



ANNUAL REPORT 2014 - 2015



UNITED BREWERIES (HOLDINGS) LIMITED



Dr. Vijay Mallya
Chairman

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UNITED BREWERIES (HOLDINGS) LIMITED

Directors	<p>Dr. Vijay Mallya, <i>Chairman</i></p> <p>Mr. Sidhartha V. Mallya, <i>Non Executive Non Independent Director</i></p> <p>Mr. N Srinivasan, <i>Non Executive Independent Director</i></p> <p>Mr. M S Kapur, <i>Non Executive Independent Director</i></p> <p>Dr. Lalit Bhasin, <i>Non Executive Independent Director</i></p> <p>Ms. Daljit Mahal, <i>Non Executive Non Independent Director</i> [w.e.f March 28, 2015]</p>
Executive Vice Chairman UB Group	Mr. S. R. Gupte
President & Chief Financial Officer UB Group	Mr. Ravi Nedungadi
President	Mr. V. Shashikanth
Company Secretary and Compliance Officer	Mr. Kaushik Majumder
Statutory Auditors	<p>M/s Vishnu Ram & Co., Chartered Accountants No.12, Margosa Road, Malleswaram, Bangalore – 560 003</p>
Internal Auditors	<p>M/s B.K. Ramadhyani & Co, Chartered Accountants 68, 4th Floor, Chitrapur Bhavan, 15th Cross, 8th Main Road, Malleswaram, Bangalore – 460 055</p>
Registered Office	<p>UB Tower, Level 12, UB City, No. 24, Vittal Mallya Road, Bangalore – 560 001</p>
Registrars and Transfer Agents	<p>Integrated Enterprises (India) Limited No. 30, Ramana Residency, 4th Cross, Malleswaram, Bangalore – 560 003</p>

Report of the Directors

Report of the Directors

Your Directors present the Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2015.

Centenary Year

Your Company completed 100 years of its glorious existence in March 2015. This journey began in 1915 with amalgamation of five breweries and the subsequent incorporation under the Companies Act to create United Breweries Limited which today is United Breweries (Holdings) Limited. This journey is undoubtedly one of excellence seizing business opportunities to increase Shareholders value over the years.

Financial Performance of the Company

The summary of financial results of the Company for the financial year ended March 31, 2015 is as under:

(₹ in crores)

	2014-2015	2013-2014
The working for the year resulted in Loss from Operations	42.041	280.729
Add:		
• Provision for doubtful advances	57.895	1,271.705
• Bad advances / debts written off	128.624	2,450.594
• Provision for diminution in value of investment	280.962	-
• Depreciation	21.505	8.164
Less:		
• Exceptional gains	965.001	1,987.890
Profit / (Loss) for the year carried to the Balance Sheet	433.974	(2,023.302)

Dividend

With a view to conserve resources for operational requirements and considering the accumulated losses, your Directors do not recommend any dividend for the year ended March 31, 2015.

Operations of the Company

The operations of the Company comprise primarily of holding of strategic investments and other securities, international trade, development of real estate, sale and rental of constructed premises including residential property of Kingfisher Towers, licensing of trade marks, advancing of loans and provision of guarantees.

For the 20th year in a row, UB Global, export division of the Company, was awarded the Golden Trophy by Agricultural Products Export Development Authority of India. For the first time, UB Global also received the Karnataka State Export Excellence award for overall Merchant Exports. In the year under review, UB Global recorded a turnover of ₹ 227 crores despite loss of business from liquor sales for 10 months and a steep fall in the apparel business.

The Exceptional gain of ₹ 965 crores for the year under review is on account of sale of pledged shares by certain Lenders of the Company to recover their dues.

The Company is constrained by various restraint orders of the Hon'ble High Court of Karnataka as a result of which some proposals to increase operations by franchising out the Kingfisher brand and renting out vacant space at UB City, Bangalore could not be implemented.

