

## **BOARD OF DIRECTORS**

**Dr. VIJAY MALLYA**  
CHAIRMAN

**A. HARISH BHAT**  
MANAGING DIRECTOR

**N. SRINIVASAN**

**M. R. DORAISWAMY IYENGAR**

**V. S. VENKATARAMAN**

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**COMPANY SECRETARY**  
RITESH SHAH

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**AUDITORS**  
VISHNU RAM & CO., CHARTERED ACCOUNTANTS, BANGALORE

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**REGISTERED OFFICE**  
51, RICHMOND ROAD,  
BANGALORE – 560 025

Your Directors have pleasure in presenting the third Annual Report of your Company and the audited accounts for the year ended March 31, 2007.

At the outset, your Directors are happy to report that your Company has since obtained listing and trading approval from Bangalore Stock Exchange Limited (Regional Exchange), Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited.

The trading in equity shares of the Company commenced with effect from May 30, 2007, on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

### FINANCIAL RESULTS

Particulars	Current Year 2006-07 (Rs.)	Previous Year 2005-06 (Rs.)
<b>Income</b>	<b>11,582,134</b>	4,547,352
<b>Less : Expenditure</b>	<b>2,894,416</b>	1,275,869
<b>Profit for the year before tax</b>	<b>8,687,718</b>	3,271,483
<b>Less: Income tax provision</b>	-	267,000
<b>Profit after tax</b>	<b>8,687,718</b>	3,004,483
<b>Balance brought forward from previous year</b>	<b>2,825,793</b>	(1,78,690)
Balance carried forward to Balance Sheet	<b>11,513,511</b>	2,825,793

In order to conserve the resources for the future, your Directors have decided not to recommend any dividend on the equity shares for the year ended March 31, 2007.

### REVIEW OF OPERATIONS

The Total Income has increased from Rs. 4,547,352/- in 2005-06 to Rs. 11,582,134/- in 2006-07, primarily on account of higher dividend payouts by the investee companies. The Profit after tax for the year amounted to Rs. 8,687,718/- as against Rs. 3,004,483/- in the previous year.

As your Company is essentially an investment Company, it has filed an application with the Reserve Bank of India for registration as Non-Banking Financial Company.

### PROSPECTS

Consequent upon the Composite Scheme of Arrangement becoming effective, your Company holds significant investments in the UB Group Companies.

The continuing buoyant conditions prevailing in the industry of the investee companies has resulted in substantial appreciation in the value of the Investments, which has in turn resulted in enhancement of shareholders value.

The Company will focus on making long-term strategic investments in various new ventures promoted by the UB group, besides consolidating the existing investments through further investments in the existing Companies as and when opportunities and resources are available.

### **DIRECTORS**

Mr. V S Venkataraman retires by rotation and being eligible, offers himself for re-appointment.

As per the declarations received, none of the Directors of the Company is disqualified to be appointed as a Director of any Public Limited Company in terms of Section 274 (1) (g) of the Companies Act, 1956.

### **AUDITORS**

M/s. Vishnu Ram & Co., Chartered Accountants, the retiring Auditors, are eligible for re-appointment at the ensuing Annual General Meeting and it is necessary to fix their remuneration.

### **LISTING OF EQUITY SHARES OF THE COMPANY**

In terms of the Composite Scheme of Arrangement (the Scheme), the Company had allotted equity shares to the shareholders of United Spirits Limited (formerly known as McDowell & Company Limited), as per the ratio specified in the Scheme. The share certificates in respect of shareholders who had opted for holding shares in physical form and credit to demat account in respect of shareholders who had opted for holding shares in demat form were dispatched / credited to demat account. Subsequent to the balance sheet date, the Company has distributed the net sale proceeds of fractional shares to all eligible shareholders in proportion to their respective fractional entitlements.

The equity shares of your Company have been listed on Bangalore Stock Exchange Limited (Regional Exchange), Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited.

The trading in equity shares of the Company commenced with effect from May 30, 2007, on Bombay Stock Exchange Limited & National Stock Exchange of India Limited.

### **DEPOSITORY SYSTEM**

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on August 17, 2007 (i.e. date of last benpos), equity shares representing 93.82% of the equity share capital are in dematerialised form.

### **CORPORATE GOVERNANCE**

A report on Corporate Governance is annexed separately as part of the Annual Report along with a certificate of compliance from the Auditors. Necessary requirements of obtaining certifications / declarations in terms of Clause 49 of the listing agreement with the stock exchanges have been complied with.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Pursuant to Clause 49 of the listing agreement with the stock exchanges, Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION ETC.**

Your Company is not engaged in manufacturing activity and therefore disclosure of information in respect of conservation of energy and technology absorption pursuant to Section 217 (1) (e) of the Companies Act, 1956, is not applicable.

During the year under review, the Company had no transactions in foreign exchange and no expenditure was incurred on Research & Development.

**EMPLOYEES**

The Company has no employee in respect of whom Statement under Section 217 (2A) of the Companies Act, 1956, is required to be annexed.

**FIXED DEPOSITS**

The Company has not accepted any deposits from public during the year.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required in terms of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to state as under –

- a. That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. That the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent 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 of the Company for that year;
- c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. That the Directors have prepared the Annual Accounts on a going concern basis.

**ACKNOWLEDGEMENT**

Your Directors wish to acknowledge the co-operation, understanding and support extended by the Shareholders and Bankers.

**By Authority of the Board**

Bangalore  
August 24, 2007

**A. Harish Bhat**  
Managing Director

**V.S. Venkataraman**  
Director

In terms of a Composite Scheme of Arrangement (the Scheme) sanctioned by the Honourable High Court of Karnataka, the Investment Business of McDowell & Company Limited (since renamed as United Spirits Limited), which primarily comprises of investments in UB Group Companies was demerged into the Company with effect from the opening hours of April 1, 2005.

