profit or loss for the period attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

Notes to the Consolidated Financial Statements (contd.)



	₹ in million	
	As at March 31, 2013	As at March 31, 2012
2. Share Capital		
Authorised		
100,000,000 (2012: 100,000,000 Equity Shares of ₹ 10/- each	1,000.000	1,000.000
	1,000.000	1,000.000
Issued, Subscribed and Paid-up		
66,818,521 (2012: 66,818,521) Equity Shares of ₹ 10/- each fully paid up.	668.185	668.185
	668.185	668.185

a. Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

	No. of Shares	Amount	No. of Shares	Amount
As at the beginning of the year	66,818,521	668.185	66,818,521	668.185
Issued during the year	-	-	-	-
Outstanding at the end of the year	66,818,521	668.185	66,818,521	668.185

b. Terms and rights attached to equity shares

The dividend proposed by the board of directors is subject to the approval of the shareholders in the Annual General Meeting. The rights of shareholder is governed by the Articles of Association of the company and the Companies Act, 1956.

c. Details of shareholders holding more than 5% shares in the company

	31 March 2013		31 March 2012	
	Number of shares	% holding	Number of shares	% holding
Dr Vijay Mallya	5,284,978	7.91	5,284,978	7.91
McDowell Holdings Limited	5,260,002	7.87	5,260,002	7.87
Watson Limited	14,159,986	21.19	4,159,986	21.19
Platinum Investment Management Limited*	-	-	7,213,505	10.80

* holds less than 5% as an 31.03.2013

d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date is nil.

Notes to the Consolidated Financial Statements (contd.)

₹ in million

	As at March 31, 2013	As at March 31, 2012
3. Reserves and Surplus		
Capital reserve	511.365	511.365
Securities premium account	8,331.975	8,331.975
Capital reserve arising on consolidation of associates	7,731.742	7,200.625
Fixed assets revaluation reserve		
At the beginning of the year	1,044.484	1,090.511
Less: Adjustment on sale of land and building	<u>2.371</u>	<u>46.027</u>
	1,042.113	1,044.484
Foreign Currency Monetary Item Translation Difference Account	(214.043)	(215.055)
Foreign currency translation reserve	(895.730)	(675.988)
Surplus as per Statement of Profit and Loss		
At the beginning of the year	6,769.005	(22,745.453)
Less : Elimination of the brought forward loss of a subsidiary upon it ceasing to be a subsidiary	-	29,863.910
Share of brought forward loss transferred to minority on additional investment by minority	-	7.253
Add: (Loss) for the year	<u>(2,923.348)</u>	<u>(15,114.576)</u>
	3,845.657	(7,988.864)
Less : Elimination of loss for the year of a subsidiary upon it ceasing to be a subsidiary	-	14,757.869
	<u>3,845.657</u>	<u>6,769.005</u>
	<u>20,353.079</u>	<u>22,966.411</u>

Notes to the Consolidated Financial Statements (contd.)

	₹ in million	
	As at March 31, 2013	As at March 31, 2012
7. Short term borrowings		
Secured		
From banks	1,773.692	1,371.753
From others	4,733.247	3,175.148
Unsecured		
From bank	2,719.465	-
From a group company	6,717.413	1,977.305
Intercorporate deposits	550.000	2,385.575
	16,493.817	8,909.781
 (Borrowings are secured by pledge of shares held by the Company and charge on fixed assets of the Company.)		
8. Trade payables		
Trade creditors	944.463	774.759
	944.463	774.759
9. Other current liabilities		
Current maturities of long term borrowings	11,544.946	3,624.416
Interest accrued and but not due	857.109	419.856
Interest accrued and due	761.420	272.858
Statutory dues	112.820	214.565
Employee dues	7.581	5.672
Security deposit	0.100	0.100
Advertisement and sales promotion expenses payable	201.997	114.540
Advances received from customers	132.714	155.287
Claims payable	14.906	14.973
Other liabilities	5,244.966	600.571
Creditor for capital goods	13.043	12.727
Investor Education and Protection Fund:		
Unclaimed public deposits/interest	0.217	0.498
Unclaimed dividends	3.245	3.275
	18,895.065	5,439.338
10. Short term provisions		
Income tax	1,079.794	1,083.661
Employee benefits	3.851	3.892
	1,083.645	1,087.553

Notes to the Consolidated Financial Statements (contd.)

11 FIXED ASSETS

₹ in millions

Description of Assets	Cost / Valuation			Depreciation			Impairment		Net value of Asset		
	As at 01.04.12	Additions during the year	Deletion during the year	As at 31.03.13	As at 01.04.12	Depreciation for the year	Deductions during the year	As at		As at 31.03.13	As at 31.03.12
								As at 31.03.13	As at 31.03.12		
Intangible Assets											
Computer software	0.161	-	-	0.161	0.161	-	-	-	-	-	-
Others	1.903	-	1.903	-	-	-	-	-	-	-	1.903
Total intangible assets	2.064	-	1.903	0.161	0.161	-	-	-	-	-	1.903
Tangible assets											
Land	1,127.320	-	2.414	1,124.906	-	-	-	-	-	1,124.906	1,127.320
Buildings	1,031.602	-	23.844	1,007.758	259.709	39.974	11.511	-	-	719.586	771.893
Plant & machinery	1,001.322	92.983	29.427	1,064.878	499.153	75.965	29.081	0.500	0.500	518.341	501.669
Office equipments	38.608	0.092	0.338	38.362	16.503	2.970	0.174	-	-	19.063	22.105
Furniture & fixtures	254.450	1.601	0.929	255.122	114.308	23.040	0.797	-	-	118.571	140.142
Computers	33.022	4.597	1.014	36.605	25.781	4.393	0.975	-	-	7.406	7.241
Vehicles	68.248	2.229	1.515	68.962	49.250	6.105	1.167	-	-	14.774	18.998
Tangible assets (others)											
Improvement to lease-hold Buildings	12.444	0.880	-	13.324	11.240	0.049	-	-	-	2.035	1.204
Improvement to lease-hold Plants	64.681	0.819	-	65.500	39.209	3.778	-	-	-	22.513	25.472
Ground support & other equipment	32.859	-	-	32.859	11.407	1.557	-	-	-	19.895	21.452
Total tangible assets	3,664.556	103.201	59,481	3,708.276	1,026.560	157.831	43.705	0.500	0.500	2,567.087	2,637.496
Capital work in progress										1,140.341	1,033.068

Notes to the Consolidated Financial Statements (contd.)