Subsidiaries and Associate Companies

In accordance with Section 139(3) of the Companies Act 2013, the Company has prepared consolidated financial statements with four Indian Subsidiary Companies, excluding the seven Indian Subsidiary Companies (refer to Note no. 39 of the Consolidated Financial Statement appearing in page no. 106), which forms part of the Annual Report. The report on the performance and financial position on each of the subsidiary companies in the prescribed Form AOC-1 is annexed to this report as **Annexure A**.

The Company does not have "material non-listed Indian subsidiary" as defined under Listing Agreement with Stock Exchanges.

The affairs of the Subsidiaries and Associate Companies are conducted by their respective Board of Directors and audited by their Statutory Auditors. The Consolidated Financial Statement of the Company and its subsidiaries and associates should therefore be read in conjunction with respective financial statements, accounting policies, financial notes, cash flow statements and Statutory Auditors Reports thereon.

Directors and Key Managerial Personnel

Ms. Daljit Mahal was appointed as an Additional Director of the Company pursuant to the Section 161 and other applicable provisions of the Companies Act, 2013, Section 149(1) of the Companies Act, 2013 and the Rules made thereunder and Clause 49 (II) (A) (1) of the Listing Agreement to hold office up to the date of this Annual General Meeting. The Company has received a notice as required by Section 160 of the Companies Act, 2013 and Rules made thereunder from a Member proposing the candidature of Ms. Daljit Mahal for the office of Director of the Company liable to retire by rotation.

Mr. Sidhartha V Mallya, Director, retires by rotation and, being eligible, offers himself for re-appointment, as a Director liable to retire by rotation.

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

The position of Managing Director fell vacant on April 17, 2014 and efforts are being made still to identify a successor.

The Company presently does not have a Managing Director and a Chief Financial Officer. The only Key Managerial Personnels of the Company are the President and the Company Secretary.

The affairs of the Company are conducted under the directions of the Chairman, the President and the Group Chief Financial Officer.

Directors' Responsibility Statement

Despite the absence of the Managing Director and Chief Financial Officer throughout the year, the Chairman of the Board of Directors, the Group Chief Financial Officer and President of the Company have collectively conducted the affairs of the Company and in view of this, the Directors in compliance with Section 134 (5) of the Companies Act, 2013, state that:

- (a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- (c) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis;
- (e) internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and operating effectively;
- (f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that, such systems are adequate and operating effectively

Auditors

The Statutory Auditor of the Company, Messrs. Vishnu Ram & Co., Chartered Accountants, issued separate reports on the Standalone and Consolidated Financial Statements of the Company and the same are appended here to the Report.

The qualifications in the Auditors' Reports relating to impairment of certain investments, doubtful recovery of advances, enforcement of certain corporate guarantees, various legal disputes including winding-up petitions, sustainability of

the Company as a going concern - all these have been explained in the relevant Financial Notes to Accounts.

In the last Annual General Meeting (AGM) held on September 30, 2014, Messrs. Vishnu Ram & Co., Chartered Accountants, have been appointed Statutory Auditors of the Company for a period of 3 years. Ratification of appointment of Statutory Auditors is being sought from the Members of the Company at this AGM. Further, the Statutory Auditors have, under Section 139(1) of the Act and the Rules framed thereunder, furnished a certificate of their eligibility and consent for appointment.

Corporate Governance and Management Discussion and Analysis Report

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance and Management Discussion and Analysis Report is attached to this Annual Report.

Disclosures

Board and its Committees

The details of the Meetings of the Board and its Committees held during the financial year, the composition of the Committee and the details of Committee Meetings are given in the Report on Corporate Governance.

Independent Directors Declaration

All the Independent Directors of the Company have given declaration in terms of Section 149(6) of the Companies Act, 2013.