In terms of the Scheme, the Company had issued and allotted 12,094,281 equity shares of Rs. 10/- each, fully paid-up to the shareholders of United Spirits Limited on November 06, 2006, in the ratio of 1 (one) equity share of Rs. 10/- each fully paid-up in respect of every 5 (five) equity shares of Rs. 10/- each fully paid-up held in United Spirits Limited. The equity shares of the Company have been listed on Bangalore Stock Exchange Limited, Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited and Ahmedabad Stock Exchange Limited.

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes in the need for upholding the highest standard of Corporate Governance in its operations and ensuring adherence to high ethical and moral standards.

The philosophy of the Company on Corporate Governance envisages, *inter alia*, attainment of the highest levels of accountability and equity in all its actions and enhancement of shareholder value keeping in view the needs and interests of other stake holders.

## 2. CODE OF CONDUCT

The Company has adopted the Code of Conduct for the Board of Directors and Senior Officers of the Company. It has also adopted the Code for Prevention of Insider Trading. Both these codes ensure adherence to high ethical standards which binds the Company, Directors and Employees. Affirmations regarding compliance with the Code of Conduct were obtained from all Board Members and the declarations furnished by the Managing Director in this regard.

## 3. BOARD OF DIRECTORS

### [a] Composition and Category of Directors

The Board of Directors comprises a Non - Executive Chairman, a Managing Director and three other Non Executive Directors.

During the financial year under review, nine (9) Board Meetings were held on June 30, 2006, August 11, 2006, September 25, 2006, October 6, 2006, October 17, 2006, November 6, 2006, November 23, 2006, January 23, 2007 and March 16, 2007.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and details of number of outside Directorship and Committee position held by each of the Directors as on date are given below:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 28.12.2006	No. of other Companies in which Director	No of committees (other than the company) in which Chairman/ Member
Dr. Vijay Mallya	Non Executive Chairman	03	Yes	21	01(Chairman)
Mr. A. Harish Bhat	Managing Director	08	Yes	13	02
Mr. N. Srinivasan	Independent Non Executive Director	04	Yes	18	09 (Chairman of 04)
Mr. M.R.Doraiswamy Iyengar	Independent Non Executive Director	04	Yes	05	01(Chairman)
Mr. V S Venkataraman	Non Executive Director	09	Yes	10	Nil
Mr. P A Murali*	Non Executive Director	06	NA	NA	NA
Mr. I P Suresh Menon*	Non Executive Director	06	NA	NA	NA
Mr. R N Pillai*	Non Executive Director	04	NA	NA	NA

\* resigned with effect from November 06, 2006.

### NOTES:

The above details are in respect of their Directorship only in Indian Companies.

- Out of 21 other Companies in which Dr. Vijay Mallya is a Director, 7 are Private Limited Companies and 03 are Section 25 Companies.
- Out of 05 other Companies in which Mr. M.R. Doraiswamy Iyengar is a Director 04 are Private Limited Companies.
- Out of 18 other Companies in which Mr. N. Srinivasan is a Director 04 are Private Limited Companies.
- Out of 13 other Companies in which Mr. A. Harish Bhat is a Director, 02 are Private Limited Companies and one is a Section 25 Company.
- Out of 10 other Companies in which Mr. V S Venkataraman is a Director 04 are Private Limited Companies.

## [b] Directors

Mr. V S Venkataraman retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

The brief particulars of Mr. V S Venkataraman are as under:

Mr. V S Venkataraman is a Graduate in Commerce and Company Secretary and a member of the National Institute of Personal Management and Calcutta Management Association. Mr. V S Venkataraman has been associated with the United Breweries Group since August 1982 and possesses vast experience in Corporate Secretarial and Legal matters. Currently, he is the Company Secretary and Senior Vice President of United Spirits Limited.

Details of Mr. V S Venkataraman's Directorships in other Indian Companies are as under:

Sl. no.	Name of the Company	Position held
1.	IQBridge Limited	Director
2.	Primo Distributors Private Limited	Director
3.	Daffodils Flavours & Fragrances Private Limited	Director
4.	McDowell Beverages Limited	Director
5.	United Alcobev Limited	Director
6.	United Vintners Limited	Director
7.	Herbertsons Limited	Director
8.	Biosynergies India Private Limited	Director
9.	McDowell & Company Limited	Director
10.	SeeltFirst.com India Private Limited	Director

## 4. AUDIT COMMITTEE

An Audit Committee was constituted on November 06, 2006, to meet the requirements under both, the Listing Agreement and Section 292A of the Companies Act, 1956, and comprises the following Directors:

Mr. N Srinivasan (Chairman)	Non Executive Independent Director
Mr. M R Doraiswamy Iyengar	Non Executive Independent Director
Mr. V S Venkataraman	Non Executive Director

The terms of reference of this Committee are wide in accordance with the provisions of Section 292A of the Companies Act, 1956, and Clause 49 of the Listing Agreement and *inter alia*, includes the following:

- (1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (2) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

- (3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (4) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices & reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - d) Significant adjustments made in the financial statements, arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transaction
  - g) Qualifications in the draft audit report
- (5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (6) Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- (7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (8) Discussion with internal auditors any significant findings and follow up thereon.
- (9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (11) To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends), and creditors

The Company Secretary, Mr. Ritesh Shah acts as the Secretary of the Committee.



During the financial year, three meetings of the Audit Committee were held on November 23, 2006, January 23, 2007 and March 16, 2007. The details of attendance by members of the Committee are as follows:

Name of the Director	No. of Meetings	Meetings attended
Mr. N. Srinivasan (Chairman)	3	3
Mr. M.R. Doraiswamy Iyengar	3	3
Mr. V S Venkataraman	3	3

## 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

A Shareholders/Investors Grievance Committee was constituted on November 06, 2006, to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and /or the provisions as prescribed under the Companies Act, 1956, and listing requirements.

