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HERBERTSONS LIMITED

68TH

ANNUAL REPORT 2004-2005



THE **UB** GROUP



The Board recommends the resolution set out in Item No. 13.

None of the Directors except Mr.A.Harish Bhat is concerned or interested in the resolution set out under Item No. 13.

ITEM NO. 14

In connection with the availing of External Commercial Borrowing (ECB) facility of upto US Dollars 175 Million (United States Dollar One Hundred Seventy Five Million only) by McDowell & Company Limited and its wholly-owned subsidiaries viz., Phipson Distillery Limited and United Spirits Limited in terms of the Facility Agreement dated 24th March, 2005, the Board of Directors of the Company has approved the issue of a Guarantee for an amount not exceeding USD 175 Million in favour of the Lenders/Security Trustee subject to regulatory approvals as may be required in this connection.

Since the Board permitted the issue of the said Guarantee under Section 372(A)(1) of the Companies Act, 1956, without previously passing the Special Resolution in exceptional circumstances which prevent the previous authorization by a Special Resolution, the said Board Resolution was required to be got confirmed within 12 months from the date of the Board Resolution in a General Meeting or in the Annual General Meeting held thereafter, whichever is earlier.

The Directors therefore decided to seek confirmation / passing of the aforesaid Resolution by the Members through Postal Ballot and have sent the Postal Ballot Form to all the Members. The results of the said Postal Ballot are to be announced at the Meeting by the Chairman, based on the report of the Scrutinizer, Mr. Anant. B. Khamankar, Practising Company Secretary.

Except Dr. Vijay Mallya, Mr S. R. Gupte and Mr. V. K. Rekhi who are Directors in McDowell & Company Limited and Mr.A. Harish Bhat, who is a Director in both United Spirits Limited and Phipson Distillery Limited, none of the other Directors is deemed to be concerned or interested in the Resolution set out in Item No. 14.

ITEM NO. 15

The proceedings before the Hon'ble Supreme Court of India in Civil Appeal Nos. 1807-1808 of 2005 and other connected matters between UB Group on the one hand and Kishore Chhabria Group on the other hand, were finally concluded by orders of the Hon'ble Supreme Court of India dated 7th March, 2005 and 4th May, 2005 by consent of all the parties including that of Securities and Exchange Board of India (SEBI) accorded in its Advocate's letters dated 7th January, 2005, 4th March, 2005 and 4th May, 2005 whereby, inter alia, the constituent of the UB Group viz. Phipson Distillery Limited purchased 46,72,791 shares held by Kishore Chhabria Group in the Company.

Prior thereto, as per the order of Securities Appellate Tribunal dated 1st August, 2003, Kishore Chhabria Group had made a Public Announcement to acquire shares from the shareholders under the provisions of the Securities & Exchange Board of India (Substantial Acquisition of Shares

and Takeovers) Regulations, 1997 (SEBI Takeover Regulations). The Hon'ble Supreme Court of India in the above proceedings, inter alia, by an order dated 8th September, 2003 directed that the Purchasers were permitted to participate in a competitive bid in the said public offer and a counter offer (competitive bid) was made by the said Purchasers, and by an order dated 3rd November, 2003, directed that the parties shall strictly comply with the requirements of the SEBI Takeover Regulations.

Consequent to the said offer and competitive bid 43,743 shares and 676,984 shares respectively were validly tendered by the shareholders and acquired after payment in compliance with SEBI regulations.

With the acquisition of the above-mentioned shares, the shareholding of the Promoter Group along with its associates exceeded 90% of the total paid-up share capital of the Company and consequently the "public shareholding" as understood under the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 (Delisting Guidelines of SEBI) fell below the minimum required for continued listing of the Company's shares on the Stock Exchanges.

Accordingly, SEBI had accorded its consent (letter dated 4th March, 2005) conditional upon the above-mentioned Purchasers complying with the Delisting Guidelines of SEBI and which conditions form part of the Orders of the Hon'ble Supreme Court of India.

