

O.P. BAGLA & CO.

CHARTERED ACCOUNTANTS

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Fax : 011-26239912

E-mail : opbco@vsnl.com

8/12, KALKAJI EXTENSION

NEW DELHI - 110019

AUDITORS' REPORT

The Members of
VARUN BEVERAGES LIMITED
DELHI

We have audited the attached Balance Sheet of **VARUN BEVERAGES LIMITED** as at 31st December, 2004, Profit & Loss Account for the Year Ended 31st December, 2004 and the Cash Flow Statement for the year ended on that date. 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above :-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) Proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the mandatory accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31st December, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-12-2004 from being appointed as Director u/s 274(1)(g) of the Companies Act, 1956.

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- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and other Notes thereon in Schedule – 25 give the information as required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :-
- i) In the case of the Balance Sheet of the State of affairs of the Company as at 31.12.2004.
- ii) In the case of the Profit & Loss Account of the PROFIT for the Year Ended on that date.
- iii) In the case of Cash Flow Statement of the Cash Flows for the Year ended on that date.

For O.P. BAGLA & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATED : 21ST MARCH 2005




(ATUL BAGLA)
PARTNER
M.NO. 91885

O. P. BAGLA & CO.

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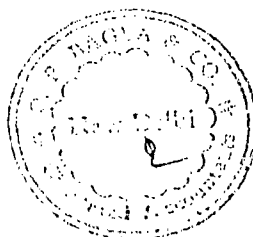
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**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON
ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 2004**

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that these fixed assets have been physically verified by the management and no material discrepancies were noticed. In our opinion the frequency of verification is reasonable having regard to the size of the Company and nature of its assets.
2. None of the fixed assets have been revalued during the year.
3.
 - a) As explained to us physical verification has been conducted by the management periodically, in respect of finished goods, stores, spare parts and raw materials.
 - b) The procedure of physical verification conducted by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same have been properly dealt with in the books of account.
 - d) On the basis of the examination of the stock records, we are of opinion that the valuation of these stocks is fair and proper in accordance with the normally accepted accounting principles.
4. In our opinion and according to the explanations and information given to us, no loans have been taken from Companies, Firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the explanations and information given to us, no loans have been given to Companies, Firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
7. In our opinion and according to the information and explanations given to us the contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under section 301 of the Companies Act, 1956. Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the time of such transactions.



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8. The Company has not accepted any deposits from the public during the year.
9. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
10. The Central Govt. has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
11. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax Custom Duty, Excise Duty, Cess and other statutory dues have been regularly deposited during the year with appropriate authorities. According to the information and explanations given to us and as per the books and records examined by us, there are no arrears of undisputed statutory dues outstanding as on the date of balance sheet for a period exceeding six months from the date they became payable.
12. According to the information and explanations given to us and as per the books and records examined by us, the disputed dues with regard to excise & service tax Rs. 105.67 lacs, and sales tax Rs. 56.56 lacs have not been deposited since the matters are pending before the respective departmental appellate authorities / courts.
13. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in such financial year and in the immediately preceding financial year.
14. The Company has not defaulted in repayment of dues to any financial institution, bank or debenture holder as at the year end.
15. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Paragraph 4 (xii) of the order is not applicable.
16. The Company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.
17. According to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which the loans were obtained.
18. According to the information and explanations given to us, the funds raised on short term basis have not been utilized for long term investment and vice versa.

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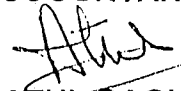
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19. Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31.12.2004.
20. Other clauses of the order are not applicable to the Company for the year under report.

For O.P. BAGLA & CO.
CHARTERED ACCOUNTANTS


(ATUL BAGLA)
PARTNER
M.NO. 91885

PLACE : NEW DELHI
DATED : 21ST MARCH 2005



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VARUN BEVERAGES LIMITED**BALANCE SHEET AS AT 31st DECEMBER, 2004**

PARTICULARS	SCH	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
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SOURCES OF FUNDS**SHAREHOLDERS' FUNDS**

SHARE CAPITAL	1	853,763,500	666,115,300
RESERVES & SURPLUS	2	628,546,718	277,382,104
		1,482,310,218	943,497,404

LOAN FUNDS

SECURED LOANS	3	1,655,005,369	992,492,054
UNSECURED LOANS	4	50,000,000	144,446,000
		1,705,005,369	1,136,938,054

TOTAL

3,187,315,587	2,080,435,458
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APPLICATION OF FUNDS**FIXED ASSETS**

a) GROSS BLOCK	5	4,073,690,789	2,282,991,524
b) LESS : DEPRECIATION		1,008,741,420	473,488,612

c) NET BLOCK		3,064,949,369	1,809,502,912
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CAPITAL WORK IN PROGRESS		1,721,851	308,882,005
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INVESTMENT	6	271,497,669	27,805,502
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VARUN BEVERAGES LIMITED