The Committee comprises the following Directors:

Mr. M R Doraiswamy Iyengar (Chairman)	Non Executive Independent Director
Mr. V S Venkataraman	Non Executive Director

Mr. Ritesh R. Shah, Company Secretary is the Compliance Officer.

In the interest of the investors and for administrative convenience, the Board has authorised a Director and Company Secretary to jointly approve Share Transfer, Transmission etc. upto a specific limit.

## Committee of Directors

The Company has constituted a Committee of Directors with authority delegated by the Board of Directors, *inter alia*, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc., and for other routine operations such as issue of powers of attorney, operation of bank accounts etc.

The Committee comprises the following Directors:

Mr. N Srinivasan  
 Mr. M.R.Doraiswamy Iyengar  
 Mr. A. Harish Bhat and  
 Mr. V S Venkataraman

## 6. REMUNERATION COMMITTEE

The Company has not constituted a Remuneration Committee as the need has not arisen.

### a) Managing Director:

Mr. A. Harish Bhat has been appointed Managing Director without remuneration for a period of three years with the approval of the shareholders.

### b) Non – Executive Directors

Sitting Fees are paid to Non-Executive Directors for attending Board/ Committee Meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings.

Name of the Director	Sitting fees
Dr Vijay Mallya	15,000
Mr. N. Srinivasan	42,500
Mr. M. R. Doraiswamy Iyengar	42,500
Mr. V S Venkataraman	67,500
Mr. P A Murali	30,000
Mr. I P Suresh Menon	30,000
Mr. R N Pillai	20,000

Mr. A. Harish Bhat has received Sitting fees of Rs. 25,000/- prior to his appointment as Managing Director.

### c) REMUNERATION COMMITTEE: Particulars of Equity Shares of the Company currently held by the Directors are furnished below:

Name of the Director	No. of Shares held
Dr. Vijay Mallya	02
Mr. A. Harish Bhat	202
Mr. N. Srinivasan	Nil
Mr. M. R. Doraiswamy Iyengar	04
Mr. V S Venkataraman	Nil
Mr. P A Murali	Nil
Mr. I P Suresh Menon	Nil
Mr. R N Pillai	Nil

## 7. GENERAL BODY MEETINGS

The details of the last two Annual General Meetings of the Company, held since incorporation (i.e. 01/03/2004) are furnished as under:

Financial Year ended	Date	Time	Venue
March 31, 2005	August 29, 2005	10.30 a.m.	51, Richmond Road, Bangalore 560 025
March 31, 2006	December 28, 2006	1.00 p.m.	Dr. B R Ambedkar Bhavana, Vasanthanagar, Bangalore – 560 052

All the resolutions set out in the Notices, relating to both previous Annual General Meetings, including Special Resolutions, were passed by the Shareholders. No Resolution was passed during the year 2006-07 through Postal Ballot.

## 8. DISCLOSURES

During the financial year ended March 31, 2007, there were no materially significant related party transactions with its promoters, the Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

The Company has complied with all the statutory requirements comprised in the Listing Agreements/Regulations/Guidelines/Rules of the Stock Exchanges/SEBI/other statutory authorities.

There were no instances of non-compliance by the Company nor have any penalties, strictures been imposed by Stock Exchanges, SEBI or any statutory authority since incorporation of the Company on any matter related to capital markets.

## 9. MEANS OF COMMUNICATION

The unaudited quarterly results are sent to all the Stock Exchanges where the equity shares of the Company are listed. The results are normally published in 'The Asian Age', and 'Kannada Prabha'. The results are displayed on the Company's Website [www.mcdowellholdings.com](http://www.mcdowellholdings.com).

## 10. MANAGEMENT DISCUSSION AND ANALYSIS

As required by Clause 49 of the Listing Agreement, Management Discussion and Analysis Report is appended and forms a part of the Annual Report.

## 11. GENERAL SHAREHOLDER INFORMATION

a) AGM Date, Time and Venue	Friday, September 28, 2007, at 5.00 p.m. at Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore 560 025
b) Financial Year	April 01 to March 31
First Quarterly Results	By July 31
Second Quarterly Results	By October 31
Third Quarterly Results	By January 31
Fourth quarterly Results	By April 30
c) Date of Books closure	September 25, 2007 to September 28, 2007 (both days inclusive).
d) Dividend payment date	NA
e) Listing on Stock Exchanges:	The shares of the Company are listed on the following Stock Exchanges: <ol style="list-style-type: none"> <li>1. Bangalore Stock Exchange Limited (BgSE)</li> <li>2. Bombay Stock Exchange Limited, (BSE)</li> <li>3. National Stock Exchange of India Limited (NSE)</li> <li>4. Madras Stock Exchange Limited (MSE)</li> <li>5. The Delhi Stock Exchange Association Ltd. (DSE)</li> <li>6. The Calcutta Stock Exchange Association Ltd. (CSE)</li> <li>7. Ahmedabad Stock Exchange Limited (ASE)</li> </ol>

	<p>The Annual Listing Fees for the year 2007-08 have been paid to all the Stock Exchanges.</p> <p>As the equity shares of the Company are mainly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the Board of Directors have decided to voluntarily de-list the equity shares of the Company from the Stock Exchanges situated at New Delhi, Chennai, Kolkata and Ahmedabad, subject to approval of the shareholders at the ensuing Annual General Meeting in order to entail savings in recurring Annual Listing Fees and other administrative costs.</p>
f) Stock Code	
BSE	532852
NSE	SYMBOL – MCDHOLDING
DSE	11337
ASE	36312
MSE	SYMBOL – MCDHOLDING
CSE	10023931
BgSE	McDHL
g) ISIN No.	INE836H01014 (NSDL & CDSL)
h) Market price data	N.A – since the equity shares were listed on BSE & NSE on 30/05/2007. However the data for the months June to August are provided as Annexure A.
i) Stock performance in comparison to BSE sensex	N.A – since the equity shares were listed on BSE & NSE on 30/05/2007.
j) Registrar and Transfer Agents	Alpha Systems Private Limited Registered Office: 30,Ramana Residency, 4 <sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore - 560 003
k) Share Transfer System	With effect from August 24, 2007, the Board has authorised a Director and Company Secretary to jointly approve Share Transfer, Transmission etc. upto a specific limit.
l) Distribution of Shareholding	As per Annexure B
m) Dematerialisation of shares	As on August 17, 2007 (i.e. date of last benpos), 93.82% of paid up share capital was held in dematerialized form.
n) Outstanding GDRs/ ADRs / Warrants or any other Convertible instruments	N.A.
o) Plant Locations	N.A.
p) Address for correspondence	Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents Alpha Systems Private Limited Registered Office :30, Ramana Residency, 4 <sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore - 560 003 Tel. Nos. (080) 2346 0815-818 Fax No.080 2346 0819