Description of Assets	Cost / Valuation				Depreciation			Impairment		Net value of Assets	
	As at	Additions during the year	Deletion during the year	As at	Depreciation for the year	Deductions during the year	As at	As at	As at	As at	
	01.04.11	31.03.12	01.04.11	31.03.12	1.03.11	1.03.12	31.03.12	1.03.11	1.03.12	31.03.12	31.03.11
Intangible Assets											
Computer software	219,596	14,214	233,649	0,161	139,944	33,250	173,033	0,161	-	-	79,652
Designs (aircraft interiors)	24,646	-	24,646	-	12,082	3,117	15,199	-	-	-	12,563
Others	1,903	-	-	1,903	-	-	-	-	-	1,903	1,903
Non-competition fee	300,000	-	300,000	-	190,164	53,115	243,279	-	-	-	109,836
Total intangible assets	546,145	14,214	558,295	2,064	342,190	89,482	431,511	0,161	-	1,903	203,954
Tangible assets											
Land	1,174,175	-	46,856	1,127,320	-	-	-	-	-	1,127,320	1,174,175
Buildings	1,357,345	24,947	350,691	1,031,602	250,646	43,526	34,462	259,709	-	771,893	1,106,700
Buildings on rented land	90,389	-	90,389	-	8,622	1,304	9,926	-	-	-	81,768
Plant & machinery	932,220	69,102	-	1,001,322	405,791	93,362	-	499,153	0,500	501,669	525,929
Office equipments	213,802	9,992	185,185	38,608	53,118	11,800	48,416	16,503	-	22,105	160,683
Furniture & fixtures	718,928	33,112	497,589	254,450	292,402	55,965	234,058	114,308	-	140,142	426,526
Computers	586,852	12,558	566,389	33,022	352,591	76,497	403,307	25,781	-	7,241	234,261
Aircrafts	2,315,578	-	2,315,578	-	335,631	114,792	450,423	-	-	-	1,979,947
Vehicles	370,529	31,618	333,899	68,248	153,924	33,889	138,562	49,250	-	18,998	216,605
Tangible assets (others)											
Improvement to lease-hold buildings	379,386	6,818	373,760	12,444	218,325	71,366	278,451	11,240	-	1,204	161,061
Improvement to lease-hold aircrafts	4,169,802	1,484,924	5,654,726	-	1,894,392	1,558,187	3,452,579	-	-	-	2,275,410
Improvement to lease-hold plants	64,287	2,409	2,015	64,681	39,870	4,508	5,169	39,209	-	25,472	24,417
Ground support & other equipment	1,367,195	17,726	1,352,062	32,859	259,037	56,402	304,032	11,407	-	21,452	1,108,158
Aircrafts acquired under financial lease	11,939,531	-	11,939,531	-	3,109,521	591,888	3,701,408	-	-	-	8,830,010
Total tangible assets	25,680,019	1,693,206	23,708,670	3,664,556	7,373,870	2,713,486	9,060,793	1,026,560	0,500	2,637,496	18,305,650
Capital work in progress										1,033,068	7,338,712

Notes to the Consolidated Financial Statements (contd.)

	₹ in million	
	As at March 31, 2013	As at March 31, 2012
12. Non current investments		
Long term investments		
In fully paid equity shares		
In associate companies	15,317.998	36,314.759
In other companies	23,296.629	2,225.932
	<u>38,614.627</u>	<u>38,540.691</u>
Less: Provision for diminution in value of investments	9.436	9.436
	<u>38,605.191</u>	<u>38,531.255</u>
13. Long term loans and advances		
Loans and advances to others		
Considered good	7,718.533	7,346.107
Considered doubtful	20.000	20.000
	<u>7,738.533</u>	<u>7,366.107</u>
Less: Provision	20.000	20.000
	<u>7,718.533</u>	<u>7,346.107</u>
Loans and advances to associates		
Considered good	27,455.507	12,370.183
Other receivables		
Considered good	-	0.425
	<u>35,174.040</u>	<u>19,716.715</u>
14. Other non current assets		
Other deposits - considered good	100.370	104.758
	<u>100.370</u>	<u>104.758</u>
15. Current investments		
Mutual funds	26.512	26.512
	<u>26.512</u>	<u>26.512</u>

Notes to the Consolidated Financial Statements (contd.)

₹ in million

	As at March 31, 2013	As at March 31, 2012
16. Inventories		
Raw materials	71.917	83.286
Packing materials, stores and spares	53.359	35.682
Stock in process	37.225	31.588
Finished goods including goods in transit	259.255	297.644
	<u>421.756</u>	<u>448.200</u>
17. Trade receivables		
Unsecured		
Exceeding six months:		
Considered good	27.757	47.261
Considered doubtful	5.076	4.758
	<u>32.833</u>	<u>52.019</u>
Less: Provision	5.076	4.758
Others: considered good	552.011	577.515
	<u>579.768</u>	<u>624.776</u>
18. Cash and cash equivalents		
Cash on hand	7.238	8.542
Balances with banks:		
On current accounts	1,280.965	374.384
On unpaid dividend account	3.239	3.313
On deposit account	142.663	88.943
	<u>1,434.105</u>	<u>475.182</u>
19. Short term loans and advances		
Advances to suppliers	841.217	211.707
Advance income tax	1,662.715	1,486.531
Prepaid expenses	24.191	20.053
Other receivables	-	110.578
	<u>2,962.948</u>	<u>1,828.869</u>
20. Other current assets		
Duty drawback receivable	124.850	101.780
	<u>124.850</u>	<u>101.780</u>

Notes to the Consolidated Financial Statements (contd.)

	₹ in million	
	Year ended March 31, 2013	Year ended March 31, 2012
21. Revenue from operations		
Sales	5,286.520	4,625.323
Income from air passenger, cargo & other related services	-	53,048.165
Dividends	157.225	157.226
Guarantee commission	73.672	551.681
Lease rent	473.973	461.481
Income from property maintenance	265.475	223.375
Licence fees	175.164	205.681
Management service fees	34.200	26.000
Profit on sale of investments	864.361	-
Duty drawback	210.417	169.457
Property development	27.860	500.959
Training	23.370	70.140
	7,592.237	60,039.488
22. Other Income		
Interest income	1,064.123	1,869.362
Profit on sale of fixed assets	0.268	0.229
Provisions/liabilities no longer required/payable written back	5.835	1,258.586
Income on sale and lease back transaction	-	3.107
Exchange gain	23.453	2,490.192
Miscellaneous income	15.274	487.089
	1,108.953	6,108.565
23. Cost of material consumed		
Raw material consumed	1,600.925	1,638.377
Packing materials consumed	214.824	220.507
	1,815.749	1,858.884

Notes to the Consolidated Financial Statements (contd.)

₹ in million

	Year ended March 31, 2013	Year ended March 31, 2012
24. Employee benefits expenses		
Salaries, wages and bonus	261.603	6,175.024
Contribution to provident and other funds	40.984	201.429
Employee compensation expenses	-	(25.550)
Workmen and staff welfare	33.578	156.347
	336.165	6,507.250
25. Finance cost		
Interest expenses	5,324.451	15,166.905
Processing charges and bank charges	290.902	192.356
	5,615.353	15,359.261
26. Other expenses		
Rent including lease rent	45.244	552.515
Rates and taxes	52.393	235.266
Insurance premium	4.066	668.696
Communication expenses	9.765	236.422
Travel and conveyance	29.394	555.826
General administrative expenses	190.113	127.779
Repairs & maintenance	82.110	249.757
Vehicle repairs and maintenance	5.892	6.569
Property maintenance expenses	85.571	73.355
Selling and promotion expenses	470.916	4,824.864
Brokerage	5.459	23.265
Commission paid to selling agents	26.159	1,643.040
Freight charges/job charges	212.247	244.501
Miscellaneous expenses	43.759	278.807
Claims paid	0.206	3.552
Legal & professional charges	167.947	562.379
Directors' sitting fees	1.712	2.377
Auditors' remuneration	3.552	3.792
Bad debts	2.050	90.956
Provision for bad and doubtful debts/advances	-	81.500
Loss on sale of investments	-	223.184
Loss on assets sold / discarded / written off	10.535	42.185
Amortisation of initial cost on lease of aircraft	-	148.519
Amortisation of slot charges	-	143.565
Recruitment expenses	-	15.195
Hire charges	-	319.604
Training expenses	-	142.437
	1,449.090	11,499.907

Notes to the Consolidated Financial Statements (contd.)

