

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.

Contd..2..

O. P. BAGLA & CO.

CHARTERED ACCOUNTANTS

2 6 4 3 6 1 9 0
Phone : 2 6 4 1 2 9 3 9
2 6 2 3 9 9 1 3
Fax : 011-26239912
E-mail : opbco@vsnl.com

8/12, KALKAJI EXTENSION
NEW DELHI - 110019

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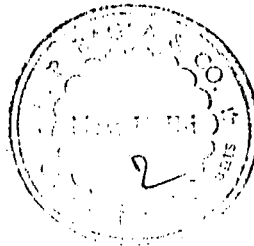
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and other Notes thereon in Schedule – 25 give the information as required by the Companies Act, 1956 in the manner so required and 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



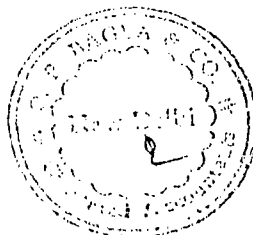
(ATUL BAGLA)
PARTNER
M.NO. 91885

PLACE : NEW DELHI
DATED : 21ST MARCH 2005



**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.



O. P. BAGLA & CO.

CHARTERED ACCOUNTANTS

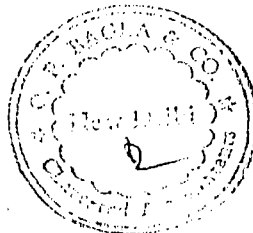
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8/12, KALKAJI EXTENSION
NEW DELHI - 1 1 0 0 1 9

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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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O. P. BAGLA & CO.

CHARTERED ACCOUNTANTS

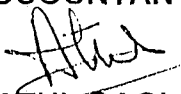
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8/12, KALKAJI EXTENSION
NEW DELHI - 110019

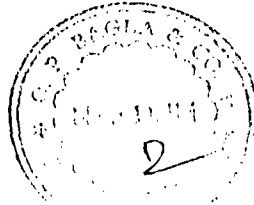
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19. Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31.12.2004.
20. Other 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

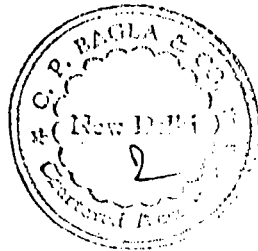
PLACE : NEW DELHI
DATED : 21ST MARCH 2005



VARUN BEVERAGES LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 2004

PARTICULARS	SCH	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDERS' FUNDS</u>			
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
<u>LOAN FUNDS</u>			
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
		3,187,315,587	2,080,435,458
TOTAL			
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
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
CAPITAL WORK IN PROGRESS		1,721,851	308,882,005
INVESTMENT	6	271,497,669	27,805,502

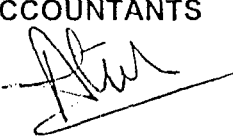


VARUN BEVERAGES LIMITED

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



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		<u>181,707,482</u>	<u>125,004,508</u>
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		<u>596,971,158</u>	<u>277,382,105</u>

BASIC / DILUTED EARNING PER SHARE 24.77 25

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 25

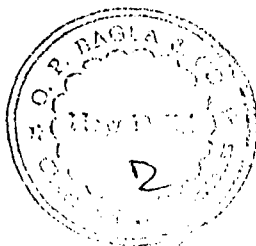
IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED
For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS

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

3,000,000 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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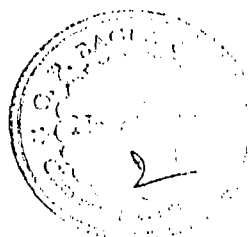
VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
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SCHEDULE - 3 : SECURED LOANS

A. From IDBI (Secured by first charge on all immovable and movable properties of the company at Bhiwadi Unit). - Term Loan	210,000,000	223,500,000
B. From IDBI Bank Ltd. (Secured by first charge on immovable & movable properties of the company at Alwar & Jodhpur.) - Term Loan	272,395,000	70,000,000
C. From UTI BANK Ltd. (Secured by first charge on all immovable and movable properties of the company at Jaipur & second charge on properties of the company at Alwar & Jodhpur.) - Term Loan	150,000,000	195,829,972
D. From Standard Chartered Bank (Secured by first charge on the immovable & movable properties of the company at Kosi & Greater Noida.) - Term Loan	400,000,000	0
E. From GE Capital Services India (Secured by exclusive charge on equipment financed at Kosi & Jaipur units of the company.) - Term Loan	175,983,946	130,000,000
F. From Punjab National Bank (Secured by hypothecation of Chargeable Current Assets of the company on Pari-passu basis, second charge on Fixed Assets of the company at Kosi, Alwar & Jodhpur on Pari-passu basis.) - Cash Credit Account	14,587,996	23,146,308
G. From HDFC BANK (Secured by hypothecation of Chargeable Current Assets of the company on Pari-passu basis, second Pari-passu charge on Fixed Assets of the Company at Kosi) - Working Capital Term Loan - Cash Credit Account	50,000,000 8,418,367	50,000,000 69,328,178

Note: Above Loans from A to G are further secured by personnel guarantee of some of the Directors of the company, their relatives & their concerns.



VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
H. From Limited Companies		
i) Amount due under hire purchase agreements secured against hire purchase assets	75,592,414	55,916,988
ii) Pepsico India Holdings Ltd. (Secured against hypothecation of assets acquired)	298,027,646	174,770,608
AS PER BALANCE SHEET	1,655,005,369	992,492,054

SCHEDULE - 4 : UNSECURED LOANS
From Limited Companies

50,000,000	144,446,000
50,000,000	144,446,000

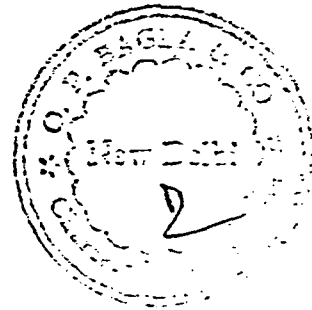


VARUN BEVERAGES LIMITED

SCHEDULE - 5

FIXED ASSETS AS AT 31st DECEMBER.2004

DESCRIPTION	C O S T					D E P R E C I A T I O N					W. D. V	
	AS ON 1-1-2004	ASSETS TAKEN OVER ON AMALGAMATION	ADDITIONS DURING THE YEAR	SALES/ ADJUSTMENTS	TOTAL AS ON 31-12-2004	AS ON 31-12-2003	ACC. DEPRECIATION TAKEN OVER ON AMALGAMATION	FOR THE YEAR	ADJUSTMENTS	TOTAL AS ON 31-12-2004	AS ON 31-12-2004	AS ON 31-12-2003
MARKET INFRASTRUCTURE	9,000,000	0	0	0	9,000,000	6,770,959	0	1,800,000	0	8,570,959	429,041	2,229,041
LAND & SITE DEVELOPMENT	74,629,596	39,933,231	1,017,070	0	115,579,897	0	0	0	0	115,579,897	74,629,596	
BUILDING	425,802,000	88,696,297	224,075,923	0	738,574,220	60,156,615	37,422,747	1,334,713	0	98,914,075	639,660,145	365,645,325
PLANT & MACHINERY	1,034,206,454	215,653,194	475,120,341	210,000	1,724,784,989	158,357,708	122,391,933	11,044,300	76,008	291,717,933	1,433,067,056	875,548,746
FURNITURE & FIXTURES	7,768,883	3,614,056	3,223,462	89,528	14,516,878	1,622,643	1,935,016	(116,677)	22,052	3,418,930	11,097,948	5,145,245
COMPUTER	7,055,139	6,341,064	4,930,123	529,608	17,796,718	3,845,708	4,497,647	1,620,234	529,608	9,433,991	8,362,737	3,209,431
OFFICE EQUIPMENTS	3,557,901	4,647,360	1,771,719	573,286	9,403,694	577,783	1,909,022	(590,066)	161,261	1,735,478	7,668,216	2,980,118
VEHICLES	106,278,841	99,373,857	31,008,375	1,715,384	234,945,689	23,577,820	59,861,595	5,340,855	1,087,921	87,692,349	147,253,340	82,701,021
VISCOOLERS & PMX MACHINES	314,234,601	159,254,221	71,105,391	23,800	544,570,413	187,064,292	77,163,257	132,060,827	4,760	396,283,646	148,286,767	127,170,309
CONTAINERS (Bottles & Shells)	300,458,104	295,618,250	115,837,641	47,355,704	664,518,291	31,515,084	60,154,337	28,286,434	8,981,786	110,974,069	553,544,222	293,943,020
CURRENT YEAR	2,282,991,524	913,146,530	928,090,045	50,537,310	4,073,690,789	473,488,612	365,335,584	180,780,620	10,863,396	1,008,741,420	3,064,949,359	1,809,502,912
PREVIOUS PERIOD	1,933,012,147	0	382,501,029	32,521,652	2,282,991,524	345,773,159	0	154,165,685	6,458,235	473,488,912	1,809,502,912	1,587,233,933



VARUN BEVERAGES LIMITED

SCHEDULE - 5

FIXED ASSETS AS AT 31st DECEMBER, 2004

DESCRIPTION	C O S T					D E P R E C I A T I O N					W. D. V	
	AS ON 1-1-2004	ASSETS TAKEN OVER ON AMALGAMATION	ADDITIONS DURING THE YEAR	SALES/ ADJUSTMENTS	TOTAL AS ON 31-12-2004	AS ON 31-12-2003	ACC. DEPRECIATION TAKEN OVER ON AMALGAMATION	FOR THE YEAR	ADJUSTMENTS	TOTAL AS ON 31-12-2004	AS ON 31-12-2004	AS ON 31-12-2003
MARKET INFRASTRUCTURE	9,000,000	0	0	0	9,000,000	6,770,959	0	1,600,000	0	8,570,959	429,041	2,229,041
LAND & SITE DEVELOPMENT	74,629,596	39,933,231	1,017,070	0	115,579,897	0	0	0	0	0	115,579,897	74,629,596
BUILDING	425,802,000	88,696,297	224,075,923	0	738,574,220	60,156,615	37,422,747	1,334,713	0	98,914,075	639,660,145	365,645,325
PLANT & MACHINERY	1,034,206,454	215,668,194	475,120,341	210,000	1,724,784,989	158,357,708	122,391,933	11,044,300	76,008	291,717,933	1,433,067,056	875,848,745
FURNITURE & FIXTURES	7,768,883	3,514,056	3,223,462	89,528	14,516,878	1,622,643	1,935,016	(116,677)	22,052	3,418,930	11,097,948	6,149,245
COMPUTER	7,055,139	6,341,064	4,930,123	529,608	17,796,718	3,845,708	4,497,647	1,620,234	529,608	9,433,931	8,362,737	3,209,431
OFFICE EQUIPMENTS	3,557,901	4,647,360	1,771,719	573,286	9,403,694	577,783	1,909,022	(590,066)	161,261	1,735,478	7,658,216	2,930,118
VEHICLES	106,278,841	99,373,857	31,008,375	1,715,384	234,945,689	23,577,820	59,861,595	5,340,855	1,087,921	87,692,349	147,253,340	82,701,021
VISCOUSERS & PMX MACHINES	314,234,601	159,254,221	71,105,391	23,800	544,570,413	187,064,292	77,163,257	132,060,827	4,760	396,293,646	148,286,767	127,170,309
CONTAINERS (Bottles & Shells)	300,458,104	295,618,250	115,837,641	47,325,704	664,518,291	31,515,034	60,154,337	28,286,434	8,981,786	110,974,069	553,544,222	263,943,020
CURRENT YEAR	2,282,991,524	913,146,530	928,090,045	50,537,310	4,073,690,789	473,483,612	365,335,584	180,780,620	10,863,396	1,009,741,420	3,064,949,369	1,809,502,912
PREVIOUS PERIOD	1,933,012,147	0	382,501,029	32,521,652	2,282,991,524	345,778,159	0	134,169,685	6,458,235	473,483,612	1,809,502,912	1,587,233,938