	Investors may also write or contact the Company Secretary, Mr. Ritesh Shah, at the Registered Office of the Company at No. 51, Richmond Road, Bangalore - 560 025 Tel. Nos. (080) 2227 4452, 2227 4458, 2221 0705 Fax No. (080) 2227 2973
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## NON MANDATORY REQUIREMENTS

<p>a) Chairman of the Board</p> <p>Whether Chairman of the Board is entitled to maintain a Chairman's Office at the Company's expenses and also allowed reimbursement of expenses incurred in performance of his duties</p> <p>b) Remuneration Committee</p> <p>c) Shareholders Rights: The half-yearly declaration of financial performance including summary of the significant events in the last 6 months should be sent to each household of shareholders.</p>	<p>Dr. Vijay Mallya</p> <p>Expenses incurred in performance of his duties are eligible for reimbursement.</p> <p>The Company has not formed a Remuneration Committee.</p> <p>The Company's half-yearly results will be published in English and Kannada Newspapers having wide circulation.</p>
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The Company has not adopted Whistle Blower Policy being non-mandatory.

## ANNEXURE A: MONTHLY MARKET PRICE PERFORMANCE

Bombay Stock Exchange Limited				National Stock Exchange of India Limited			
Month	High (Rs.)	Low (Rs.)	Volume (no. of shares)	Month	High (Rs.)	Low (Rs.)	Volume (no. of shares)
June, 2007	339.55	222.75	5,445,116	June, 2007	340.25	223.50	8,200,323
July, 2007	251.40	201.15	3,151,244	July, 2007	252.00	203.00	3,285,872
Aug., 2007	232.90	182.10	664,473	Aug., 2007	232.50	180.60	1,050,893

## ANNEXURE B: DISTRIBUTION OF HOLDINGS

The distribution of shareholding as on August 17, 2007 (i.e. date of last benpos), is given below:

### VALUEWISE

Shareholding of nominal value (Rs.)	No. of Shareholders	% to Total	Share Capital in Rupees	% to Total
Upto 5000	75,358	98.71	25,957,950	21.37
5001 - 10000	522	0.68	4,046,590	3.33
10001 - 20000	220	0.29	3,182,910	2.62
20001 – 30000	65	0.09	1,587,560	1.31
30001 – 40000	34	0.04	1,235,750	1.02
40001 – 50000	39	0.05	1,786,360	1.47
50001 – 100000	50	0.07	3,655,630	3.01
100001 and Above	54	0.07	79,990,060	65.87
<b>TOTAL</b>	<b>76,342</b>	<b>100.00</b>	<b>121,442,810</b>	<b>100.00</b>

### CATEGORYWISE

Category	No. of Shares	% of Equity
Promoter Group	4,451,624	36.66
Resident Body Corporate	855,056	7.04
Banks / FI / FII / MF / Trust	3,182,914	26.21
NRI / OCB / FFI	278,707	2.29
Resident Individuals	3,375,980	27.80
<b>TOTAL</b>	<b>12,144,281</b>	<b>100.00</b>

## Certificate

The Members of,  
McDowell Holdings Limited  
(Formerly known as McDowell India Spirits Limited)

We have examined the compliance of conditions of corporate governance by McDowell Holdings Limited (“the Company”), for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

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

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

We state that no investor grievance is pending for a period exceeding one month as on March 31, 2007 against the company as per records maintained by the Shareholders’/Investors’ Grievance Committee.

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

For Vishnu Ram & Co.  
Chartered Accountants

**(S. Vishnumurthy)**  
Proprietor  
Membership No. 22715

Bangalore  
August 24, 2007

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## CEO/CFO Certificate

In terms of the requirement of Clause 49, the certificates from CEO/CFO have been obtained.

Bangalore  
August 24, 2007

**A. Harish Bhat**  
Managing Director

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## Declaration regarding affirmation of Code of Conduct

In terms of the requirement of Clause 49 of the Listing Agreement, Code of Conduct as approved by the Board of Directors of the Company on January 23, 2007, has been displayed at the Company’s website [www.mcdowellholdings.com](http://www.mcdowellholdings.com). All the members of the Board had affirmed compliance with the Code for the period March 31, 2007.

Bangalore  
August 24, 2007

**A. Harish Bhat**  
Managing Director

## Overview – Financial Performance

This has been comprehensively covered in the Directors Report for the year under review.

## Opportunities and Risks

The Company foresees a lot of opportunities coming up for equity participation in new projects / expansion of existing projects of the Investee Companies in the near future. The Company holds significant investments in equity of investee Companies engaged in the business of Manufacture and Sale of Beer and Chemicals & Fertilizers etc., which are characterized by fluctuations in prices and excessive regulation. These could affect their margins, which in turn reflect in reduced dividend payouts by the investee Companies.

