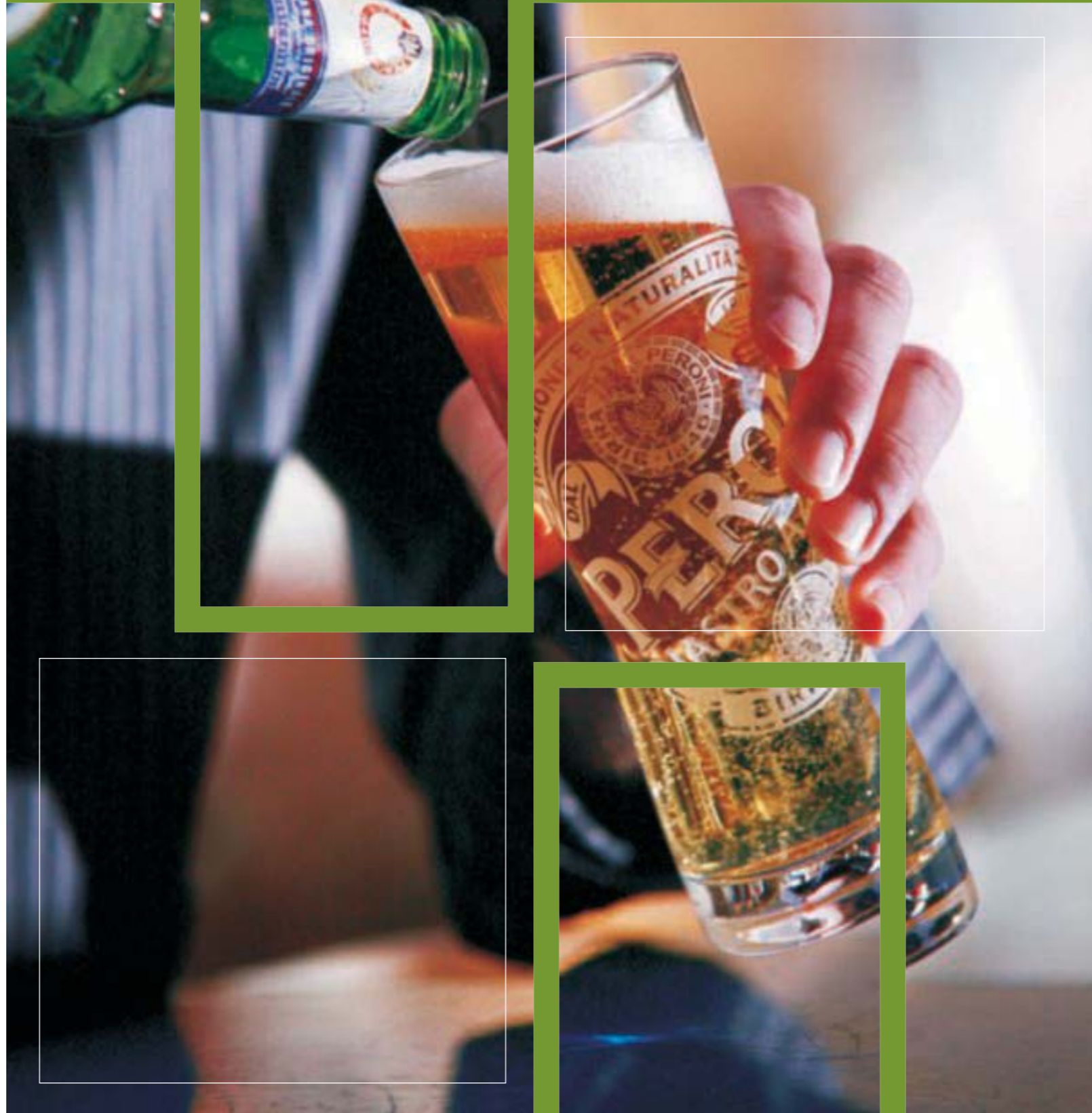


SKOL Breweries Limited
Annual Report 2010





Managing Director Speaks

I extend my warm greetings to all of you and present the Annual Report for the year 2009-10.

Dear Shareholders,

The year under review has been a crucial year for the company. The company was prevented from selling its products for the first three months of the peak season due to regulatory constraints in AP & UP; and consequently there was a decline of 2.62% in the turnover of the company over the previous year. However, in February 2010 the company has obtained the long awaited price increase which has resulted in improvement of margins.

But no sooner had we commenced clawing back our market share, the Government of Andhra Pradesh decided to change its procurement policy which adversely affects the business of the company. We have therefore been constrained to approach the Andhra Pradesh High Court to restrain the corporation from discriminating against us.

The SABMiller group believes in doing what is right and as we are here for the long term we are unwilling to compromise our principles and ethics. We as a business are therefore required to take a tough call and maintain positions which we believe will be vindicated in the long run.

This has naturally affected our performance and for the year ended 31st March 2010 and the Company has made a loss of Rs.142 crores as against the loss of Rs.65 crores in the previous year. The Company's performance declined by 12.7% against the industry's growth of 11.5%.

We are also focusing our energies on sustainable development and the details of our efforts in this regard are given in the directors' report.

The performance of our core brands has been as follows:



“Service to others is the payment you make for your space here on earth”.





"Never before has man had such a great capacity to control his own environment, to end hunger, poverty and disease, to banish illiteracy and human misery. We have the power to make the best generation of mankind in the history of the world".

Brands



Hayward's 5000

Hayward's brand declined by 7% primarily on account of standoff in AP and UP, the most category relevant markets in the country. The brand underwent a major communication change exercise and is back with a massive "Hausla Bulund" campaign from last quarter, which has been received positively by its core consumers. The core essence of the communication is the firm resolve of its consumers.

Royal Challenge

Royal Challenge declined by 33% in F10 driven by our standoffs in its core markets of AP and UP. However by the fourth quarter the brand had strongly come back to dominate its segment in AP.

Knock Out

The Knock Out brand declined by 20% due to standoff in AP, one of its 3 core markets, during peak season. Brand clocked a growth of 2% in Maharashtra led by activations that were well received by the consumers. Despite strong competition and standoff, the brand has been successful in establishing a loyal consumer base in its core markets.



Foster's

The concept of Art of Chilling has been introduced for the Brand and this has been a hit. This concept is fast catching in all major cities in the country.

"Let us all take more responsibility,
not only for ourselves and our families
but for our communities and our country".





Technical

On the manufacturing front there was all round saving in water consumption from 6.4 HL/HL in F'08 to 5.23 HL/HL in F'10. We have changed our manufacturing strategy and have entered into some contract manufacturing arrangements instead of setting up our own capacities to augment our manufacturing footprint.

Andhra Pradesh

The challenge for the business for the current year is in this state and our victory in this market shall mean a victory for the business. As reported last year the

Company had filed a Writ Petition in the Hon'ble High Court of Andhra Pradesh seeking for a price increase on our products. After unstinted efforts put in by the company, the company got a favourable price increase. Pursuant to the price increase we have been battling with the APBCL for equity in issue of purchase orders as the corporation has been granting disproportionate purchase orders to our competitors. This resulted in a lower market share of our core brands in the state. The state of AP has also changed its procurement policy which is being

challenged. Whilst all these factors pose a challenge the heartening factors are the robust growth in consumer demand and the strong acceptance of the brands of the company which has enabled us to bounce back. The long term prospects of the business are good. However, the path is difficult and with a firm resolve we shall achieve our goal "Hausla Bulund".

I wish to thank each one of you for your support. We look forward to an exciting year ahead of us.

Cheers!

Paolo Alberto Francesco Lanzarotti

"Volunteers aren't paid, not because they are worthless, but because they are priceless".



BOARD OF DIRECTORS

Mr. Ari Mervis – Chairman
Mr. Jonathan Andrew Kirby
Ms. Sue Clark
Mr. T.S.R. Subramanian
Mr. Jean-Marc Delpon de Vaux - Upto 07.08.2009
Mr. Wayne Andrew Hall - Alternate Director w.e.f. 10.11.2009
Mr. Paolo Alberto Francesco Lanzarotti
– Managing Director – w.e.f. 23.09.2009
Mr. Mathew James Dunn – w.e.f. 02.07.2010

STATUTORY AUDITORS

B S R & Co.,
Chartered Accountants
Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala, Bangalore – 560071

BANKERS

Standard Chartered Bank
Royal Bank of Scotland
Citi Bank N.A.
First Rand Bank Limited
ICICI Bank Limited

REGISTRAR AND SHARE TRANSFER AGENT

Sharepro Services (India) Pvt Ltd
Samhita Warehousing Complex
Gala No- 52 to 56, Bldg No. 13 A-B
Near Sakinaka Telephone Exchange
Andheri – Kurla Road, Sakinaka
Mumbai – 400072

AUDIT COMMITTEE

Mr. Ari Mervis
Mr. Jonathan Andrew Kirby
Mr. Wayne Andrew Hall–Alternate Director
Mr. Paolo Alberto Francesco Lanzarotti
Mr. Jean-Marc Delpon de Vaux – Upto 07.08.2009

REGISTERED OFFICE

No.1, Mahal Industrial Estate
Mahakali Road
Andheri (East)
Mumbai - 400093

CORPORATE OFFICE

Jalahalli Camp Road
Yeshwanthpur
Bangalore - 560022

UNITS

Charminar Breweries, Medak, AP
Haryana Breweries, Sonapat, Haryana
Mysore Breweries, Bangalore, Karnataka
Pals Distilleries, Aurangabad, Maharashtra
Rochees Breweries, Neemrana, Rajasthan
Central Distilleries & Breweries, Meerut, UP
East Coast Breweries & Distilleries, Cuttack, Orissa
Malabar Breweries, Chalakudy, Kerala
SICA Breweries, Pondichery



Notice

NOTICE is hereby given that the 21st Annual General Meeting of the members of the Company will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor, 18/20, K. Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai – 400 001 on Wednesday, the 18th August, 2010 at 3.00 p.m. to transact the following business:

Ordinary Business:

01. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
02. To consider and, if thought fit, to pass, with or without modification(s), the following resolution, in respect of the vacancy caused by the retirement of Mr. Jonathan Andrew Kirby, who retires by rotation and has expressed his desire not to seek re-appointment, which is not proposed to be filled up, as an Ordinary Resolution.

RESOLVED THAT Mr. Jonathan Andrew Kirby, who retires by rotation and has expressed his desire not to seek re-appointment, shall not be re-appointed and the vacancy thereby caused shall not be filled up.

03. To appoint a Director in place of Mr. T S R Subramanian, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
04. **RESOLVED THAT** M/s. B S R & Co, Chartered Accountants (ICAI firm registration number 101248W), who retire at the conclusion of this Annual General Meeting be and are hereby appointed as Statutory Auditors of the Company till the next Annual General Meeting at remuneration to be fixed by the Board of Directors and billed progressively.

Special Business:

05. To consider appointment of Mr. Mathew James Dunn as Director of the Company.

To consider and if thought fit, to pass, with or without modification(s) the following Resolution as an Ordinary Resolution:

RESOLVED THAT Mr. Mathew James Dunn, who was appointed as an additional Director of the Company by the Board in terms of Section 260 of the Companies Act, 1956 holds office till the date of this Annual General Meeting, and in respect of whom a notice has been received from a member under Section 257 of the said Act, be and is hereby appointed a Director of the Company liable to retire by rotation.

06. To consider the contribution made under Section 293(1)(e) of the Companies Act, 1956.

To consider and if thought fit, to pass, with or without modification(s) the following Resolution as a Special Resolution.

RESOLVED THAT pursuant to the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the contribution of Rs.1.3 Crores made by the Company for the Chief Minister's Relief fund over and above the ceiling limits as prescribed under the said Act be and is hereby ratified.

BY ORDER OF THE BOARD

Paolo Alberto Francesco Lanzarotti
Managing Director

Place : Gurgaon
Date : 2 July, 2010

2.3 million living with HIV with majority infection between 15-49 age group.

In 2007 SABMiller India launched its HIV/AIDS initiative and launched its internal awareness programme.

NOTES

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll in his/her stead. A proxy need not be a member of the Company. Proxies in order to be effective must be deposited at the registered office of the Company not less than forty-eight hours before the meeting. A blank proxy form is enclosed.
02. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th August 2010 to 18th August 2010 (both days inclusive).
03. For convenience of members an attendance slip is also annexed. Members are requested to affix their signature at the space provided therefore and hand over the same at the place of Meeting. The proxy of a member should mark on the attendance slip as Proxy. Members are also requested to bring their copies of the Annual report to the venue of the Meeting.
04. All queries relating to non-receipt of share certificates after transfer/transmission/dematerialization/rematerialisation, mandates, change of address, nomination etc. may be sent to the Registrar & Share Transfer Agents, M/s Sharepro Services (India) Pvt. Ltd, Samhita Warehousing Complex, Gala No-52 to 56, Bldg No.13 A-B, Near Sakinaka Telephone Exchange, Andheri – Kurla Road, Sakinaka, Mumbai - 400072, Telephone: 022-67720300/67720400
Fax No: 022-28591568/28508927, E-mail: sharepro@shareproservices.com
05. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends/ unclaimed matured deposit upto the Financial Year 2002-03 have been transferred to the Investor Education and Protection Fund. It may be noted that no claims shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund and no payment shall be made in respect of any such claim.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item Nos. 2, 3, 5 and 6

A brief resume of the Directors offering themselves for re-election is given below:

02. Mr. Jonathan Andrew Kirby is a B. Accounting (University of the Witwatersrand), CA (SA) and has 23 years of rich experience. He is the CFO of SABMiller Africa.

Except Mr. Jonathan Andrew Kirby, no other Director is interested in the aforesaid Resolution.