27. UB City Luxury residential Project

The parent Company has executed a Joint Development Agreement with a Developer on 26th April, 2010 for development of a luxury residential building to be named as “Kingfisher Towers – Residences at UB City” in the available land in UB City. The development of above project (in which the Company is entitled to a share of 55% of super built up area) is under progress and is expected to be completed in 2015.

The parent Company has issued allotment letters in respect of seven residential units in Kingfisher Towers by collecting booking amounts of ₹ 1,135.222 million (Pr year ₹ 826.925 million).

28. Estimated amount of contracts remaining to be executed, on capital account as on 31.03.13 and not provided for, in the case of :

- a) The parent company is ₹ 2.190 million (net of advances) (Pr year ₹ 5.357 million)
- b) A subsidiary of the parent Company, UB International Trading Limited, ₹ 0.591 million (Pr year ₹ 0.148 million)

29. Fixed Assets :

- i) The Parent Company’s land in Bangalore was revalued in August 2001, based on an independent valuer’s report. Accordingly, the value of the land was restated at ₹ 1,707 million, with a corresponding adjustment to the Fixed Assets Revaluation Reserve. The amounts shown in the Balance Sheet are after making adjustments for disposals.
- ii) Depreciation has been charged under the written-down value method as per the rates prescribed under the Companies Act 1956, in respect of the parent Company and its Indian subsidiaries other than Kingfisher Training and Aviation Services Limited. In respect of Kingfisher Training and Aviation Services Limited and the overseas subsidiaries, depreciation is charged under the straight-line method at the rates prescribed under the statute governing those subsidiaries. The net book value of fixed assets on which straight-line method of depreciation is used, is ₹ 583.045 million (Pr year ₹ 555.957 million).

30. The Company has accrued interest of ₹ 1,003.766 million (Pr year ₹ 634.916 million) for the year on loans to Kingfisher Airlines Limited as per loan agreement signed with them. Considering, the income stream of the company, realisability of this interest could possibly take protracted period of time beyond those stipulated in the loan agreement.

31. Events occurring after the date of the Balance sheet

- a) Kingfisher Airlines Limited (KFA) lenders have sold the following investments belonging to the Parent Company and its subsidiary Kingfisher Finvest India Limited :
 - i) 2,446,155 equity shares in United Spirits Limited
 - ii) 215,000 equity shares in McDowell Holdings Limited
 - iii) 10,000,000 equity shares in Mangalore Chemicals & Fertilizers Limited
 - iv) 27,000,193 equity shares in Kingfisher Airlines Limited
- b) KFA lenders have invoked company’s Corporate Guarantee and demanded payment of dues, due from KFA amounting to ₹ 64,932.900 million
- c) the Company and others have filed a suit in Hon’ ble Bombay High Court against the Consortium of lenders who have advanced loans to Kingfisher Airlines Ltd, inter alia seeking the following reliefs:
 - i) for a declaration that the corporate guarantee agreement and pledge agreement, both dated 21st December, 2010 and executed by the Company are void ab-initio and non-est;
 - ii) for a permanent order and injunction, restraining Consortium of Bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance or in any manner giving effect to the impugned notices dated 16th March, 2013, or from taking any other or further steps to act upon or in furtherance of the Pledge Agreement dated 21st December, 2010 save and except in accordance with the procedure set out in clause 8.1 of the MDRA, including issuing a notice thereunder.
 - iii) for a permanent order and injunction restraining Consortium of Bankers, their servants, agents or assigns, or any other person claiming by or through or under or any of them, from acting upon or in furtherance of the Corporate Guarantee dated 21st December, 2010 given by the company and Pledge Agreement dated 21st December, 2010.

Notes to the Consolidated Financial Statements (contd.)

32. The Parent Company along with its subsidiaries has significant financial exposure on various counts to Kingfisher Airlines Limited. KFA's scheduled operators permit has been suspended although as per Civil Aviation Rules, it can have the same re-instated within a period of 24 months. As at March 31, 2013, the financial exposure includes equity investment of ₹ 20,953.043 million, loans and advances ₹ 23,592.484 million & other receivables ₹ 3,104.505 million & corporate guarantees to banks/aircraft lessors, some of which have been invoked. Such invocations are being contested in court. The Management is reasonably confident that none of the guarantees would eventually devolve upon the Company. The ultimate diminution of investments and non-recovery of loans and advances are not presently quantifiable and hence no provision has been considered in the accounts.
33. Certain Aircraft lessors of KFA have invoked the company's Corporate Guarantees and have filed winding up petitions against the company. These petitions are pending disposal before the Hon' ble High Court of Karnataka. The Company has filed a Suit for damages, claiming an amount of ₹ 13,193.000 million against some of the above Petitioners in the City Civil Court, Bangalore
34. Kingfisher Airlines Limited, an associate company is facing liquidity crunch, significantly impairing its ability to transfer funds to the Company and in view of which, investment method of accounting as prescribed in AS-13 Accounting for investments has been adopted in the consolidation.
35. The Company has accrued interest of ₹ 1,003.766 million (Pr year ₹ 643.916 million) on loans to Kingfisher Airlines Limited (KFA) as per loan agreements signed with them. Taking into account the financial position of KFA and pending its recapitalisation, interest has not been accrued on the outstanding loans with effect from 1st October 2012.
36. In view of Kingfisher Airlines Limited (KFA) being precluded by its bankers from making payment of any guarantee commission arising out of the corporate guarantee given and security commission arising out of security pledged in favour of lenders of KFA and in view of the stand taken by the Company and other Plaintiffs in the Suit, before the Hon' ble Bombay High Court, guarantee commission arising out of the corporate guarantee given and security commission arising out of security pledged in favour of lenders of KFA have not been accounted for, in the current financial year.

37. **Disclosures pursuant to Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements":**

The details of carrying value of investments in associates as on March 31, 2013 is as under.

1	Cost of investments in associates (excluding goodwill and capital reserve)	2,189.601
2	Share of profits of associates up to 31.03.2013	5,396.655
3	Movement in share of equity in Associates (capital reserve)	7,731.742
4	Carrying value of investments in associates	15,317.998

38. **Employee benefit**

Disclosure as per AS 15

Defined benefit plans

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2012-13	2011-12
Obligations at period beginning	66.364	203.790
Less : pertaining to erstwhile subsidiary	-	(144.946)
Service Cost	11.241	7.809
Interest cost	3.965	4.595
Benefits settled	(10.469)	(9.549)
Actuarial (gain)/loss	4.199	4.478
Obligations at period end	75.300	66.364
Change in plan assets		
Plans assets at period beginning, at fair value	55.264	63.625
Expected return on plan assets	4.113	5.028

Notes to the Consolidated Financial Statements (contd.)