VARUN BEVERAGES LIMITED

SCHEDULE - 6

INVESTMENTS AS AT 31st DECEMBER, 2004

PARTICULARS	OPENING STOCK		TRANSFERRED ON AMALGAMATION		SALES		CLOSING STOCK		INVESTMENTS	
	FACE VALUE	COST/BOOK VALUE	FACE VALUE	COST/BOOK VALUE	FACE VALUE	COST/BOOK VALUE	FACE VALUE	COST/BOOK VALUE	TRADE	OTHERS
<u>LONG TERM INVESTMENTS</u>										
<u>UNQUOTED SHARES</u>										
30,650 Shares of Varun Beverages (Nepal) Pvt. Ltd. @ Rs. 1000/- NR each fully paid up	8,991,570	27,805,502	10,146,737	31,315,104	0	0	19,138,307	59,120,606	59,120,606	0
128400 Equity Shares of Goa Bottling Co. Pvt. Ltd. @ Rs.100/- each fully paid up.	0	0	12,840,000	63,818,146	0	0	12,840,000	63,818,146	63,818,146	0
6780 Equity Shares of Nectar Beverages Pvt. Ltd. @ Rs. 100/- each fully paid up.	0	0	6,780,000	148,558,917	0	0	6,780,000	148,558,917	148,558,917	0
CURRENT YEAR	8,991,570	27,805,502	29,766,737	243,692,167	0	0	38,758,307	271,497,669	271,497,669	0
PREVIOUS PERIOD	9,486,020	29,040,990	0	0	494,450	1,235,488	8,991,570	27,805,502	27,895,502	0



VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
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SCHEDULE - 7 : INVENTORIES

(As Certified by the Management)

Finished Goods	115,853,495	27,417,810
Work in Progress	5,451,028	179,950
Raw Material	140,868,452	57,834,355
Stores Spares & other materials	55,000,344	35,603,935
Advertisement Material	2,496,342	850,579
Material in Transit	249,768	0

AS PER BALANCE SHEET

319,919,429	121,886,629
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SCHEDULE - 8 : SUNDRY DEBTORS (Unsecured)

Other Debts

i) Debts outstanding for a period exceeding six months

- Considered Good

1,990,035 25,718,791

- Considered Doubtful

3,513,654 2,384,230

i) Other Debts

- Considered Good

213,822,550 144,407,096

Less: Provision for Doubtful Debts

219,326,239	172,510,117
3,513,654	2,384,230

AS PER BALANCE SHEET

215,812,585	170,125,887
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VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
<u>SCHEDULE - 9 : CASH & BANK BALANCES</u>		
In hand & imprest	1,598,055	1,754,017
In Current Account with Scheduled Banks	16,033,602	10,768,371
In Post Office Saving Bank Account	5,853	0
In Margin & FDR account with Scheduled Banks	62,891	10,174,736
AS PER BALANCE SHEET	17,700,401	22,697,124

SCHEDULE - 10 : LOANS & ADVANCES

(Unsecured Considered good by the Management)

Advances to suppliers, contractors & Others	47,338,288	56,756,571
<u>Security Deposits</u>		
- With Govt. Department	5,136,492	3,552,350
- With Others	7,909,035	1,979,475
Amount receivable in cash or kind	55,833,006	17,197,878
Balance with Excise Authorities	34,246,597	26,666,067
Claims Receivable	606,687	5,688,268
Prepaid Expenses	2,972,297	1,304,513
Income Tax Payments	17,103,447	4,431,284
AS PER BALANCE SHEET	171,145,849	117,576,406



VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31-12-04 Rs.	AS AT 31-12-03 Rs.
SCHEDULE - 11 : CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors	137,115,763	149,811,409
Due to Dealers	15,229,695	5,984,634
Security Deposits Received	293,710,157	126,717,490
Other Liabilities	33,333,528	16,827,222
B. Provisions		
Income Tax	25,000,000	16,000,000
AS PER BALANCE SHEET	504,389,143	315,340,755

SCHEDULE - 12 : NET DEFERRED TAX LIABILITIES

Deferred Tax Liability

- As at Jan 1, 2004	270,899,730	239,043,716
- Amount adjusted on Amalgamation	82,303,251	0
- Additional adjustment for the current year	104,644,465	31,856,014
	457,847,446	270,899,730

Deferred Tax Asset

- As at Jan 1, 2004	88,161,715	119,376,087
- Additional adjustment for the current year	(2,423,872)	(31,214,372)
	85,737,843	88,161,715

AS PER BALANCE SHEET

	372,109,603	182,738,015
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SCHEDULE - 13 : MISCELLANEOUS EXPENDITURE

(To the extent not w/off or adjusted)

Preliminary Expenses

Balance b/f	37,764	54,548
Less : 1/10th written off	16,784	16,784
	20,980	37,764

Amalgamation Expenses

Incurred during the year	1,307,750	0
Less : 1/5th written off	261,550	0
	1,046,200	0

