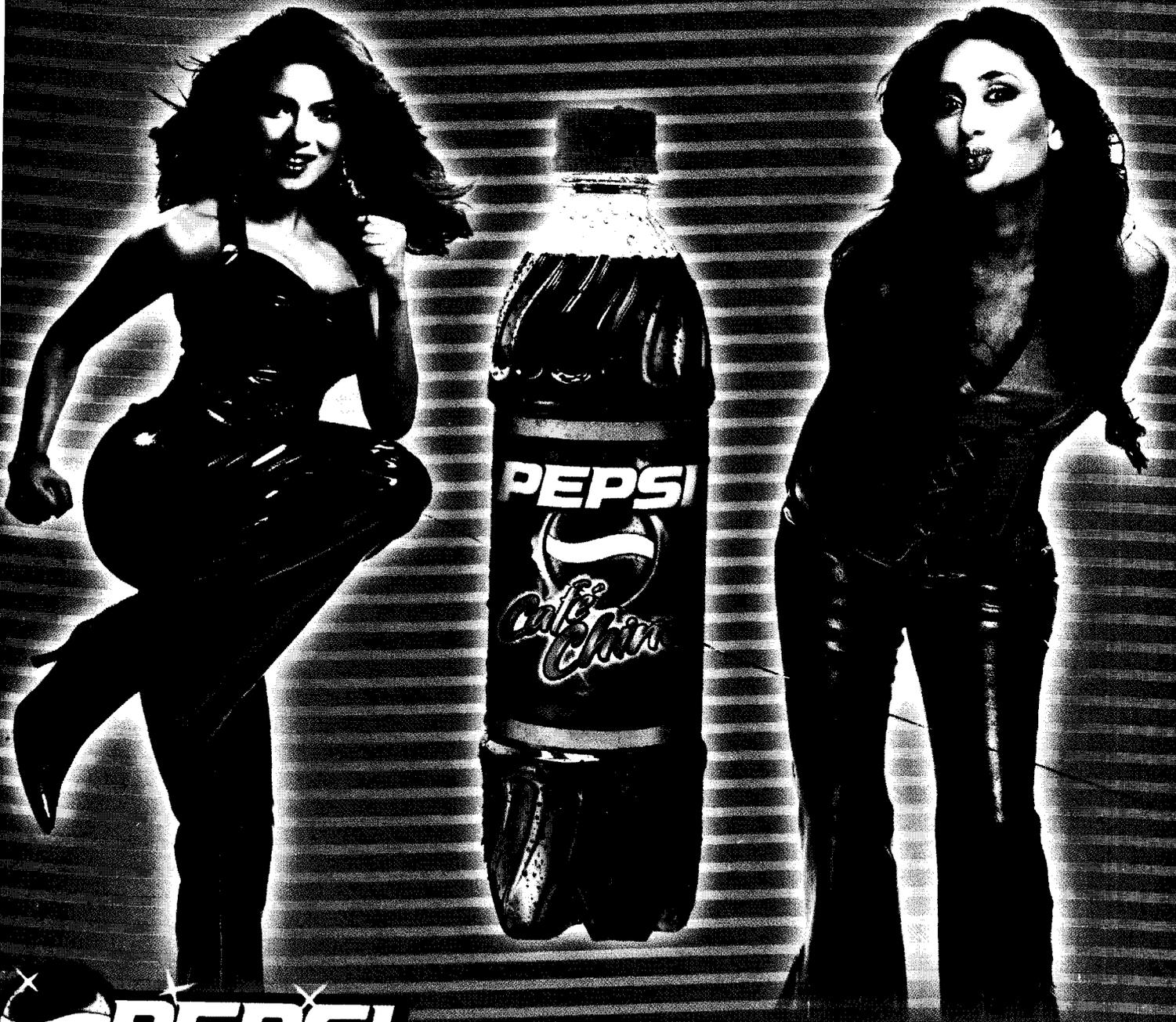


VARUN BEVERAGES LTD.



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ANNUAL REPORT & ACCOUNTS FOR THE
YEAR ENDING 31ST DECEMBER, 2005

VARUN BEVERAGES LIMITED

ANNUAL REPORT FOR THE YEAR ENDED ON 31ST DECEMBER 2005

BOARD OF DIRECTORS

Mr. Ravi Kant Jaipuria
Ms. Devyani Jaipuria
Mr. Raj P. Gandhi
Mr. K. Shankar

COMPANY SECRETARY

Mr. Ravi Batra

AUDITORS

M/s. O. P. Bagla & Co.,
Chartered Accountants, New Delhi

REGISTERED OFFICE

F-2/7, Okhla Industrial Area,
Phase -I, New Delhi - 110020

HEAD OFFICE

F-34, Sector VI,
Noida -201301(U.P.)

WORKS

- i) Plot no.2, Surajpur Bypass, Greater Noida - 201 306 (U.P.)
- ii) Khasra no.282, Balmukandpura, Near Bagru, Ajmer Road, Tehsil Sanganer, Distt. Jaipur, Rajasthan.
- iii) Plot no. 477 to 479, Village Dautana, 107, Kilometer Distance Stone, Agra-Delhi Highway, N.H. No.II, Near Kosi Kalan, Distt. Mathura - 282 401 (U.P.)
- iv) Plot No.SP-646 & F-647- 653, Approach Road no.2, (Nr. Engg. College), Matsya Industrial Area Extn. (North), RIICO Industrial Estate, Alwar-301030
- v) Plot No. Special 159, RIICO Indl. Area, Ph-III, Boranada, Jodhpur-342001
- vi) Plot no.290-292, RIICO Industrial Area, Phase-VII, Chopanki, Bhiwadi, Distt. Alwar - 301019 (Rajasthan)

BANKERS

HDFC Bank Ltd.
IDBI Ltd.
Punjab National Bank
Standard Chartered Bank
UTI Bank Ltd.
HSBC Ltd.