Actuarial gain/(loss)	(3.824)	(3.840)
Contributions	11.921	-
Benefits settled	(10.321)	(9.549)
Plan assets at period end, at fair value	57.153	55.264
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	57.153	55.264
Present value of the defined benefit obligations at the end of the period	75.300	66.364
Liability recognized in the Balance Sheet	18.147	(11.100)
Details of Gratuity cost		
Service cost	11.241	7.809
Interest cost	3.965	4.595
Expected return on plan assets	(4.113)	(5.028)
Actuarial (gain) / loss	3.334	8.248
Net gratuity cost	14.427	15.624
Description of the basis used to determine the overall expected rate of return on assets including major categories of plan assets.		
The expected return is calculated on the average fund balance based on the mix of investments and the expected yield on them.		
Assumptions		
Interest rate	8.50%	8.50%
Discount factor	8.50%	8.50%
Estimated rate of return on plan assets	8.00%	8.00%
Salary Increase	5.00%	5.00%
Retirement age (years)	58	58

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market..

Deferred Tax:

a) The following deferred tax assets / liabilities are recognized for the year.

Name of the Company	Deferred tax Liability	Deferred Tax Asset
City Properties Maintenance Company Bangalore Limited		0.250
UB Electronic Instruments Limited		0.051
UB International Trading Limited	0.154	
Kingfisher Training and Aviation Services Limited	1.413	1.413
Total	1.567	1.714
Total deferred tax asset (recognized in the Profit and Loss Account)		0.147

b) Future Minimum Lease Payments (in respect of Finance Lease):

Particulars	As at March 31, 2013	As at March 31, 2012
Not later than one year	2.400	3.832
Later than one year and not later than five years	-	6.532
Later than five years	-	-
Total	2.400	10.364

Notes to the Consolidated Financial Statements (contd.)

39. Segment Reporting:

Segment-wise business performance for the year ended March 31, 2013

Primary Segment Information		
Segment Revenue:	2012-13	2011-12
a) Alcoholic Beverages	4,471.555	3,734.648
b) Leather products	285.317	441.578
c) Readymade Garments	604.336	455.441
d) Investments	1,021.295	157.226
e) Airlines	-	53,048.165
f) Property development	501.833	962.440
g) Maintenance	265.475	223.375
h) Training	23.370	70.140
i) Others	419.056	946.475
Total Revenue	7,592.237	60,039.488
Segment Results:		
a) Alcoholic Beverages	488.023	371.370
b) Leather products	3.375	(17.835)
c) Readymade Garments	15.151	7.284
d) Investments	872.352	(204.376)
e) Airlines	-	(13,483.494)
f) Property development	368.951	836.188
g) Maintenance	16.954	15.583
h) Training	(10.800)	(10.405)
i) Others	57.974	408.214
Total Result	1,811.980	(12,077.471)
Other income	1,108.953	6,108.565
Finance cost	(5,615.353)	(15,359.261)
Net profit / (loss) before tax	(2,694.420)	(21,328.167)

Other Information	2012-13		2011-12		2012-13		2011-12	
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
a) Alcoholic Beverages	2,497.188	2,196.709	1,830.725	1,682.388	86.229	54.546	49.907	66.822
b) Leather Products	291.223	113.423	379.349	84.349	0.119	13.777	40.099	15.250
c) Readymade Garments	934.655	10.890	290.921	6.835	5.642	7.437	4.528	9.663
d) Investments	74,751.291	56,723.552	59,327.436	39,058.352	-	-	-	-
e) Airlines	-	-	-	-	-	-	1,581.589	2,616.609
f) Property Development	1,481.123	-	1,517.079	-	-	21.209	-	13.081
g) Maintenance	116.419	69.187	90.346	17.144	4.402	2.561	5.279	2.069
h) Training	813.166	100.875	154.537	153.921	0.880	3.745	2.021	9.612
i) Others	589.203	149.643	453.591	149.643	5.929	54.556	23.997	69.861
Total	81,474.268	59,364.279	64,043.984	41,152.6323	103.201	157.831	1,707.421	2,802.967

Notes :

- Income under the segment "investments" represents dividends received, profit on sale of investments.
- Income under the segment "property development" represents lease rent and profit on sale of immovable property.
- Segment results represents profit/(loss) before finance expenses, interest income and tax.
- Capital expenditure represents the gross additions made to fixed assets during the year.
- Segment assets includes Non Current Assets and Current Assets except goodwill and income tax assets.
- Segment Liabilities includes Non Current liabilities and Current Liabilities except provision for tax and dividend.

Notes to the Consolidated Financial Statements (contd.)

Secondary segments, based on geographical locations

Particulars	Segment Revenue		Segment Assets	
	2012-13	2011-12	2012-13	2011-12
Segment				
Within India	2,314.304	45,639.427	79,088.144	62,338.808
Outside India	5,277.933	14,400.061	2,386.124	1,705.176
Total	7,592.237	60,039.488	81,474.268	64,043.984

Note: Segment assets includes Non Current and Current Assets except goodwill and income tax assets.

40. Related Party Transactions:

- i. Key Management Personnel : Dr. Vijay Mallya, Chairman of the parent Company and Chairman & Managing Director of Kingfisher Airlines Limited,
Mr. A. Harish Bhat - Managing Director

Name of the Related Parties where control exists:

Associates

Kingfisher Airlines Limited*, United Spirits Limited *, Mangalore Chemicals & Fertilizers Limited *, UB Engineering Limited*, WIE Engineering Limited (Under Liquidation), McDowell Holdings Limited, Pixray India Limited, UB Pharma (Kenya) Limited.

Subsidiary of Associates :

Shaw Wallace Breweries Limited* & Royal Challengers Sports Private Limited*

* With which there have been transactions during the year.

- ii. Transactions with Related Parties during the year :

Sl. No.	Nature of Transactions	Associates		Subsidiaries of Associates		Key Management Personnel	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1.	Purchase of goods/services	520.181	656.993				
2.	Rendering of services	38.662	37.591				
3.	Licence Fees received	102.040	137.315				
4.	Dividend received	125.487	126.248				
5.	Guarantee commission received	73.672	543.531				
6.	Interest received	1,029.004	660.938				
7.	Interest paid	399.606	5.230	308.160	356.161		
8.	Investment made	34.170	-				
9.	Guarantees given	88,869.500	90,458.600				
10.	Finance (including loans in cash or in kind paid)	22,523.742	13,006.431	30.816	4,304.961		
11.	Finance (including loans in cash or in kind received)	13,603.958	4,006.786	4,265.315	2,330.389		
12.	Payment of remuneration for employment	-	-			14.545	13.444
13.	Management contracts	34.200	26.000				
14.	Deposit received	-	420.000				
15.	Sale of assets	-	541.471				
16.	Amount Due from as on 31 March	24,888.769	12,777.555				
17.	Amount Due to as on 31 March	7,759.072	4,087.595	6,925.979	2,383.319		

Notes to the Consolidated Financial Statements (contd.)

41. Contingent liabilities:

Particulars		2012-13	2011-12
i)	Guarantees given (The enforceability of the Guarantees issued for Kingfisher Airlines Limited beneficiaries are being contested in appropriate Courts of law)	90,852.200	77,228.600
ii)	Claims against the parent Company and its subsidiaries, not acknowledged as debts	0.961	0.961
iii)	Demands raised by Income Tax Authorities against which the subsidiaries has preferred appeals	3.468	0.508
iv)	Demand raised by Income Tax authorities against which the parent Company has preferred appeals	948.793	234.210
v)	Demands raised by Service Tax Authorities against which the subsidiaries has preferred appeals	10.752	10.752
vi)	Certain aircraft lessors and bankers have invoked, the corporate guarantees given by the company on behalf of KFA. The total amount invoked and outstanding as of March 31, 2013 is ₹ 9,874.600 million (Pr year ₹ 8,357.700 million) and KFA is under negotiation with the beneficiaries.		