It is imperative for the parties to comply with the orders of the Hon'ble Supreme Court of India and consequently consent of the Members of the Company is sought to take steps for delisting of the Company's shares from all the Stock Exchanges where they are listed viz. The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited and Bangalore Stock Exchange Limited.

Copies of relevant documents are available at the Registered Office of the Company.

The Board recommends the resolution set out in Item No. 15.

None of the Directors of the Company is concerned or interested in the Resolution set out under Item No. 15.

In the event of the Members approving the Resolution set out in Item No. 15 as a Special Resolution, the Delisting Guidelines of SEBI require that a Public Announcement thereafter be made containing, inter alia, a full and complete disclosure of all material facts; it is proposed to mention in such Public Announcement that the management of the Company is contemplating a subsequent merger/ amalgamation of the Company with other entities of the UB Group, though this is merely at the stage of contemplation.

Registered Office:
Ewart House,
22, Homi Mody Street
Mumbai 400 023

28th July, 2005

By Order of the Board
BHARATH RAGHAVAN
Company Secretary



The Annual General Meetings of the Company after the 61st Annual General Meeting could not be held in view of the following facts:

- (a) The resolutions relating to retirement of Directors by rotation / re-appointment of Directors at the 61st Annual General Meeting of the Company held on 30th December, 1998 as well as the resolutions under Sections 257 and 284 of the Companies Act, 1956 were voted on since a poll was demanded but the counting of votes and declaration of results in respect of the said resolutions were held over until the final disposal of the litigation between the UB Group and the Chhabria Group by an order of the Bombay High Court dated 1st December, 1999 and by an interim order of the Hon'ble Supreme Court of India dated 11th December, 2002.
- (b) When the litigation went to the Hon'ble Supreme Court of India, the Supreme Court vide an interim order dated 11th December, 2002 stayed the holding of all Annual General Meetings of Herbertsons Limited until disposal of Civil Appeal Nos. 4810-4811/02, 4813/02, 4814/02, 4815/02 & 4816/02 and the said Appeals were not disposed off until 4th May, 2005 when the interim order of 11th December, 2002 was vacated by the Hon'ble Supreme Court of India and consequential orders were passed regarding concluding the 61st Annual General Meeting of Herbertsons Limited by declaring the results in respect of Item Nos. 3 to 5 of the Notice dated 30th November, 1998 convening the 61st Annual General Meeting as also the declaration of results of the resolutions under Sections 257 and 284 of the Companies Act, 1956.
- (c) Thereafter the 61st Annual General Meeting of Herbertsons Limited was concluded on 28th July, 2005 by the declaration of results in respect of Item Nos. 3 to 5 of the Notice dated 30th November, 1998 convening the 61st Annual General Meeting as well as by the declaration of results of the resolutions proposed at that Meeting under Sections 257 and 284 of the Companies Act, 1956.
- (d) It was only by the order of the Hon'ble Supreme Court dated 4th May, 2005 that Annual General Meetings for the financial years ended 31st March, 1999, 31st March, 2000, 31st March, 2001, 31st March, 2002, 31st March, 2003 and 31st March, 2004 were permitted to be convened and held.

Therefore the business relating to the appointment of Auditors under Section 228 of the Companies Act, 1956 to audit the accounts of the Company's Sona Distilleries Branch for the year 2004-2005, having been overtaken by supervening events namely, the prohibition by orders of Courts from holding any Annual General Meeting after the 61st Annual General Meeting, could not take place. The said Auditors functioned and discharged their duties for the financial year 2003-2004 at a remuneration of Rs. 30,000/- plus Service Tax as applicable and out of pocket expenses. The Members are requested to ratify the appointment and

remuneration of M/s Nayyar Malik & Co. as Auditors under Section 228 of the Companies Act, 1956 in respect of the accounts of the Company's Sona Distilleries Branch for the financial year 2004-2005.