03. Mr. T.S.R. Subramanian is a Diploma in Mathematics from Imperial College, London and has done his Masters in Public Administration from Harvard University. He is an Ex IAS officer who held various senior positions in the Government including the post of Cabinet Secretary to the Government of India.

Except Mr. T.S.R. Subramanian, no other Director is interested in the aforesaid Resolution.

05. Mr. Mathew James Dunn is an English Literature and Language graduate having 12 years rich experience in the field of Financial Management. He has held number of senior finance positions in the SABMiller group during the period 2002-09. Prior to joining us, he worked with EMI Records as Finance Director for their Catalogue Division.

Except Mr. Mathew James Dunn, no other Director is interested in the aforesaid Resolution.

06. During the year 2009-10 the States of Andhra Pradesh and Karnataka were hit by the worst floods in the last 60 years. The flood fury caused extensive damage to human life and property. Your Company has breweries in both these States and is operating at capacity. As a good corporate citizen, the Company has contributed sums amounting to Rs.1.3 Crores to Andhra Pradesh & Karnataka Chief Minister's Relief Fund which exceeds the limits as prescribed under Section 293(1)(e)



of the Companies Act, 1956. Hence the resolution is placed before you for your ratification.

The Board recommends the adoption of the resolution.

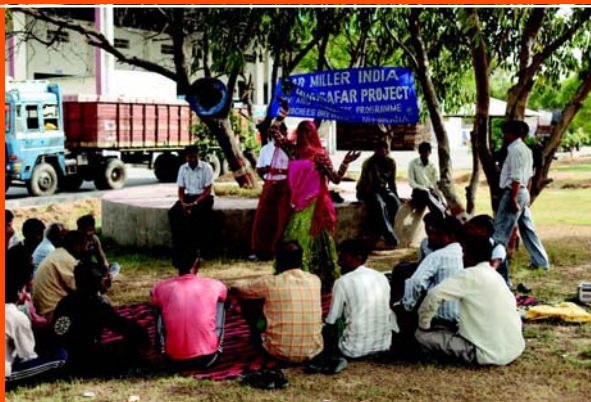
BY ORDER OF THE BOARD

Paolo Alberto Francesco Lanzarotti
Managing Director
Registered Office:
No.1, Mahal Industrial Estate,
Mahakali Road, Andheri (East),
Mumbai – 400 093

Place : Gurgaon
Date : 2 July, 2010

SABMiller partnered with ILO for the workplace programmes on HIV/AIDS. Workplace policy launched training tool like audio visual aids, display materials, other messaging tools such as card games were introduced.

Awareness sessions within work hours, posters, media clippings, internal newsletters were also launched.





Directors' Report

Dear Members,

Your Directors have pleasure in submitting their report and the Statement of accounts for the year ended 31st March 2010.

FINANCIAL RESULTS

(Rupees in Crores)

	Financial Year 2009-2010	Financial Year 2008-2009
Gross Revenue	2116.08	2173.01
Profit/(Loss) before taxation	(142.24)	(72.57)
Less: Provision for taxation	(0.01)	(7.70)
Profit/(Loss) after taxation	(142.26)	(64.88)
Surplus/(deficit) brought forward from previous year	(160.09)	(95.22)
Balance carried to Balance Sheet	(302.35)	(160.09)

OPERATIONS

The turnover of your Company during the year 2009-10 has decreased by 2.62% over the previous year to Rs.2116 crore from Rs.2173 crore. This was primarily on account of the company's poor performance in the first half of the year, wherein The AP Beverage Corporation had not placed orders because the company had chosen to go to court to obtain a much needed price increase. A quarter-wise comparison with the previous year will indicate that the company has caught up and in fact made substantial improvement in the third and fourth quarters.

(Rupees in Crores)

Period	Financial Year 2009-2010	Financial Year 2008-2009
April – June	578.50	647.19
July – September	447.36	478.08
October – December	482.01	475.47
January – March	608.21	572.27
Full year	2116.08	2173.01

The stand taken by the company has been vindicated and the company has received a price increase in Andhra Pradesh from the state canalising agency after a gap of about five years. As the price increase was received only in the month of February 2010, notwithstanding the same the Company reports a loss for the year on account of the following:

The company was prevented from selling its products for 3 months during the peak period in the States of Andhra Pradesh and Uttar Pradesh due to regulatory constraints.

High cost of recycled containers on account of depletion of the container pool and also hoarding by traders has resulted in higher input costs leading to erosion of gross margins.

A sum of Rs.77.17 crores has been invested in upgrading existing plant and machinery and in developing capacity. There has also been continuous upgrading and implementation of best practices at all units to increase productivity and bring down the cost of production.

“We make a living by what we do, but we make a life by what we give”.



Directors' Report

10-11

In the meanwhile the Andhra Pradesh State has revised its procurement policy for procurement of beer. The company believes that this policy is detrimental and hence is examining its options and has initiated action as legally advised.

Your Board enjoys the unqualified support of all its financiers whose confidence in the future of your company is evidenced by the fact that all borrowings have been made without the bankers taking any charges over any of your company's assets. As such the majority of the borrowings are short term and renewed from year to year. Observations of the auditors are self explanatory.

DIVIDEND

As the Company has incurred loss during the year, the Directors do not recommend any dividend on the equity capital.

WATER MANAGEMENT IN INDIA

SABMiller India's water management initiatives are well underway. In line with the group's priorities and given the fact that water is a stressed resource in some of our key areas of operation, its potential scarcity and quality are becoming increasingly critical issues of immediate relevance. It is one of SABMiller India's top sustainable development priorities. In India the Implementation of our 5R strategy has seen internal measures to reduce, recycle and reuse water at all the SABMiller India breweries. Our operations have been engaged in consistently reducing water consumption in the brewing process year on year. The trends indicate a reduction in overall water consumption from 6.4 HL/HL in F'08 to 5.23 HL/HL in F'10.

Water issues are by nature cross-community and cross boundary and therefore cannot be managed simply within the fence lines of our own operations. Therefore, we have started external interventions in partnerships with NGOs, communities and local governments striving to build long term sustainable partnerships to address local water issues.

We have completed watershed mapping for four sites in India and are moving towards a country wide structured watershed mapping process to understand the water availability and quality across all our operations for future business planning. The data will also be used to assess the opportunity to manage these watersheds for the long term sustainability of the community.



SABMiller India's 5R Water Strategy

“Let us all take more responsibility, not only for ourselves and our families but for our communities and our country”.



"We are clear that our business is not something separate from society. It is, at one and the same time, an employer, a customer, a supplier and a taxpayer".



Water recharge structure at Alwar, Rajasthan



Water Harvesting Initiatives in Orissa

The company has also supported construction of five water harvesting structures (WHSs) in the Cuttack district of Orissa, improving the water availability in the region for agriculture which is the main source of livelihood for the community. These projects benefit a population of approx. 10,000 farmers of 1500 families in 23 villages. The Land coverage is expected to be 560 Hectares (1400 acres). This activity is expected to support irrigation and domestic use. It is estimated that after commissioning of WHSs, water level will raise in drinking water sources viz. hand pumps and surface water sources like ponds, tanks etc.

Apart from the above, these WHSs will be helpful in restoring and rejuvenating the degraded forest resources of the area. The structures have been constructed with the participation of local people and will be managed and maintained by the community.

Watershed Management Project at Neemrana, Rajasthan

We have embarked upon a watershed management project near our Rochees Brewery in the water stressed region of Alwar district, Rajasthan in Northern India in collaboration with CII (Confederation of Indian Industry) and ACWADAM (Advanced Center for Water Resources Development and Management) launched in October 2008, the initiative covers about 30 villages within an approximate radius of 7 km (15,000 hectares) around the brewery and is currently the largest in this region. As of now three check dams have been constructed in a wasteland area to trap the water that would otherwise have simply run off and facilitate natural recharge. These are expected to recharge 300 million liters

of water a year - the same amount as extracted by the brewery - spread over a catchment expanse of about 120 hectares. This recharge will augment the local groundwater resources in the region. The recharge initiative assumes a greater significance since the overall incidence of irrigation through groundwater has increased in the region further stressing the resource. The strength of the project lies among other things in establishing an approximate water balance of the region at the very start of the project so that a substantial engagement with the community can begin based on empirical findings.

More sites which support natural recharge and where such structures can potentially be constructed are being identified.



Water harvesting structures in Cuttack, Orissa

"Accumulating concepts and ideas will make you an intelligent person, but to be a great person you must utilize that intelligence to have a beneficial impact on our society."

Directors' Report



Water resource management through community participation, Medak, Andhra Pradesh.

Similar initiatives are on in the water stressed area of Medak district in Andhra Pradesh to build capacity of the community to develop sustainable water management practices and enhance groundwater availability through improved water use efficiency. Four villages from where most of our workers in the brewery originate have been identified for this project. The interventions being conducted under the leadership of ICRISAT (International Crop Research Institute for Semi Arid Tropics) include enhancing rainwater conservation, improving water use efficiency and managing water demand, while improving the livelihood and promoting a shift towards less water crops.

HIV/AIDS PROGRAMMES

Driving efficiencies through Stakeholder partnerships

HIV/AIDS is a key component of SABMiller's Sustainable Development framework. SABMiller India's programme is in line with the company's global priorities.

India Scenario

HIV/AIDS is one of the most important development challenges facing India. SABMiller India recognizes that HIV/AIDS can be a major threat to the work place, affecting the most productive segment of the work force and imposing huge costs on enterprises. It can also lead to loss of skills and experience and henceforth decline in productivity.

Workplace Initiatives

In 2007, SABMiller India launched its HIV/AIDS initiative in partnership with the International Labour Organisation and began with an internal awareness programme for its employees. The focus of this initiative was to create awareness amongst internal audiences, dispel myths creating a fear psychosis through dissemination of correct information and build empathy towards HIV-positive people.

HIV/AIDS Workplace Programme

The HIV/AIDS workplace programme adopted by the company recognizes that ignorance and lack of correct information about an issue such as HIV/AIDS is dangerous and precludes early and accurate diagnosis and therefore prompt and appropriate care. There is communication to all employees through workshops, intranet, notice boards, induction manual etc. A core committee on HIV/AIDS comprising senior members of the management and led by the Managing Director reviews the programme regularly.

The workplace programme is conducted mainly by in house Master Trainers and peers. They conduct regular interactive sessions to inform and educate the company's employees about HIV/AIDS. Many of our breweries have Condom Vending machines installed on premise to highlight their importance in prevention.

Interventions with supply chain (Truckers)

Moving ahead with its awareness initiative, the company has launched initiatives for its supply chain i.e. truckers who spend on an average 4-8 hours per day at the brewery. The programme titled "Humsafar" (The Companion) was launched in 2007 at one of the company's biggest breweries, Rochees Breweries in Rajasthan. The programme was further extended to SICA (Pondicherry) and Mysore Breweries (Bangalore) in Southern India in 2008.

The interventions are conducted by local partner NGOs along with the company's employees. The in-house Master Trainers and 150 Peers support the interventions during company hours.

Information, education and multi-lingual communication materials designed and provided by the ILO and National Aids Co-ordination Committee are used in these interactions which are carried out at the breweries and at other locations where truck drivers halt frequently for sufficient duration, for instance food places along the highway. Since literacy rates amongst truckers are low, mass media tools such as films, videos, games etc. are widely used.

The programme has a very strong referral component where the target populations are encouraged to avail of the free counseling and testing services made available by the government and local NGOs. There are plans to extend the initiative to two more breweries this year.

The programme so far has reached to 4000 truckers through one to one and group discussions and 7000 condoms have been disbursed through social marketing. The programme has referred 400 truckers to local hospitals and nearby Integrated Counseling and Testing Centers.

SABMiller provided farmers training, technical assistance and other support needed to grow barley, a crop not normally produced in this part of the country.

Recognitions

SABMiller India has been recognized by the ILO as a corporate partner that has made valuable contributions to the National AIDS Control Programme. The company has also received endorsements from the local governments appreciating and recognising the company's efforts.

Moving on – Extending reach, targeting farmers and liquor retail outlets

Expanding the programme to its key stakeholders, SABMiller India now plans to extend its HIV/AIDS programme to farmers enrolled under its Barley Development Programme (Saanjhi Unnati) in Rajasthan and to retail outlets in Karnataka.

DIRECTORS

In accordance with the Articles of Association, Mr. Jonathan Andrew Kirby and Mr. T.S.R. Subramanian, Directors of the Company retire by rotation at this Annual General Meeting and being eligible, Mr. T.S.R. Subramanian offer himself for re-appointment and Mr. Jonathan Andrew Kirby does not offer himself for re-appointment.

Mr. Jean-Marc Delpon de Vaux has resigned as a Managing Director of the Company w.e.f. 7th August, 2009. The Board places on record the meritorious services rendered by Mr. Jean-Marc Delpon de Vaux during his tenure as Managing Director of the Company.

Mr. Wayne Andrew Hall was appointed as an Alternate Director on 10th November, 2009 to Mr. Jonathan Andrew Kirby.

Mr. Mathew James Dunn was appointed as an additional Director of the Company on 2nd July, 2010, whose term of office expires at this Annual General Meeting and is eligible for re-appointment.

Mr. Paolo Alberto Francesco Lanzarotti was appointed as Managing Director w.e.f. 23rd September, 2009 and an application has been made to Central Government seeking their approval for the appointment and also the payment of remuneration payable to him. The

approval of the Central Government on this application is awaited. Observations of the auditors are self explanatory.