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VARUN BEVERAGES LIMITED

▶▶▶▶▶▶ NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of Varun Beverages Limited will be held on Monday, the 10th day of April 2006 at F-2/7, Okhla Industrial Area, Phase – I, New Delhi - 110020 at 10.30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st December 2005 and the Profit & Loss account for the year ended on that date alongwith the Directors' and Auditors' Report thereon.
2. To consider and appoint a Director in place of Mr. K. Shankar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and appoint auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/s O.P.Bagla & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD
FOR VARUN BEVERAGES LIMITED

COMPANY SECRETARY

PLACE : NEW DELHI
DATE : 16th MARCH 2006

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 24 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

VARUN BEVERAGES LIMITED

▶▶▶▶▶ DIRECTORS' REPORT

Dear Shareholders,

The Directors have immense pleasure in presenting the 11th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ending 31st December 2005:

FINANCIAL RESULTS:

(AMOUNT IN RS.)

PARTICULARS	FOR THE YEAR ENDED 31ST DECEMBER 2005	FOR THE YEAR ENDED 31ST DECEMBER 2004
Net Sales & other Income	2,958,221,289	2,473,850,289
Net Profit before Tax	200,476,820	313,775,818
Provision for Tax	17,000,000	25,000,000
Provision for Fringe Benefit Tax	4,000,000	-
Provision for Deferred Tax	70,863,785	107,068,337
Net Profit after Tax	108,613,035	181,707,481
Balance as per last year	596,971,157	277,382,105
Balance Transferred on Amalgamation	-	140,016,254
Tax Adjustments	5,223,697	(2,134,683)
Balance Carried to Balance Sheet	710,807,889	596,971,157

DIRECTORS:

Mr. Pramod Agarwala and Mr. K.K.Mudgil resigned from the Board w.e.f. 18th August 2005 and 22nd September 2005 respectively. The Board wishes to place on record its sincere appreciation for the guidance and assistance provided by them during their tenure.

Mr. K.Shankar, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures.
- ii) they have, selected such accounting policies, and applied them consistently and made judgments 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 or loss of the company for that period.
- iii) they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) they have prepared the annual accounts on a going concern basis.

VARUN BEVERAGES LIMITED

AUDITORS:

M/s O.P. Bagla & Co., Chartered Accountants, New Delhi, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received notice from them stating that if appointed, they are within the limits laid down under (1-B) of Section 224 of the Companies Act, 1956.

NOTES ON ACCOUNTS:

All observations of the Auditors and Notes on Accounts are self explanatory and therefore, do not require any further clarification/explanation.

PARTICULARS REGARDING CONSERVATION OF ENERGY ETC.:

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Foreign Exchange Earnings and outgo and conservation of energy are annexed hereto and forms part of this report. However, the information regarding technology absorption as contained in Form 'B' of the Annexure attached to aforementioned rules is not applicable to the Company during the year under review.

PARTICULARS OF EMPLOYEES:

As required by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, there is no employee who is in receipt of a remuneration of Rs.24,00,000/- per year, if employed for the whole year or Rs.2,00,000/- per month if employed for the part of the year.

AUDIT COMMITTEE:

The Company has an Audit Committee, whose composition, role, functions and powers are in accordance with the requirements of the Companies Act, 1956. The present Committee comprises of Mr. R. K. Jaipuria, Chairman, Mr. Raj P. Gandhi and Ms. Devyani Jaipuria, Members.

PUBLIC DEPOSITS:

The Company has not invited or accepted any deposits during the year from the Public under Section 58A of the Companies Act, 1956.

ACKNOWLEDGEMENT:

The Board places on record its appreciation for the valuable support and cooperation of the Company's Bankers, Government Agencies, Customers, Suppliers, Shareholders, Management Team and the entire workforce, for their cooperation and commitment, and looks forward for their continued support in the future. Your Directors also deeply acknowledge the continued trust and confidence that the shareholders have placed in the Company.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
FOR VARUN BEVERAGES LIMITED**

PLACE : NEW DELHI
DATE : 16th MARCH 2006

DIRECTOR

DIRECTOR

VARUN BEVERAGES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

I. CONSERVATION OF ENERGY FOR BEVERAGES, SHELLS AND CROWN :

	YEAR ENDING ON 31.12.2005	YEAR ENDING ON 31.12.2004	
A. POWER AND FUEL CONSUMPTION			
1. ELECTRICITY :			
a) PURCHASED :			
Unit	6350162	7019001	
Total Amount	33173774.71	33,292,972	
Rate / Unit	5.22	4.74	
b) OWN GENERATION :			
i. Through Diesel Generator			
Units	5833831	7555640	
Units per ltr. of diesel oil	3.33	3.38	
Cost / Unit	8.11	6.78	
ii. Through Steam Turbine/Generator			
Units	N.A.	N.A.	
Units per ltr. of fuel oil/gas			
Cost / Unit			
2. COAL (SPECIFY QUALITY AND WHERE USED)			
	N.A.	N.A.	
3. FURNACE OIL			
Quantity (Ltrs)	2004165	4315499	
Total Amount	30359029.01	67,565,079	
Average Rate	15.15	15.66	
4. OTHERS/INTERNAL GENERATION			
	N.A.	N.A.	
B. CONSUMPTION PER UNIT OF PRODUCTION FOR BEVERAGES, SHELLS AND CROWN :			
	STANDARDS	YEAR ENDING ON 31.12.05	YEAR ENDING ON 31.12.04
Products (in unit) Beverages	C/s	62112801	25886872
Products (in unit) Crown	Gross	7511497	6676666
Products (in unit) Shells	Pcs	271190	495930
Electricity (Beverages)	unit	0.63	0.56
Electricity (Crown)	unit	0.34	0.15
Electricity (Shells)	unit	0.63	0.90
Furnace Oil (Beverages)	c + k	0.31	0.07
Coal		N.A.	N.A.
Others		N.A.	N.A.

II. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lacs)

	YEAR ENDING ON 31.12.2005	YEAR ENDING ON 31.12.2004
1. Earnings in Foreign Currency	NIL	NIL
2. Outgo in Foreign Currency		
Value of Imports (CIF)		
- Capital Goods	261.10	1187.46
- Stores, Spares & Raw material	1824.70	1391.20
Expenditure in Foreign Currency		
- Traveling & others	70.18	33.77

VARUN BEVERAGES LIMITED

▶▶▶▶▶ AUDITORS' REPORT

The Members of
VARUN BEVERAGES LIMITED
DELHI

We have audited the attached Balance Sheet of **VARUN BEVERAGES LIMITED** as at 31st December, 2005, Profit & Loss Account for the Year Ended 31st December, 2005 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, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-12-2005 from being appointed as Director u/s 274(1)(g) of the Companies Act, 1956.

Contd..2..

VARUN BEVERAGES LIMITED

3. 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 31.12.2005.
- ii) In the case of the Profit & Loss Account of the **PROFIT** for the Year Ended on that date.
- iii) In the case of Cash Flow Statement of the Cash Flows for the Year ended on that date.

For O.P. BAGLA & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATE : 16th MARCH 2006

(ATUL BAGLA)
PARTNER
M. NO. 91885

VARUN BEVERAGES LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 2005

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. As the Company has disposed off an insignificant part of fixed assets during the year, paragraph 4 (i) (c) of the said order is not applicable.
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.
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 is an 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 with regard to the sale of goods and services. During the course of audit, no major weaknesses have been noticed in the underlying internal controls.
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.
8. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
9. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

Contd..2..

VARUN BEVERAGES LIMITED

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 sales tax Rs. 536.96 lacs and income tax Rs. 1.18 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.
19. During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained u/s 301 of the Companies Act 1956. As such paragraph 4 (xviii) of the order is not applicable.
20. 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 31.12.2005.
21. 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 : 16th MARCH 2006

VARUN BEVERAGES LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 2005

PARTICULARS	SCHEDULE	AS AT 31.12.05 Rs.	AS AT 31.12.04 Rs.
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDERS' FUNDS</u>			
SHARE CAPITAL	1	853,763,500	853,763,500
RESERVES & SURPLUS	2	742,383,449	628,546,717
		<u>1,596,146,949</u>	<u>1,482,310,217</u>
<u>LOAN FUNDS</u>			
SECURED LOANS	3	1,399,150,092	1,655,005,369
UNSECURED LOANS	4	50,000,000	50,000,000
		<u>1,449,150,092</u>	<u>1,705,005,369</u>
TOTAL		<u><u>3,045,297,041</u></u>	<u><u>3,187,315,586</u></u>
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
a) GROSS BLOCK	5	4,140,967,709	4,073,690,789
b) LESS : DEPRECIATION		1,204,838,040	1,008,741,420
		<u>2,936,129,669</u>	<u>3,064,949,369</u>
c) NET BLOCK		2,936,129,669	3,064,949,369
CAPITAL WORK IN PROGRESS		54,787,353	1,721,851
INVESTMENT	6	271,497,669	271,497,669
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
a) INVENTORIES	7	289,743,699	319,919,429
b) SUNDRY DEBTORS	8	245,310,501	215,812,585
c) CASH & BANK BALANCES	9	48,681,733	17,700,401
d) LOANS AND ADVANCES	10	196,348,187	171,145,849
		<u>780,084,120</u>	<u>724,578,264</u>
LESS : CURRENT LIABILITIES & PROVISIONS			
	11	555,017,228	504,389,143
NET CURRENT ASSETS		<u>225,066,892</u>	<u>220,189,121</u>
NET DEFERRED TAX ASSETS / (LIABILITIES)	12	(442,973,388)	(372,109,603)
MISCELLANEOUS EXPENDITURE	13	788,846	1,067,180
TOTAL		<u><u>3,045,297,041</u></u>	<u><u>3,187,315,587</u></u>

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

PARTNER

WHOLE-TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI

DATE : 16th MARCH 2006

CO. SECRETARY

VARUN BEVERAGES LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2005

PARTICULARS	SCHEDULE	YEAR ENDED 31.12.05 RS.	YEAR ENDED 31.12.04 RS.
<u>INCOME</u>			
SALES	14	3,533,731,229	3,022,999,134
LESS: EXCISE DUTY		607,507,376	571,938,382
		<u>2,926,223,853</u>	<u>2,451,060,752</u>
OTHER INCOME	15	31,997,436	22,789,537
REALISATION AGAINST TRANSPORTATION & OTHER CHARGES		143,092,705	383,853,498
TOTAL		<u>3,101,313,994</u>	<u>2,857,703,786</u>
<u>EXPENDITURE</u>			
PURCHASES		31,704,869	25,365,249
DECREASE / (INCREASE) IN STOCKS	16	22,733,899	(72,403,229)
RAW MATERIAL CONSUMED	17	1,529,673,874	1,436,611,249
STORES CONSUMED	18	45,417,600	37,653,714
POWER, FUEL & WATER CHARGES		167,596,279	160,546,177
SALARIES, WAGES & AMENITIES	19	185,093,168	153,542,058
REPAIR & MAINTENANCE	20	75,957,917	65,603,869
ADMINISTRATIVE EXPENSES	21	95,223,701	84,820,312
TRANSPORTATION, HANDLING & DISTRIB. COSTS	22	264,448,990	261,470,063
BREAKAGE LEAKAGE & BURST ETC.		22,417,095	26,823,154
SELLING & OTHER EXPENSES	23	56,736,228	40,061,146
DEPRECIATION		252,047,868	180,742,769
LOSS ON SALE OF FIXED ASSETS		16,695,685	2,129,546
PROVISION FOR DOUBTFUL DEBTS		2,859,688	936,356
FINANCIAL CHARGES	24	132,230,313	140,025,537
TOTAL		<u>2,900,837,174</u>	<u>2,543,927,969</u>
NET PROFIT BEFORE TAX		200,476,820	313,775,818
PROVISION FOR TAX		17,000,000	25,000,000
PROVISION FOR FRINGE BENEFIT TAX		4,000,000	-
PROVISION FOR DEFERRED TAX		70,863,785	107,068,337
NET PROFIT AFTER TAX		<u>108,613,035</u>	<u>181,707,481</u>
BALANCE AS PER LAST YEAR		596,971,157	277,382,105
BALANCE TRANSFERRED ON AMALGAMATION		-	140,016,254
TAX ADJUSTMENTS		5,223,697	(2,134,683)
BALANCE CARRIED TO BALANCE SHEET		<u>710,807,889</u>	<u>596,971,157</u>
BASIC / DILUTED EARNING PER SHARE		14.23	24.77
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	25		