The Board recommends the resolution set out in Item No. 10.

None of the Directors is concerned or interested in the resolution set out in Item No.10.

ITEM NO.11

It is proposed to appoint M/s Nayyar Malik & Co., Chartered Accountants as Auditors under Section 228 of the Companies Act, 1956 to audit the accounts of the Company's Sona Distilleries Branch for the financial year 2005-2006 at a remuneration of Rs.30,000/- plus Service Tax as applicable and out-of-pocket expenses.

The Board recommends the resolution set out in Item No. 11.

None of the Directors is concerned or interested in the resolution set out in Item No. 11.

ITEM NO. 12

Mr. Sammy D. Lalla was re-appointed as Managing Director of the Company at the meeting of the Board of Directors of the Company held on 7th March, 2000, with effect from 7th April, 2000, for a period of 5 years. The said term of office of 5 years of Mr. Sammy D. Lalla as Managing Director expired on 6th April, 2005. At the meeting of the Board of Directors of the Company held on 22nd March, 2005, Mr. Sammy D. Lalla was re-appointed as Managing Director of the Company with effect from 7th April, 2005, for a period of 1 year, subject to the approval of the Members of the Company in General Meeting. The relevant abstract under Section 302 of the Companies Act, 1956 containing the terms and conditions of his appointment together with the memorandum of concern or interest was circulated to the Members after his re-appointment by the Board of Directors.

The Board recommends the resolution for re-appointment of Mr. S.D. Lalla as Managing Director set out in Item No. 12.

None of the Directors except Mr. Sammy D. Lalla is concerned or interested in the resolution set out in item No. 12.

ITEM NO. 13

Mr.A.Harish Bhat was appointed Additional Director of the Company at the meeting of the Board of Directors held on 24th June, 2005 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 128 of the Articles of Association of the Company and holds office upto the date of the Sixtyeighth Annual General Meeting of the Company.

Notice along with requisite deposit has been received from a Member in terms of Section 257 of the Companies Act, 1956 signifying intention to propose the name of Mr.A.Harish Bhat as Director of the Company at the forthcoming Annual General Meeting.



8. Members/ Proxies attending the Annual General Meeting are requested to bring with them the following:

- (a) Their Folio Numbers.
- (b) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
- (c) The Attendance Slip/ Proxy Slip duly completed and signed in terms of specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a Member actually attending the Meeting; or from the person attending as Proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting. Attendance Slips of Members/ valid Proxies not personally present at the Meeting, or relating to Proxies which are invalid, will not be accepted from any other Member/person.

The Meeting is for Members or their Proxies only. Please avoid being accompanied by non-Members/ children.

Members may kindly note that the Company will not be distributing gifts at the Annual General Meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

EXPLANATORY STATEMENT to the items of Special Business specified in the Notice of the Sixty Eighth Annual General Meeting of the Company to be held at Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021 on Wednesday, the 24th August, 2005 immediately after the conclusion of the Sixtyseventh Annual General Meeting of the Company.

ITEM NO. 9

The Annual General Meetings of the Company after the 61st Annual General Meeting could not be held in view of the following facts:

- (a) The resolutions relating to retirement of Directors by rotation / re – appointment of Directors at the 61st Annual General Meeting of the Company held on 30th December, 1998 as well as the resolutions under Sections 257 and 284 of the Companies Act, 1956 were voted on since a poll was demanded but the counting of votes and declaration of results in respect of the said resolutions were held over until the final disposal of the litigation between the UB Group and the Chhabria Group by an order of the Bombay High Court dated 1st December, 1999 and by an interim order of the Hon'ble Supreme Court of India dated 11th December, 2002.
- (b) When the litigation went to the Hon'ble Supreme Court of India, the Supreme Court vide an interim

order dated 11th December, 2002 stayed the holding of all Annual General Meetings of Herbertsons Limited until disposal of Civil Appeal Nos. 4810-4811/02, 4813/02, 4814/02, 4815/02 & 4816/02 and the said Appeals were not disposed off until 4th May, 2005 when the interim order of 11th December, 2002 was vacated by the Hon'ble Supreme Court of India and consequential orders were passed regarding concluding the 61st Annual General Meeting of Herbertsons Limited by declaring the results in respect of Item Nos. 3 to 5 of the Notice dated 30th November, 1998 convening the 61st Annual General Meeting as also the declaration of results of the resolutions under Sections 257 and 284 of the Companies Act, 1956.