AUDIT COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956 the Audit Committee has been re-constituted. On account of resignation of Mr. Jean-Marc Delpon de Vaux, the present members of the Committee are Mr. Jonathan Andrew Kirby, Mr. Paolo Alberto Francesco Lanzarotti and Mr. Ari Mervis. Mr. Jonathan Andrew Kirby, Chairman of the Audit Committee was present at the last Annual General Meeting. Mr. Wayne Andrew Hall was appointed as an Alternate Director on 10th November, 2009 to Mr. Jonathan Andrew Kirby. As such he now Chairs the Audit Committee Meeting on behalf of Mr. Jonathan Andrew Kirby.

AUDITORS

M/s B S R & Co., Chartered Accountants, retiring Auditors, have signified their willingness to be reappointed as Statutory Auditors of the Company. They have confirmed that their reappointment if made will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Your Directors recommend their appointment at the ensuing Annual General Meeting.

PUBLIC DEPOSIT

During the year, the Company has not accepted any public deposits as defined in the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES

The details of employees covered under the provisions of Section 217 (2A) of the Companies Act, 1956 and the rules framed there under, as amended to date are attached herewith.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The statement pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 to the extent applicable are set in the annexure hereto.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA) OF THE COMPANIES ACT, 1956.

Your Directors state that:

1. The financial statements have been prepared in conformity with the generally accepted accounting principles and applicable accounting standards in India.
2. The Directors have selected such accounting policies as are applicable and have applied them consistently and made reasonable and prudent judgment and estimates so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the year.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The financial statements have been prepared on the basis of "Going Concern" considering the ability of the Company to carry on its business in the foreseeable future.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation to employees at all levels for their co-operation. The Directors would also like to acknowledge the continued support of the company's Bankers, Distributors, Shareholders, Customers and Suppliers.

FOR AND ON BEHALF OF THE BOARD

T S R Subramanian
Paolo Alberto Francesco Lanzarotti

Place : Gurgaon
Dated : 2 July, 2010

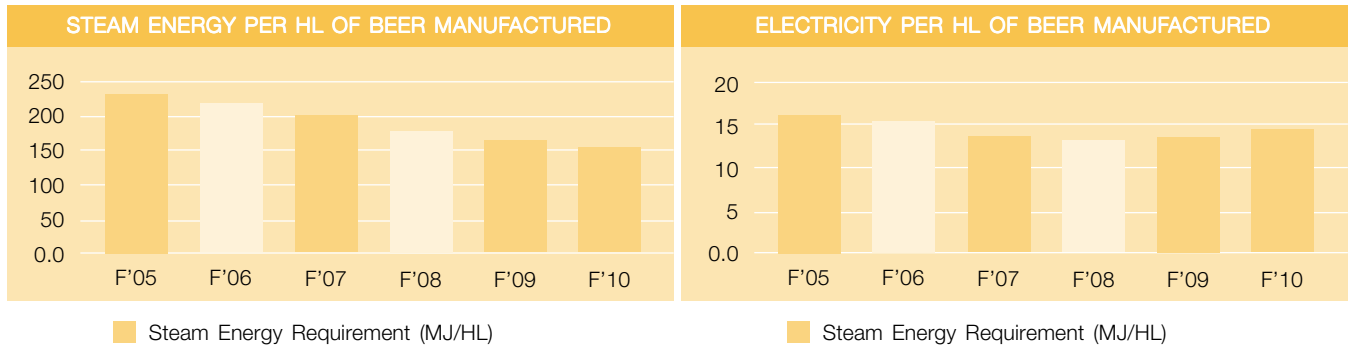
"Treat people as if they were what they ought to be, and help them become what they are capable of being".



DISCLOSURE AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Energy efficiency in breweries is achieved through a process of continuous improvement. The Company is in the process of standardizing energy efficiency measures across its breweries to further reduce the specific energy requirement in brewing.



The Company has commissioned a can line in its unit at Sonapat incorporating flash pasteurisation technology. This is for the first time in India that such a technology is used for packaged beer other than draught beer. This technology apart from using lesser amount of water helps save energy as well.

The Company is actively evaluating greener technologies for introduction in its breweries. Some of these technologies are not prevalent in Indian breweries because of various barriers, one of them being high capital cost.

The possibility of availing Carbon Credits would certainly help the company in pursuing greener technologies otherwise unsustainable due to high costs.

A summary of the major measures taken by the Company at its various units are as under-

1. Aggressive target setting in breweries based on extensive benchmarking against global standards across SABMiller group.
2. Flash pasteurization technology employed on the latest can line at the unit in Sonapat.
3. Mash filter technology successfully deployed and ramped up at the unit in Sonapat.
4. Increasing use of treated waste water for utilities like cooling tower apart from use in gardening inside company premises.
5. Continuously focus on the 5R strategy for water usage improvement.

B. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company has earned Rs.19.14 Crores in foreign exchange earnings. An amount of Rs.60.50 Crores was incurred in foreign exchange.

FOR AND ON BEHALF OF THE BOARD

T S R Subramanian
Paolo Alberto Francesco Lanzarotti

Place : Gurgaon
Dated : 2 July, 2010

“A society cannot be truly successful with a mentality that every company should only worry about themselves and in the end things will work out for the best. Community service is about building a stronger community whether on campus, in your neighborhood, city, state, or any other type of community.”

Recognizing the developmental opportunities that existed in the Indian Barley Industry in terms of product quality, supply chain and farm productivity and realizing the need to improve the quality of the barley supply chain, SABMiller India envisioned & initiated, the “Progress through Partnership” (Saanjhi Unnati) program in the State of Rajasthan in 2005.





Auditors' Report

To the Members of SKOL Breweries Limited

We have audited the attached balance sheet of SKOL Breweries Limited ("the Company") as at 31 March 2010, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Further to our comments in the Annexure referred to above, we report that:

(i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(iii) the balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;

(iv) in our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(v) on the basis of written representations received from the directors of the Company as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(vi) *as stated in note 17 of Schedule 18 of the financial statements, managerial remuneration amounting to Rs. 7,044,961 is in excess of the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956.* However, the Company, on its part has already applied to the Central Government on 17 December 2009, in accordance with provisions of the Companies Act and the approval is awaited; and

(vii) *subject to our comments in paragraph (vi) above*, in our opinion and to the best of our information and according to the explanations given to us, the said

accounts give the information required by the Companies Act, 1956, 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 2010;
- b. in the case of the profit and loss account, of the loss of the Company for the year ended on that date; and
- c. in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for **B S R & Co.**

Firm registration number: 101248W
Chartered accountants

Zubin Shekary

Partner

Membership No. 48814

Bangalore
2 July 2010

"Despite the often challenging economic conditions we do not compromise on our commitment to our communities. It is a core part of our business".

Annexure to the Auditor's report

Annexure referred to in the Auditors' Report to the Members of SKOL Breweries Limited ("the Company") for the year ended 31 March 2010. We report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii. (a) The inventory, except for goods-in-transit and stock lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(a), 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Order is not applicable.
- (b) The Company has taken a loan from company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year and the year-end balance of such loan was Rs 427,017,940 and Rs 167,034,977 respectively.
- (c) In our opinion, the rate of interest for the above loan taken from the company, listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company. Tenure and repayment terms have not been specified for such loans.
- (d) According to the information and explanations given to us, the tenure and repayment terms have not been specified for the above mentioned loan. Consequently, we are unable to comment on paragraph 4(iii)(g) of the Order.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- v.(a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to above and exceeding the value of Rs 5 lakhs with 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, Section 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under/ the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured by the Company.

"We make a living by what we do, but we make a life by what we give".



Annexure to the Auditor's report

- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax/ Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess, Investor Education and Protection Fund and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities though there has been a slight delay in a few cases.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Wealth Tax, Service Tax, Sales Tax/ Value Added Tax, Customs Duty, Excise Duty, Cess, Investor Education and Protection Fund and other material statutory dues which were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Wealth Tax and Cess which have not been deposited with the appropriate authorities on account of any dispute. The following dues of Income-tax, Sales Tax, Service Tax, Customs Duty and Excise Duty have not been deposited by the Company on account of disputes.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Punjab Excise Act, 1914	Duty on beer loss	13,745,236	1974-75 to 1990-91	Financial Commissioner, Haryana
Orissa and Bihar Excise Act, 1965	Interest on excise loan draw back scheme	3,222,705	1988-89	Orissa High Court
	Adhesive label fees	10,877,028	2001-02 to 2004-05	Orissa High Court
	Duty on sediment beer	1,606,295	2002-03	Excise Authorities, Orissa
	Overtime wages of excise staff	2,152,000	2005-06	Orissa High Court
Bombay Prohibition Act, 1949	Supervision charges of excise staff	550,930	1983-84 to 1988-89	Bombay High Court
	Duty on expired beer	1,037,085	2000-01	Commissioner of State Excise, Maharashtra
Karnataka Excise Act, 1965	Duty on breakages	329,131	1997-98 to 1999-00	Commissioner of State Excise, Karnataka
	Overtime wages of excise staff	5,179,691	1998-99 to 2004-05	Karnataka High Court
Central Excise Act, 1944	Central excise duty	70,235,608	1996-97 to 1999-00	Customs Excise Service Tax Appellate Tribunal, Mumbai
Orissa Sales Tax Act, 1947	Sales Tax	35,029,024	1994-95 to 2000-01	Sales Tax Tribunal, Orissa
Orissa Entry Tax Act, 1999	Sales Tax	242,508	2000-01	Sales Tax Tribunal, Orissa
Delhi Sales Tax Act, 1975	Sales Tax	576,486	2002-03	Assistant Commissioner of Commercial Taxes (Appeals), New Delhi
	Sales Tax	217,200,913	2007-08	Additional Commissioner -II Department of Trade & Taxes, New Delhi

"We understand that our long-term profitability depends on being part of successful economies where jobs are created, incomes grow, and quality of life improves".

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Bombay Sales Tax Act, 1959	Sales Tax	1,514,943	1992-93	Appellate Tribunal, Maharashtra
	Sales Tax	4,139,154	1995-96	Sales Tax Tribunal, Maharashtra
	Sales Tax	1,445,537	1996-97	Sales Tax Tribunal, Maharashtra
Bombay Sales Tax Act, 1959 & Central Sales Tax Act, 1956	Sales Tax	13,617,495	2001-02	Sales Tax Tribunal, Maharashtra
	Sales Tax	8,050,922	2002-03	Joint Commissioner (Appeals), Mumbai
	Sales Tax	4,984,290	2002-03	Joint Commissioner (Appeals), Mumbai
Uttar Pradesh Trade Tax Act, 1948	Penalty	185,000	2003-04	Sales Tax Tribunal, Uttar Pradesh
Andhra Pradesh General Tax Act, 1957	Sales Tax	3,675,677	1991-92 to 1992-93	Andhra Pradesh High Court
	Sales Tax	17,795,665	2007-09	Appellate Deputy Commissioner, Andhra Pradesh
Pondicherry General Sales Act, 1967	Sales Tax	11,982,000	1981-82 to 1984-85, 1997-98 to 1998-99	Assessing Authority, Pondicherry
Haryana Sales Tax Act, 1973	Sales Tax	5,965,472	1989-90 to 1996-97, 1998-99 to 2003-04	Sales Tax Tribunal, Haryana
Central Sales Tax Act, 1956	Sales Tax	5,428,400	2002-03	Assessing Officer, Uttar Pradesh
	Sales Tax	51,114	2006-07	Joint Commissioner, Meerut
Delhi Sales Tax Act, 1975	Sales Tax	137,749	2004-05	Additional Commissioner Sales Tax, New Delhi
Uttar Pradesh Tax on Entry of Goods Act, 2000	Penalty	379,728	2003-04	Sales Tax Tribunal, Meerut
	Entry Tax	2,000,117	2005-06	Assessing officer, Meerut
	Entry Tax	7,465,500	2003-04 to 2005-06	Supreme Court
Haryana Local Area Development Tax Act, 2000	Local Area Development Tax	10,050,426	2000-01 to 2003-04	Chandigarh High Court
Finance Act, 1994	Service Tax and penalty	32,129,640	2006-07 to 2007-08	Customs Excise and Service Tax Appellate Tribunal, Mumbai
Customs Act, 1962	Customs Duty	261,555	2007-08	Customs Excise and Service Tax Appellate Tribunal, Mumbai

Note: The amounts paid under protest have been reduced from the amounts demanded in arriving at the aforesaid disclosure.



Annexure to the Auditor's report

- x. The Company has accumulated losses of Rs. 3,023,505,836 at the end of the financial year which is less than fifty percent of its net worth. *The Company has incurred cash losses in the current financial year.* However, no cash losses were incurred in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture holders during the year.
- xii. In our opinion the Company has maintained adequate records in cases where it has granted loans and advances on the basis of security by way of pledge of shares. The Company has not granted any loans and advances on the basis of security by way of pledge of debentures and other securities.
- 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.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that *funds raised on short-term basis amounting to Rs 5,561,800,302 have been used for long-term purposes.*
- xviii. The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- 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 **B S R & Co.**

Firm registration number: 101248W
Chartered accountants

Zubin Shekary

Partner

Membership No. 48814

Bangalore
2 July 2010

"Through community service, I learn what it means to be a part of something bigger than myself".

“We are pushing ahead with plans to improve our water efficiency, create new and affordable products for low-income consumers using locally grown crops, and improve awareness of the importance of responsible drinking”.