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

WHOLE-TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI

DATE : 16th MARCH 2006

CO. SECRETARY

VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31.12.05 Rs.	AS AT 31.12.04 Rs.
<u>SCHEDULE - 1 : SHARE CAPITAL</u>		
<u>Authorised</u>		
8,623,650 Equity Shares of Rs. 10/- each (Previous year 6,000,000 Shares)	86,236,500	86,236,500
7,737,635 Preference Shares of Rs. 100/- each (Previous year 6,200,000 Shares)	773,763,500	773,763,500
	860,000,000	860,000,000
 <u>Issued Subscribed & Paid Up</u>		
8,000,000 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	80,000,000
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	773,763,500
AS PER BALANCE SHEET	853,763,500	853,763,500
 <u>SCHEDULE - 2 : RESERVES & SURPLUS</u>		
<u>Capital Reserve</u>		
Amount Transferred on Amalgamation	1,575,560	1,575,560
<u>General Reserve</u>		
Amount Transferred on Amalgamation	30,000,000	30,000,000
 Profit & Loss Account	710,807,889	596,971,157
AS PER BALANCE SHEET	742,383,449	628,546,717

VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31.12.05 Rs.	AS AT 31.12.04 Rs.
<u>SCHEDULE - 3 : SECURED LOANS</u>		
A. <u>From IDBI Ltd.</u>		
(Secured by first charge on all immovable and movable properties of the company at Bhiwadi, Alwar & Jodhpur Units).		
- Term Loan	349,144,600	482,395,000
B. <u>From UTI Bank Ltd.</u>		
(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 . Furthur secured by first pari- passu charge on the fixed assets of the company at Kosi kalan Unit.)		
- Term Loan	300,000,000	150,000,000
C. <u>From Standard Chartered Bank</u>		
(Secured by first exclusive charge on the immovable & movable properties of the company at Greater Noida. Furthur secured by first pari-passu charge on the fixed assets of the company at Kosi kalan Unit.)		
- Term Loan	304,850,000	400,000,000
D. <u>From GE Capital Services India</u>		
(Secured by exclusive charge on equipment financed at Kosi & Jaipur units of the company.)		
- Term Loan	132,000,000	175,983,946
E. <u>From Punjab National Bank</u>		
(Secured by hypothecation of Chargeable Current Assets of the company on Pari-passu basis,second charge on Fixed Assets of the company at Kosi on Pari-passu basis.)		
- Cash Credit Account	1,093,139	14,587,996
F. <u>From HDFC Bank Ltd.</u>		
(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	-	50,000,000
- Cash Credit Account	4,278,058	8,418,367
## Note: Above Loans from A to F are further secured by personnel guarantee of some of the Directors of the company, their relatives & their concerns.		
G. <u>From Limited Companies</u>		
i) Amount due under hire purchase agreements secured against hire purchase assets	61,139,811	75,592,414
ii) Pepsico India Holdings Ltd. (Secured against hypothecation of assets acquired)	246,644,484	298,027,646
AS PER BALANCE SHEET	<u>1,399,150,092</u>	<u>1,655,005,369</u>
<u>SCHEDULE - 4 : UNSECURED LOANS</u>		
From Limited Companies	50,000,000	50,000,000
AS PER BALANCE SHEET	<u>50,000,000</u>	<u>50,000,000</u>

VARUN BEVERAGES LIMITED

SCHEDULE - 5 : FIXED ASSETS AS AT 31st DECEMBER, 2005

DESCRIPTION	C O S T				D E P R E C I A T I O N				W . D . V .	
	AS ON 01-01-2005	ADDITIONS DURING THE YEAR	SALES/ ADJUST- MENTS	TOTAL AS ON 31-12-2005	AS ON 31-12-2004	FOR THE YEAR	ADJUST- MENTS	TOTAL AS ON 31-12-2005	AS ON 31-12-2005	AS ON 31-12-2004
MARKET INFRASTRUCTURE	9,000,000	-	-	9,000,000	8,570,959	429,041	-	9,000,000	-	429,041
LAND & SITE DEVELOPMENT	115,579,897	-	-	115,579,897	-	-	-	-	115,579,897	115,579,897
BUILDING	738,574,220	2,645,475	-	741,219,695	98,914,075	24,316,166	-	123,230,241	617,989,454	639,660,145
PLANT & MACHINERY	1,724,119,647	9,449,541	40,685,188	1,692,884,000	291,721,720	81,819,382	11,794,162	361,746,940	1,331,137,060	1,432,397,927
FURNITURE & FIXTURES	14,516,878	775,476	-	15,292,354	3,418,930	929,465	-	4,348,395	10,943,959	11,097,948
COMPUTER	17,796,718	2,832,527	-	20,629,245	9,433,981	3,020,601	-	12,454,582	8,174,663	8,362,737
OFFICE EQUIPMENTS	9,172,319	1,153,837	9,900	10,316,256	1,704,734	472,834	579	2,176,989	8,139,267	7,467,585
VEHICLES	234,945,689	27,555,165	9,955,577	252,545,277	87,692,349	26,737,258	6,346,398	108,083,209	144,462,068	147,253,340
VISICOOLERS & PMX MACHINES	545,467,130	61,539,133	26,045,900	580,960,363	396,310,603	80,551,143	22,676,121	454,185,625	126,774,738	149,156,527
CONTAINERS (Bottles & Shells)	664,518,291	105,419,972	67,397,641	702,540,622	110,974,069	33,771,979	15,133,989	129,612,059	572,928,563	553,544,222
CURRENT YEAR	4,073,690,789	211,371,126	144,094,206	4,140,967,709	1,008,741,420	252,047,869	55,951,249	1,204,838,040	2,936,129,669	3,064,949,369
PREVIOUS YEAR	3,196,138,054	928,090,045	50,537,310	4,073,690,789	838,824,196	180,780,620	10,863,396	1,008,741,420	3,064,949,369	1,809,502,912