- (c) Thereafter the 61st Annual General Meeting of Herbertsons Limited was concluded on 28th July, 2005 by the declaration of results in respect of Item Nos. 3 to 5 of the Notice dated 30th November, 1998 convening the 61st Annual General Meeting as well as by the declaration of results of the resolutions proposed at that Meeting under Sections 257 and 284 of the Companies Act, 1956.
- (d) It was only by the order of the Hon'ble Supreme Court dated 4th May, 2005 that Annual General Meetings for the financial years ended 31st March, 1999, 31st March, 2000, 31st March, 2001, 31st March, 2002, 31st March, 2003 and 31st March, 2004 were permitted to be convened and held.

Therefore the business relating to the appointment of Statutory Auditors for the year 2004-2005, having been overtaken by supervening events namely, the prohibition by orders of Courts from holding any Annual General Meeting after the 61st Annual General Meeting, could not take place. M/s Narkar & Associates functioned and discharged their duties as Statutory Auditors of the Company for the financial year 2004-2005 at a remuneration of Rs.2,25,000/- plus Service Tax as applicable and out of pocket expenses. The Members are requested to ratify the appointment and remuneration of M/s Narkar & Associates as Statutory Auditors of the Company for the financial year 2004-2005.

The Board recommends the resolution set out in Item No. 9.

None of the Directors is concerned or interested in the resolution set out in Item No. 9.

ITEM NO. 10

At the 61st Annual General Meeting of the Company for the financial year 1997-1998 held on 30th December, 1998, M/s. Nayyar Malik & Co. were re-appointed as Auditors under Section 228 of the Companies Act, 1956 to audit the accounts of the Company's Sona Distilleries Branch for the financial year 1998-1999.



Company Secretary & General Manager – Legal, in terms of the provisions of the Articles of Association of the Company."

The Result of the Postal Ballot based on the Scrutinizer's Report will be announced at the Annual General Meeting.

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

"RESOLVED that in order to comply with the Orders of the Hon'ble Supreme Court of India dated 7th March, 2005 and 4th May, 2005, inter alia, ordering the Purchasers (viz. constituents of the UB Group) to comply with the conditions suggested by Securities and Exchange Board of India (SEBI) in its Advocate's letter dated 3rd May, 2005 (which requires the Purchasers to make an offer under the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003), consent of the Company be and is hereby accorded for delisting of the Company's shares from all the Stock Exchanges where the shares are listed as provided in SEBI's Advocate's letter dated 3rd May, 2005."

"RESOLVED FURTHER that the Board of Directors of the Company or any person(s) authorized by the Board of Directors in this behalf be and is/ are hereby authorized to do and execute all such acts, deeds, documents and things as may be necessary to comply with the Orders of the Hon'ble Supreme Court of India dated 7th March, 2005 and 4th May, 2005."

Registered Office:
Ewart House,
22, Homi Mody Street,
Mumbai 400 023

By Order of the Board
BHARATH RAGHAVAN
Company Secretary

28th July, 2005

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. An Explanatory Statement to the items of Special Business specified above is annexed.
3. The Register of Members and the Share Transfer Books of the Company will be closed from 19th August, 2005 to 24th August, 2005 both days inclusive.