Balance sheet as on 31 March 2010

	Schedule	As at 31 March 2010	(Rs.) As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	2,311,837,450	2,311,837,450
Reserves and surplus	3	6,140,637,748	6,140,637,748
		<u>8,452,475,198</u>	<u>8,452,475,198</u>
Loan funds			
Unsecured loans	4	8,745,273,358	6,170,031,896
		<u>17,197,748,556</u>	<u>14,622,507,094</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	14,208,781,789	13,556,110,406
Less: Accumulated depreciation		(3,112,513,576)	(2,397,970,441)
Less: Provision for impairment of fixed assets		(122,920,799)	(143,814,725)
Net block		<u>10,973,347,414</u>	<u>11,014,325,240</u>
Capital work-in-progress		495,094,892	506,703,130
		11,468,442,306	11,521,028,370
Investments	6	13,359,725	11,359,225
Current assets, loans and advances			
Inventories	7	1,987,421,581	1,650,081,511
Sundry debtors	8	3,270,632,782	3,390,344,214
Cash and bank balances	9	410,300,842	317,395,443
Loans and advances	10	867,392,782	1,176,231,356
		<u>6,535,747,987</u>	<u>6,534,052,524</u>
Current liabilities and provisions			
Current liabilities	11	3,628,395,308	4,861,783,690
Provisions	12	453,748,750	421,930,244
		<u>4,082,144,058</u>	<u>5,283,713,934</u>
<i>Net current assets</i>		2,453,603,929	1,250,338,590
Amalgamation adjustment reserve account		1,457,236,076	1,457,236,076
Debit balance in profit and loss account		3,023,505,836	1,600,944,149
Less: Balance in general reserve account	3	(1,218,399,316)	(1,218,399,316)
		<u>1,805,106,520</u>	<u>382,544,833</u>
		<u>17,197,748,556</u>	<u>14,622,507,094</u>
Significant accounting policies	1		
Notes to the accounts	18		

The schedules referred to above form an integral part of the balance sheet
As per our report attached

for **B S R & Co.**

Firm registration number: 101248W

Chartered Accountants

Zubin Shekary

Partner

Membership No. 48814

Bangalore
2 July 2010

for **SKOL Breweries Limited**

Paolo Alberto Francesco Lanzarotti
Managing Director

Kevin Heydenrych
Chief Finance Officer

Gurgaon
2 July 2010

T S R Subramanian
Director

Profit and loss account

(Rs.)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
Income			
Sale of manufactured goods, gross		21,122,149,181	21,633,156,478
Sale of traded goods, gross		<u>38,638,725</u>	<u>96,894,530</u>
		21,160,787,906	21,730,051,008
Less: Excise duty		(7,547,702,144)	(7,678,466,595)
Less: Discounts		<u>(1,020,951,450)</u>	<u>(1,040,654,424)</u>
Sales, net		12,592,134,312	13,010,929,989
Income from contract bottling		76,871,218	143,573,120
Other income	13	<u>234,659,008</u>	<u>185,950,917</u>
		12,903,664,538	13,340,454,026
Expenditure			
Cost of materials	14	6,591,267,174	6,839,899,584
Personnel costs	15	1,058,203,502	974,679,780
Other expenses	16	5,074,064,661	4,833,230,221
Depreciation	5	805,280,273	651,299,955
Provision for impairment of fixed assets	5	-	(7,066,845)
Opening adjustment for returnable containers	18 (2)	-	340,493,099
Finance costs	17	<u>797,279,385</u>	<u>433,651,970</u>
		14,326,094,995	14,066,187,764
(Loss) before tax		(1,422,430,457)	(725,733,738)
Provision for tax			
- current tax		-	-
- pertaining to earlier years (reversal)		-	(48,582,678)
- fringe benefit tax		-	35,160,648
- deferred tax (credit)/ charge	18 (15)	-	(63,744,036)
- wealth tax		<u>131,230</u>	<u>192,269</u>
(Loss) after tax		(1,422,561,687)	(648,759,941)
Debit balance in profit and loss account brought forward		<u>(1,600,944,149)</u>	<u>(952,184,208)</u>
Debit balance in profit and loss account carried over to the balance sheet		(3,023,505,836)	(1,600,944,149)
Earnings per share (par value; Rs. 10 each)			
- Basic and diluted	18 (6)	(6.15)	(2.81)
Significant accounting policies	1		
Notes to the accounts	18		

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached

for **B S R & Co.**

Firm registration number: 101248W

Chartered Accountants

Zubin Shekary

Partner

Membership No. 48814

for **SKOL Breweries Limited**

Paolo Alberto Francesco Lanzarotti
Managing Director

T S R Subramanian
Director

Kevin Heydenrych
Chief Finance Officer

Bangalore
2 July 2010

Gurgaon
2 July 2010



Schedules to the financial statements

1. Significant accounting policies

Background

SKOL Breweries Limited ("the Company" or "SKOL") was incorporated as a public limited company under the Companies Act, 1956 on 18 November 1988. The Company is primarily engaged in the business of brewing, packaging, distribution, marketing and sale of beer.

1.1 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting. The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards ('AS') prescribed by Companies (Accounting Standards) Rules, 2006, and other pronouncements of the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956, to the extent applicable. These financial statements are prepared and presented in Indian Rupees.

1.2 Going concern

These financial statements have been prepared on a going concern basis, notwithstanding accumulated losses and reliance on short term borrowings due to the following considerations:

- Expected steady future growth reflected in financial projections prepared by the management;
- Expected continual technical and financial support by the SABMiller group;
- Subsequent renewal of short term borrowings from banks.

These financial statements, therefore, do not include any adjustments relating to recoverability and classification of asset amounts or to classification and amount of liabilities that may be necessary if the Company was unable to continue as a going concern.

1.3 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting

principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting period end. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

(i) Sale of goods

Revenue from sale of manufactured and traded goods is recognised on transfer of all the significant risks and rewards of ownership to the buyer which normally takes place on despatch of goods. The amount recognised as sale is net of sales tax, sales returns and discount. Sales are presented both gross and net of excise duty.

(ii) Income from contract bottling

Income from contract bottling is recognised when the right to receive bottling fee is established which normally takes place on dispatch of goods by contract bottlers to its customers.

(iii) Interest

Interest is recognised using the time proportion basis taking into account the amount outstanding and the interest rate applicable.

(iv) Sales of scrap and spent malt

Revenue from sale of scrap and spent malt is recognised on transfer of all the significant risks and rewards of ownership to the buyer which normally takes place on despatch of goods. The amount recognised as sale is net of sales tax and sales returns.

(v) Gain on prepayment of deferred sales loan

Gain on prepayment of deferred sales tax loan is recognised when the deferred sale tax loan, is settled at a discounted value as mentioned in the deferral scheme.

1.5 Fixed assets

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and provision for impairment of assets. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised to the extent they relate to the period till such assets are ready to be put to use. Intangible assets are recorded at their acquisition cost.

Advances paid towards the acquisition or construction of fixed assets outstanding at the balance sheet date and the cost of the fixed assets not ready for their intended use on such date, are disclosed as capital work-in-progress.

Upto 31 March 2008, containers (empty bottles) were recorded as fixed assets and depreciated over a period of two years. The Company is a dominant/ key player in the Indian market and the policy of recording containers as fixed assets is more prevalent in International markets. Other companies in India (i.e. competitors) record containers as inventories and not as fixed assets. This resulted in an issue on comparability of results and performance. In order to ensure comparability of financial performance with other companies in India, Management, with effect from 1 April 2008, have changed the policy of recording containers as inventories which were hitherto recorded as fixed assets. Management believes that this change will result in a more appropriate presentation of the financial statements (also refer note 2 of Schedule 18).

In 2008 SABMiller launched project "Humsafar" which witnessed tremendous interest amongst truckers.

1.6 Depreciation

Depreciation on fixed assets is provided on the straight-line method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. However, where the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of useful life/ remaining useful life.

Pursuant to this policy the following fixed assets are depreciated to their residual value over their estimated useful life:

Class of Assets	Years
Computer equipment	4
Furniture, fittings and office equipment	6
Brands	20
Buildings	28
Computer software	4
Motor Vehicles	5
Plant and machinery	
- Chillers	5
- Crates	2
- Wooden pallets	3
- Others	14-18

Freehold land is not depreciated. Leasehold land is amortised over the lease term. Leasehold improvements are amortised over the lease term or its estimated useful life of 5 years, whichever is lower.

Pro-rated depreciation is provided on all assets purchased or sold during the year. Assets, costing individually Rs 5,000 or less, are depreciated in full in the year of purchase.

The useful lives of brands, which primarily represent brands purchased, have been determined based on management's assessment of market conditions in India, intent to use and ability to maintain these assets, previous history of these brands and internationally accepted practices.

1.7 Impairment

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. The recoverable amount is higher of the asset's net selling price and value in use.

After recognition of impairment loss, depreciation is provided on the revised carrying amount of the asset, less its residual value (if any), over its remaining useful life.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

"No matter how big and powerful government gets, and the many services it provides, it can never take the place of volunteers".



1.8 Borrowing costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are accounted as an expense.

1.9 Investments

Long-term investments are carried at cost less any other-than-temporary diminution in the value, as determined by management on commercial consideration determined separately for each individual investment.

1.10 Inventories

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

The methods of determination of cost of various categories of inventories are as follows:

Raw materials, packing materials, stores and spares and traded goods	– First-in-first-out (FIFO) method
Work-in-progress and finished goods (including goods in transit)	– FIFO method. Production overheads are allocated on the basis of normal capacity of production facilities.

Maintenance spares, which are in regular use and are not an integral part of any fixed asset, are treated as inventory and valued at cost.

The comparison of cost and net realisable value is made on an item-by-item basis. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished goods in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Raw materials, packing materials and other supplies held for use in production of inventories are not written below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

1.11 Foreign exchange

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date; the resultant exchange differences are recognised in the profit and loss account.

Forward contracts and other derivatives are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or as expense for the period.

The exchange difference on the forward exchange contract entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the

transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the profit and loss account in the reporting period in which the exchange rates change.

For forward exchange contracts and other derivatives that are not covered by AS 11 and that relate to a firm commitment or highly probable forecast transactions, the Company has adopted the principles of Accounting Standard ('AS') 30, 'Financial Instruments: Recognition and Measurement' with effect from April 1, 2008. Derivative financial instruments, which qualify for cash flow hedge accounting and where Company has met all the conditions of cash flow hedge accounting, are fair valued at balance sheet date and the resultant exchange loss/(gain) is debited/credited to the hedge reserve. This loss/ (gain) would be recorded in profit and loss account when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting have been recorded at fair value at the reporting date and the resultant exchange loss/ (gain) has been debited/ credited to profit and loss account for the year.

"Our corporate social activities aim to improve the quality of life for local people, helping to build strong relationships with suppliers, consumers and our employees".

1.12 Employee benefits

- (i) Contributions to provident funds, which is a defined contribution scheme, are charged to the profit and loss account on an accrual basis.
- (ii) The Company has an arrangement with Life Insurance Corporation of India to administer its superannuation scheme, which is a defined contribution scheme. The contributions to the said scheme are charged to the profit and loss account on an accrual basis.
- (iii) Gratuity, which is a defined benefit scheme is provided for based on an actuarial valuation carried out by an independent actuary as at the balance sheet date. Actuarial gains/ losses are recognised immediately in the profit and loss account and are not deferred. Only such changes in legislation are taken into account while providing for gratuity that have been enacted upto the balance sheet date.
- (iv) Compensated absences are provided for based on an actuarial valuation carried out by an independent actuary as at the balance sheet date.

1.13 Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

1.14 Provisions and contingent liabilities

The Company recognises a provision when there is a present obligation as a result of an obligating event that probably requires outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

1.15 Taxation

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the Income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward business loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

The Company offsets, the current (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The Company provides for and discloses the Fringe Benefit Tax ("FBT") in accordance with the provisions of Section 115 WC of the Income-tax Act, 1961 and the guidance note on FBT issued by ICAI.



Schedules to the financial statements



1.16 Earnings per share

The basic earnings per share is computed by dividing the net profit or loss attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of equity shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which would have been issued on conversion of all potentially dilutive equity shares. Potential dilutive equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The potentially dilutive equity shares have been adjusted for the proceeds receivable had the shares been actually issued at a fair value (i.e. the average market value of the outstanding shares). In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

1.17 Employee stock compensation cost

The Company applies intrinsic value method of accounting for stock options granted by the ultimate holding company to the employees of the Company after 1 April 2005. The intrinsic value of the employee services received in exchange for the grant of such options is recognised as an expense. The amount recognised is spread over the vesting period which is also the period over which some of the scheme performance criteria relate. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised. It recognises the impact of the revision of the original estimates, if any, in the profit and loss account over the remaining vesting period. The effect of uncertainty as to whether any performance criteria of share options will be met is dealt with by estimating the probability of shares vesting and therefore the cost is adjusted and readjusted for the probability of vesting in the vesting period.

1.18 Cash flow statement

Cash flows are reported using the indirect method, whereby the net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

“Business is the economic engine of our culture, and if it could be transformed to truly serve nature as well as ourselves, it could become essential to our rescue.”

"By accepting responsibility, we take effective steps toward our goal: an inclusive human society on a habitable planet, a society that works for all humans and for all nonhumans. By accepting responsibility, we move closer to creating a world that works for all."

	(Rs.)	
2. Share capital	As at	As at
	31 March 2010	31 March 2009
Authorised		
300,000,000 (previous year:300,000,000) equity shares of Rs. 10 each	3,000,000,000	3,000,000,000
	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid up		
231,183,745 (previous year: 231,183,745) equity shares of Rs. 10 each fully paid up	2,311,837,450	2,311,837,450
	<u>2,311,837,450</u>	<u>2,311,837,450</u>

Of the above :

1) 142,058,715 (previous year: 142,041,561) equity shares of Rs. 10 each are held by SABMiller Breweries Private Limited, the immediate holding company. 87,341,038 (previous year: 87,341,038) equity shares of Rs. 10 each are held by SABMiller Asia B.V., another group Company. SABMiller Plc is the ultimate holding Company.

2) Pursuant to a scheme of arrangement 34,636,335 (previous year: 34,636,335) equity shares of Rs. 10 each were allotted, in earlier years, for consideration other than in cash.