Internal Financial Controls

The Company is in compliance with the requirements of the Companies Act, 2013 with regard to the Internal Financial Controls which embraces adherence to Company's policies, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of financial information. Internal Controls are designed to cover financial matters, operational areas, besides fraud prevention mechanism. The internal audit function has devised an appropriate audit mechanism and periodically deployed comprehensive test checks to enable Internal Audit to give reasonable assurance to the Audit Committee that the internal financial controls are adequate and operating effectively.

Given the above control system in place and involvement of the Chairman of the Board of Directors, Group Chief Financial Officer and the President of the Company, the Board opines that the internal financial controls implemented by the Company for preparation of financial statements are adequate and sufficient.

Report of the Directors (contd.)

Risk Management

The Company manages, monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives through the Audit Committee and Internal Auditors comprising of external firm of Chartered Accountants. The Company is exposed to various legal disputes as stated elsewhere in this Report which are handled by expert legal advisors in consultation with the Chairman of the Board.

Particulars of Conservation of Energy, Technology Absorption

The provisions of Section 134 (3) (m) of the Companies Act, 2013 relating to conservation of energy and technology absorption do not apply to this Company since it is not engaged in manufacturing activities.

Foreign Exchange Earnings and outgo

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

Policy on Appointment and Remuneration of Directors Key Managerial Personnel and Senior Employees

The Board on the recommendation of the Nomination and Remuneration Committee has laid down a policy for appointment of Directors and remuneration for the Directors, Key Managerial Personnel and Senior Employees. The same is enclosed as **Annexure B** to this Report. However, no Managing Director and Chief Financial Officer were appointed during the year.

Performance Evaluation of the Board and Committees

The details of annual evaluation made by the Board of its own performance and that of its Committees and Individual Directors and performance criteria for Independent Directors laid down by the Nomination and Remuneration Committees are enclosed as **Annexure C** to this Report.

Vigil Mechanism

The Company has implemented a vigil mechanism to provide a framework for the Company's employees and Directors to promote responsible and secure whistle blowing. It protects the employees who raise concern about serious irregularities within the Company. A brief summary of the vigil mechanism implemented by the Company is annexed under **Annexure D** to this Report. This policy is available through the weblink: <http://theubgroup.com/PDF/UBHL/2014-2015/UBHL-WHISTLE-LOWER-AND-VIGIL-MECHANISM-POLICY.pdf>.

Particulars of Employees and related disclosures

Disclosures with respect to the remuneration of Directors and Employees as required under Section 197 of Companies

Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been appended as **Annexure E** to this Report.

Details of employee remuneration as required under provisions of Section 197 of Companies Act, 2013 and Rule 5(2) and Rule 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are available at the Registered Office of the Company during working hours before 21 days of the Annual General Meeting and shall be made available to any shareholder on request.

Familiarisation programme for Independent Directors

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: <http://theubgroup.com/PDF/UBHL-FAMILIARISATION-PROGRAMME-FOR-INDEPENDENT-DIRECTORS.pdf>.

Particulars of Loans, Guarantees and Investments

Particulars of loans and guarantees given and investments made are given in the Notes to the Standalone Financial Statement.

Corporate Social Responsibility

The Company, being an apex holding company of the UB Group, takes its role as a responsible corporate citizen seriously and encourages all its constituents of investee companies to pursue their business in a responsive manner. The Company has in place a Corporate Social Responsibility Committee (CSR) for overseeing CSR activities. Since the average net profit of the Company for the preceding three years was negative, there was no necessity for the Company to carry out any CSR spending for the period under review.

Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Sudhir Hulyalkar, Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Report furnished by Auditor in the format prescribed under The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as **Annexure F** to this Report.

The material observation in the report relates to the absence of Managerial Personnel viz. Managing Director and Chief Financial Officer during the whole of the financial year. The Board is seized of this matter.

Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT -9 is annexed herewith as **Annexure G**.