4. Members are requested to send the following to the Company's Registrars & Share Transfer Agents, Computech Sharecap Limited, Unit: Herbertsons Limited, 147, Mahatma Gandhi Road, Mumbai-400023:

- a) Application for consolidation of folios alongwith relevant share certificates where Members hold more than one share certificate in the same name/s under different folios.
- b) Details regarding change of address, if any.
- c) Details regarding change in their bank account number, name of bank, bank's branch name and address, if any, to enable the Company to draw dividend warrant payable accordingly.

5. Members are requested to quote their folio numbers in all correspondence with the Company's Registrars & Share Transfer Agents, M/s Computech Sharecap Limited.

6. Nomination facility for shares is available for Members. The prescribed format in this regard can be obtained from the Company's Registrars & Share Transfer Agents at the address as stated above.

7. The amounts of the unclaimed dividend upto the financial year ended 31st March, 1994 were transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Those who have not encashed the Dividend Warrants for the said period may claim their dividends from the Registrar of Companies – Maharashtra, 'Everest', 100, Marine Drive, Mumbai – 400 002.

Pursuant to Sections 205A and 205C of the Companies Act, 1956, unclaimed dividends from the year ended 31st March, 1995 upto the year ended 31st March, 1997 have been transferred to the Investor Education and Protection Fund ("the Fund").

In terms of Sections 205A and 205C of the Companies Act, 1956 any dividend remaining unclaimed for a period of seven years from the due date of payment is required to be transferred to the Fund.

Members who have not encashed their dividend warrants for the year 1997-1998 or thereafter are requested to write to the Company at its Registered Office, or to the Company's Registrars & Share Transfer Agents.

Members may kindly note that once the unclaimed dividend is transferred to the Fund, as mentioned above, no claim shall lie against the Fund or the Company in respect of the individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.



PERFORMANCE EVALUATION PAYMENT:

Of such percentage of the salary per annum as may be evaluated by the Board of Directors in accordance with the Rules of the Company in this regard, as applicable to senior executives.

LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with the Rules of the Company.

MEDICAL:

Reimbursement of actual medical expenses for self, spouse and immediate dependents, as per the Rules of the Company. Insurance Premium for medical policy for self, spouse and immediate dependents will be borne by the Company.

CLUB FEES:

Fees of clubs subject to a maximum of 2 clubs. This will not include admission and life membership fees.

PERSONAL ACCIDENT INSURANCE:

As per the Rules of the Company.

LEAVE:

As per the Rules of the Company.

Perquisites will be valued in accordance with the Income Tax Rules, 1962, where applicable.

RETIRAL BENEFITS:

PROVIDENT FUND:

Contribution to the Company's Provident Fund will be in accordance with the Rules of the Company.

SUPERANNUATION FUND:

Company's contribution to Superannuation Fund shall be in accordance with the Scheme of the Company

GRATUITY:

In accordance with the Rules of the Company's Gratuity Fund.

Such other benefits, amenities, facilities and perquisites as per the Rules of the Company and as may be permitted by the Board of Directors to Mr. Sammy D. Lalla, Managing Director.

"RESOLVED FURTHER that the remuneration payable to Mr. Sammy D. Lalla (including salary, performance evaluation payment, perquisites, benefits, amenities and facilities) shall not exceed the limits laid down in Sections 198 and 309 and Schedule XIII of the Companies Act, 1956 or any other statutory provision, modification or re-enactment thereof."

"RESOLVED FURTHER that Mr. Sammy D. Lalla be paid remuneration by way of salary, performance evaluation payment, perquisites, benefits, amenities and facilities in accordance with the provisions of Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory provision, modification or re-enactment thereof in any financial year where the Company has no profits or its profits are inadequate."

"RESOLVED FURTHER that Mr. Sammy D. Lalla as Managing Director of the Company be entrusted with substantial powers of management and to be responsible for the general conduct and management of the business and affairs of the Company subject to the superintendence, control and direction of the Board of Directors."

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

"RESOLVED that Mr. A. Harish Bhat be and is hereby appointed a Director of the Company."