AS PER BALANCE SHEET

	1,067,180	37,764
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VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31-12-2004 Rs.	YEAR ENDED 31-12-2003 Rs.
<u>SCHEDULE - 14 : SALES</u>		
Beverages	2,569,260,457	1,478,064,852
Others	453,738,677	354,832,800
AS PER PROFIT & LOSS ACCOUNT	3,022,999,134	1,832,897,652
 <u>SCHEDULE - 15 : OTHER INCOME</u>		
Realisation on sale of scrap etc	22,285,307	7,094,243
Interest Received	193,438	534,882
Dundry Balance W/off	183,668	0
Misc. Income	127,125	2,379,003
AS PER PROFIT & LOSS ACCOUNT	22,789,538	10,008,128
 <u>SCHEDULE - 16 : INCREASE/ (DECREASE) IN STOCKS</u>		
<u>Stock as on 1.1.2004</u>		
Beverages	19,647,063	16,148,998
Work in Progress	179,950	129,755
Others	7,232,968	13,302,996
Goods in Transit	537,779	464,840
Transferred on Amalgamation	13,571,711	0
TOTAL 'A'	41,169,471	30,046,589
 <u>Stock as on 31.12.2004</u>		
Beverages	29,824,885	19,647,063
Work in Progress	5,451,028	179,950
Others	86,028,610	7,232,968
Goods in Transit	249,768	537,779
TOTAL 'B'	121,554,291	27,597,760
Finished Goods used as Fixed Assets 'C'	8,657,085	0
AS PER PROFIT & LOSS A/C (B-A+C)	89,041,905	(2,448,829)



VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31-12-2004 Rs.	YEAR ENDED 31-12-2003 Rs.
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SCHEDULE - 17 : RAW MATERIAL CONSUMED

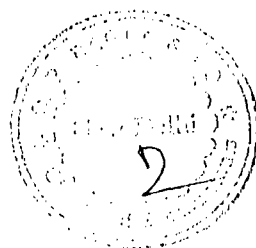
Opening Stock	57,834,355	53,619,951
Add : Transferred on Amalgamation	24,866,049	0
Add : Purchases	1,499,463,305	788,991,339
	1,582,163,709	842,611,290
Less : Closing Stock	140,868,452	57,834,355
: Sale	4,684,008	697,747
AS PER PROFIT & LOSS ACCOUNT	1,436,611,249	784,079,188

SCHEDULE - 18 : STORES CONSUMED

Opening Stock	35,603,935	35,019,639
Add : Transferred on Amalgamation	9,218,365	0
Add : Purchases	47,831,758	21,710,507
	92,654,058	56,730,146
Less : Closing Stock	55,000,344	35,603,935
: Sale	0	321,215
AS PER PROFIT & LOSS ACCOUNT	37,653,714	20,804,996

SCHEDULE - 19 : SALARIES, WAGES & AMENITIES

Salaries, Wages & Allowances	141,278,382	62,163,738
Staff Welfare & Amenities	12,263,676	6,076,230
AS PER PROFIT & LOSS ACCOUNT	153,542,058	68,239,968

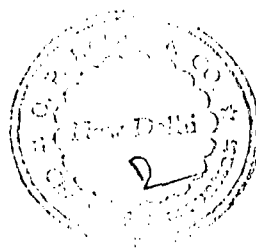


VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31-12-2004 Rs.	YEAR ENDED 31-12-2003 Rs.
<u>SCHEDULE - 20 : REPAIRS & MAINTENANCE</u>		
- Plant & Machinery	39,198,063	37,396,494
- Building	4,410,700	4,560,555
- Others	21,995,106	15,675,278
AS PER PROFIT & LOSS ACCOUNT	65,603,869	57,632,327

SCHEDULE - 21 : ADMINISTRATIVE EXPENSES

Rent, Rates & Taxes	5,332,898	3,655,997
Printing & Stationery	4,610,845	2,014,139
Postage, Telegrams & Telephone etc.	9,778,291	4,892,141
Conveyance & Travelling	28,546,191	14,356,026
Electricity & Generator Exp.	2,212,393	1,779,969
Vehicle Running and Maintenance	13,894,531	5,785,984
<u>Auditors' Remuneration</u>		
- As Audit Fees	190,000	118,800
- For Income Tax matters	206,047	123,380
- For Reimbursement of Expenses	101,830	90,159
- For Company Law & other matters	180,000	90,000
Legal & Professional Charges	6,319,973	2,760,818
General Office & Misc. Expenses	3,740,044	877,288
Fees & Licence	221,797	282,916
Internal Audit Fees	35,000	27,000
Books & Periodicals	1,176,283	514,238
Donation & Charity	50,864	95,908
Insurance Charges	4,126,696	2,145,040
Exchange Fluctuation	2,006,145	0
Security & Service charges	3,818,295	1,909,187
Loss on sale of Investments	0	25,960
Miscellaneous Expenditure W/off	278,334	16,784
AS PER PROFIT & LOSS ACCOUNT	86,826,457	41,561,734



VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31-12-2004 Rs.	YEAR ENDED 31-12-2003 Rs.
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SCHEDULE - 22 : TRANSPORTATION, HANDLING & DISTRIBUTION COSTS

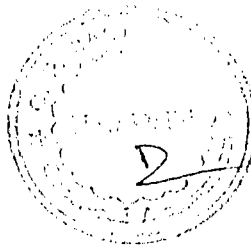
Freight, Octroi & Insurance	189,105,696	101,478,196
Delivery Vehicle Running & Maintenance	54,663,523	19,893,506
Loading & Unloading Expenses	17,700,844	6,305,854
AS PER PROFIT & LOSS ACCOUNT	261,470,063	127,677,556

SCHEDULE - 23 : SELLING EXPENSES

Advertisement & Sales Promotion Expenses	25,646,453	18,603,230
Meeting & Conference Expenses	3,656,931	1,728,557
Royalty Charges	10,757,762	8,036,119
AS PER PROFIT & LOSS ACCOUNT	40,061,146	28,367,906

SCHEDULE - 24 : FINANCIAL CHARGES

Interest	123,284,885	82,514,976
Bank Charges	6,769,800	1,187,402
Lease & Hire Charges	7,964,707	5,751,544
AS PER PROFIT & LOSS ACCOUNT	138,019,392	89,453,922



VARUN BEVERAGES LIMITED : DELHI

25. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Company has prepared its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with the requirements of the Companies Act, 1956.