42. Earnings per Share:

	2012-13	2011-12
Loss for the year	(2,923.375)	(15,114.576)
Weighted average number of equity shares	66,818.521	66,818,521
Earnings per share (Basic / Diluted) - in ₹	(43.75)	(226.20)

43. There are no speculative derivative transactions. Hedging is restricted to the business needs of the companies. As at the Balance Sheet date, foreign currency exposures that have not been hedged by any derivative instrument or otherwise are as follows:

	2012-13	2011-12
Other assets	664.233	2,882.177
Other liabilities	5,715.241	5,373.932

44. All amounts are in Rupees millions, unless otherwise stated.

45. Previous year's figures have been regrouped wherever necessary.

For Vishnu Ram & Co.,
Chartered Accountants
Firm Registration No.004742S

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

A. Harish Bhat
Managing Director

S. Vishnumurthy
Proprietor
Membership No. 22715

Mumbai
May 30, 2013

Kaushik Majumder
Company Secretary

SUMMARISED FINANCIALS OF SUBSIDIARY COMPANIES 2012-13

₹ in million

		Capital	Reserves	Total Assets	Total Liabilities	Details of Investments	Total Revenue	Profit before Tax	Tax Provision	Profit after Tax	Proposed Dividend
	Indian Subsidiaries										
1	Bangalore Beverages Limited	2,000.500	(372.900)	23,960.792	22,333.191	0.100	853.773	(374.874)	-	(374.874)	-
2	Bestrade Consultancy Private Limited	0.100	(39.970)	3,730.626	3,770.496	-	0.047	(40.012)	-	(40.012)	-
3	City Properties Maintenance Company Bangalore Limited	0.909	39.790	107.708	66.997	-	181.787	8.526	2.635	5.891	-
4	Kingfisher Finvest India Limited	10.500	(1,393.919)	10,581.531	11,964.950	10,467.485	42.056	(435.851)	-	(435.851)	-
5	Kingfisher Aviation Training Limited	30.000	0.404	415.244	384.840	-	-	(0.144)	-	(0.144)	-
6	Kingfisher Goodtimes Private Limited	0.100	(0.083)	0.051	0.035	-	-	(0.005)	-	(0.005)	-
7	Kingfisher Training and Aviation Services Limited	0.500	(159.470)	96.976	255.945	0.100	27.226	(30.462)	-	(30.462)	-
8	UB Electronic Instruments Limited	29.193	20.256	59.649	10.199	-	13.014	4.073	1.175	2.898	-
9	UB Infrastructure Projects Limited	0.500	(1.422)	2,120.730	2,121.652	300.000	68.561	(8.898)	-	(8.898)	-
10	UB International Trading Limited	0.500	(19.602)	80.926	100.028	-	235.803	(11.101)	0.154	(11.255)	-
11	UB Sports Limited	0.500	(6.211)	0.753	6.464	-	-	(0.076)	-	(0.076)	-
	Overseas Subsidiaries										
1	Rigby International Corp.	822.121	(1.012)	822.121	1.012	822.121	-	(0.105)	-	(0.105)	-
2	UB Overseas Limited	1,349.758	(803.143)	3,725.323	3,178.708	3,652.104	0.298	(160.755)	-	(160.755)	-
3	Rubic Technologies Inc.	29.914	(30.186)	-	0.272	-	-	(0.004)	-	(0.004)	-
4	UBHL (BVI) Limited	12.965	(250.053)	54.500	291.588	0.049	13.119	12.782	-	12.782	-
5	United Breweries International (UK) Limited	8.258	13.332	29.418	32.528	24.700	92.187	0.026	-	0.026	-
6	Kingfisher Beer Europe Limited (Formerly known as UBSN Ltd)	8.258	(123.561)	141.947	311.784	-	1,166.272	27.125	-	27.125	-
7	United Breweries of America Inc., Delaware	855.109	(220.320)	168.012	118.530	550.580	4.774	1.278	0.310	0.968	-
8	Relata Brewing Company LLC	271.947	(242.196)	323.954	294.203	-	367.716	2.351	-	2.351	-
9	Inversiones Mirabel, S.A.	0.001	289.025	302.133	13.107	302.133	-	(0.157)	-	(0.157)	-
10	Mendicino Brewing Company Inc. USA	833.674	(313.087)	1,139.249	618.667	338.573	549.318	(16.472)	0.362	(16.834)	-

Note:

- 1 The exchange rate prevalent on the last day of the financial year has been taken for conversion for the balance sheet items while the conversion rate for the revenues has been the average rate for the period.
- 2 None of the above Companies has proposed any dividend.
- 3 The Annual Report along with related information of the above companies shall be made available for investors of the Company and its subsidiaries seeking the Report /information at any point of time.
- 4 The Annual Report is also available for inspection of investors at the Registered Office of the Company and its Subsidiaries.
- 5 In respect of overseas subsidiaries, USD is valued at ₹ 54.39 and GBP at ₹ 82.58 as on 31.03.2013 (for Balance sheet items) and average rate at ₹ 52.48 for USD , ₹ 82.18 for GBP (for P&L account items).



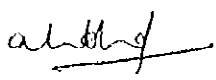
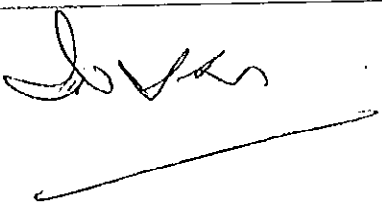
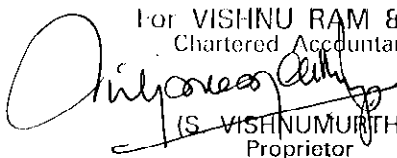








FORM B

1.	Name of the Company	United Breweries(Holdings) Limited
2.	Annual Financial Statements for the year ended	March 31, 2013
3.	Type of Audit qualification	Qualified Opinion
4.	Frequency of Audit qualification	Repetitive since FY 2011-12
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	<p>Gist of qualifications: Company has not provided for probable loss that may arise on account of its financial exposures to its subsidiaries and an associate. Please refer to Independent Auditor's Report at page no. 25 and page no. 26 of the Annual Report. Similar qualifications are there in Independent Auditor's Report on Consolidated Financial Statements at page no. 62 and page 63 of the Annual Report.</p> <p>Management's response: The ultimate diminution of investments and non-recovery of loans and advances to the Company's subsidiaries and associates are presently quantifiable and hence no provision has been considered in the accounts. The company's exposure on account of Corporate Guarantees have been contested in various Courts and Tribunals and the Management feels that no amount will devolve upon the Company.</p>
	Additional comments from the Board/Audit Committee Chair	Please refer to Report of the Directors
5.	To be signed by:	
	• Managing Director	
	• Audit Committee Chairman	
	• Auditor of the Company	<p>For VISHNU RAM & Co. Chartered Accountants</p>  (S. VISHNUMURTHY) Proprietor

not ✓

Board of Directors (As on 14th August 2013)



Dr. Vijay Mallya
Chairman



N. Srinivasan



V. K. Rekhi



Sidhartha V. Mallya



Dr. Lalith Bhasin



M.S. Kapur



V. Shashikanth



A. Harish Bhat
Managing Director



Kaushik Majumder
Corporate Vice President -
Legal & Company Secretary

The Team



Left to Right: Subhasi R. Gupte, Ravi Nedungadi and Anil Pisharody.