VARUN BEVERAGES LIMITED

SCHEDULE – 6 : INVESTMENTS AS AT 31st DECEMBER, 2005

PARTICULARS	OPENING STOCK		TRANSFERRED ON AMALGAMATION		CLOSING STOCK		INVESTMENTS	
	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	19,138,307	59,120,606	-	-	19,138,307	59,120,606	59,120,606	-
128400 Equity Shares of Goa Bottling Co. Ltd. @ Rs. 100/- each fully paid up	12,840,000	63,818,146	-	-	12,840,000	63,818,146	63,818,146	-
6780 Equity Shares of Nectar Beverages Pvt. Ltd. @ Rs. 100/- each fully paid up.	6,780,000	148,558,917	-	-	6,780,000	148,558,917	148,558,917	-
CURRENT YEAR	38,758,307	271,497,669	-	-	38,758,307	271,497,669	271,497,669	-
PREVIOUS YEAR	8,991,570	27,805,502	29,766,737	243,692,167	38,758,307	271,497,669	271,497,669	-

VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31.12.05 Rs.	AS AT 31.12.04 Rs.
<u>SCHEDULE - 7 : INVENTORIES</u>		
(As Certified by the Management)		
Finished Goods	59,021,410	115,853,495
Work in Progress	11,788,360	5,451,028
Raw Material	161,812,639	140,868,452
Stores Spares & other materials	55,079,298	55,000,344
Advertisement Material	1,985,122	2,496,342
Material in Transit	56,870	249,768
AS PER BALANCE SHEET	289,743,699	319,919,429
<u>SCHEDULE - 8 : SUNDRY DEBTORS (Unsecured)</u>		
<u>Other Debts</u>		
i) Debts outstanding for a period exceeding six months		
- Considered Good	24,329,456	1,990,035
- Considered Doubtful	5,647,951	3,513,654
i) Other Debts		
- Considered Good	220,981,045	213,822,550
	<u>250,958,452</u>	<u>219,326,239</u>
Less: Provision for Doubtful Debts	5,647,951	3,513,654
AS PER BALANCE SHEET	245,310,501	215,812,585
<u>SCHEDULE - 9 : CASH & BANK BALANCES</u>		
In hand & imprest	3,279,587	1,598,055
In Current Account with Scheduled Banks	45,288,451	16,033,602
In Post Office Saving Bank Account	5,853	5,853
In Margin & FDR account with Scheduled Banks	107,842	62,891
AS PER BALANCE SHEET	48,681,733	17,700,401
<u>SCHEDULE - 10 : LOANS & ADVANCES</u>		
(Unsecured Considered good by the Management)		
Advances to suppliers, contractors & Others	78,836,613	47,338,288
<u>Security Deposits</u>		
- With Govt. Department	6,033,413	5,136,492
- With Others	35,917,476	7,909,035
Amount receivable in cash or kind	23,119,558	55,833,006
Balance with Excise Authorities	25,634,983	34,246,597
Claims Receivable	2,818,616	606,687
Prepaid Expenses	3,301,858	2,972,297
Income Tax Payments	20,685,670	17,103,447
AS PER BALANCE SHEET	196,348,187	171,145,849

VARUN BEVERAGES LIMITED

PARTICULARS	AS AT 31.12.05 Rs.	AS AT 31.12.04 Rs.
<u>SCHEDULE - 11 : CURRENT LIABILITIES & PROVISIONS</u>		
A. <u>Current Liabilities</u>		
Sundry Creditors	156,810,528	137,115,763
Due to Dealers	15,665,833	15,229,695
Security Deposits Received	333,146,029	293,710,157
Other Liabilities	28,394,838	33,333,528
B. <u>Provisions</u>		
Income Tax	17,000,000	25,000,000
Fringe Benefit Tax	4,000,000	-
AS PER BALANCE SHEET	555,017,228	504,389,143
<u>SCHEDULE - 12 : NET DEFERRED TAX LIABILITIES</u>		
<u>Deferred Tax Liability</u>		
- As at Jan 1, 2005	457,847,446	270,899,730
- Amount adjusted on Amalgamation	-	82,303,251
- Additional adjustment for the current year	23,597,903	104,644,465
	481,445,349	457,847,446
<u>Deferred Tax Asset</u>		
- As at Jan 1, 2005	85,737,843	88,161,715
- Additional adjustment for the current year	(47,265,882)	(2,423,872)
	38,471,961	85,737,843
AS PER BALANCE SHEET	442,973,388	372,109,603
<u>SCHEDULE - 13 : MISCELLANEOUS EXPENDITURE</u>		
(To the extent not w/off or adjusted)		
<u>Preliminary Expenses</u>		
Balance b/f	20,980	37,764
Less : 1/10th written off	16,784	16,784
	4,196	20,980
<u>Amalgamation Expenses</u>		
Incurred during the year	1,046,200	1,307,750
Less : 1/5th written off	261,550	261,550
	784,650	1,046,200
AS PER BALANCE SHEET	788,846	1,067,180

VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31.12.05 RS.	YEAR ENDED 31.12.04 RS.
<u>SCHEDULE - 14 : SALES</u>		
Beverages	3,012,314,731	2,569,260,457
Others	521,416,498	453,738,677
AS PER PROFIT & LOSS ACCOUNT	<u>3,533,731,229</u>	<u>3,022,999,134</u>
<u>SCHEDULE - 15 : OTHER INCOME</u>		
Realisation on sale of scrap etc	26,603,624	22,285,307
Interest Received	3,598,381	193,438
Sundry Balance W/off	918,573	183,667
Misc. Income	876,858	127,125
AS PER PROFIT & LOSS ACCOUNT	<u>31,997,436</u>	<u>22,789,537</u>
<u>SCHEDULE - 16 : DECREASE/ (INCREASE) IN STOCKS</u>		
<u>Stock as on 1.1.2005</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
Transferred on Amalgamation	-	13,571,711
TOTAL 'A'	<u>121,554,291</u>	<u>41,169,471</u>
<u>Stock as on 31.12.2005</u>		
Beverages	40,698,816	29,824,885
Work in Progress	11,788,360	5,451,028
Others	18,322,593	86,028,610
Goods in Transit	56,870	249,768
TOTAL 'B'	<u>70,866,639</u>	<u>121,554,291</u>
Excise Duty Adjustment on stocks 'C'	9,152,231	(16,638,676)
Finished Goods used as Fixed Assets 'D'	18,801,522	8,657,085
AS PER PROFIT & LOSS A/C (A-B-C-D)	<u>22,733,899</u>	<u>(72,403,229)</u>
<u>SCHEDULE - 17 : RAW MATERIAL CONSUMED</u>		
Opening Stock	140,868,452	57,834,355
Add : Transferred on Amalgamation	-	24,866,049
Add : Purchases	1,550,802,712	1,499,463,305
	<u>1,691,671,164</u>	<u>1,582,163,709</u>
Less : Closing Stock	161,812,639	140,868,452
: Sale	184,651	4,684,008
AS PER PROFIT & LOSS ACCOUNT	<u>1,529,673,874</u>	<u>1,436,611,249</u>
<u>SCHEDULE - 18 : STORES CONSUMED</u>		
Opening Stock	55,000,344	35,603,935
Add : Transferred on Amalgamation	-	9,218,365
Add : Purchases	45,554,054	47,831,758
	<u>100,554,398</u>	<u>92,654,058</u>
Less : Closing Stock	55,079,298	55,000,344
: Sale	57,500	-
AS PER PROFIT & LOSS ACCOUNT	<u>45,417,600</u>	<u>37,653,714</u>

VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31.12.05 RS.	YEAR ENDED 31.12.04 RS.
<u>SCHEDULE - 19 : SALARIES, WAGES & AMENITIES</u>		
Salaries, Wages & Allowances	173,989,919	141,278,382
Staff Welfare & Amenities	11,103,249	12,263,676
AS PER PROFIT & LOSS ACCOUNT	185,093,168	153,542,058
<u>SCHEDULE - 20 : REPAIRS & MAINTENANCE</u>		
- Plant & Machinery	54,336,126	39,198,063
- Building	3,508,661	4,410,700
- Others	18,113,130	21,995,106
AS PER PROFIT & LOSS ACCOUNT	75,957,917	65,603,869
<u>SCHEDULE - 21 : ADMINISTRATIVE EXPENSES</u>		
Rent, Rates & Taxes	5,623,985	5,332,898
Printing & Stationery	5,235,767	4,610,845
Postage, Telegrams & Telephone etc.	12,558,631	9,778,291
Conveyance & Travelling	32,394,862	28,546,191
Electricity & Generator Exp.	2,480,181	2,212,393
Vehicle Running and Maintenance	15,525,016	13,894,531
<u>Auditors' Remuneration</u>		
- As Audit Fees	230,000	190,000
- For Income Tax matters	138,500	206,047
- For Reimbursement of Expenses	122,046	101,830
- For Company Law & other matters	210,000	180,000
Legal & Professional Charges	5,213,590	6,319,973
General Office & Misc. Expenses	3,660,366	3,740,044
Fees & Licence	328,156	221,797
Internal Audit Fees	35,000	35,000
Books & Periodicals	1,500,059	1,176,283
Donation & Charity	927,728	50,864
Insurance Charges	3,807,209	4,126,696
Security & Service charges	4,954,271	3,818,295
Miscellaneous Expenditure W/off	278,334	278,334
AS PER PROFIT & LOSS ACCOUNT	95,223,701	84,820,312
<u>SCHEDULE - 22 : TRANSPORTATION, HANDLING & DISTRIBUTION COSTS</u>		
Freight, Octroi & Insurance	158,884,408	189,105,696
Delivery Vehicle Running & Maintenance	94,222,130	54,663,523
Loading & Unloading Expenses	11,342,452	17,700,844
AS PER PROFIT & LOSS ACCOUNT	264,448,990	261,470,063

VARUN BEVERAGES LIMITED

PARTICULARS	YEAR ENDED 31.12.05 RS.	YEAR ENDED 31.12.04 RS.
<u>SCHEDULE - 23 : SELLING EXPENSES</u>		
Advertisement & Sales Promotion Expenses	41,004,882	25,646,453
Meeting & Conference Expenses	2,698,685	3,656,931
Royalty Charges	13,032,661	10,757,762
AS PER PROFIT & LOSS ACCOUNT	<u>56,736,228</u>	<u>40,061,146</u>
<u>SCHEDULE - 24 : FINANCIAL CHARGES</u>		
Interest	118,990,922	123,284,885
Bank Charges	3,142,131	6,769,800
Exchange Fluctuation	4,255,215	2,006,145
Lease & Hire Charges	5,842,045	7,964,707
AS PER PROFIT & LOSS ACCOUNT	<u>132,230,313</u>	<u>140,025,537</u>

VARUN BEVERAGES LIMITED

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.
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.