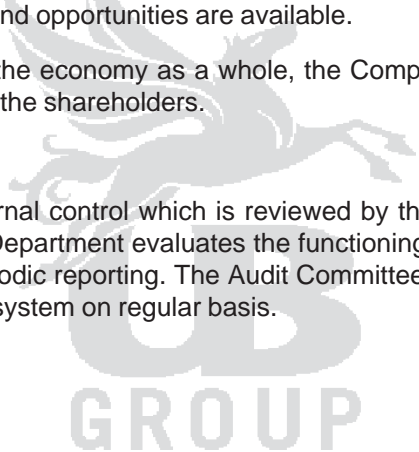
## Outlook

Your Company has filed application with Reserve Bank of India seeking registration as Non-Banking Financial Company. The Company will focus on making long-term strategic investments in various new ventures promoted by the UB group, besides consolidating the existing investments through further investments in the existing Companies as and when resources and opportunities are available.

Considering the future prospects of the economy as a whole, the Company expects to achieve substantial value enhancement for the benefit of the shareholders.

## Internal Control System

Your Company has a system of internal control which is reviewed by the Audit Committee of the Board of Directors. The Group Internal Audit Department evaluates the functioning and quality of the internal controls and provides assurance through periodic reporting. The Audit Committee reviews the Internal Audit Reports and the adequacy of internal control system on regular basis.





# Auditor's Report to the Members



To  
The Members of  
**McDOWELL HOLDINGS LIMITED**  
(Formerly known as McDowell India Spirits Limited)

1. We have audited the attached Balance Sheet of **McDowell Holdings Limited** (Formerly known as McDowell India Spirits Limited), as at 31<sup>st</sup> March 2007, the Profit and Loss Account and also 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (1 of 1956), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. 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 purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and 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 the written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-03-2007 from being appointed as a director in terms of clause (g) of sub-section (1) to section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India;
    - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31-03-2007;
    - b. in the case of the Profit and Loss account, of the **profit** for the year ended on that date; and
    - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Vishnu Ram & Co.,  
Chartered Accountants,

(S. Vishnumurthy)  
Proprietor  
Membership No.22715

Bangalore  
August 24, 2007

### Re: McDowell Holdings Limited (Formerly known as McDowell India Spirits Limited)

Referred to in paragraph 3 of our report of even date

- (a) The company did not have any fixed assets. Therefore, the provisions of clause 4(i) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (b) There were no stocks of goods. Therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (c) The company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(a) to 4(iii)(d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (d) The company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(e) to 4(iii)(g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (e) In our opinion and according to the information and explanations given to us there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of the audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (f) According to the information and explanations given to us, there were no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(v)(a) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (g) In our opinion and according to the information and explanation given to us, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(v)(b) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (h) The company has not accepted any deposits from the public. Therefore, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (i) The company does not have an internal audit system of its own. However, the company is subjected to internal audit by the group internal audit department. In our opinion, the prevalent system is commensurate with the size of the company and nature of its business.
- (j) Provisions with regard to maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 are not applicable to this company.
- (k) The company is regular in depositing with appropriate authorities undisputed statutory dues including income tax and other material statutory dues applicable to it.  
  
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.
- (l) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31-3-2007 for a period of more than six months from the date they became payable.

## Annexure to the Auditor's report (Contd.)



- (m) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- (n) The company has been registered for a period of less than five years. Therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (o) The company has not taken any loans from banks or financial institution nor issued any debentures. Therefore, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (p) The company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (q) The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (r) The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (s) The company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (t) The company has not raised any term loans during the year. Therefore, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (u) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
- (v) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (w) According to the information and explanations given to us, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (x) During the year, the company has not raised any money by public issue. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (y) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Vishnu Ram & Co.,  
Chartered Accountants

**(S. Vishnumurthy)**  
**Proprietor**  
Membership No.22715

Bangalore  
August 24, 2007

## Balance Sheet as at March 31, 2007

	Schedule	31-03-2007 Rupees	31-03-2006 Rupees
<b>I. SOURCES OF FUNDS</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital	1	121,442,810	121,442,810
(b) Reserves and surplus	2	326,329,006	317,641,288
<b>(2) Loan Funds</b>			
a) Secured loan		-	-
b) Unsecured loan	3	205,480	-
		447,977,296	439,084,098
<b>II. APPLICATION OF FUNDS</b>			
<b>(1) Fixed assets</b>			
Gross block		-	-
Less: Depreciation and amortisation		-	-
Net block		-	-
<b>(2) Investments</b>	4	437,448,387	435,080,884
<b>(3) Current assets, loans and advances</b>			
(a) Cash and bank balances	5	11,032,812	2,041,856
(b) Loans and advances	6	-	2,368,148
		11,032,812	4,410,004
Current liabilities and provisions	7	503,903	406,790
Net current assets		10,528,909	4,003,214
		447,977,296	439,084,098
Notes to accounts	9		

The schedules referred to above and the notes thereon form an integral part of the accounts.

As per our report of even date.

**For Vishnu Ram & Co.,**  
Chartered Accountants

**A. Harish Bhat**  
Managing Director

**N.Srinivasan**  
Director

**(S.Vishnumurthy)**  
Proprietor  
Membership No. 22715

Bangalore  
August 24, 2007

**Ritesh Shah**  
Company Secretary

**V.S. Venkataraman**  
Director

# Profit & Loss Account for the year ended March 31, 2007



	Schedule	31-03-2007 Rupees	31-03-2006 Rupees
<b>INCOME</b>			
Royalty		-	414,685
Dividend		9,045,111	2,189,127
Provision no longer required written back		2,367,503	-
Security Commission		169,520	-
Profit on Sale of Investments		-	1,943,540
		<b>11,582,134</b>	<b>4,547,352</b>
<b>EXPENDITURE</b>			
Administrative and other expenses	8	2,894,416	1,275,869
Profit before tax		8,687,718	3,271,483
Income tax provision		-	267,000
<b>Profit after tax</b>		<b>8,687,718</b>	<b>3,004,483</b>
Add: Balance brought forward from previous year		2,825,793	(178,690)
<b>Balance carried forward to the Balance Sheet</b>		<b>11,513,511</b>	<b>2,825,793</b>
Earnings Per share (Basic / diluted (in Rs.))		0.72	0.25

Notes to accounts

9

The schedules referred to above and the notes thereon form an integral part of the accounts.