14. The following Resolution passed by the Board of Directors is to be confirmed/ approved by means of a Postal Ballot as a Special Resolution.

"RESOLVED that a Guarantee be issued by the Company in favour of the Lenders/Security Trustee for an amount not exceeding USD175,000,000 and that the validity of the guarantee be for a period of 5 years from the date of execution thereof in respect of External Commercial Borrowings by way of syndicated loan facility sanctioned by ICICI Bank Limited, Singapore of USD45,000,000 (US Dollars Forty Five Millions only) to McDowell & Company Limited, USD60,000,000 (US Dollars Sixty Millions only) to Phipson Distillery Limited and USD70,000,000 (US Dollars Seventy Millions only) to United Spirits Limited, aggregating to USD175,000,000 (US Dollars One Hundred and Seventy Five Millions only)."

"RESOLVED FURTHER that Dr. Vijay Mallya, Chairman, Mr. S. D. Lalla, Managing Director, Mr. A. Raghunathan, Executive Vice-President - Finance & Accounts and Mr. Bharath Raghavan, Company Secretary & General Manager - Legal be and are hereby authorised severally, on behalf of the Company, to make necessary application to Reserve Bank of India and other Statutory Authorities as may be necessary and to sign and execute all deed(s), agreement(s), undertaking(s) including issue of Power of Attorney, authorization, acknowledgement of debt(s) and to do all such other acts and deeds as may be required in this regard."

"RESOLVED FURTHER that the Common Seal of the Company be affixed to the aforesaid documents wherever deemed necessary in the presence of any two Directors of the Company or any one Director and Mr. A. Raghunathan, Executive Vice-President - Finance & Accounts or Mr. Bharath Raghavan,



NOTICE

NOTICE is hereby given that the SIXTYEIGHTH ANNUAL GENERAL MEETING of HERBERTSONS LIMITED will be held at Yashwantrao Chavan Pratishthan, Gen.Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021 on Wednesday, the 24th August, 2005 immediately after the conclusion of the Sixtyseventh Annual General Meeting of the Company, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Vijay Mallya who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.R.Gupte who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. Srinivasan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. C. L. Jain who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Ms. Ritu Mallya who retires by rotation and being eligible, offers herself for re-appointment.
7. To appoint a Director in place of Mr. V. K. Rekhi who retires by rotation and being eligible, offers himself for re-appointment.
8. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that the re-appointment of M/s Narkar & Associates, Chartered Accountants as Auditors of the Company who have audited the accounts of the Company for the financial year 2004-2005 at a remuneration of Rs. 2,25,000/- plus Service Tax as applicable and out of pocket expenses, be and is hereby ratified."
10. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that the appointment of M/s Nayyar Malik & Co., Chartered Accountants under Section 228 of the Companies Act, 1956 who have audited the accounts of the Company's Sona Distilleries Branch for the financial year 2004-2005 at a remuneration of Rs. 30,000/- plus Service Tax as

applicable and out-of-pocket expenses, be and is hereby ratified."

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

"RESOLVED that M/s Nayyar Malik & Co., Chartered Accountants, be appointed Auditors under Section 228 of the Companies Act, 1956 to audit the accounts of the Company's Sona Distilleries Branch for the financial year 2005-2006 at a remuneration of Rs. 30,000/- plus Service Tax as applicable and out-of-pocket expenses.

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

"RESOLVED that pursuant to the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956 or any statutory modification/s or enactment/s thereof and subject to the approval of the Members of the Company in General Meeting, Mr. Sammy D. Lalla be re-appointed as Managing Director with effect from 7th April, 2005 for a period of 1 year terminable earlier by either party by six months' previous notice and on the terms and conditions as detailed below:

SALARY:

Rs.1,37,000/- per month, with such increments as may be determined by the Board of Directors of the Company from time to time and with proportionate increase in all benefits relating to the quantum of salary, in the salary range of Rs.1,25,000/- to Rs.2,50,000/- per month.