	(Rs.)	
3. Reserves and surplus	As at	As at
	31 March 2010	31 March 2009
Capital reserve		
At the beginning of the year	2,000,000	2,000,000
Securities premium	6,138,637,748	6,138,637,748
General reserve		
At the beginning of the year	1,218,399,316	1,218,399,316
Less: Debit balance in profit and loss account	<u>(1,218,399,316)</u>	<u>(1,218,399,316)</u>
	<u>-</u>	<u>-</u>
	<u>6,140,637,748</u>	<u>6,140,637,748</u>

	(Rs.)	
4. Unsecured loans	As at	As at
	31 March 2010	31 March 2009
Bank overdraft	27,835,207	415,394,900
Short term bank loans	5,494,011,986	3,344,617,711
Other loans		
From banks:		
-External commercial borrowings [Refer note (a) below]	908,460,000	662,275,628
-Others [Refer note (a) below]	2,100,000,000	149,000,000
From others:		
- loan from holding company [Refer note (b) below]	167,034,977	211,624,493
- loan from fellow subsidiary [Refer note (b) below]	47,931,188	46,119,164
	<u>8,745,273,358</u>	<u>6,170,031,896</u>

Notes:

a) Amount repayable within a period of 12 months Rs. Nil (previous year: Rs.178,325,000).

b) Tenure and terms for repayment have not been specified for loans obtained from holding company and fellow subsidiary.



Schedules to the financial statements

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5. Fixed assets

Description	Gross Block			Accumulated Depreciation			Provision for impairment As at 31 March 2010 (refer note 1 below)	Net block	
	As at 1 April 2009	Additions	Deletions	As at 31 March 2010	As at 1 April 2009	Charge		Deletions/adjustments	As at 31 March 2010
<i>Tangible assets</i>									
Freehold land	405,346,807	-	-	405,346,807	-	-	16,600,000	388,746,807	388,746,807
Leasehold land	15,831,621	-	-	15,831,621	5,566,220	1,019,319	-	9,246,082	10,265,401
Leasehold improvements	9,698,369	498,540	-	10,196,909	2,428,578	1,939,674	-	5,828,657	7,269,791
Buildings	1,912,111,548	125,856,137	1,367,702	2,038,599,983	200,607,412	69,353,855	10,603,646	1,756,332,107	1,699,829,824
Plant and machinery	7,513,864,396	594,526,239	95,198,001	8,013,192,634	1,456,909,402	515,462,024	93,597,651	6,018,813,861	5,943,556,369
Computer equipment	99,851,022	20,915,461	8,398,519	112,367,964	69,496,071	17,873,601	860,707	32,416,997	29,424,805
Furniture, fittings and office equipment	70,534,083	7,259,694	4,529,286	73,264,491	42,321,768	9,115,357	800,239	25,403,565	27,259,229
Motor vehicles	28,141,097	-	8,725,521	19,415,576	13,218,410	6,194,978	258,556	4,952,813	14,664,131
<i>Intangible assets</i>									
Brands	3,410,920,245	-	-	3,410,920,245	549,879,349	170,546,012	-	2,690,494,884	2,661,040,896
Computer software	89,811,218	22,619,307	784,966	111,645,559	57,543,231	13,775,453	-	41,111,941	32,267,987
Total	13,556,110,406	771,675,378	119,003,995	14,208,781,789	2,397,970,441	805,280,273	122,920,799	10,973,947,414	11,014,325,240
<i>Previous year</i>	<i>10,973,596,079</i>	<i>4,112,550,526</i>	<i>1,530,036,199</i>	<i>13,556,110,406</i>	<i>2,074,943,667</i>	<i>651,299,955</i>	<i>143,814,725</i>	<i>11,014,325,240</i>	<i>11,014,325,240</i>

Note 1: Provision for impairment

(Rs.)

Description	Provision for impairment		
	As at 1 April 2009	(reversal)	Deletion
Freehold land	16,600,000	-	-
Buildings	11,674,312	-	870,666
Plant and machinery - others	113,398,625	-	19,800,974
Computer equipment	930,146	-	69,439
Furniture, fittings and office equipment	963,086	-	152,847
Motor vehicles	258,556	-	-
Total	143,814,725	-	20,893,926
<i>Previous year</i>	<i>156,563,671</i>	<i>(7,066,845)</i>	<i>5,682,101</i>

"We believe: Healthy business depends on healthy society"

6. Investments	As at 31 March 2010	As at 31 March 2009
Long term investments		
1. Non trade - unquoted		
(i) Government and trust securities		
National Savings Certificates	4,020,000	2,019,500
Indira Vikas Patra	<u>26,550</u>	<u>26,550</u>
	4,046,550	2,046,050
(ii) Fully paid up equity shares		
1 (previous year:1) fully paid up equity shares of Rs. 10 each of MBL (AP) Breweries Limited	1	1
12,000 (previous year: 12,000) fully paid up equity shares of Rs. 10 each of Shushruta Medical Aid and Research Hospitals Limited	12,000	12,000
5,000 (previous year: 5,000) fully paid up equity shares of Rs. 10 each of Maini Granites Limited	5,000	5,000
300 (previous year: 300) fully paid up equity shares of Rs. 10 each in AP Heavy Machinery & Engineering Limited	300	300
10,000 (previous year:10,000) fully paid up equity shares of Rs. 10 each in Ramanashree Comforts Limited	10,000	10,000
10,000 (previous year: 10,000) fully paid up equity shares of Rs. 10 each in Anusha International Limited	10,000	10,000
1,700 (previous year: 1,700) fully paid up equity shares of Rs. 100 each in Maa Communication Bozel Limited	1,700	1,700
7,000 (previous year: 7,000) fully paid up equity shares of Rs. 10 each in Sachdev International Limited	7,000	7,000
12,500 (previous year: 12,500) fully paid up equity shares of Rs. 10 each in Scarlet Flowers and Agritech Limited	12,500	12,500
100 (previous year: 100) fully paid up equity shares of Rs. 10 each in Indana Spices and Food India Limited	100	100
80,000 (previous year: 80,000) fully paid up equity shares of Rs. 10 each in Vulcan Leasing and Investments Limited	80,000	80,000
5,005 (previous year: 5,005) fully paid up equity shares of Rs. 100 each in Janata Sahakari Bank Limited	500,500	500,500
295 (previous year: 295) fully paid up equity shares of Rs. 100 each in Haryana State Cooperative Bank Limited	29,500	29,500
50,000 (previous year: 50,000) fully paid up equity shares of Rs. 10 each in SDF Industries Limited	50,000	50,000
	<u>718,601</u>	<u>718,601</u>
2. Non trade - quoted		
Fully paid up equity shares		
15,000 (previous year: 15,000) fully paid up equity shares of Rs. 1 each in ITC Limited	2,619,750	2,619,750
400 (previous year: 400) fully paid up equity shares of Rs. 10 each in Ultratech Cement Limited	400,060	400,060
80 (previous year: 80) fully paid up equity shares of Rs. 10 each in Tata Motors Limited	56,944	56,944
15,000 (previous year: 15,000) fully paid up equity shares of Rs. 2 each in Gujarat Ambuja Cement Limited	2,115,000	2,115,000
2,000 (previous year: 1,000) fully paid up equity shares of Rs. 2 each in Larsen & Toubro Limited	2,598,850	2,598,850
1,400 (previous year: 1,400) fully paid up equity shares of Rs. 2 each in Satyam Computers Limited	633,500	633,500
8,600 (previous year: 8,600) fully paid up equity shares of Rs. 10 each in Syndicate Bank Limited	700,470	700,470
	<u>9,124,574</u>	<u>9,124,574</u>
Total long term investment	13,889,725	11,889,225
Less: Provision for, other than temporary, diminution in the value of investments	(530,000)	(530,000)
	<u>13,359,725</u>	<u>11,359,225</u>

The aggregate book value and market value of quoted investments and book value of unquoted investments are as follows:

Quoted investment		
Aggregate book value	9,124,574	9,124,574
Aggregate market value	10,397,936	5,876,574
Aggregate book value of unquoted investments	4,235,151	2,234,651



Schedules to the financial statements

	(Rs.)	
7. Inventories	As at 31 March 2010	As at 31 March 2009
Raw materials and packing materials	810,385,289	550,959,888
Goods in transit - raw materials	15,229,710	7,574,173
Stores and spares	127,383,319	92,353,625
Work-in-progress	195,653,564	182,761,543
Finished goods	823,707,023	798,896,716
Goods in transit - finished goods	14,410,106	15,313,095
Traded goods	652,570	2,222,471
	<u>1,987,421,581</u>	<u>1,650,081,511</u>

	(Rs.)	
8. Sundry debtors	As at 31 March 2010	As at 31 March 2009
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
- considered good	155,606,753	16,366,113
- considered doubtful	306,912,453	232,378,340
	<u>462,519,206</u>	<u>248,744,453</u>
Other debts		
- considered good	3,115,026,029	3,373,978,101
- considered doubtful	-	4,823,658
	<u>3,577,545,235</u>	<u>3,627,546,212</u>
Less: Provision for doubtful debts	<u>(306,912,453)</u>	<u>(237,201,998)</u>
	<u>3,270,632,782</u>	<u>3,390,344,214</u>

	(Rs.)	
9. Cash and bank balances	As at 31 March 2010	As at 31 March 2009
Cash on hand	-	35,068
Cheques in hand	-	60,860,594
Balances with scheduled banks		
- in current accounts	378,946,793	241,718,047
- in margin money deposit accounts	13,905,163	13,734,611
- in exchange earners foreign currency (EEFC) account	17,448,886	928,808
- in unclaimed public deposit account	-	30,000
- in unclaimed dividend accounts	-	88,315
	<u>410,300,842</u>	<u>317,395,443</u>

It benefits you just as much as the people you serve.

There is no better feeling than knowing you've made a positive impact on another person's life. It is my responsibility, due to all of the privileges I have been given, to help those that have less

"Through the Saanji Unnati program, farmer's benefit from an assured market for their barley, transparent transactions and fair pricing structures".

10. Loans and advances	As at 31 March 2010	As at 31 March 2009
(Rs.)		
<i>Unsecured</i>		
<i>Considered good</i>		
Advances recoverable in cash or in kind or for value to be received	256,808,975	397,023,049
Prepaid expenses	166,507,548	177,816,042
Inter-company deposit	22,063,518	22,667,915
Rental deposits	41,111,826	40,989,686
Other deposits	115,415,529	130,744,750
Advance fringe benefit tax (net of provision for fringe benefit tax)	1,973,463	477,793
Advance tax and tax deducted at source (net of provision for income-tax)	128,803,402	115,372,693
Balances with excise authorities	132,460,906	288,712,959
Interest accrued but not due	2,247,615	2,426,469
	<u>867,392,782</u>	<u>1,176,231,356</u>
<i>Considered doubtful</i>		
Advances recoverable in cash or in kind or for value to be received	145,233,817	236,999,042
Less: Provision for doubtful advances	<u>(145,233,817)</u>	<u>(236,999,042)</u>
	<u>867,392,782</u>	<u>1,176,231,356</u>

Notes:

Dues from directors as at the balance sheet date:

Jean-Marc Delpon de Vaux, Managing Director (upto 7 August 2009)	2,628,331	1,286,960
Paolo Alberto Francesco Lanzarotti, Managing Director (from 23 September 2009)	1,471,291	-

Maximum amount outstanding during the year:

Jean-Marc Delpon de Vaux, Managing Director (upto 7 August 2009)	2,628,331	1,286,960
Paolo Alberto Francesco Lanzarotti, Managing Director (from 23 September 2009)	1,471,291	-

11. Current liabilities	As at 31 March 2010	As at 31 March 2009
(Rs.)		
Acceptances	48,842,735	70,092,260
Sundry creditors		
- micro and small enterprises (refer note 18 of schedule 18)	23,012,839	15,156,599
- others	1,585,647,142	1,747,881,276
Payable to group companies	209,151,648	1,448,206,620
Deposits from customers and del credere agents	83,856,336	90,881,516
Book overdraft	2,755,465	514,838
Interest accrued but not due	30,041,316	20,315,815
Accrual for sales schemes and discounts	248,477,306	252,691,379
Excise duty payable	351,743,311	354,692,729
Other current liabilities	1,044,867,210	861,232,343
Investor education and protection fund shall be credited by the following amounts when due:		
- Unclaimed dividend	-	88,315
- Unclaimed matured public deposit	-	30,000
	<u>3,628,395,308</u>	<u>4,861,783,690</u>

12. Provisions	As at 31 March 2010	As at 31 March 2009
(Rs.)		
Provision for compensated absences	53,403,968	47,112,420
Provision for gratuity	48,856,679	52,697,985
Provision for income-tax (net of advance tax and tax deducted at source)	18,011,044	18,011,044
Provision for fringe benefit tax (net of advance tax)	4,489,085	4,489,085
Provision for claims (refer to note 13 of Schedule 18)	328,987,974	299,619,710
	<u>453,748,750</u>	<u>421,930,244</u>



Schedules to the financial statements

(Rs.)

13. Other income	For the year ended 31 March 2010	For the year ended 31 March 2009
Sale of spent malt and scrap	171,408,965	132,542,796
Sale of raw materials	2,592,475	-
Interest on fixed deposit [tax deducted at source Rs. 354,658(previous year: Rs. 240,071)]	3,970,121	2,008,395
Profit on sale of fixed assets, net	20,121,947	15,004,247
Gain on prepayment of sales tax deferral loan	-	14,322,809
Duty draw back on export	16,956,697	8,113,532
Royalty income	14,813,453	6,611,772
Dividend income	179,848	177,101
Miscellaneous income	4,615,502	7,170,265
	234,659,008	185,950,917

(Rs.)