VARUN BEVERAGES LIMITED

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)	812.24	5.03
b) Letter of credit opened in favour of inland/overseas suppliers	1351.26	327.69
c) Guarantees issued on behalf of a Limited Company	3435.23	3435.23
d) Counter Guarantees given i.r.o. guarantees issued by Company's Bankers.	0.50	0.60
2. <u>Details of Licensed and Installed Capacities & Production</u>		
A) Licensed Capacity	N.A.	N.A.
B) Installed Capacity *		
- Beverages BPM	5982	5982
- Pet Preforms PPM	400	400
- Crown Corks Gross per day	46500	46500
- PVC Shells Pc per day	465	465
C) Production		
- Beverages Cases/Bags	22102018	25886872
- Pet Preforms Nos.	172786361	201652517
- Crown Corks Gross.	751149	6676666
- PVC Shells Nos.	271190	495930

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

VARUN BEVERAGES LIMITED

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	30954	505983819	30889	430075311
Crown Corks					
Crown Corks (Purchased)	Gross	-	-	807417	15592839
Crown Corks (Captive)	Gross	2757690	Own Production	2780122	Own Production
Sugar	Kgs.	18896931	338195015	20920723	325288786
Caps	Nos.	77293774	25419694	60215657	22621739
Pet Chips	Kgs.	5854119	351107059	6901263	381331936
TFS	Kgs.	2612132	114678726	2372809	86194725
Preforms	Nos.	77588723	Own Production	60377283	Own Production
Others		-	194289561	-	175505913

4. Particulars of Sales/Stock

		<u>CURRENT YEAR</u>		<u>PREVIOUS YEAR</u>	
<u>Opening Stock</u>					
Beverages	C/s/Bags	386235	30074653	255886	20184842
Preforms	Nos.	14002858	33230021	2885171	6732187
Crown Corks	Gross	1817281	41480110		
PVC Shells	Nos.	177850	11080724		
Others		-	237755	-	500781
<u>Transferred on Amalgamation</u>					
Beverages	C/s/Bags	-	-	145482	13571711
<u>Purchases</u>					
Beverages	C/s/Bags	97315	27326387	161414	23436316
Others			4378482	-	1928933
<u>Sales</u>					
Beverages	C/s/Bags	22159629	3012314731	26023492	2569260457
Preforms	Nos.	106622472	335023280	129637247	394944426
Crown Corks	Gross	6237528	177028868	1642346	45946989
PVC Shells	Nos.	81580	5203596	162709	10836926
Others		-	4160754	-	2010336
PVC shells used as Fixed Assets	Nos.	367390	18801522	155371	8657085
<u>Closing Stock</u>					
Beverages	C/s/Bags	406344	40755686	386235	30074653
Preforms	Nos.	2807572	6781275	14002858	33230021
Crown Corks	Gross	439615	11073141	1817281	41480110
PVC Shells	Nos.	70	4265	177850	11080724
Others		-	463912	-	237755

*Sales quantity includes goods given as free samples

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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.
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> <u>(Rs. In Lacs)</u>	<u>PREVIOUS YEAR</u> <u>(Rs. In Lacs)</u>
Capital Goods	261.10	1187.46
Stores, Spares & Raw Material	1824.70	1391.20

8. Expenditure in Foreign Currency

- Travelling & Others	70.18	33.77
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9. Remuneration paid to Directors :-

Sh. C.K. Rastogi	-	365,923
Sh. R.P. Gandhi	985,960	141,876
Sh. K. Shankar	1061,189	759,368
Ms. Devyani Jaipuria	960,000	586,667

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10. <u>Claim against the company not acknowledged as debts :-</u>	<u>Current Year (Rs. In Lacs)</u>	<u>Previous Year (Rs. In Lacs)</u>
- For Excise and Service Tax (being contested in appeals)	-	105.67
- For Advertisement Tax (being contested in appeals)	9.15	9.15
- For Sales Tax (being contested in appeals)	536.96	56.56
- For Income Tax (being contested in appeals)	1.19	-
- Others (being contested in appeals)	42.68	14.74

*excludes undecided cases where amount of liability is not ascertainable.

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, 2005 are not ascertainable.

12. FOB Value of export Rs. 6282372/-.

13. 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.

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

Name	Advance as on 31.12.2005	Maximum balance on any day during the period
Shri K. Shankar	Rs. 20,100/-	Rs. 41,713/-
Shri R.P. Gandhi	Rs. NIL	Rs. 2,750/-

15. 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.

16. 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.170 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).

VARUN BEVERAGES LIMITED

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

Particulars	Opening as at 01.01.05 (Rs. in Lacs)	Charge/Credit during the Year (Rs. In Lacs)	Closing as at 31.12.05 (Rs. In Lacs)
<u>Deferred Tax liabilities</u>			
Depreciation	4578.47	235.98	4814.45
<u>Deferred Tax Assets</u>			
Depreciation C/f as per Income Tax Act	857.38	(472.66)	384.72
Net Deferred Tax Liability	3721.09	708.64	4429.73

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.