2. Income and Expenditure

Accounting of Income & Expenditure is done on accrual basis.

3. Sales

Sales are shown net of discounts, rebate and sales tax.

4. Fixed Assets & Depreciation

a) Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties and expenditure incurred in the acquisition, construction and installation.

b) Depreciation on fixed assets is provided on Straight Line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In case of Market Infrastructure PMX & Visi Cooler depreciation is charged @ 20% on SLM basis.

c) Breakages of containers (Bottles & Shells) are being adjusted on "First Bought First Broken" basis.

d) Capital Work-in-progress includes project advances pending execution.

5. Inventories

Inventories are valued on the following basis :

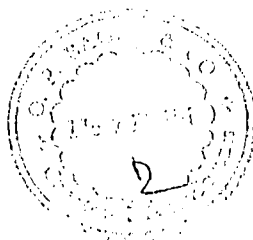
- | | | |
|----|---------------------------------------|--|
| a) | Finished Goods - (at bonded Godown) - | At lower of cost or
realisable value |
| | (at duty paid Godown/depot) - | At lower of Landed
Cost or realisable value |
| b) | Work-in-progress | - At estimated cost |
| c) | Raw Materials | - At cost |
| d) | Stores and Spares | - At cost |

6. Excise Duty

a) Excise Duty is accounted for at the time of clearance of goods. However, liability towards Excise duty on closing stock lying in Bonded Warehouse is provided for as per relevant guidance note issued by the Institute of Chartered Accountants of India.

b) Cenvat credit, to the extent availed, is adjusted towards cost of materials.

Contd..2..



7. **Retirement Benefits**
The Company is accounting for Retirement Benefits of the employees on accrual basis.
8. Dividend received is accounted for as and when it is declared.
9. **Investments**
Long Term Investments are valued at cost. Provision for diminution in the value of investments is made only if such a decline is other than temporary in the opinion of the management.
10. **Contingent Liabilities**
Contingent Liabilities are determined on the basis of available information and are disclosed by way of notes to the accounts.
11. **Preliminary Expenses**
Preliminary Expenses are written off equally in Ten Financial Years. Other Miscellaneous expenditure is written off equally in Five Financial Years.
12. Unless specifically stated to be otherwise, these policies are consistently followed.

B. NOTES ON ACCOUNTS

	<u>CURRENT YEAR (Rs. In Lacs)</u>	<u>PREVIOUS YEAR (Rs. In Lacs)</u>
1. a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	5.03	1857.33
b) Letter of credit opened in favour of inland/overseas suppliers	327.69	1724.61
c) Guarantees issued on behalf of a Limited Company	3435.23	345.25
d) Counter Guarantees given i.r.o. guarantees issued by Company's Bankers.	0.60	0.00
2. <u>Details of Licensed and Installed Capacities & Production</u>		
A) Licensed Capacity	N.A.	N.A.
B) Installed Capacity *		
- Beverages BPM	5982	2820
- Pet Preforms PPM	400	400
- Crown Corks Gross per day	46500	Nil
- PVC Shells Pc per day	465	Nil

Contd..3..



C) Production			
- Beverages	Cases/Bags	25886872	14037208
- Pet Preforms	Nos.	201652517	175099092
- Crown Corks	Gross.	6676666	0
- PVC Shells	Nos.	495930	0

* As certified by the Management & relied upon by the Auditors being a technical matter (One case of 24/12/9/6 Bottles).

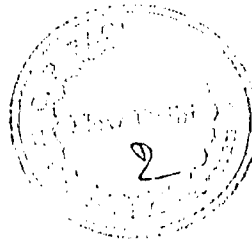
3. Details of Raw Material Consumed :

	<u>UNIT</u>	<u>CURRENT YEAR</u>		<u>PREVIOUS YEAR</u>	
		<u>QTY</u>	<u>VALUE</u>	<u>QTY</u>	<u>VALUE</u>
Concentrate	Unit	30889	430075311	14400	215445686
Crown Corks					
Crown Corks	Gross	807417	15592839	1732416	47973460
(Purchased)					
Crown Corks	Gross	2780122	Own	0	0
(Captive)			Production		
Sugar	Kgs.	20920723	325288786	11581419	138436534
Caps	Nos.	60215657	22621739	53670706	24333487
Pet Chips	Kgs.	6901263	381331936	5901969	294820520
TFS	Kgs.	2372809	86194725	0	0
Preforms	Nos.	60377283	Own	53896809	Own
			Production		Production
Others	--	--	175505913	--	63069501

4. Particulars of Sales/Stock

		<u>Current Year</u>		<u>Previous Year</u>	
<u>Opening Stock</u>					
Beverages	C/s/ Bags	255886	2018482	174002	16613838
Preforms	Nos.	2885171	6732187	5508750	12674557
Others	--	--	500781	--	628439
<u>Transferred on Amalgamation</u>					
Beverages	C/s/ Bags	145482	13571711	0	0
<u>Purchases</u>					
Beverages	C/s/ Bags	161414	23436316	688170	57347707
Others	--	--	1928933	--	1650006

Contd..4..