As per our report of even date.

**For Vishnu Ram & Co.,**

Chartered Accountants

**(S.Vishnumurthy)**

Proprietor

Membership No. 22715

Bangalore

August 24, 2007

**A. Harish Bhat**  
Managing Director

**N.Srinivasan**  
Director

**Ritesh Shah**  
Company Secretary

**V.S. Venkataraman**  
Director



## Cash Flow Statement for the year ended March 31, 2007

	31.03.2007 Rupees	31.03.2006 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax	8,687,718	3,271,483
Adjustments for :		
Dividend Income	(9,045,111)	(2,189,127)
Provision no longer required written back	(2,367,503)	-
Profit on sale of investment	-	-
	<b>(11,412,614)</b>	<b>(1,943,540)</b>
<b>Operating profit before working capital changes</b>	<b>(2,724,896)</b>	<b>(861,184)</b>
Adjustments for :		
Trades Payables	364,113	128,511
<b>Cash used in operations</b>	<b>(2,360,783)</b>	<b>(732,673)</b>
Direct taxes paid	<b>(267,000)</b>	-
Net cash used in operations	<b>(2,627,783)</b>	<b>(732,673)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Sale value of investments	-	2,620,961
Amount receivable on sale of investments	-	(2,368,148)
Amount received on sale of investments	2,368,148	-
Dividend received	9,045,111	2,189,127
Net cash generated from investing activities	<b>11,413,259</b>	<b>2,441,940</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Repayment of borrowings	-	(110,200)
Loans taken	205,480	-
<b>Net cash generated / (used) from investing activities</b>	<b>205,480</b>	<b>(110,200)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,990,956</b>	<b>1,599,067</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,041,856</b>	<b>442,789</b>
<b>Closing balance of cash and cash equivalents</b>	<b>11,032,812</b>	<b>2,041,856</b>
Cash and cash equivalents comprises of :		
Cash on hand	-	-
Balance with banks	<b>11,032,812</b>	<b>2,041,856</b>
	<b>11,032,812</b>	<b>2,041,856</b>

Note : Cash flow is prepared under the indirect method as mentioned in AS-3 Cash Flow Statement

As per our report of even date.

**For Vishnu Ram & Co.,**  
Chartered Accountants

**(S.Vishnumurthy)**  
Proprietor  
Membership No. 22715

**A. Harish Bhat**  
Managing Director

**N.Srinivasan**  
Director

Bangalore  
August 24, 2007

**Ritesh Shah**  
Company Secretary

**V.S. Venkataraman**  
Director

# Schedules forming part of Balance Sheet as at March 31, 2007



	31.03.2007 Rupees	31-03-2006 Rupees			
<b>1. SHARE CAPITAL</b>					
Authorised 15,000,000 Equity shares of Rs. 10 each	<b>150,000,000</b>	150,000,000			
Issued, subscribed and paid up 12,144,281 Equity shares of Rs. 10 each fully paid up (12,094,281 shares are issued during the year to equity share holders of United Spirits Limited as per the approved scheme of demerger)	<b>121,442,810</b>	500,000			
Share Suspense account	-	120,942,810			
	<b>121,442,810</b>	121,442,810			
<b>2. RESERVES AND SURPLUS</b>					
General Reserve (refer note no.3 of notes to accounts)	<b>314,815,495</b>	314,815,495			
Profit and loss account	<b>11,513,511</b>	2,825,793			
	<b>326,329,006</b>	317,641,288			
<b>3. UNSECURED LOANS :</b>					
From others	<b>205,480</b>	-			
	<b>205,480</b>	-			
<b>4. INVESTMENTS(*) (refer note no. 12 of notes to accounts)</b>					
<b>LONG TERM</b>					
<b>Quoted Investments</b>					
<b>A. Fully Paid Equity Shares</b>					
<b>Trade :</b>	Face Value	Nos.	Nos.		
Aventis Pharma Ltd	10	<b>17,550</b>	<b>8,204,625</b>	17,550	8,204,625
Castle Breweries Ltd	10	-	-	11,350	23,193
Mangalore Chemicals & Fertilises Ltd	10	<b>7,026,828</b>	<b>35,344,945</b>	7,026,828	35,344,945
UB Engineering Ltd	10	<b>326,620</b>	<b>3,168,214</b>	326,620	3,168,214
United Breweries (Holdings) Ltd (**)	10	<b>5,260,002</b>	<b>284,013,853</b>	2,630,001	284,013,853
United Breweries Ltd	1	<b>9,636,610</b>	<b>104,065,749</b>	9,636,610	104,065,749
			<b>434,797,386</b>		<b>434,820,579</b>