14. Cost of materials	For the year ended 31 March 2010	For the year ended 31 March 2009
Cost of of traded goods sold	34,735,297	77,339,029
Raw materials and packing materials consumed	6,555,731,699	6,736,736,577
Malt processing charges	65,038,647	110,599,032
<i>Opening stock</i>		
Work-in-progress	182,761,543	124,986,877
Finished goods	814,209,811	564,141,292
Cost of bottles included in finished goods as at 1 April 2008	-	128,317,545
	<u>996,971,354</u>	<u>817,445,714</u>
Less: Excise duty on opening stock	398,774,474	304,023,888
(A)	<u>598,196,880</u>	<u>513,421,826</u>
<i>Closing stock</i>		
Work-in-progress	195,653,564	182,761,543
Finished goods (including goods in transit) and cost of containers	838,117,129	814,209,811
	<u>1,033,770,693</u>	<u>996,971,354</u>
Less: Excise duty on closing stock	371,335,344	398,774,474
(B)	<u>662,435,349</u>	<u>598,196,880</u>
(Increase) in work-in-progress and finished goods	(A-B) (64,238,469)	(84,775,054)
	6,591,267,174	6,839,899,584

(Rs.)

15. Personnel costs	For the year ended 31 March 2010	For the year ended 31 March 2009
Salaries, wages and bonus	939,018,938	868,118,126
Contributions to provident and other funds	33,501,875	30,886,292
Gratuity expense	1,536,399	14,483,680
Compensated absences	16,901,748	5,839,464
Workmen and staff welfare expenses	67,244,542	55,352,218
	1,058,203,502	974,679,780

Social intervention being rolled out in areas of conservation farming, career training & animal husbandry.

	(Rs.)	
16. Other expenses	For the year ended 31 March 2010	For the year ended 31 March 2009
Sales scheme expenses	770,817,493	731,286,351
Commission on sales	225,000,435	195,608,001
Freight outward	813,190,943	774,819,322
Power and fuel	574,467,881	698,588,332
Advertisement and publicity	825,787,061	668,107,856
Management fees	461,725,791	515,999,971
Rates and taxes	129,067,081	122,276,993
Legal and professional fees	248,640,253	152,976,820
Clearing and forwarding	110,654,121	75,720,004
Travel and conveyance	106,985,109	121,812,185
Consumption of stores and spares	161,230,340	128,418,139
Rent	181,317,912	170,384,812
Repairs and maintenance		
- buildings	9,804,956	9,143,153
- plant and machinery	26,443,584	17,813,825
- others	50,865,077	43,331,462
Telephone and other communication	49,339,722	35,740,410
Training and development	25,865,704	30,603,680
Insurance	35,419,843	25,275,349
Provision for doubtful debts	69,710,455	(62,452,945)
Bad debts written off	-	20,895,115
Printing and stationery	9,776,780	11,215,839
Provision for doubtful loans and advances	(91,765,225)	66,780,086
Doubtful advances written off	1,000,000	-
Provision for claims, net	29,368,264	74,989,379
Foreign exchange loss, net	26,166,454	15,094,179
Miscellaneous expenses	223,184,627	188,801,903
	<u>5,074,064,661</u>	<u>4,833,230,221</u>

	(Rs.)	
17. Borrowing cost	For the year ended 31 March 2010	For the year ended 31 March 2009
Interest		
- On external commercial borrowings	72,779,493	35,740,247
- On term loans	672,031,068	474,026,661
- Others	32,466,161	45,754,180
Bank charges	20,002,663	26,457,914
	<u>797,279,385</u>	<u>581,979,002</u>
Less: Borrowing cost capitalised	-	148,327,032
	<u>797,279,385</u>	<u>433,651,970</u>

“Our nation will succeed or fail to the degree that all of us citizens and businesses alike are active participants in building strong, sustainable and enriching communities”.



Schedules to the financial statements

18. Notes to the accounts

1. Contingent liabilities and other commitments

Particulars	(Rs.)	
	As at 31 March 2010	As at 31 March 2009
Claims against the Company not acknowledged as debts in respect of:		
a) Sales tax matters	90,838,719	57,788,606
b) Excise matters	90,081,557	91,641,840
c) Service tax matters	123,741,134	32,129,640
d) Custom matters	261,555	261,555
e) Other matters	46,234,080	32,379,016
Other commitments		
f) Bank guarantees	9,243,540	31,037,612
g) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	505,701,966	604,587,467

2. In the previous year, pursuant to the change in accounting policy for returnable containers, the Company has carried out the following accounting adjustments in the books of account as at 1 April 2008.

Particulars	Amount(Rs)
Reversal of opening balance for returnable containers appearing in the financial statements as at 1 April 2008:	
Gross block of returnable containers	1,510,709,393
Accumulated depreciation of returnable containers	(317,041,425)
Containers liability	(601,678,875)
	<u>591,989,093</u>

Opening stock of containers as at 1 April 2008, accounted as inventories as per the revised accounting policy

Finished goods	128,317,545	
Packing materials	123,178,449	(251,495,994)
Total		<u>340,493,099</u>

Due to the change in accounting policy for returnable containers in previous year, the loss for the year ended 31 March 2009 was higher by Rs 524,241,616 as compared to the immediately preceding previous year, of which Rs 340,493,099 was disclosed separately as "opening adjustment for returnable containers".

3. Early adoption of AS 30

During the year ended 31 March 2009, the Company early adopted the principles of AS 30 effective 1 April 2009 for forward exchange contracts and other derivatives that are not covered by AS 11 and that relate to a firm commitment or a highly probable forecast transaction.

4. Income from contract bottling operations pertains to the revenue share the Company has earned on sales made by the tie up units. These revenues are recorded on a net basis in order to comply with relevant statutory regulations where by tie up units raise invoices on its customers, accounts for collections in its books of accounts, discharge statutory dues and taxes and records sales on a gross basis in the financial statements. The contract bottling agreement further specifies that the dealing between the Company and the contract bottlers is on a principal to principal basis. The above practice is consistent with prevalent industry practice.

5. Auditors' remuneration, net of service tax (included under legal and professional fees)

Particulars	(Rs.)	
	For the year ended 31 March 2010	For the year ended 31 March 2009
As auditor		
- Statutory audit	9,200,000	9,200,000
- Tax audit	1,000,000	1,000,000
Reimbursement of expenses	550,123	528,339

6. Earnings per share

(Figures in Rs. except number of shares)

Particulars	(Rs.)	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Loss for the year attributable to equity shareholders	(1,422,561,687)	(648,759,941)
Weighted average number of equity shares of Rs. 10 each used for calculation of basic and diluted earnings per share	231,183,745	231,183,745
Basic and diluted earnings per share	(6.15)	(2.81)

Demonstration farming being undertaken on brewery land to generate learning's.

18. Notes to the accounts

7. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 (quantitative information has been compiled from records and technical data in respect of each class of goods manufactured/ purchased by the Company):

(a) Details of finished goods (including goods in transit) and turnover (gross)

Beer	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity (in cases)	Amount (Rs.)	Quantity (in cases)	Amount (Rs.)
Opening stock	2,509,859	814,209,811	2,337,847	564,141,292
Sales (gross of excise duty and discounts)*	47,657,252	21,122,149,181	52,221,556	21,633,156,478
Closing stock	2,434,518	838,117,129	2,509,859	814,209,811

*Includes 183,139 (previous year: 189,854) cases charged to consumption on account of breakages, damages and wastage.

(b) Details of traded goods

Beer	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity (in cases)	Amount (Rs.)	Quantity (in cases)	Amount (Rs.)
Opening stock	5,074	2,222,471	17,479	7,688,487
Purchases	71,560	33,165,396	167,825	71,873,013
Sales (gross of excise duty and discounts)**	75,205	38,638,725	180,230	96,894,530
Closing stock	1,429	652,570	5,074	2,222,471

**Includes 941 (previous year: 534) cases charged to consumption on account of breakages, damages and wastage.

(c) Details of capacity and production

(in cases)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Licensed capacity #	77,559,542	77,559,542
Installed capacity*	73,522,209	73,522,209
Actual production	47,581,911	52,393,568

* Installed capacity is as certified by management and relied upon by the auditors being a technical matter.

Licensed capacity is 6,049,644 HLs (previous year: 6,049,644 HLs) which is converted in cases considering 7.8 litres per case.

(d) Consumption of raw materials and packing materials

Particulars	Units	For the year ended 31 March 2010		For the year ended 31 March 2009	
		Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Malt (Note 1)	MT	51,470	1,243,685,709	56,555	1,490,307,345
Bottles	Nos	599,687,755	2,881,926,643	660,535,313	2,979,601,969
Others (Note 2)			2,495,157,994		2,377,426,295
Total			6,620,770,346		6,847,335,609

Note 1: Includes processing charges.

Note 2: It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total consumption.



Schedules to the financial statements

18. Notes to the accounts

(e) Consumption of imported and indigenous raw materials and packing materials

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Amount (Rs.)	% age	Amount (Rs.)	% age
Imported	475,511,406	7	750,972,187	11
Indigenous	6,145,258,940	93	6,096,363,422	89
Total	6,620,770,346	100	6,847,335,609	100

(f) Consumption of imported and indigenous stores and spares

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Amount (Rs.)	% age	Amount (Rs.)	% age
Imported	7,930,322	5	5,556,272	4
Indigenous	153,300,018	95	122,861,867	96
Total	161,230,340	100	128,418,139	100

8. Value of imports on CIF basis

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Raw materials and packing materials	295,143,601	517,290,769
Spare parts	8,434,358	7,805,209
Capital goods	4,572,806	843,645,026
Total	308,150,765	1,368,741,004

9. Expenditure in foreign currency (accrual basis)

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Travel	8,301,094	11,598,125
Management fees *	461,725,791	515,999,971
Interest **	72,779,493	35,740,247
Professional and consultation fees	50,248,458	35,866,618
Others	11,982,111	4,624,002
Total	605,036,947	603,828,963

* Includes withholding taxes of Rs. 47,716,128 (Previous year: Rs. 51,599,997) and research and development cess Rs.23, 858,064 (previous year: Rs. 25,799,999)

**Includes withholding taxes of Rs. 2,020,271 (previous year: Rs.1,669,945)

10. Earnings in foreign currency (accrual basis)

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Export sales at FOB value	191,352,648	161,031,946

Saanjhi Unnati is a unique initiative that features corporates like SABMiller working closely with government and NGOs to catalyze rural development.

18. Notes to the accounts

11. Gratuity

The Company has a gratuity plan for the employees of the Company. Every employee who has completed 5 years or more of service is eligible for gratuity on separation, worked out at 15 days salary (last drawn salary) for each completed year of service. The obligation under the scheme is partially funded by contributions being made towards qualifying insurance policies obtained from the insurer.

Profit and loss account

Net employee benefit expense (recognised in personnel expenses)

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Current service cost	8,757,060	7,335,412
Interest cost on defined benefit obligation	5,111,058	5,137,100
Expected return on plan assets	(1,942,892)	(1,557,617)
Net actuarial (gain)/ loss recognised for the year	(10,388,827)	3,568,785
Net benefit expense	1,536,399	14,483,680
Actual return on plan assets	6,313,683	2,198,880

Balance Sheet

Details of provisions for gratuity

(Rs.)

Particulars	As at 31 March 2010	As at 31 March 2009
Defined benefit obligations	77,776,137	75,152,540
Fair value of plan assets	28,919,458	22,454,555
Plan liabilities	48,856,679	52,697,985

Changes in the present value of the defined benefit obligation

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Opening defined benefit obligation	75,152,540	62,980,939
Current service cost	8,757,060	7,335,412
Interest cost	5,111,058	5,137,100
Benefits paid	(5,226,485)	(4,510,959)
Actuarial (gain)/ loss on obligation	(6,018,036)	4,210,048
Closing defined benefit obligation	77,776,137	75,152,540

Changes in the fair value of plan assets

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Opening fair value of plan assets	22,454,555	18,491,154
Expected return on plan assets	1,942,892	1,557,617
Actuarial gain on plan assets	4,370,791	641,263
Contributions by employer	5,377,705	6,275,480
Benefits paid	(5,226,485)	(4,510,959)
Closing fair value of plan assets	28,919,458	22,454,555

The Company expects to contribute Rs. 15,000,000 in the qualifying insurance policy during 2010-11.

Major categories of plan assets as a percentage of the fair value of total plan assets

Particulars	As at 31 March 2010	As at 31 March 2009
Qualifying insurance policies from the insurer	100%	100%



Schedules to the financial statements

18. Notes to the accounts

Principal assumptions used in determining gratuity benefit obligations for the Company's plan (Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Discount rate	7.85%	6.40%
Expected rate of return on plan assets	7.50%	7.50%
Salary increase	9 % for Executives 7% for Workers	10% for Executives 7% for Workers
Employee turnover	10% for Executives 2% for Workers	10% for Executives 2% for Workers
Retirement age	58 Years	55 - 60 Years

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.

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous three periods (Rs.)

Particulars	As at 31 March 2010	As at 31 March 2009	As at 31 March 2008	As at 31 March 2007
Defined benefit obligation	77,776,137	75,152,540	62,980,939	51,632,939
Plan assets	28,919,458	22,454,555	18,491,154	17,982,945
(Deficit)	(48,856,679)	(52,697,985)	(44,489,785)	(33,649,994)
Experienced adjustments on plan liabilities	4,845,181	(2,341,056)	(293,399)	(904,245)
Experienced adjustments on plan assets	4,370,791	641,263	(250,707)	149,941

12. Segmental reporting

Business segments:

The Company's sole business segment is 'Beer'. Consequently, the requirement for separate business segment disclosures as required under AS 17 – 'Segment Reporting' is not applicable.