Sales

Beverages	C/s/				
	Bags	26023492	2569260457	14628347	1478064852
Preforms	Nos.	129637247	394944426	123825862	350112228
Crown Corks	Gross	1642346	45946989	0	0
PVC Shells	Nos.	162709	10836926	0	0
Others		--	2010336	--	4720572

PVC Shells used as Fixed Assets

Nos.	155371	8657085	0	0
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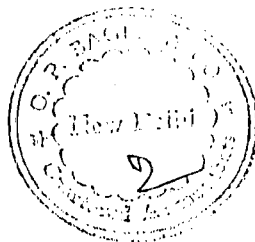
Closing Stock

Beverages	C/s/				
	Bags	386235	30074653	255886	20184842
Preforms	Nos.	14002858	33230021	2885171	6732187
Crown Corks	Gross	1817281	41480110	0	0
PVC Shells	Nos.	177850	11080724	0	0
Others		--	237755	--	500781

*Sales quantity includes goods given as free samples

5. Details regarding dividend and redemption of cumulative redeemable preference shares :-

<u>No. of Shares</u>	<u>Amount</u>	<u>Particulars regarding redemption and dividend</u>
4206829	420682900	Redeemable in March 2009. Dividend payable @ 0% upto F.Y. 2005-2006, @ 1% p.a. for F.Y. 2006-2007 & 2007-2008 and @ 78% in F.Y. 2008-2009.
1829169	182916900	Redeemable in February 2010. Dividend payable @ 0% upto F.Y. 2006-2007, @ 1% p.a. for F.Y. 2007-2008 & 2008-2009 and @ 78% in F.Y. 2009-2010.
411997	41199700	Redeemable in March 2010. Dividend payable @ 0% upto F.Y. 2006-2007, @ 1% p.a. for F.Y. 2007-2008 & 2008-2009 and @ 78% in F.Y. 2009-2010.
71010	7101000	Redeemable in March 2010. Dividend payable @ 0% upto F.Y. 2006-2007, @ 1% p.a. for F.Y. 2007-2008 & 2008-2009 and @ 78% in F.Y. 2009-2010.
89640	8964000	Redeemable in February 2011. Dividend payable @ 0% upto F.Y. 2007-2008, @ 1% p.a. for F.Y. 2008-2009 & 2009-2010 and @ 78% in F.Y. 2010-2011.



Contd..5..

1128990

112899000 Redeemable in June 2010.. Dividend payable @ 0% upto F.Y. 2007-2008, @ 1% p.a. for F.Y. 2008-2009 & 2009-2010 and @ 78% in F.Y. 2010-2011:

7. Value of Imports on CIF basis :

	<u>CURRENT YEAR</u> (Rs. In Lacs)	<u>PREVIOUS YEAR</u> (Rs. In Lacs)
Capital Goods	1187.46	769.73
Stores, Spares & Raw Material	1391.20	219.82

8. Expenditure in Foreign Currency

- Travelling & Others	33.77	30.79
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9. Remuneration paid to Directors :-

Sh. C.K. Rastogi*	365,923	927,639
Sh. R.P. Gandhi	141,876	0
Sh. K. Shanker	759,368	0
Ms. Devyani Jaipuria	586,667	0

* Remuneration to Mr. C.K. Rastogi has been paid in the form of professional charges.

10. Claim against the company not acknowledged as debts :-	<u>Current Year</u> (Rs. In Lacs)	<u>Previous Year</u> (Rs. In Lacs)
- For Excise and Service Tax (being contested in appeals)	105.67	11.25
- For Advertisement Tax (being contested in appeals)	9.15	9.15
- For Sales Tax (being contested in appeals)	56.56	0.00
- Others (being contested in appeals)	14.74	0.00

11. No claim has been received from any of the suppliers of their being a Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial Units as on December 31, 2004 are not ascertainable.

12. In the opinion of the management the "Current Assets", "Loans & Advances" have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet unless otherwise stated.

13. Amount Recoverable in cash or kind include following advances to directors of the company :-

Name	Advance as on 31.12.2004	Maximum balance on any day during the period
Shri K. Shanker	Rs.13,800/-	Rs. 13,800/-



nContd..6..

14. Balance confirmations have not been received from number of parties showing debit/credit balances. Confirmation of balances to the extent received have been reconciled/under reconciliation.

15. Tax Expense is the aggregate of current year tax and deferred tax charged to the Profit & Loss Account for the year.

a) Current Year Charge:

Income Tax provision of Rs.250 Lacs has been made pursuant to section 115JB of income Tax (MAT). However, no tax is payable on regular income for the year.

b) Deferred Tax

Deferred Tax arise because of difference in treatment between financial accounting and tax accounting, known as "Timing Differences". The tax effect of these timing differences is recorded as "Deferred Tax Assets" (generally items that can be used as a tax deduction or credit in future periods) and "Deferred Tax Liabilities" (generally items for which the company has received a tax deduction but have not yet been recorded in the statement of income).

The principal components of the net deferred tax balance are as follows :-

Particulars	Opening as at 01.01.04 (Rs. in Lacs)	Charge/Credit during the Year (Rs. In Lacs)	Closing as at 31.12.04 (Rs. In Lacs)
<u>Deferred Tax liabilities</u>			
Depreciation	2709.00	1869.47*	4578.47
<u>Deferred Tax Assets</u>			
Depreciation C/f as per Income Tax Act	881.62	(24.24)	857.38
Net Deferred Tax Liability	1827.38	1893.71	3721.09

* Includes Rs.823.03 transferred on Amalgamation.

Based on historical pre-tax earnings and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is virtually certain that the deferred tax assets would be realised.

16. As per the scheme of Amalgamation filed in the Hon'ble high court of Delhi under section 394 of the Companies Act, 1956 between the Company and M/s. Devyani Beverages Limited and as per order dated 6th October, 2004 of Hon'ble High Court of Delhi, all the assets and liabilities of M/s. Devyani Beverages Limited including its business has been Amalgamated with the Company with effect from 1st April, 2004. In terms of the High Court Order, with effect from the appointed date under the scheme :

- All the assets and liabilities of M/s. Devyani Beverages Limited as on 1.4.2004 were transferred to and vested with the Company.



Contd..7..