PARTICULARS	SCH	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
a) INVENTORIES	7	319,919,429	121,886,629
b) SUNDRY DEBTORS	8	215,812,585	170,125,887
c) CASH & BANK BALANCES	9	17,700,401	22,697,124
d) LOANS AND ADVANCES	10	171,145,849	117,576,406
		724,578,264	432,286,046
LESS : CURRENT LIABILITIES & PROVISIONS	11	504,389,143	315,340,755
NET CURRENT ASSETS		220,189,121	116,945,291
NET DEFERRED TAX ASSETS / (LIABILITIES)	12	(372,109,603)	(182,738,015)
MISCELLANEOUS EXPENDITURE	13	1,067,180	37,764
TOTAL		3,187,315,587	2,080,435,458

IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED
For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI

DATED : 21ST MARCH 2005

PARTNER

DIRECTOR

DIRECTOR

DIRECTOR

CO. SECRETARY



VARUN BEVERAGES LIMITED**PROFIT & LOSS ACCOUNT FOR THE
YEAR ENDED 31st DECEMBER, 2004**

PARTICULARS	SCH	YEAR ENDED 31-12-2004 Rs.	YEAR ENDED 31-12-2003 Rs.
<u>INCOME</u>			
SALES	14	3,022,999,134	1,832,897,652
LESS: EXCISE DUTY		588,577,058	360,905,434
		2,434,422,076	1,471,992,218
OTHER INCOME	15	22,789,538	10,008,128
INCREASE / (DECREASE) IN STOCKS	16	89,041,905	(2,448,829)
REALISATION AGAINST TRANSPORTATION & OTHER CHARGES		383,853,498	236,348,757
TOTAL		2,930,107,017	1,715,900,274
<u>EXPENDITURE</u>			
PURCHASES		25,365,249	58,997,713
RAW MATERIAL CONSUMED	17	1,436,611,249	784,079,188
STORES CONSUMED	18	37,653,714	20,804,996
POWER, FUEL & WATER CHARGES		160,546,177	76,770,597
SALARIES, WAGES & AMENITIES	19	153,542,058	68,239,968
REPAIR & MAINTENANCE	20	65,603,869	57,632,327
ADMINISTRATIVE EXPENSES	21	86,826,457	41,561,734
TRANSPORTATION, HANDLING & DISTRIBUTION COSTS	22	261,470,063	127,677,556
BREAKAGE LEAKAGE & BURST ETC.		26,823,154	18,448,526
SELLING & OTHER EXPENSES	23	40,061,146	28,367,906
DEPRECIATION		180,742,768	134,168,014
LOSS ON SALE OF FIXED ASSETS		2,129,546	4,781,254
PROVISION FOR DOUBTFUL DEBTS		936,356	841,679
FINANCIAL CHARGES	24	138,019,392	89,453,922
TOTAL		2,616,331,198	1,511,825,380



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VARUN BEVERAGES LIMITED

PARTICULARS	SCH	YEAR ENDED 31-12-2004 Rs.	YEAR ENDED 31-12-2003 Rs.
NET PROFIT BEFORE TAX		313,775,819	204,074,894
PROVISION FOR TAX		25,000,000	16,000,000
PROVISION FOR DEFERRED TAX		107,068,337	63,070,386
NET PROFIT AFTER TAX		181,707,482	125,004,508
BALANCE AS PER LAST YEAR		277,382,105	152,007,918
BALANCE TRANSFERRED ON AMALGAMATION		140,016,254	0
TAX ADJUSTMENTS		(2,134,683)	369,679
BALANCE CARRIED TO BALANCE SHEET		596,971,158	277,382,105

BASIC / DILUTED EARNING PER SHARE 24.77 25

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 25

IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED
For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS

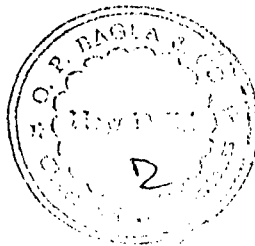
PLACE : NEW DELHI

DATED : 21ST MARCH 2005

PARTNER

DIRECTOR

DIRECTOR



DIRECTOR

CO. SECRETARY

VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
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SCHEDULE - 1 : SHARE CAPITAL**Authorised**

8,623,650 Equity Shares of Rs. 10/- each (Previous year 6,000,000 Shares)	86,236,500	60,000,000
7,737,635 Preference Shares of Rs. 100/- each (Previous year 6,200,000 Shares)	773,763,500	620,000,000
	860,000,000	680,000,000

Issued Subscribed & Paid Up

5,000,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year 5,000,000 Equity Shares) (Out of above 3,000,000 shares allotted for a consideration other than cash pursuant to scheme of amalgamation duly approved by Hon'ble Delhi High Court)	80,000,000	50,000,000
7,737,635 Cumulative Redeemable Preference Share of Rs.100/- each fully paid up redeemable at Par (Previous Year 6,161,153 Pref. Shares) (Out of above 1,576,482 shares allotted for a consideration other than cash pursuant to scheme of amalgamation duly approved by Hon'ble Delhi High Court) (Refer Note no. 5 in Notes on Accounts for date of Redemption & Dividend)	773,763,500	616,115,300
AS PER BALANCE SHEET	853,763,500	666,115,300

SCHEDULE - 2 : RESERVES & SURPLUS**Capital Reserve**

Amount Transferred on Amalgamation	1,575,560	0
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General Reserve

Amount Transferred on Amalgamation	30,000,000	0
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Profit & Loss Account	596,971,158	277,382,104
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AS PER BALANCE SHEET

628,546,718	277,382,104
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