Major litigations involving the Company

Major litigations faced by the Company are as follows:

- (i) The consortium of banks that have advanced facilities to Kingfisher Airlines Limited (KFA) (Consortium of Banks) have, pursuant to certain purported Corporate Guarantees given by the Company (the validity of which is disputed as set out hereinafter), demanded from the Company, their alleged dues from KFA amounting to ₹6,203.35 crores with further interest and other dues from June 1, 2013 and have moved the Debt Recovery Tribunal ("DRT"), Bangalore for recovery of these alleged dues by way of an Original Application (OA). The Interim Application filed by the Company before the DRT seeking to reject the said OA on the ground of jurisdiction has been dismissed by the DRT vide its Order dated November 12, 2013. The Company's appeal before the DRAT, Chennai challenging the Order dated November 12, 2013 is pending.
- (ii) Three lenders who have extended pre-delivery payment (PDP) loans to KFA for purchase of aircrafts from M/s. Airbus S.A.S. and who claim to be beneficiaries of purported Corporate Guarantees of the Company, have filed proceedings before the DRT for recovery of total dues amounting to ₹192.51 crores. By an ex-parte order dated February 4th 2014, in I.A. No.543/2014, the Hon'ble DRT has passed an ad-interim order attaching pre-delivery payments made by KFA to M/s. Airbus S.A.S. up to ₹192.51 crores. This ad-interim order is still in force. The Company is defending the said proceedings.
- (iii) In a suit filed by United Sprits Limited ("USL"), the Goa Senior Division Court, by Orders dated April 26, 2013 and May 4, 2013 ("Interim Orders") has granted an ad-interim injunction against any coercive action by the Consortium of Banks in respect of the Company's property in Goa, tenanted to USL. USL has also deposited ₹35 crores in the Hon'ble Court pursuant to the said orders.

Aggrieved by the Interim Orders, the Consortium of Banks filed an appeal in the High Court of Bombay at Goa, being Appeal from Order No. 76 of 2013 praying inter alia, that the Interim Orders be quashed and set aside.

On July 18, 2014, the Hon'ble High Court of Bombay at Goa disposed off the appeal and held that the Interim Orders do not preclude the Consortium of Banks from initiating proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002 (SARFAESI Act). It has been clarified by the High

Court that the Interim Orders shall continue to operate until disposal of the application for temporary injunction before the Learned Judge, Mapusa, subject to the right of the Consortium of Banks to proceed under the SARFAESI Act in accordance with law.

Pursuant to the Order dated July 18, 2014, passed by the Hon'ble Bombay High Court at Goa, the Consortium of Banks have filed an application under Section 14 of the SARFAESI Act before the District Magistrate. The Interim Orders passed by the Goa Senior Division Court are still in force and pending adjudication of the suit, the Goa property continues to remain with the Company (and continues to be in the possession of USL) with a purported charge in favour of Consortium of KFA Bankers.

- (iv) The Consortium of Banks have sold in periodical lots certain investments belonging to the Company pursuant to a purported Pledge Agreement dated December 21, 2010. The Company and others have filed a suit in the Hon'ble Bombay High Court, being Suit No. 311 of 2013 (Bombay Suit) against the Consortium of Banks, who have advanced loans to KFA, inter alia, seeking the following reliefs:-
 - (a) For a declaration that the Corporate Guarantee dated December 21, 2010 given by the Company and the Pledge Agreement dated December 21, 2010, are void ab-initio and non-est;
 - (b) For a permanent order and injunction restraining the defendants therein, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance or in any manner giving effect to the impugned Notice dated March 16, 2013, or from taking any other or further steps to act upon or in furtherance of the Pledge Agreement dated December 21, 2010, save and except in accordance with the procedure set out in clause 8.1 of the MDRA, including issuing a notice there under.
 - (c) For a permanent order and injunction restraining the defendants therein, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon or in furtherance of the Corporate Guarantee dated December 21, 2010 given by the Company and the Pledge Agreement dated December 21, 2010;
 - (d) That an order and decree of damages of the sum of ₹3,199.68 crores as set out in the Particulars of Claim be awarded to the plaintiffs therein.