## Schedules forming part of Balance Sheet as at March 31, 2007(Contd.)

4. INVESTMENTS (Contd.)	Face Value	Nos. Rupees	31.03.2007	Nos. Rupees	31.03.2006
<b>Non-Trade :</b>					
Corporation Bank	10	3,100	234,050	3,100	234,050
H.D.F.C Bank Ltd	10	500	127,590	500	127,590
Housing Development Finance Corpn. Ltd	10	1,680	297,108	1,680	297,108
State Bank of Bikaner & Jaipur Ltd	100	1,380	376,050	1,380	376,050
State Bank of Travancore	100	2,335	517,203	2,335	517,203
Vijaya Bank Ltd	10	97,200	972,000	97,200	972,000
			<u>2,524,001</u>		<u>2,524,001</u>
			<u>437,321,387</u>		<u>437,344,580</u>
<b>B. Unquoted Investments</b>					
<b>Non-Trade Other Investments</b>					
U.B. electronics Instruments Ltd	100	1,991	127,000	1,991	127,000
<b>Total quoted and Unquoted Investments</b>			<u>437,448,387</u>		<u>437,471,580</u>
Less : Provision for diminution in the value of investments			-		<u>2,390,696</u>
			<u>437,448,387</u>		<u>435,080,884</u>
Aggregate Value of Quoted investments					
Book value			437,321,387		437,344,580
Market Value			4,642,573,160		3,463,480,153
<b>Additions during the year :</b>					
United Breweries (Holdings) Limited - Bonus Shares		2,630,001	Nil		
<b>Deletion during the year</b>					
Castle Breweries Limited		11,350	23,193		
* All the above investments were transferred from McDowell & Company Limited under the Composite Scheme of Arrangement and vested with the Company effective from the opening hours of 1st April, 2005.					
** During the year, United Breweries (Holdings) Limited has issued and allotted Bonus shares in the ratio of 1 fully paid-up equity share of Rs.10/- for every equity share of Rs.10/-. Consequent to the issue of Bonus shares, the number of equity shares held by the Company in United Breweries (Holdings) Limited is 5,260,002.					
<b>5. CASH AND BANK BALANCES</b>					
Balance with Scheduled Bank			11,032,812		2,041,856
In Current account			<u>11,032,812</u>		<u>2,041,856</u>
<b>6 LOANS AND ADVANCES</b>					
(Unsecured, considered good)					
Advances recoverable in cash or in kind or for value to be received			-		2,368,148
			-		<u>2,368,148</u>
<b>7. CURRENT LIABILITIES AND PROVISIONS</b>					
Creditors for expenses			503,903		139,790
Provision for income tax			-		267,000
			<u>503,903</u>		<u>406,790</u>
<b>Sub- schedule to schedule 7</b>					
Creditors for expenses					
Remuneration to Auditors			345,180		139,790
Expenses Payable			144,546		-
Statutory liabilities :					
Tax deducted at source			14,177		-
			<u>503,903</u>		<u>139,790</u>



**Schedules forming part of Profit and Loss Account for the ended  
March 31, 2007**



	<b>31.03.2007</b>	31-03-2006
	<b>Rupees</b>	Rupees
<b>8. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Printing & stationery	<b>632,451</b>	14,550
Annual general meeting expenses	<b>36,656</b>	-
Directors' sitting fees	<b>272,500</b>	190,000
Travelling expenses	<b>69,900</b>	-
Auditors remuneration	<b>370,392</b>	139,790
Miscellaneous expenses	<b>94,795</b>	364
Filing fees	<b>2,000</b>	907,165
Professional charges	<b>8,612</b>	24,000
Depository & listing fees	<b>982,227</b>	-
Postage & courier charges	<b>424,883</b>	-
Loss of Investment on liquidation of investee company	23,193	-
Less : Provision written back	23,193	-
	<b><u>2,894,416</u></b>	<b><u>1,275,869</u></b>



**9. NOTES FORMING PART OF THE ACCOUNTS****A. Basis for preparation****1. Accounting Convention:**

The financial Statements are prepared under the historical cost convention, having due regard to the fundamental accounting assumptions of going concern, consistency, accrual and in compliance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956.

**2. Use of estimates :**

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

**B. Significant Accounting Policies****1. Investments:**

Investments are stated at cost. Permanent decline in the value of long-term investments is recognized. Temporary declines in the value of long-term investments are ignored. Provisions will be written back when the realizable value of these investments are higher than the cost of investments.

**2. Revenue recognition:**

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

- i. Dividend from investment in shares is recognized as and when the company's right to receive payment is established.
- ii. Security commission is recognized on accrual basis in accordance with the terms of relevant agreement.

**3. Provision and contingencies:**

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

## Schedules forming Part of the Accounts for the year ended March 31, 2007 (Contd.)



#### 4. Tax expense:

Tax expense comprises of current tax. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

#### 5. Segmental reporting :

The operations of the company are divided into investment and other activities. Accordingly, the primary segment reporting comprises the performance under these segments.

#### C. Notes to accounts

1. In terms of a Composite Scheme of Arrangement sanctioned by the Hon'ble High Court of Karnataka on July 28, 2006, the investment business of United Spirits Limited (formerly known as McDowell & Company Limited) was demerged into the company with effect from the opening hours of 1<sup>st</sup> April 2005. These investments vested with the company primarily comprise of equity shares of UB Group Companies which are held strategically to exercise control over the investee companies.
2. Pursuant to the aforesaid approved Scheme of Arrangement, the holders of equity shares in United Spirits Limited (formerly known as McDowell & Company Limited), were allotted 12,094,281 equity shares in the company in the ratio of 1 fully paid equity share of Rs. 10 each of the company for every 5 fully paid equity shares of Rs. 10 each held in United Spirits Limited (formerly known as McDowell & Company Limited) as consideration.
3. The surplus of the net assets over the consideration amounting to Rs. 314,815,495 was credited to General Reserve as stipulated in the Composite Scheme of Arrangement.
4. In terms of the Composite Scheme of Arrangement the name of the Company has been changed from McDowell India Spirits Limited to **McDowell Holdings Limited** with effect from October 17, 2006.
5. In the opinion of the Board of Directors, the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amounts at which they are stated.
6. Related Party disclosures as required as per Accounting Standard (AS-18) are as below

Associate: United Breweries (Holdings) Limited

The following is the transaction during the year with the related party :

Company	Particulars	Amount
United Breweries (Holding) Limited	Dividend Income	1,315,001

7. Figures in the Balance Sheet, Profit and Loss account and Schedules have been rounded off to the nearest rupee.

## Schedules forming Part of the Accounts for the year ended March 31, 2007 (Contd.)

8. Estimated amount of contracts remaining to be executed on capital account not provided for is Rs. Nil.
9. Information under paragraphs of 4C and 4D of part II of Schedule VI of the Companies Act, 1956 are not furnished, as they are not applicable.
10. Figures for the previous year have been regrouped /reclassified wherever necessary.
11. Segmental reporting:

Segment-wise business performance for the year ended March 31, 2007 is as follows:

### Primary Segment Information

#### 1. Segment revenue

	<b>31.03.2007</b>	31.03.2006
Brand leasing	-	414,685
Investments	<b>9,045,111</b>	4,132,667
Others	<b>169,520</b>	-
Provision written back	<b>2,367,503</b>	-
<b>Total Revenue</b>	<b>11,582,134</b>	<b>4,547,352</b>

#### 2. Segment Results

	<b>31.03.2007</b>	31.03.2006
Brand leasing	-	390,685
Investments	<b>9,045,111</b>	4,132,667
Others	<b>169,520</b>	-
Provision written back	<b>2,367,503</b>	-
<b>Total result</b>	<b>11,582,134</b>	<b>4,523,352</b>
Unallocated corporate expenses	<b>2,894,416</b>	1,251,869
Profit before tax	<b>8,687,718</b>	3,271,483
Less: Provision for tax	-	267,000
<b>Net Profit</b>	<b>8,687,718</b>	<b>3,004,483</b>

**Schedules forming Part of the Accounts for the year ended  
March 31, 2007 (Contd.)**



Other information	31.03.2007		31.03.2006	
	Segment assets	Segment Liabilities	Segment assets	Segment Liabilities
Investments	448,481,199	709,383	439,490,888	406,790

**Notes:**

1. Income under the segment 'investments' represents dividends received.
2. Segment results represent profit before unallocated corporate expenses and tax.
3. Segment assets include Investments, Current Assets, Loans and Advances.
4. Segment liabilities include unsecured loan, current liabilities and provisions.

**12. Investments**

7,026,828 shares in Mangalore Chemicals & Fertilizers Limited, 17,550 shares in Aventis Pharmaceuticals Limited, 3,000,000 shares in United Breweries (Holdings) Limited, 9,530,000 shares in United Breweries Limited are under pledge against the borrowings availed by the group Company. The carrying cost of these investments is Rs. 308.449 Million and the market value is Rs.3,762.776 Million .

**13. Remuneration to Auditors:**

	<b>2006 – 07</b>	2005-06
Statutory Audit	<b>100,000</b>	100,000
Certification Fees	<b>230,000</b>	25,000
Service Tax	<b>40,392</b>	14,790
<b>Total</b>	<b>370,392</b>	139,790

## Schedules forming Part of the Accounts for the year ended March 31, 2007 (Contd.)

14. The Company has adopted Accounting Standard – 20, "Earning Per Share" for calculation of EPS and the disclosures in this regard are as given below:

Particulars	Year ended 31.03.2007 (Rupees)	Year ended 31.03.2006 (Rupees)
Net Profit after tax	8,687,718	3,004,483
Weighted average number of equity shares of Rs. 10/- each outstanding during the year	12,144,281	12,144,281
<b>Basic / diluted earnings per share (Rs)</b>	<b>0.72</b>	<b>0.25</b>

Per our report of even date  
For Vishnu Ram & Co.  
Chartered Accountants

**(S.Vishnumurthy)**  
Proprietor  
Membership No. 22715

Bangalore  
August 24, 2007



**A. Harish Bhat**  
Managing Director

**Ritesh Shah**  
Company Secretary

**N.Srinivasan**  
Director

**V.S.Venkataraman**  
Director

# Balance Sheet Abstract and Company's General Business Profile



## I. Registration Details

Registration No. 

0	8	-	3	3	4	8	5
---	---	---	---	---	---	---	---

 Status Code: 

0	8
---	---

  
 Balance Sheet Date: 

3	1	-	0	3	-	2	0	0	7
---	---	---	---	---	---	---	---	---	---

## II. Capital raised during the year (Amount in Rs.)

Public Issue 

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

  
 Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

  
 Others 

1	2	0	9	4	2	8	1	0
---	---	---	---	---	---	---	---	---

 Naked Warrants/Pref. Shares 

N	I	L
---	---	---

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities 

4	4	7	9	7	7
---	---	---	---	---	---

 Total Assets 

4	4	7	9	7	7
---	---	---	---	---	---

### Sources of Funds

Paid Up Capital 

1	2	1	4	4	3
---	---	---	---	---	---

 Reserves & Surplus 

3	2	6	3	2	9
---	---	---	---	---	---

  
 Secured Loan 

-
---

 Unsecured Loan 

2	0	5
---	---	---

  
 Deferred Tax Liability 

-
---

### Application of Funds

Net Fixed Assets 

-
---

 Investments 

4	3	7	4	4	8
---	---	---	---	---	---

  
 Net Current Assets 

1	0	5	2	9
---	---	---	---	---

 Misc. Expenditure 

-
---

  
 Accumulated Losses 

-
---

 Deferred Tax Assets 

-
---

## IV. Performance of Company (Amount in Rs. Thousand)

Turnover (Includes other income) 

1	1	5	8	2
---	---	---	---	---

 Total Expenditure 

2	8	9	4
---	---	---	---

  
 Profit Before Tax 

8	6	8	8
---	---	---	---

 Profit After Tax 

8	6	8	8
---	---	---	---

  
 Earnings per share in Rs. 

0	.	7	2
---	---	---	---

 Dividend rate % 

N	I	L
---	---	---

## V. Generic Names of Three Principal Products of Company (as per monetary terms)

Item Code No. (ITC Code) 

N	I	L
---	---	---

  
 Product Description 

N	I	L
---	---	---

**A. Harish Bhat**  
Managing Director

**N.Srinivasan**  
Director

**V.S. Venkataraman**  
Director

**Ritesh Shah**  
Company Secretary

Bangalore  
August 24, 2007