PERQUISITES:

SPECIAL ALLOWANCE :

Rs.7,300/- per month.

HOUSING:

Rent free furnished/unfurnished accommodation or House Rent Allowance of 60% of salary in lieu thereof.

Reimbursement of gas and electricity charges in accordance with the Rules of the Company. Use of assets and furniture of the Company at residence as per the Rules of the Company.

TRANSPORTATION:

Provision of car with driver for use on Company's business. Use of car for private purpose will be billed.

TELEPHONE:

Provision of telephone at residence for use on Company's business. Personal long distance calls will be billed.

68TH ANNUAL REPORT 2004-2005



HERBERTSONS LIMITED

DIRECTORS

DR.VIJAY MALLYA.....Chairman

MR.S.D.LALLA.....Managing Director

MR.S.R.GUPTA

MR.C.L.JAIN

MS.RITU MALLYA

MR.V.K.REKHI

MR.N.SRINIVASAN

MR.A.HARISH BHAT

COMPANY SECRETARY

MR. BHARATH RAGHAVAN



REGISTERED OFFICE

Ewart House, 22, Homi Mody Street,
Mumbai 400 023.

MANUFACTORY

201/202, Matsya Industrial Area,
Alwar - 301 030, Rajasthan.

AUDITORS

M/s. Narkar & Associates, Mumbai

REGISTRARS & SHARE TRANSFER AGENTS

Computech Sharecap Limited
147, Mahatma Gandhi Road,
Mumbai 400 023.

BANKERS

Citibank N.A.
State Bank of Travancore
State Bank of Bikaner and Jaipur
Bank of India





REPORT OF THE DIRECTORS

To the Members :

Your Directors submit their Report and the audited Accounts for the year ended 31st March, 2005 as under :

	(Rupees) Current Year	(Rupees) Previous Year
The working of your Company for the year under review resulted in an operating profit / (loss) of	(62,168,998)	90,036,777
Less:		
Depreciation	21,518,508	24,496,018
Provision for Taxation	—	23,000,000
Deferred Tax (Net)	<u>(3,890,981)</u>	<u>(901,952)</u>
	17,627,527	46,594,066
	(79,796,525)	43,442,711
Less : Extra-ordinary item	<u>201,003,197</u>	—
Profit / (Loss) after extra-ordinary item	(280,799,722)	43,442,711
Add :		
Surplus brought forward from previous year	17,013,960	22,494
	<u>(263,785,762)</u>	43,465,205
Less: Transferred to General Reserve	—	5,000,000
Add : Prior years' taxation / Deferred tax adjustments	—	33,497
Less: Interim Dividend	—	19,044,646
Corporate Dividend Tax on above	—	2,440,096
	<u>(263,785,762)</u>	<u>17,013,960</u>

DIVIDEND

In view of the operating loss for the year under review, your Directors have not recommended payment of any dividend for the financial year 2004-2005 (previous year – Interim Dividend 20%, Final Dividend - Nil).

OPERATIONS

During the year under review, the working of your Company has resulted in an operating loss of approximately Rs. 6.21 Crores. Further, an amount of approximately Rs. 20.1 crores due from your Company's erstwhile wholly-owned subsidiary, has been written off during the year under review as an extraordinary item.

Your Company has achieved a volume of 10.69 million cases

during the year under review, recording a volume growth of 14%. Your Company's flagship brand Bagpiper Whisky having crossed the 6-Million cases hurdle notched up yet another milestone by becoming India's largest selling Beverage Alcohol brand across categories. The brand has gone from strength to strength generating high levels of consumer loyalty through a combination of the new pack and a 360-degrees brand support and touched almost 8 million cases, in the process registering an impressive growth of 22% over the previous year.

A significant breakthrough on Bagpiper was achieved this year as it became the first ever brand to be launched in world renowned Tetra Pack which has given the brand a competitive edge.