The Company has also filed a Notice of Motion in the said Suit, being Notice of Motion 306 of 2014 inter

Report of the Directors (contd.)

alia, for a decree on admission that the extent of the liability under the purported Corporate Guarantee is restricted to ₹1601.43 crores based on admissions by the Consortium of Banks. The said Suit and Notice of Motion are pending adjudication in the Hon'ble Bombay High Court.

- (v) The Division Bench of the Hon'ble High Court of Karnataka, vide its Order dated December 20, 2013 has set aside the permission granted by the Hon'ble Company Judge under Section 536(2) of the Companies Act 1956 to dispose of the shares of USL in favour of Diageo Plc / Relay BV. The Company and Diageo Plc have approached the Hon'ble Supreme Court by way of SLPs challenging the Order of the Division Bench. Pending disposal of the Company's SLPs, the Hon'ble Supreme Court has, by its Order dated February 10, 2014 directed that, status quo be maintained in respect of the transaction of sale of shares to Diageo.
- (vi) In addition to two winding up petitions instituted by beneficiaries of Corporate Guarantees issued by the Company, which are being challenged before the Hon'ble Supreme Court and the Karnataka High Court respectively, six more winding up petitions filed by certain purported creditors of KFA, who are purported beneficiaries of Corporate Guarantees for winding of the Company, have been admitted by the Hon'ble High Court of Karnataka vide combined Order dated January 2, 2015. The Company has filed appeals before the Division Bench of the Karnataka High Court to challenge three of the aforesaid six admission Orders of the Single Judge and such appeals are pending admission.
- (vii) The Company has filed a suit for damages claiming an amount of ₹1,319.30 crores against one of the above Petitioners who have filed a winding up Petition against the Company in the City Civil Court, Bangalore and the same is pending adjudication.
- (viii) The Company and Kingfisher Finvest India Limited (KFIL) have filed a suit, inter alia, against IDBI Trusteeship Services Limited (IDBI Trusteeship), Indian Global Competitive Fund (IGCF) and SREI Venture Capital Limited (SREI), in the City Civil Court at Calcutta, being T.S. No. 966 of 2013, inter alia, for a declaration that the Security Trustee Agreement dated June 30, 2008 and the Consolidated Deed of Pledge dated December 21, 2010 (in respect of pledged shares of United Spirits Limited and KFA held by the Company and KFIL) are void, unenforceable and of no effect. The said suit is pending.

SBICAP Trustee and the Consortium of Banks, which have advanced loans to KFA have filed a suit, inter alia, against IDBI Trusteeship Services Limited, SREI Venture Capital

Limited, UBHL and KFIL in the Court of City Civil Judge in Bangalore, being O.S. No. 25877 of 2013 to enforce their alleged rights under the purported Release of Residual Interest Agreement dated December 21, 2010 in respect of sale proceeds remaining after appropriation of USL and KFA shares. On June 10, 2014, IDBI Trusteeship Services Limited transferred the pledged shares to IGCF who in turn sold 4,937,395 shares of and in USL ("Sold Shares") held by UBHL and KFIL By an Order dated June 20, 2014 in Writ Petition No. 28577 of 2014, filed by the Consortium of Banks and which has now been disposed off. IGCF deposited the surplus/balance sales proceeds from the Sold Shares with the Hon'ble High Court of Karnataka and has been restrained from disposing off the ₹690 crores retained by it. The Company is defending the aforesaid O.S. No. 25877 of 2013 and the ex-parte ad-interim orders passed therein.

During the pendency of the Writ Petition No. 28577 of 2014, the Consortium of Banks filed an application seeking to amend the plaint. The amendment application was heard and allowed vide Order dated October 15, 2014. The Company and KFIL have filed separate Writ Petitions against the said Order allowing the amendment application. The Company and KFIL have also filed applications for rejection of the suit on account of suit being barred by law and insufficient court fee.