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

	Year Ended 31.12.2005	Year Ended 31.12.2004
Profit before Tax	200476820	313775819
Less : Provision for Tax	91863785	132068337
Less : Income Tax / W.Tax Adjustment	(5223697)	2134683
Profit attributable to the Equity Shareholders – (A)	113836732	179572799
Basic /Weighted average number of Equity Shares outstanding during the year (B)	8000000	7250000
Nominal value of Equity Shares (Rs)	10	10
Basic/Diluted Earnings per share(Rs) – (A)/(B)	14.23	24.77

18. **Related Party Disclosures:**

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

A. **Relationships**

I. **Key Management Personnel**

Name	Designation
Sh. R. P. Gandhi	Whole Time Director
Sh. K. Shankar	Whole Time Director
Ms. Devyani Jaipuria	Working Director

II. **Associates**

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

VARUN BEVERAGES LIMITED

- 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 Remmuneration	30.07	-
Sale of Finished Goods	-	822.36
Sale of Inputs	-	2.01
Sale of fixed assets	-	26.98

- 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 31-12-05	As At 31-12-04	As At 31-12-05	As At 31-12-04	
Key Management Personnel & Relatives	.20	0.14	NIL	NIL	0.44
Associates	282.73	446.43	NIL	NIL	886.38

19. **Segmental Reporting**

The business activity of the company falls within a single primary business segment viz "Beverages" and the sale of the products is within the country. Hence the disclosure requirement of Accounting Standard 17 of "Segment Reporting" issued by the Institute of Chartered Accountants of India is not considered applicable.

20. Figures for the previous year have been regrouped or recasted wherever necessary and are not comparable with current year figures. Previous year figures are after amalgamation with Devyani Beverages Limited w.e.f. 1st April 2004.

IN TERMS OF OUR REPORT OF
EVEN DATE ANNEXED

**For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS**

PARTNER

WHOLE-TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI
DATE : 16th MARCH 2006

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. <u>REGISTRATION DETAILS</u>	
Registration No.	69839
State Code	55
Balance Sheet Date	31st DECEMBER, 2005
II. <u>CAPITAL RAISED DURING THE YEAR</u>	
Public Issue	NIL
Right Issue	NIL
Private Placement (On Amalgamation)	NIL
Bonus Issue	NIL
III. <u>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</u>	
Total Liabilities	3,600,314,269
Total Assets	3,600,314,269
<u>SOURCES OF FUNDS</u>	
Paid-up Capital	853,763,500
Reserves & Surplus	742,383,449
Secured Loans	1,399,150,092
Unsecured Loans	50,000,000
<u>APPLICATION OF FUNDS</u>	
Net Fixed Assets	2,936,129,669
Investments	271,497,669
Net Current Assets	225,066,892
Misc. Expenditure	788,846
Capital Work-in-progress	54,787,353
Deferred Tax Assets/(Liabilities)	(442,973,388)
IV. <u>PERFORMANCE OF THE COMPANY</u>	
Turnover including other income	3,101,313,994
Total Expenditure	2,900,837,174
Profit before tax	200,476,820
Profit after tax	113,836,732
Earnings Per Share (Rs.)	14.23
Dividend Rate (%)	NIL
V. <u>GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY</u>	
Item Code No. (ITC Code)	220210.10
Product Description	Areated Soft Drinks

IN TERMS OF OUR REPORT OF
EVEN DATE ANNEXED

For O. P. BAGLA & CO.
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

PARTNER

WHOLE-TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI

DATE : 16th MARCH 2006

CO. SECRETARY

VARUN BEVERAGES LIMITED

CASH FLOW STATEMENT FOR YEAR ENDED 31-12-2005

PARTICULARS	Y.E. 31-12-2005	Y.E. 31-12-2004
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	200,476,820	313,775,819
Adjusted for :		
Depreciation	252,047,868	180,780,620
Preliminary Expenses W/off	278,334	278,334
Provision for Doubtful Debts	2,859,688	936,356
Interest Received	(3,598,381)	(193,438)
Interest Paid	118,990,922	123,284,885
Breakage	22,417,095	26,823,154
Loss on sale of Fixed Assets	16,695,685	2,129,546
	409,691,211	334,039,457
Operating Profit before Working Capital Changes	610,168,031	647,815,276
Adjusted for :		
Trade & Other Receivables	(53,541,581)	(78,275,273)
Inventories	30,175,730	(198,032,800)
Trade Payable	54,191,947	170,803,327
	30,826,096	(105,504,746)
Cash Generated from Operations	640,994,127	542,310,530
Interest Paid	(118,990,922)	(123,284,885)
Direct Taxes Paid	(23,358,526)	(30,806,846)
	(142,349,448)	(154,091,731)
Net Cash from operating activities	498,644,679	388,218,799
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(264,436,628)	(620,929,891)
Asset acquired on Amalgamation (On WDV)	-	(547,810,946)
Sale of Fixed Assets	49,030,177	10,721,214
Sale of Investments \		
(Acquired on Amalgamation)	-	(243,692,167)
Miscellaneous Expenditure	-	(1,307,750)
Interest Received	3,598,381	193,438
Net Cash used in Investing Activities	(211,808,070)	(1,402,826,102)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Pref. Shares (On Amalgamation)	-	157,648,200
Proceeds from issue of Equity Shares (On Amalgamation)	-	30,000,000
Reserves Transf.on Amalgamation\		
Amalgamation Reserve	-	253,895,065
Proceeds from Borrowings/ Repayments	(255,855,277)	568,067,315
Net Cash used in Financing Activities	(255,855,277)	1,009,610,580
Net increase in Cash and Cash Equivalents	30,981,331	(4,996,723)
Cash and Cash Equivalents as on 1.1.2005	17,700,401	22,697,124
Cash and Cash Equivalents as on 31.12.2005	48,681,733	17,700,401

IN TERMS OF OUR REPORT OF
EVEN DATE ANNEXED

For **O. P. BAGLA & CO.**
CHARTERED ACCOUNTANTS

PARTNER

WHOLE-TIME DIRECTOR

DIRECTOR

PLACE : NEW DELHI

DATE : 16th MARCH 2006

CO. SECRETARY

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