UNITED BREWERIES (HOLDINGS) LIMITED

UB Tower, Level 12-16, UB City, 24 Vittal Mallya Road, Bangalore - 560 001.
www.theubgroup.com

Notice of Annual General Meeting



NOTICE is hereby given of the Ninety-Seventh Annual General Meeting of the Members of UNITED BREWERIES [HOLDINGS] LIMITED to be held at Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore 560 025, on Thursday, September 12, 2013 at 3.15.p.m. to transact the following business:

Ordinary Business

1. To consider and adopt the Audited Accounts for the year ended March 31, 2013 and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in the place of Mr. M S Kapur, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. N. Srinivasan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors for the ensuing year and fix their remuneration. The retiring Auditors are eligible for re-appointment.

Special Business

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution**:

RESOLVED THAT Mr. V Shashikanth, who was appointed as Additional Director of the Company with effect from August 14, 2013 and who, in terms of Section 260 of the Companies Act, 1956 ("the Act"), holds office up to the date of this Annual General Meeting and in respect of whom the Company has received Notice from a Member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. V Shashikanth, as a candidate for the office of Director, be and is hereby appointed a Director of the Company, not liable to retire by rotation, so long as he holds the office of the Managing Director of the Company.

6. To consider and if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, including the rules made there under and any amendments thereto or statutory modifications or re-enactment thereof for the time being in force (" the Act") and subject to all sanctions, approvals and permissions if any required and subject to such conditions and modifications as may be imposed or prescribed by any of the authorities while granting such sanctions, approvals and permissions, the Company hereby accords its approval to the appointment of Mr. V Shashikanth as Managing Director of the Company for a period of 3 years with effect from August 21, 2013.

RESOLVED FURTHER THAT subject to such approvals as may be required, the Company hereby accords its approval for payment of remuneration to Mr. V Shashikanth, Managing Director of the Company for a period of three years effective from August 21, 2013 to August 20, 2016 as set out in the draft Agreement to be entered into between the Company and Mr. V Shashikanth, as placed before this meeting and initialed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT in case the Company during the above referred years has no profits or its profits are inadequate, Mr. V Shashikanth, Managing Director be paid the aforementioned remuneration as "Minimum Remuneration" in the respective financial year(s) notwithstanding that the same may exceed the ceiling limit laid down in Sections 198, 309 and Schedule XIII to the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include the Remuneration Committee) be and is hereby authorized to revise, amend, alter and/or vary the terms and conditions in relation to the above remuneration in such manner as may be permitted in accordance with the provisions of the Act and any amendment thereto and notification thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties and/or doubts that may arise in this regard in order to implement and give effect to the foregoing resolution.

Registered Office:
UB Tower, Level 12, UB City
No.24, Vittal Mallya Road
Bangalore – 560 001

Goa
August 14, 2013

By Order of the Board

Kaushik Majumder
Corporate Vice President – Legal
& Company Secretary

Notice (contd.)

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself / herself and such proxy need not be a Member of the Company.
2. [a] The instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
[b] Corporate Members intending to send their authorized representative to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **September 11, 2013 to September 12, 2013** [both days inclusive].
5. Members who have opted for the emailing of the Annual Report and the Accounts are kindly requested to bring the print out thereof when they attend the Annual General Meeting.
6. Members / Proxies are requested to bring their copy of the Annual Report and Attendance/Proxy Slip sent herewith duly filled in for attending the meeting to avoid inconvenience and delay at the time of registration and avoid being accompanied by non-members and children. Copies of Annual Report and Attendance slip will NOT be available for distribution at the venue of the Meeting.
7. The trading in the Company's Shares has been made compulsory in dematerialized form effective August 28, 2000 for all class of investors. To enable us to serve our investors better, we request Members whose shares are in physical mode to dematerialize shares and to update their bank accounts with the respective depository participants.
8. Members are requested to quote the Folio Number / Client ID /DP ID in all correspondence. The Company has designated an e-mail address of the Compliance Officer viz., ubhlinvestor@ubmail.com exclusively for the purpose of registering complaints, if any, by investors.
9. Members are requested to notify change in their address, quoting Folio number to the Company's Registrars and Share Transfer Agents viz., Integrated Enterprises (India) Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003.
10. Members holding shares in dematerialised form should address all their correspondence including change of address, nominations, ECS mandates, bank details to be incorporated on dividend warrants, powers of attorney, etc. to their Depository Participant.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Share Transfer Agents.
12. As per the provisions of the Companies Act, 1956 facility for making nominations is now available for Members in respect of the shares held by them. Nomination forms can be obtained from the Registrars and Transfer Agents.
13. The relevant information relating to the Directors seeking appointment /re-appointment viz., Mr. M S Kapur, Mr. N Srinivasan and Mr. V Shashikanth are given in the Annexure to the Notice.

EXPLANATORY STATEMENT as required under Section 173 of the Companies Act, 1956**Item No. 5 & 6**

The Board Directors at their meeting held on August 14, 2013 has appointed Mr. V Shashikanth as an Additional Director not liable to retire by rotation with effect from August 14, 2013 and Managing Director for a period of 3 (three) years with effect from August 21, 2013 subject to the approval of Shareholders of the Company.

Pursuant to Section 260 of the Companies Act, 1956, Mr. V Shashikanth holds office upto the Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, notice has been received from a Member of the Company along with a deposit of ₹ 500 signifying his intention to propose Mr. V Shashikanth as a candidate for the office of Director.

The Remuneration Committee of the Board and the Board of Directors of the Company at its meeting held on August 14, 2013, subject to the approval of the Shareholders and in accordance with the provisions of Schedule XIII to the Companies Act, 1956, has approved his remuneration for a period of 3 years effective from August 21, 2013 to August 20, 2016.

The payment of minimum remuneration to Mr. V Shashikanth, Managing Director for the three year period i.e. August 21, 2013 to August 20, 2016 may exceed the ceiling limit laid down in Sections 198,309 read with Schedule XIII to the Act. Shareholders approval vide Special Resolution is sought for the said proposal.

As per Notification No. GSR 534(E) dated July 14, 2011 issued by the Ministry of Corporate Affairs a proviso was inserted under Sub-paragraph (C) of Paragraph (1) of Section II of Part II of Schedule XIII to the Act whereby if in any financial year during the currency of the tenure of the managerial person, a Company has no profits or its profits are inadequate, it may pay remuneration to a managerial person without seeking approval of Central Government if the managerial person is not having any interest in the capital of the Company or its holding Company, directly or indirectly or through any statutory structures and not having any direct or indirect interest or related to the directors or promoters of the Company or its holding Company at any time during last two years before or on the date of appointment. and is having a graduate level qualification with expert and specialized knowledge in the field of his profession.

All the conditions stated in the aforesaid proviso under Sub-paragraph (C) of Paragraph (1) of Section II of Part II of Schedule XIII to the Act are being fulfilled by Mr. V Shashikanth and therefore he is a Professional Director who is a qualified expert and possesses specialized knowledge and vast experience for discharging the functions entrusted to him as a Managing Director of the Company. Neither does he have any direct or indirect interest in the capital of the Company or through any other statutory structures and does not have any direct or indirect interest nor is he related to the directors or promoters of the Company at any time during last two years before or on the date of appointment. In view of his fulfilling of all the conditions stated in the said proviso for payment of remuneration to Professional Directors, no approval of Central Government is required to be sought for payment of remuneration to Mr. V Shashikanth, Managing Director.