- The Company has issued at par, equity shares of the Company to Equity Shareholder of M/s. Devyani Beverages Limited in the proportion of 1 Equity share of Rs. 10/- each for 2 Equity shares of Rs. 10/- each held by them in M/s. Devyani Beverages Limited on the effective date. Against the Share Capital of Rs. 6 Crores of M/s. Devyani Beverages Limited, fresh capital of Rs. 3 Crores has been issued by the Company.
- The company has issued at par, preference shares of the company to preference shareholders of M/s Devyani Beverages Limited in the ratio of 1 preference share of Rs. 100/- each for 1 preference share of Rs. 100/- each held by them in M/s Devyani Beverages Limited on the effective date. These preference shares have the same terms for dividend and redemption as the original preference shares issued by M/s Devyani Beverages Limited.
- The difference of Rs.3 Crores between the Capital of M/s. Devyani Beverages Limited and the shares issued by the Company to shareholders of M/s. Devyani Beverages Limited, arising due to the exchange ratio as outlined above has been credited to General Reserve as per clause 4.2 of the scheme of Amalgamation.

17. Following Incidental Expenditure on commissioning of the projects have been debited to fixed assets :-

Material and Fuel Consumed (Net of Stock Produced in trial run)	21,00,918
Salary, Wages and Allowances	16,18,408
Financial Charges	77,23,576
Administrative and other expenses	27,48,695
Depreciation	38,526
Total	1,42,30,123

18. Earnings per share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earning per share:

	Year Ended 31.12.2004	Year Ended 31.12.2003
Profit before Tax	313775819	204074894
Less : Provision for Tax	132068337	79070386
Less : Income Tax / W.Tax Adjustment	2134683	(369679)
Profit attributable to the Equity Shareholders – (A)	179572799	125374187
Basic /Weighted average number of Equity Shares outstanding during the year (B)	7250000	5000000
Nominal value of Equity Shares (Rs)	10	10
Basic/Diluted Earnings per share (Rs) – (A)/(B)	24.77	25.07

19. **Related Party Disclosures:**

Following information regarding related parties has been determined on the basis of criteria specified in AS-18 "Related Party Disclosures":

Contd..8..



A. Relationships

I. Key Management Personnel

Name	Designation
Sh. C.K. Rastogi	Whole Time Director
Sh. R.P. Gandhi	Whole Time Director
Sh. K. Shanker	Whole Time Director
Ms. Devyani Jaipuria	Working Director

II. Associates

Goa Bottling Co. Pvt. Ltd
Nectar Beverages Pvt. Ltd
Varun Beverages Nepal Pvt. Ltd

B. The following transactions were carried out with related parties in the ordinary course of business :-

(Rs. In Lacs)

Related Party Transactions	Key Management Personnel & Relatives	Associates
Directors Remuneration	18.54	0
Sale of Finished Goods	0	348.79
Sale of Inputs	0	38.84
Purchase of fixed assets	0	9.91
Sale of fixed assets	0	10.08

C. Outstanding balance and balance written off/written back :-

Description	Outstanding Balances (Rs.in lacs)		Written off/Written back (Rs.in lacs)		Maximum Debit Balances (Rs. In lacs)
	As At 31-12-04	As At 31-12-03	As At 31-12-2004	As At 31-12-03	
Key Management Personnel & Relatives	0.14	0.14	NIL	NIL	0.14
Associates	446.43	359.88	NIL	NIL	535.68

Contd..9..



20. **SEGMENT REPORTING**

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company.

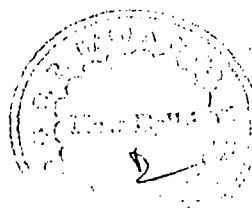
As part of Secondary reporting, the company has no geographical segment by location.

Information about Business Segment - Primary

(RS. IN LACS)

REPORTABLE SEGMENTS	BEVERAGES	PREFORM	OTHERS	TOTAL
<u>Revenue</u>				
Sales And Other Income	29,757.10	3,956.61	580.78	34,294.49
Inter-Segment Sales	-	1,332.37	689.77	2,022.14
Total Revenue	29,757.10	5,288.98	1,270.54	36,316.63
Segment Result/Operating Profit	4,128.15	451.99	(64.12)	4,516.02
Financial Charges				(1,380.19)
Interest/Dividend Income				1.93
Profit Before Tax				3,137.76
Less : Provision For Tax/Adjustment				1,342.03
Profit After Tax				1,795.73
<u>Other Information</u>				
Segment Assets	30,663.74	3,110.57	3,967.15	37,741.46
Unallocated Assets				2,896.68
Total Assets				40,638.14
Segment Liabilities	4,225.40	178.49	390.00	4,793.89
Unallocated Liabilities				21,021.15
Total Liabilities				25,815.04
Depreciation	1,603.89	117.50	86.04	1,807.43
Amortization of Misc. Expenditure				2.78
Non-Cash Expenditure Other Than Depreciation & Amortization	298.89			298.89

Contd..10..



Notes :

- a. Unallocated Assets include investments, Income Tax Advances and Miscellaneous expenditure.
- b. Unallocated Liabilities include interest bearing liabilities and Income tax provisions.
21. As detailed in note no. 16, per the scheme of Amalgamation, all the assets of M/s. Devyani Beverages Limited has been Amalgamated with the Company with effect from 1st April, 2004. As per AS – 14 (Accounting for Amalgamations) issued by ICAI, if at the time of Amalgamation, the transferor and transferee Companies have conflicting accounting policies, a uniform set of accounting policies should be adopted following the Amalgamation. In Devyani Beverages Limited, Depreciation was provided on fixed assets using the WDV method as per rates prescribed in the Companies Act, 1956, except for Containers in which Depreciation was provided using SLM method. To comply with requirements of the Accounting Standard, Depreciation of fixed assets of Devyani Beverages Limited was recomputed using the accounting policies followed in Varun Beverages Limited. This recomputation has resulted in a lower depreciation charge of Rs. 460.94 lacs out of which Rs.435.02 lacs relates to depreciation for the period prior to 31.3.2004. Has there been no such change, the profit for the year and net block of fixed assets would have been lower by Rs.460.94 lacs.
22. Figures for the previous year have been regrouped or recasted wherever necessary and are not comparable with current year figures which are after amalgamation with Devyani Beverages Limited.

IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED

For O.P. BAGLA & CO.
CHARTERED ACCOUNTANTS

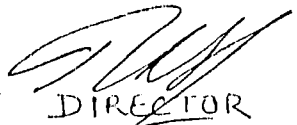
PLACE : NEW DELHI

DATED : 21ST MARCH 2005 PARTNER

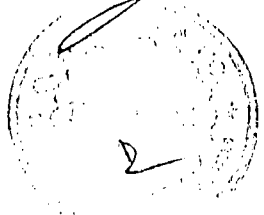

PARTNER


DIRECTOR


DIRECTOR


DIRECTOR


CO. SECRETARY



VARUN BEVERAGES LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT, 1956)

I. REGISTRATION DETAILS

Registration No.	69839
State Code	55
Balance Sheet Date	31st DECEMBER, 2004

II. CAPITAL RAISED DURING THE YEAR

Public Issue	NIL
Right Issue	NIL
Private Placement (On Amalgamation)	187,648,200
Bonus Issue	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	4,063,814,333
Total Assets	4,063,814,333

SOURCES OF FUNDS

Paid-up Capital	853,763,500
Reserves & Surplus	628,546,718
Secured Loans	1,655,005,369
Unsecured Loans	50,000,000

APPLICATION OF FUNDS

Net Fixed Assets	3,064,949,369
Investments	271,497,669
Net Current Assets	220,189,121
Misc. Expenditure	1,067,180
Capital Work-in-progress	1,721,851
Deferred Tax Assets/(Liabilities)	(372,109,603)



Contd..2..

VARUN BEVERAGES LIMITED

IV. PERFORMANCE OF THE COMPANY

Turnover including other income	2,930,107,017
Total Expenditure	2,616,331,198
Profit before tax	313,775,819
Profit after tax	181,707,482
Earnings Per Share (Rs.)	24.77
Dividend Rate (%)	NIL

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No. (ITC Code)	220210.10
Product Description	Areated Soft Drinks

IN TERM OF OUR REPORT OF EVEN DATE ANNEXED For AND ON BEHALF OF THE BOARD
For O.P. BAGLA & CO. CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATED : 21ST MARCH, 2005.

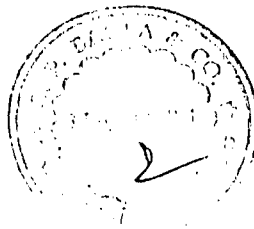

PARTNER


DIRECTOR


DIRECTOR


DIRECTOR


CO-SECRETARY



VARUN BEVERAGES LIMITED

CASH FLOW STATEMENT FOR YEAR ENDED 31-12-2004

PARTICULARS	Y.E. 31-12-2004	Y.E. 31-12-2003
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	313,775,819	204,074,894
Adjusted for :		
Depreciation	180,780,620	134,168,688
Preliminary Expenses W/off	278,334	16,784
Provision for Doubtful Debts	936,356	841,679
Interest Received	(193,438)	(534,882)
Interest Paid	123,284,885	82,514,976
Breakage	26,823,154	18,448,526
Dividend Received	0	(24,273)
Loss \ (Profit) on Sale of Investments	0	25,960
Loss on sale of Fixed Assets	2,129,546	4,781,254
	334,039,457	4,781,254
Operating Profit before Working Capital Changes	647,815,276	444,313,606
Adjusted for :		
Trade & Other Receivables	(78,275,273)	(63,737,588)
Inventories	(198,032,800)	(1,634,441)
Trade Payable	170,803,327	57,695,802
	(105,504,746)	57,695,802
Cash Generated from Operations	542,310,529	436,637,379
Interest Paid	(123,284,885)	(82,514,976)
Direct Taxes Paid	(30,806,846)	(8,539,291)
	(154,091,731)	(8,539,291)
Net Cash from operating activities	388,218,798	345,583,112
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(620,929,891)	(661,006,494)
Asset acquired on Amalgamation (On WDV)	(547,810,946)	0
Sale of Fixed Assets	10,721,214	2,833,637
Sale of Investments \ (Acquired on Amalgamation)	(243,692,167)	1,209,528
Miscellaneous Expenditure	(1,307,750)	0
Interest Received	193,438	534,882
Dividend Received	0	24,273
Net Cash used in Investing Activities	(1,402,826,102)	(656,404,174)

Contd..2..

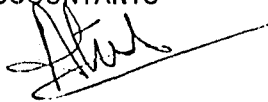



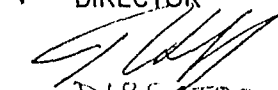
C. CASH FLOW FROM FINANCING ACTIVITIES



Proceeds from issue of Pref. Shares (On Amalgamation)	157,648,200	0
Proceeds from issue of Equity Shares (On Amalgamation)	30,000,000	0
Reserves Transf.on Amalgamation\Amalgamation Reserve	253,895,065	0
Proceeds from Borrowings/Repayments	568,067,315	327,068,840
Net Cash used in Financing Activities	<u>1,009,610,580</u>	<u>327,068,840</u>
Net increase in Cash and Cash Equivalents	(4,996,724)	16,247,778
Cash and Cash Equivalents as on 1.1.2004	22,697,124	6,449,346
Cash and Cash Equivalents as on 31.12.2004	<u>17,700,400</u>	<u>22,697,124</u>

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