The Company, after taking into account, various issues involved, has, as a matter of prudence and without prejudice to the rights and contentions of the Company in the legal proceedings as well as the stand adopted by KFA against the purported recall of its loans by the lenders, pursuant to which shares pledged by the Company were sold by the lenders, has debited a portion of the sale proceeds of the IGCF sale of investments of ₹106.30 crores to KFA and written off the same as unrealizable, along with other dues from KFA. The balance sale proceeds of ₹748.36 crores continues to be disclosed as due from IGCF.

- (ix) The Company filed a Suit (L) No. 290 of 2015 in the High Court of Judicature at Bombay against ICICI Bank Ltd (hereinafter referred to as "ICICI") and 3i Infotech Trusteeship Services Ltd (hereinafter referred to as "3i Infotech") challenging ICICI's alleged right to sell the 20,14,000 shares (the "NDU shares") of United Breweries Limited by their notice dated February 9, 2015 on the ground that the Loan Purchase Agreement (LPA) dated December 21, 2010 entered into with ICICI has ceased to operate consequent upon ICICI transferring, assigning and/or novating all its rights and obligations under the MDRA to a third party and that the claim of ₹146.29 crores by ICICI cannot be proceeded against the 20,14,000 shares as the LPA has worked itself out.

Accordingly, the following ad-interim reliefs were sought in the Suit:

- (a) That, pending the hearing and final disposal of the Suit, for a temporary order and injunction restraining the Defendants (3i Infotech and ICICI), their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting on the basis or in any manner giving effect to the Power of Attorney dated November 12, 2011, or from taking any other or further steps to act upon or in furtherance of the Non Disposal Arrangement, dated November 12, 2011.
- (b) That, pending the hearing and final disposal of the Suit, for an Order appointing a court receiver to take custody of 20,14,000 shares of United Breweries Limited, held by the Company and which are the subject matter of the Non Disposal Arrangement dated November 12, 2011.

By an Order dated April 16, 2015, the Hon'ble Judge restrained both 3i Infotech and ICICI from selling the NDU shares and directed ICICI to deposit the NDU shares with the Prothonotary & Senior Master of Hon'ble Bombay High Court within a period of 2 weeks from the date of pronouncement of the judgement. This Order was challenged in an appeal filed by ICICI before the Division Bench of the Hon'ble Bombay High Court in which a stay has been granted only in respect of the portion of the Order which directs ICICI to deposit the NDU shares with the Prothonotary & Senior Master of Hon'ble Bombay High Court. However, the restraint Order on ICICI for sale of NDU shares continues. The suit is continuing.

Significant and material orders passed by the Regulators/ Courts

The material orders passed by the Regulators / Courts which may impact the going concern status of the Company and its future operations are as under:

(i) Order passed by the Hon'ble High Court of the Karnataka

- (a) The Hon'ble High Court of Karnataka, vide its Order dated December 20, 2013 has set aside the permission granted by the Hon'ble Company Judge under Section 536(2) of the Companies Act 1956 to dispose of the shares of USL in favour of Diageo Plc / Relay BV. The Company and Diageo Plc have approached the Hon'ble Supreme Court by way of Special Leave Petitions ("SLPs") challenging the Order of the Division Bench. Pending disposal of the Company's SLPs, the Hon'ble Supreme Court has by its Order dated February 10, 2014 directed that status

quo be maintained in respect of the transaction of sale of shares to Diageo.

- (b) In addition to two winding up petitions instituted by certain purported beneficiaries of Corporate Guarantees issued by the Company, which are being challenged before the Hon'ble Supreme Court and the Karnataka High Court respectively, six more winding up petitions filed by certain creditors of KFA, who are purported beneficiaries of Corporate Guarantees issued by the Company for winding of the Company, have been admitted by the Hon'ble High Karnataka High Court vide combined Order dated January 2, 2015. The Company has since challenged three of these six winding up petitions in the Hon'ble High Court of Karnataka.
- (c) The Hon'ble High Court of Karnataka vide its aforesaid Order dated December 20, 2013 have ordered that "the Company shall not in any way sell, transfer, part with possession or do any act in respect of all other assets of the Company including the shares, pending disposal of the Company Petition on merits". The Hon'ble Karnataka High Court, by another order dated September 3, 2013 (which was confirmed by an order dated November 13, 2013) in a writ petition filed by the consortium of banks that had advanced facilities to KFA, has restrained the Company from selling, transferring, alienating, disposing off or creating any third party rights on its movable and immoveable properties. These orders have restricted the Company from borrowing by securitizing its assets and leasing its vacant space in UB City, thereby affecting the revenue generation of the Company.