The main terms and conditions of appointment (including payment of remuneration for the period of 3 years i.e. effective from August 21, 2013 to August 20, 2016) of Mr. V Shashikanth as Managing Director are given below:

1. Period of Appointment:

3 (three) years with effect from August 21, 2013.

2. Remuneration (for a period of 3 years effective from August 21, 2013 to August 20, 2016):**(i). Salary:**

Basic Salary of ₹ 9,00,000/- per month, in the salary range of ₹ 9,00,000/- - ₹ 2,00,000/- - ₹ 13,00,000/- per month with such increments as may be decided by the Board of Directors of the Company from time to time, and with proportionate increase in all benefits related to the quantum of salary.

(ii). Special Allowance:

₹ 2,00,000/- per month. This will be taken into account for calculation of Provident Fund, Gratuity, Superannuation Benefits, Performance Evaluation Payment.

Notice (contd.)

(iii). Personal Allowance:

₹ 1,25,000/- per month as per the rules of the Company.

(iv) Performance Evaluation Payment :

Of such percentage of Basic Salary plus Special Allowance per annum as may be evaluated by the Board of Directors of the Company, in accordance with the rules of the Company in this regard.

(v). Perquisites:

- i) Housing – Furnished/ Unfurnished residential accommodation or house rent allowance of upto sixty per cent of salary in lieu thereof.

The expenditure incurred by the Company on gas, electricity, water and fuel shall be valued as per the Income Tax Rules, 1962.

- ii) Flexi Compensation Package (FCP):

a) FCP 1 - Comprising LTA & Fixed Allowance - ₹ 15,500/- per month as per the rules of the Company as applicable.

b) FCP 2 - Comprising car lease, fuel, lunch vouchers, house repairs, painting and maintenance - ₹ 2,50,000/- per month as per the rules of the Company as applicable.

c) FCP 3 - Comprising driver's salary – ₹ 18,000/- per month as per the rules of the Company as applicable.

- iii) Medical Reimbursement – Expenses incurred for Mr. V Shashikanth and his family, as per the rules of the Company, at actuals.

- iv) Club Fees – Fees of clubs subject to a maximum of two clubs. This will include admission and life membership fees.

- v) Personal Accident Insurance – Premium as per the rules of the Company.

- vi) Provident Fund – Company's contribution to Provident Fund shall be as per the Scheme of the Company.

- vii) Superannuation/Annuity Fund – Company's contribution to Superannuation or Annuity Fund shall be in accordance with the Scheme of the Company.

- viii) Gratuity – Payable in accordance with the rules of the approved Fund of the Company

- ix) Encashment of leave not availed of – as per the rules of the Company.

- x) Provision of cars, cell phone and telephone at the residence of Mr. V Shashikanth as per the rules of the Company.

- xi) Such other benefits, amenities, facilities and perquisites as per the rules of the Company and as may be permitted to the Managing Director by the Board of Directors of the Company.

3. Minimum Remuneration:

Where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Managing Director shall be paid the aforesaid Remuneration as "Minimum Remuneration" in the respective financial year(s) notwithstanding that the same may exceed the ceiling limit laid down under Section 198, 309 and Schedule XIII to the Act.

The terms and conditions of his appointment may be altered and varied from time to time by the Board and/or Remuneration Committee as it may, in its discretion deem fit, notwithstanding the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and /or Remuneration Committee and the Managing Director, subject to such approvals as may be required.

The agreement may be terminated by either party giving the other party six months notice in writing.

The draft of the agreement to be entered in to between the Company and Mr. V Shashikanth is available for inspection by the Shareholders at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company till the date of the Annual General Meeting.

In terms of the requirements as per sub-clause (iv) of the proviso to Sub-paragraph (C) of Paragraph (1) of Section II of Part II of Schedule XIII to the Act, the information is as furnished below:

I. General Information:

- (1) **Nature of Industry :** Investment Holding, Property Development, Leasing of Office and Retail space, Export of goods and services.
- (2) **Date of commencement of commercial production :** Not Applicable
- (3) **In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing on the Prospectus:** Not Applicable

(4) **Financial Performance:**

Financial parameters of the Company for the last five financial years:

(₹ In million)

Sr. No.	Particulars	Years				
		2008-09	2009-10	2010-11	2011-12	2012-13
1	Paid up Capital	668.185	668.185	668.185	668.185	668.185
2	Reserves and Surplus	12,801.831	13,916.368	14,255.338	14,116.772	12,448.213
3	Turnover	3,243.140	3,345.536	3,401.012	4,149.743	4,233.228
4	Net profit as per Section 198 (read with Section 349) of the Companies Act, 1956	293.509	1,001.175	258.560	(417.054)	(1,685.921)
5	Amount of Dividend Paid	Nil	66.819	66.819	Nil	Nil
6	Rate of Dividend Declared	Nil	10%	10%	Nil	Nil

(5) **Export Performance, Net Foreign Exchange:**

Earnings and Collaborations:

During the year 2012-13, the foreign exchange earnings is ₹ 3,225.509 million. The Company has no foreign collaboration.

(6) **Foreign investments of collaborators, if any:** Not applicable.

II. Information about the Appointee:

(1) **Background details:**

Mr. V Shashikanth holds a Bachelor's degree in Electronics Engineering from Bangalore University and a Post Graduate Diploma in International Trade from the Indian Institute of Foreign Trade, New Delhi. He has over 28 years of experience in General Management and International Trade. He has worked in various capacities including export division and Infrastructure Development Department.

His appointment as Managing Director was approved by the Board of Directors of the Company at their meeting held on August 14, 2013 for a period of 3 years with effect from August 21, 2013.

(2) **Past Remuneration:**

Mr. V Shashikanth has been appointed as Director with effect from August 14, 2013 and Managing Director with effect from August 21, 2013 i.e. during the present financial year 2013-2014 as Managing Director and therefore the below given past remuneration was paid to him, purely while in employment and not as a managerial person. The details of remuneration paid to him in the last three financial years i.e. 2010-2011, 2011-2012 and 2012-2013 are as given below:

(₹ In million)

Period	Annual Salary, Perquisites, Allowances, Performance Linked Pay and Retirals
01/04/2010 to 31/03/2011	11.720
01/04/2011 to 31/03/2012	14.100
01/04/2012 to 31/03/2013	16.350

(3) Recognition / Awards:

Mr. V Shashikanth has received the Alumni of the year 2005 from the Indian Institute of Foreign Trade.

(4) Job Profile and Suitability:

Mr. Shashikanth has a rich and diverse experience in International Trade, Infrastructure Development, Property Management, Manufacturing and General Management. With his proven track record in executing projects under difficult conditions and his expertise, the Company will benefit immensely from his experience and have a reinforced direction to steer through the challenging times.

(5) Remuneration Proposed:

Details of the total Remuneration comprising inter alia, salary, perquisites and allowances, other benefits, if any, which are proposed to be paid to Mr. V Shashikanth, Managing Director for the period of 3 years effective from August 21, 2013 to August 20, 2016 have been fully set out in the Explanatory Statement under Item No.5 & 6.