Geographical segments:

The Company operates in two principal geographical areas of the world: India and rest of the world

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of costs are apportioned on an appropriate basis. Certain expenses are not specifically allocable to the individual segments as these expenses are common in nature. The Company therefore believes that it is not practicable to provide segment disclosure relating to such expenses and accordingly such expenses are separately disclosed as unallocated and directly charged against total income.

Certain segment assets and liabilities are directly attributable to the segment. Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors and loans and advances. Segment liabilities include trade creditors, creditors for expenses and other operating liabilities and provisions. Certain assets and liabilities that are not specifically allocable to the individual segments have been separately disclosed as unallocated.

(Rs.)

Revenue (net of duties, taxes and discount)	For the year ended 31 March 2010	For the year ended 31 March 2009
India	12,400,781,664	12,849,898,043
Rest of world	191,352,648	161,031,946
	12,592,134,312	13,010,929,989
Segment asset	As at 31 March 2010	As at 31 March 2009
India	18,016,112,801	18,060,449,424
Rest of world	1,437,217	5,990,695
	18,017,550,018	18,066,440,119

The Saanjhi Unnati program provides rural small holder farmers with access to certified seeds, agronomical advice and training they need to enhance the quality of their crops.

18. Notes to the accounts

13. Provisions for claims

The provisions are utilised to settle previously anticipated and determined adverse outcomes of legal cases against the Company. The provision is based on independent advice obtained by the Company from external legal counsel. The time frame of utilisation of the provision is determined by the course of the legal proceedings.

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Provision for indirect tax cases		
Opening balance	231,973,104	171,556,592
Add: Addition during the year	60,513,168	60,416,512
Less: Unused amounts reversed during the year	(35,571,181)	-
Closing balance	256,915,091	231,973,104
Provision for water charges		
Opening balance	67,646,606	53,073,739
Add: Addition during the year	4,426,277	14,572,867
Closing balance	72,072,883	67,646,606

Provision for indirect tax cases

Details of provisions made during the year are:

A. Value Added Tax ("VAT"):

The Andhra Pradesh VAT authorities have raised a demand on sale of spent malt (residue product arising from the beer manufacturing process) for the period April 2007 to December 2009. VAT authorities have raised a demand of Rs. 17,795,665 including interest and penalty. The Company has filed an appeal before the Deputy Commissioner against the demand and the matter is pending for hearing. The Company has provided for Rs. 9,341,005 towards demand and interest during the current year.

B. Sales tax:

The Maharashtra Sales Tax Authorities have raised a demand for Rs 14,963,394 under Central Sales Tax Act for the year 2004-05 for non-submission of forms. The Company is in the process of filing an appeal before appellate authorities. The Company has provided Rs 11,372,896 in the current year.

C. Entry Tax:

- The Government of Haryana has abolished the local area development tax ("LADT") and introduced entry tax on inter-state purchases. During the current year the Company has made additional provision for Rs. 21,309,822 towards entry tax on barley procured from other states. The Company assesses the probability of an adverse outcome of the case and accordingly has made a provision.
- Entry tax is a disputed matter in the state of Uttar Pradesh. The High Court of Uttar Pradesh has ruled that levy of entry tax on interstate purchases is unconstitutional. The state government has filed an appeal before Supreme Court against the above order and the matter is pending for disposal. Pending the outcome of the appeal the Company has made additional provision for Rs. 4,496,858 towards entry tax on interstate purchases in the current year.

D. For various other miscellaneous matters, the Company has provided Rs. 13,992,587 during the current year.

Amounts reversed during the year

Based on the statutory forms collected during the year, the Company has reversed the following provisions

i. Excise duty:

The Company had made a provision for the demand against non-submission of Excise Verification Certificates ("EVC") in the state of Uttar Pradesh for the years 2002-03 to 2007-08 in earlier years. The Company has collected some of the pending EVCs and submitted to the excise department. The excise department has granted proportionate refund amounting to Rs. 9,542,100. Accordingly, the Company has reversed the provision.

ii. Sales tax:

The Company has collected some of the pending statutory C Forms and submitted to the sales tax department. Accordingly the Company has reversed the proportionate tax liability amounting to Rs. 24,158,372.

iii. For other miscellaneous matters which have been crystallised, the Company has reversed Rs. 1,870,709 during the current year.

Provision for water charges

The Maharashtra Industrial Development Corporation ("MIDC") had, vide order no EE/E&M/785/2005 dated 25 May 2005, made a demand for increase in water charges with retrospective effect from 1 Nov, 2001. Waluj Industries Association of which the Company is a member has filed a writ petition against such demand in the Honourable High Court of Aurangabad. The Honourable High Court has given a stay order against such increase in water charges. However, the Company provides for the differential rate levied from 25 May 2005 (i.e. date of order) in the books pending final outcome of the writ petition.



Schedules to the financial statements

18. Notes to the accounts

14. Related parties

(i) Names of related parties and description of relationship with the Company:

Enterprises where control exists

Ultimate holding company	SABMiller Plc
Holding company	SABMiller Breweries Private Limited
Significant influence	SABMiller Asia & Africa BV

Names of other related parties with whom transactions have taken place during the year

1. Fellow subsidiaries	MBL Property Developers Limited
	S.p.A. Birra Peroni
	SABMiller India Limited
	SABMiller International BV
	SABMiller Management (IN) BV
	SABMiller Asia BV
	SABMiller Africa & Asia (Pty) Limited
	SABMiller Vietnam
	SABMiller (Asia) Limited
	SABMiller Europe AG
	MUBEX
2. Key managerial personnel	Paolo Alberto Francesco Lanzarotti, Managing Director (from 23 September, 2009)
	Jean-Marc Delpon de Vaux, Managing Director (upto 7 August, 2009)

(ii) Related party transactions (Rs.)

	For the year ended 31 March 2010	For the year ended 31 March 2009
SABMiller Breweries Private Limited		
Income from contract bottling	66,936,618	73,147,185
Purchase of traded goods and raw materials	46,491,767	84,587,436
Sale of raw materials	2,592,475	-
Interest expense	-	16,267,273
Reimbursement of expenses incurred on behalf of the Company	734,720	6,383,899
Reimbursement of expenses incurred on behalf of other companies	136,103,249	59,519,691
Loan repaid, net	44,589,516	173,645,418
Purchase of fixed asset	70,294	-
Sale of fixed assets	300,020	-
SABMiller Asia & Africa (Pty) Limited		
Reimbursement of expenses incurred on behalf of the Company	7,708,505	13,204,232
Reimbursement of expenses incurred on behalf of other companies	804,720	3,594,927
Purchase of raw materials	438,167	870,604
SABMiller Plc		
Reimbursement of expenses incurred on behalf of the companies	333,715	-
Reimbursement of expenses incurred on behalf of other companies	2,471,736	8,378,547
MBL Property Developers Limited		
Interest expense	-	2,822
SABMiller Management (IN) BV		
Management fees	461,725,791	515,999,971
Reimbursement of expenses incurred on behalf of other companies	2,432,461	-

"At SABMiller, our corporate social activities aim to improve the quality of life for local people, helping to build strong relationships with suppliers, consumers and our employees"

18. Notes to the accounts

	For the year ended 31 March 2010	For the year ended 31 March 2009
MUBEX		
Purchase of raw materials	1,541,174	-
S.p.A. Birra Peroni		
Purchase of traded goods	2,720,324	1,405,874
SABMiller India Limited		
Interest expense	2,768,747	575,342
Loan taken, net	1,812,024	46,119,164
SABMiller Asia BV		
Reimbursement of expenses incurred on behalf of the Company	-	4,911,927
Reimbursement of expenses incurred on behalf of other companies	-	7,107,664
SABMiller Vietnam		
Reimbursement of expenses incurred on behalf of the Company	-	85,957
Reimbursement of expenses incurred on behalf of other companies	447,164	688,142
SABMiller (Asia) Limited		
Reimbursement of expenses incurred on behalf of other companies	150,160	-
SABMiller International BV		
Reimbursement of expenses incurred on behalf of the Company	119,474	54,166
SABMiller Europe AG		
Reimbursement of expenses incurred on behalf of other companies	18,095	-
Key managerial personnel		
Remuneration	14,043,496	20,819,277
Loan given	2,748,851	1,286,960
(iii) Amount outstanding as at the balance sheet date: (Rs)		
	As at 31 March 2010	As at 31 March 2009
SABMiller Breweries Private Limited:		
Unsecured loan	167,034,977	211,624,493
SABMiller Plc		
Receivable from group companies	279,365	1,872,054
SABMiller Asia & Africa (Pty) Limited		
Payable to group companies	4,772,313	1,163,486
SABMiller India Limited		
Unsecured loan	47,931,188	46,119,164
SABMiller Management (IN) BV:		
Payable to group companies	201,946,874	1,447,043,134
SABMiller Europe AG		
Receivable from group companies	18,095	-



Schedules to the financial statements

18. Notes to the accounts

	As at 31 March 2010	As at 31 March 2009
S.p.A. Birra Peroni		
Creditors	-	476,747
Key managerial personnel		
Advances recoverable in cash or in kind or for value to be received	1,471,291	1,286,960

- (iv) The Company has obtained unsecured loans from its holding company and a fellow subsidiary for which no terms and tenure for repayment have been specified. The loan from the fellow subsidiary is interest free. No interest rate is specified for the loan obtained from the holding company; however, the holding company recovers the actual interest cost incurred by it from the Company on the loan given.
- (v) Corporate guarantees have been given by SABMiller Plc for loan facility obtained by the Company as at balance sheet date amounting to Rs. 4,065,250,300 (previous year: Rs. 2,364,241,360).
- (vi) SABMiller Plc operates a variety of equity-settled share-based compensation plans for few select employees of the Company. (Refer note 20 below for further details).

15. Deferred tax assets/ (liabilities)

(Rs.)

Particulars	As at 31 March 2010	As at 31 March 2009
Deferred tax assets		
Investments	180,147	180,147
Debtors	96,620,640	72,926,057
Loans and advances	42,634,954	73,825,954
Provision for retirement benefits	34,758,394	33,925,557
Provision for claims	75,338,769	54,242,838
Others	-	3,511,469
Unabsorbed depreciation	1,121,216,547	956,544,840
Total	1,370,749,451	1,195,156,862
Deferred tax liabilities		
Fixed assets	1,370,749,451	1,195,156,862
Total	1,370,749,451	1,195,156,862
Deferred tax liabilities, net	-	-

In view of the accumulated losses and in accordance with AS 22 – “Accounting for taxes on income”, deferred tax assets on unabsorbed depreciation and other temporary timing differences have been recognised only to the extent of those timing differences, the reversal of which will result in sufficient taxable income.

16. Derivative instruments and un-hedged foreign currency exposure

Derivative instruments

Particulars	Purpose	As at 31 March 2010	As at 31 March 2009
Forward contract	Towards repayment of foreign currency loan	Nil	USD 3,320,407
Forward contract	Towards repayment of sundry creditors	USD 329,176	EURO 835,842
Forward contract	Towards repayment of interest on foreign currency loan	JPY 133,086,750	Nil
Currency swap contract	Towards repayment of foreign currency loan	Nil	USD 3,500,000
Currency swap contract	Towards repayment of foreign currency loan	JPY 1,800,000,000	JPY 933,000,000

"The global nature of our business allows us to take what we have learned in one market and share it in another, whether it's transferring our African experience in tackling".

18. Notes to the accounts

Particulars of un-hedged foreign currency exposure as at the balance sheet date

Underlying asset / liability	As at 31 March 2010		As at 31 March 2009	
	Foreign currency amount	Amount in Rs.	Foreign currency amount	Amount in Rs.
Bank balance	USD 379,406 JPY 3,292,307	17,448,886 1,661,627	USD 18,230 JPY 23,425,801	928,808 12,150,963
Sundry debtors	USD 31,251	1,437,217	USD 117,580	5,990,695
Receivable from group companies	USD 6,074	279,365	USD 36,743	1,872,054
Sundry creditors	USD 160,121 EURO 697,288	(7,363,983) (42,764,673)	USD 2,496,972 EURO 1,378,691	(127,220,744) (93,034,069)
Interest accrued but not due	JPY 2,293,222	(1,157,389)	USD 152,521 JPY 806,296	(7,770,948) (418,226)
Payable to group companies	ZAR 767,253	(4,772,313)	ZAR 215,604	(1,163,486)
Total		(35,231,263)		(208,664,953)

17. Managerial remuneration

The details of remuneration paid to the managing director are as follows: (Rs.)

Particulars	For the year ended	For the year ended
	31 March 2010	31 March 2009
Salary and allowance	9,756,981	14,795,083
Contribution to provident fund	1,294,369	630,654
Stock compensation cost	1,194,961	5,127,931
Perquisites	1,797,185	265,609
Total	14,043,496	20,819,277

Note:

- Mr Jean-Marc Delpon de Vaux (upto 7th August 2009) and Mr Paolo Alberto Francesco Lanzarotti (from 23rd September 2009)
- As the liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to managing director is not ascertainable and, therefore not included above.
- Managerial remuneration amounting to Rs.7,044,961 is in excess of the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956. However, the Company, on its part has already applied to the Central Government on 17 December 2009, in accordance with provisions of the Companies Act and the approval is awaited.



Schedules to the financial statements

18. Notes to the accounts

18. Based on the confirmations received from the suppliers who provide goods and services to the Company regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, the Company has prepared the following disclosure as required under the said Act. The Company however has not received any claim for interest from any supplier under the said Act. (Rs.)