(ii) Order passed by Securities Appellate Tribunal (SAT)

SEBI in its communication dated April 27, 2015 has advised the Company to restate the Accounts for the Financial Years 2012-13 and 2013-14 to address the qualifications made in the Report by the Statutory Auditors, despite a representation that most of the required adjustments have already been made in the accounts for the subsequent Financial Year 2013-14. SAT, on an appeal by the Company, has by its Order dated May 29, 2015, stayed the operation, implementation and effect of the communication dated April 27, 2015 till the next date of hearing.

Listing requirements

Your Company's Equity shares are listed on the BSE Limited (formerly Bombay Stock Exchange Limited) and National Stock Exchange of India Limited. The listing fees have been paid to all these Stock Exchanges for the year 2015-2016. The Bangalore Stock Exchange has been derecognized under the relevant provisions of the Securities and Exchange Board of India Act, 1992 and the Securities Contracts (Regulation) Act, 1956.

Report of the Directors (contd.)

Fixed Deposits

The Company has discontinued the acceptance/ renewal of deposits. The existing deposits will run till the date of maturity and will be repaid on the due dates. There have been no defaults in the repayment of fixed deposits during the year.

The Fixed Deposits accepted from the Public and Shareholders stood at ₹10.52 crores as on March 31, 2015. A sum of ₹0.75 crores from Public and Shareholders remained unclaimed as at March 31, 2015.

Transfer to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A[5] and 205C of the Companies Act, 1956, an amount of ₹0.07 crores [Previous Year ₹0.03 crores] being the aggregate of the Unclaimed Dividend and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

Contracts and Arrangements with related parties

All Related Party Transactions that were entered during the financial year were at arm's length basis and were in the ordinary course of business and were in compliance with the applicable provisions of the Companies Act 2013 and the Listing Agreement. There are no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on an annual basis for those transactions which could not be determined at the beginning of the year. The transactions entered into pursuant to the omnibus approval so granted are placed before the Audit Committee for ratification on a quarterly basis.

Similarly, all material Related Party Transactions, as defined under Clause 49 of the Listing Agreement, which require approval of the Shareholders through Special Resolution, have been obtained by the Company in the Annual General Meeting held on September 30, 2014.

The Company has adopted a Related Party Transaction Policy which is uploaded on the Company's website. This policy is available through the weblink : [http://theubgroup.com / PDF / UBHL / 2014-2015 / UNITED%20BREWRIES\(HOLDINGS\)%20LIMITED-%20RELATED%20PARTY%20TRANSACTIONS%20POLICY.pdf](http://theubgroup.com / PDF / UBHL / 2014-2015 / UNITED%20BREWRIES(HOLDINGS)%20LIMITED-%20RELATED%20PARTY%20TRANSACTIONS%20POLICY.pdf).

None of the Directors have any material pecuniary relationships or transactions vis-à-vis the Company.

Pursuant to Section 134 of the Companies Act, 2013 and Rules made thereunder, particulars of transactions with related parties as required under Section 188(1) of the Companies Act, 2013, in the prescribed Form AOC-2 is annexed under **Annexure H** to this Report.

General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Acknowledgement

Your Directors place on record the support received from Group Companies, shareholders, depositors, customers, vendors and employees.

By Order of the Board

**Mumbai
May 29, 2015**

**Dr. Vijay Mallya
Chairman**