(6) Comparative Remuneration Profile with respect to Industry, Size of the Company, Profile of the position and person:

The Remuneration Committee of the Board and the Board of Directors had approved that considering the competence, subject matter expertise, diversified experience and considering his contribution, it is more than appropriate that Mr. V Shashikanth be appointed as a Managing Director of the Company in order to drive the operations of the Company in the current phase of the Company which will help the Company to emerge successful.

Therefore the payment of aforesaid Remuneration stated at the Resolution No.6 is reasonable and comparable to the remuneration paid to Professional Directors in the Industry and hence more than justified for payment to him.

(7) Pecuniary Relationship, directly or indirectly, with the Company or relationship with the Managerial Personnel, if any:

Mr. V Shashikanth, Managing Director is not related to any managerial personnel in the Company. He does not have any pecuniary relationship, directly or indirectly with the Company or with any managerial personnel nor does he have any direct or indirect interest in the Equity share capital of the Company besides the remuneration set out in Resolution No.6.

III. Other Information:

(1) Reasons of loss or inadequate profits:

Overview of the Industry:

The FY2013 was an extremely volatile year led by political uncertainty, declining economic growth and rising inflation. The growth rate both at domestic and global front was slow. In fact the economic growth in India was lowest in the decade which affected all sectors including the sectors where the Company operates. In view of volatility in exchange rate, the Indian rupee saw its lowest. Further policy initiatives and monetary policy changes are needed to strengthen the economic growth.

Overview of the Company:

The Company is the flagship holding company of the UB Group, through which our Promoters and the Promoter Group hold their stakes in the various companies which comprise the UB Group. The Company has substantial interests in a number of companies that have market leading positions in the consumer space. The Company's revenues comprise of sale/lease rentals of property at UB City, Bangalore, Export Sales, Trademark License Fees, Dividends, Guarantee Commission and Interest on Loans and Deposits.

Key Concerns:

Refer to Report of the Directors and Management Discussion and Analysis.

Financial Performance of the Company:

Refer to point no. (4) under the heading-General Information.

(2) Steps taken or proposed to be taken for improvement:

Refer to Report of the Directors and Management Discussion and Analysis.

(3) Expected Increase in productivity and profits in measurable terms:

Refer to Report of the Directors and Management Discussion and Analysis.

IV. Disclosures:

- (1) Details of the total Remuneration comprising *inter alia*, salary, perquisites and allowances, other benefits, if any, which are proposed to be paid to Mr. V Shashikanth, Managing Director for the period of 3 years effective from August 21, 2013 to August 20, 2016 have been fully set out in the Explanatory Statement under Item No.5 & 6.
- (2) Disclosures on remuneration package to the Directors of the Company have been made in the Corporate Governance Report which forms a part of the Report of the Board of Directors in the Annual Report of the Company for FY 2012-13.

As mentioned earlier, since the payment of aforementioned Remuneration set out under Resolution No. 6 as Minimum Remuneration to Managing Director may exceed the ceiling limit for remuneration laid down in Sections 198, 309 read with Schedule XIII to the Act, Shareholders approval is sought by way of a Special Resolution for payment of the aforesaid remuneration for the respective financial years as specified in the Resolution No. 6 in accordance with Schedule XIII of the Act.

The Board of Directors of the Company felt that as the Managing Director of the Company, Mr. V Shashikanth shall be shouldered with vast responsibilities and considering the industry benchmarks and his contribution to the Company, the aforementioned remuneration structure of Mr. V Shashikanth as Managing Director is commensurate with the remuneration packages paid to similarly placed persons, in other Companies and therefore recommend the Resolution No. 6 of the accompanying notice for your approval.

The Notice read with Explanatory Statement should be considered as an abstract of the terms of appointment and payment of remuneration to Mr. V Shashikanth as Managing Director and a memorandum as to the nature of the concern or interest of the Director as required under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. V Shashikanth is concerned or interested in this resolution.

Registered Office:

UB Tower, Level 12, UB City
No.24, Vittal Mallya Road
Bangalore – 560 001

Goa
August 14, 2013

By Order of the Board

Kaushik Majumder
Corporate Vice President – Legal
& Company Secretary

Annexure to Notice

Particulars of Directors seeking Appointment /Re-Appointment:

Name, brief Resume and Functional Expertise of the Director	Appointment/ Re-Appointment	Directorships held in other Companies	Committee positions held in other Companies	
			Audit Committee	Investor Grievance/Share Transfer Committee
Mr. M S Kapur Resume Qualification : B.Sc, M.A Punjab University Experience : Mr. M S Kapur is a career banker with more than 41 years experience. He retired as Chairman and Managing Director of Vijaya Bank. He was also the former Executive Director and Officiating Chairman and Managing Director of Syndicate Bank and Punjab & Sind Bank. Expertise : Finance and Banking Shareholding in the Company- Nil	Re- appointment on retirement by rotation.	Kingfisher Airlines Limited	-	-
		Broad Cast Initiatives Limited	Chairman	-
		CHD Developers Limited	-	-
		Shakti Bhog Foods Limited	Member	-
		Sri Adhikari Brothers Television Network Limited	Member	-
		Precision Pipes & Profiles Company Limited	Member	Member
		Emco Energy Limited	Member	-
		G.B. Tools and Forgings Limited	Chairman	-
		The Lake (Shore) Palace Hotel Private Limited	-	-
		International Space and Infrastructure Deliveries Private Limited	-	-
Mr. N Srinivasan Resume Qualification : B.Com. Chartered Accountant Experience : Mr. N Srinivasan has over fifty years of professional experience in the field of Finance, Accounts and Audit. Served as a Senior Partner of Fraser & Ross, Deloitte Haskins & Sells, Chennai. Expertise : Finance, Accounts and Audit Director since 1997. Shareholding in the Company-120.	Re- appointment on retirement by rotation.	Essar Shipping Limited	Member	-
		GATI Limited	Chairman	-
		The India Cements Limited	Member	-
		India Cements Capital Limited	-	-
		McDowell Holdings Limited	Member	-
		Redington (India) Limited	Chairman	-
		Tafe Motors and Tractors Limited	Member	-
		The United Nilgiri Tea Estates Company Limited	Member	-
		Tractors & Farm Equipment Limited	Chairman	-
		UB Engineering Limited	Chairman	-
		Kartiken Logistics Limited	-	-
		Redington (India) Investments Limited	-	-
		Best and Crompton Engineering Limited	-	-
		Indair Carriers Private Limited	-	-
		SCM Microsystems (India) Private Limited	-	-
		Paterson Consulting Group Private Limited	-	-
		UT Worldwide (India) Private Limited	-	-
		The Associated Chambers of Commerce & Industry of India	Committee Member	
Indo Australian Chamber of Commerce	Committee Member			
Madras Chamber of Commerce and Industry	Committee Member			
The Employees' Federation of Southern India	Committee Member			
Mr. V Shashikanth Resume Qualification : B.E., PGDIT Experience : Mr. V Shashikanth has over 28 years of experience in General Management and International Trade. Expertise : General Management and International Trade. Shareholding in the Company- Nil.	Appointment as Managing Director w.e.f. August 21, 2013.	City Properties Maintenance Company Bangalore Limited	Nil	
		UB International Trading Ltd		
		United Racing & Bloodstock Breeders Limited		
		UB Realty Limited		
		Cineblitz Productions Private Limited		
		Buns Hospitality Private Limited		
		Moda Suole (India) Private Limited		