Particulars	As at 31 March 2010	As at 31 March 2009
(i) The principal amount remaining unpaid to any supplier as at the end of each accounting year;	21,218,661	14,096,363
(ii) The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	-	-
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	733,942	525,113
(iv) The amount of interest accrued and remaining unpaid at the end of the year	1,794,178	1,060,236
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	1,060,236	535,123

19. Operating leases

The Company is obligated under non-cancellable operating leases for a brewing facility and other office premises which are renewable at the option of the lessor and lessee. Total lease rental expense under non-cancellable operating leases amounted to Rs. 72,737,958 (previous year: Rs. 71,318,214) for the year ended 31 March 2010. Future minimum lease payments under non-cancellable operating leases are as follows:

Period	As at 31 March 2010	As at 31 March 2009
Not later than 1 year	74,313,338	67,342,145
Later than 1 year and not later than 5 years	194,543,814	56,886,147
Later than 5 years	-	-

The Company is also obligated under cancellable lease for residential, vehicles and office premises, which are renewable at the option of both the lessor and lessee. Total rental expense under cancellable operating lease entered amounted to Rs. 108,579,954 (previous year: Rs. 99,066,598) for the year ended 31 March 2010.

20. Employee stock compensation cost

Guidance Note on "Accounting for Employee Share Based Payments" issued by the ICAI ("the Guidance Note") establishes financial and reporting principles for employees share based payments plans. The Guidance Note applies to employee share based payment plans, the grant date in respect of which falls on or after 1 April 2005. SABMiller Plc ("the Group") operates a variety of equity-settled share-based compensation plans for the employees of the Company.

- (i) During the year ended 31 March 2010, the Group had the following share-based payment arrangements for the employees of the Company.

Executive Share Option Scheme [Approved and (No 2) Scheme]

Particulars	As at 31 March 2010	As at 31 March 2009
Date of grant	15 May 2009	16 May 2008
Number of shares granted	146,400	137,550
Method of settlement	Equity	Equity
Contractual life	10 years	10 years
Vesting period	3 years	3 years
Vesting conditions	Achievement of a target growth in earnings per share	Achievement of a target growth in earnings per share

"We are investing in local communities and agricultural development".

18. Notes to the accounts

International Performance Share Award Sub-Scheme

Particulars	As at 31 March 2010		As at 31 March 2009
	Date of grant	18 May 2007*	16 May 2008*
Number of shares granted	6,000	7,000	9,000
Method of settlement	Equity		Equity
Contractual life	10 years		10 years
Vesting period	3 years		3 years
Vesting conditions	Achievement of a target growth in earnings per share		Achievement of a target growth in earnings per share

* The options represent transferred options relating to employees transferred from other companies within the SABMiller Group during the previous year.

SABMiller Plc share Award Plan 2008

Particulars	As at 31 March 2010		As at 31 March 2009
	Date of grant	15 May 2009	
Number of shares granted	14,000*		-
Method of settlement	Equity		-
Contractual life	10 years		-
Vesting period	3 years		-
Vesting conditions	Achievement of a target growth in earnings per share		-

* The options represent transferred options relating to employees transferred from other companies within the SABMiller Group during the previous year.

- (ii) The details of the activity of shares issued after 1 April 2005 under Executive Share Option Scheme [Approved and (No 2) Scheme] are as follows:

Particulars	31 March 2010		31 March 2009	
	Number of Options	Weighted average exercise price (Rs)	Number of Options	Weighted average exercise price (Rs)
Outstanding at the beginning of the year	277,827	950	217,877	866
Granted during the year	146,400	930	137,550	1,036
Transferred in during the year *	109,900	857	-	-
Lapsed during the year	34,000	982	48,550	986
Exercised during the year	135,427	799	29,050	661
Outstanding at the end of the year	364,700	961	277,827	950
Exercisable at the end of the year	22,350	802	21,700	661

* The options transferred represents options relating to employees transferred from companies within the SABMiller Group during the previous year.

The weighted average share price at the date of exercise for stock options exercised during the year was Rs. 1,141 (previous year: Rs. 1,001). The options outstanding as at 31 March 2010 had a weighted average remaining contractual life of 8.1 years (previous year: 8.1 years).



Schedules to the financial statements

18. Notes to the accounts

The details of the activity of shares issued after 1 April 2005 under International Performance Share Award Sub-Scheme are as follows:

Particulars	31 March 2010		31 March 2009	
	Number of Options	Weighted average exercise price (Rs)	Number of Options	Weighted average exercise price (Rs)
Outstanding at the beginning of the year	16,000	-	7,000	-
Granted during the year	-	-	9,000	-
Transferred in during the year	14,000	-	-	-
Lapsed during the year	16,000	-	-	-
Outstanding at the end of the year	14,000	-	16,000	-
Exercisable at the end of the year	-	-	-	-

The weighted average share price at the date of exercise for stock options exercised during the year was Rs. Nil (previous year: Rs. Nil). The options outstanding as at 31 March 2010 had a weighted average remaining contractual life of 7.7 years (previous year: 8.7 years).

The weighted average fair value of stock options granted during the year is Rs. 325 (Previous year: Rs. 362). The estimate of fair value on the date of the grant was made using the Binomial model valuation and Monte Carlo model with the following assumptions:

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Share price at the grant date	Rs. 920	Rs. 1,051
Exercise price at the grant date	Rs. 930/ Rs. Nil	Rs. 1,036/ Rs. Nil
Expected volatility	31.3%	25%
Contractual life (vesting and exercise period) in years	10 years	10 years
Expected dividends	3.22%	2.11%
Average risk-free interest rate	3.54%	4.74%

The expected volatility was determined based on historical daily share price volatility of SABMiller Plc share price over the last 6 years.

(iii) Since the Company uses the intrinsic value method the impact on the reported net profit and earnings per share is computed by applying the fair value based method. The Guidance Note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said Guidance Note, the impact on the reported net profit and earnings per share would be as follows:

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Net (loss)/ income as reported	(1,422,561,687)	(648,759,941)
Add: Employee stock compensation under intrinsic value method	-	-
Less: Employee stock compensation under fair value method	(35,675,185)	(32,765,238)
Proforma net income	(1,458,236,872)	(681,525,179)
Earnings per share as reported		
- Basic	(6.15)	(2.81)
- Diluted	(6.15)	(2.81)
Proforma earnings per share		
- Basic	(6.31)	(2.95)
-Diluted	(6.31)	(2.95)

Schedules to the financial statements

18. Notes to the accounts

21. Amalgamation adjustment reserve account

With effect from 21 May 2003, the direct and step down subsidiaries of the Company were amalgamated into the Company. The Company has accounted for amalgamation adjustment reserve as per the Scheme approved by the Honourable High Courts. Amalgamation adjustment reserve account represents excess of the carrying value of investments, over the share capital of the Transferor companies.

22. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by September 2010 as required under law. Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation

23. The comparative figures have been regrouped/ reclassified, wherever necessary, to conform to the current year's presentation.

for **SKOL Breweries Limited**

Paolo Alberto Francesco Lanzarotti
Managing Director

T S R Subramanian
Director

Kevin Heydenrych
Chief Finance Officer

Gurgaon
2 July 2010

"Community service should not be done just to announce the completion. It should be done without looking for a reward or praise. It should not be looked at as doing something for someone, but assisting them in making life better and fulfilling."



Cash flow statement

(Rs.)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Cash flows from operating activities		
(Loss) before tax	(1,422,430,457)	(725,733,738)
Adjustments:		
Provision for impairment of fixed assets	-	(7,066,845)
Opening adjustment for returnable containers	-	340,493,099
Depreciation	805,280,273	651,299,955
Dividend income	(179,848)	(177,101)
Interest and financing charges	797,279,385	433,651,970
Interest income	(3,970,121)	(2,008,395)
Gain on prepayment of sales tax deferral loan	-	(14,322,809)
(Profit) on sale of fixed assets/ assets discarded	(20,121,947)	(15,004,247)
Unrealised foreign exchange difference	25,142,619	8,506,675
Operating cash flows before working capital changes	180,999,904	669,638,564
Decrease/(Increase) in sundry debtors	119,711,432	(853,425,251)
Decrease in loans and advances	348,850,719	169,888,453
(Increase) in inventories	(337,340,070)	(215,102,652)
(Decrease)/Increase in current liabilities and provisions	(1,005,657,085)	1,263,286,554
Cash generated from operations	(693,435,100)	1,034,285,668
Taxes paid	(15,057,608)	(40,108,406)
Net cash (used in)/provided by operating activities	a (708,492,708)	994,177,262
Cash flows from investing activities		
Purchase of fixed assets	(962,924,658)	(2,746,590,974)
Proceeds from sale of fixed assets	27,494,878	17,417,206
Dividend income	179,848	177,101
Interest received	4,148,975	1,510,239
Purchase of investments	(2,000,500)	-
Net cash used in investing activities	b (933,101,457)	(2,727,486,428)
Cash flows from financing activities		
Proceeds from borrowings	31,188,461,002	41,731,939,081
Repayment of borrowings	(28,665,344,512)	(39,399,711,294)
Prepayment of sales tax deferral loan	-	(18,993,546)
Interest and financing charges paid	(787,553,884)	(572,831,153)
Public deposit paid	(30,000)	-
Unclaimed dividend paid	(88,315)	(1,028,895)
Net cash provided by financing activities	c 1,735,444,291	1,739,374,193
Effect of exchange rate changes on cash and cash equivalents	d (944,727)	79,309
Net increase in cash and cash equivalents	a+b+c+d 92,905,399	6,144,336
Cash and cash equivalents at the beginning of the year	317,395,443	311,251,107
Cash and cash equivalents at the end of the year	410,300,842	317,395,443
Net increase in cash and cash equivalents*	92,905,399	6,144,336

* Includes Rs.13,905,163 (previous year: Rs.13,734,611) in margin money deposit account.

As per our report attached

for **B S R & Co.**

Firm registration number: 101248W

Chartered Accountants

Zubin Shekary

Partner

Membership No. 48814

Bangalore

2 July 2010

for **SKOL Breweries Limited**

Paolo Alberto Francesco Lanzarotti
Managing Director

T S R Subramanian
Director

Kevin Heydenrych
Chief Finance Officer

Gurgaon

2 July 2010

Additional information pursuant to Part IV of Schedule VI of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No :	49687	State Code :11
Balance Sheet Date:	31-Mar-10	

II Capital Raised during the year (Amount In Rs Thousands)

<u>Public Issue</u> Nil	<u>Rights Issue</u> Nil
<u>Bonus Issue</u> Nil	<u>Private Placement</u> Nil

III Position of Mobilisation and Deployment of Funds (Amount In Rs Thousands)

<u>Total Liabilities</u> 12,827,417	<u>Total Assets</u> 12,827,417
<i>Sources of Funds</i>	
<u>Paid - up Capital</u> 2,311,837	<u>Reserves and Surplus</u> 6,140,638
<u>Secured Loans</u> 0	<u>Unsecured Loans</u> 8,745,273
<i>Application of Funds</i>	
<u>Net Fixed Assets</u> 10,973,347	<u>Investments</u> 13,360
<u>Net Current Assets</u> 2,453,604	<u>Misc Expenditure</u> 1,457,236
<u>Accumulated Losses</u> 1,805,107	

IV Performance of the Company (Amount In Rs Thousands)

<u>Turnover *</u> 12,669,006	<u>Total Expenditure</u> 14,326,095
<u>Profit/(Loss) Before Tax</u> (1,422,430)	<u>Profit/ Loss After Tax</u> (1,422,562)
<u>Earnings Per Share in Rs</u> (6.15)	<u>Dividend Rate %</u> 0

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

Item code No [ITC Code]	220300
Product Description	Beer

for **SKOL Breweries Limited**

Paolo Alberto Francesco Lanzarotti <i>Managing Director</i>	T S R Subramanian <i>Director</i>
--	--------------------------------------

Kevin Heydenrych
Chief Finance Officer

Gurgaon
2 July 2010

“Successful companies of the future will be those that integrate business and employees’ personal values. The best people want to do work that contributes to society with a company whose values they share, where their actions count and their views matter.”



"We are moving towards country wide structured watershed mapping process"

SKOL BREWERIES LIMITED

Regd. Office: No.1, Mahal Industrial Estate, Mahakali Road, Andheri (East), Mumbai-400093

PROXY FORM

I/We
of
being a Member(s) of the above named Company hereby appoint
of
(or failing whom)
of

As my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at M.C.Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, behind Prince of Wales, Museum, Kala Ghoda, Mumbai – 400001 on Wednesday, the 18th August 2010 at 3.00 p.m. and at any adjournment thereof.

Signed this day of

Signed by the said

N.B.: This Proxy form must reach the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

----- Please cut along this line -----

SKOL BREWERIES LIMITED

Regd. Office: No.1, Mahal Industrial Estate, Mahakali Road, Andheri (East), Mumbai-400093

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

SKOL Breweries Limited

No.1, Mahal Industrial Estate, Mahakali Road, Andheri (East), Mumbai-400093

I hereby record my presence at the Annual General Meeting of the Company to be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K.Dubash Marg, behind Prince of Wales Museum, Kala Ghoda, Mumbai – 400001 on Wednesday, the 18th August 2010 at 3.00 p.m.

Member's Name (in Block Capitals):

Share Ledger Folio No. :

DP ID No.

Client ID No.

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ಪೊಲೀಸ್ ಔಫೀಸರ್.

ಮಂಜುನಾಥ.
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ಮಗಾ,
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ಚಾಯ್ಸ್!



ಶಂಕರ.
ಕಂದಕ್ಲರ್ಕ್ ಪಾಲ್.

ಶಂಕರ.
ಫುಟ್ಬಾಲ್ ಪ್ಲೇರ್.

ಮಗಾ,
ಇದೇ
ನನ್ನ
ಚಾಯ್ಸ್!



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