

ANNUAL REPORT 2009 - 2010



The building blocks
of success



UNITED BREWERIES (HOLDINGS) LIMITED



Dr. Vijay Mallya
Chairman

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Chairman's Statement

Dear Fellow Shareholders,

Today is really a special occasion for all of us, meeting at the Company's 94th Annual General Meeting. It has been a remarkable year for all our companies. Both United Breweries & United Spirits have achieved landmarks with sales exceeding 100 million cases each. In the process, United Spirits has come within close proximity to being the world's largest distiller, a position that should be achieved most probably in the current year; United Breweries in turn has for the first time exceeded 50% market share in the highly competitive brewing space. Other businesses too have performed very well and I shall cover each briefly.

In the post financial meltdown scenario, India has clearly established a growth trajectory both in terms of GDP as well as by measures of poverty alleviation. A combination of the economic growth and social schemes launched by the Government, have pulled millions of Indians out of hunger and penury. It is to be noted that a rupee in the hands of a marginal consumer is instantly put back into circulation and we are clearly seeing this virtuous cycle of accelerated consumer spending on a sustainable basis.

The only dark clouds that are visible on this horizon are caused by the double digit rates of inflation, which is today among the highest in the world. As consumer demand from various sections of the economy pick up, the supply side, particularly on the agricultural front has not kept pace, leading to entrenched inflationary pressures. While a good monsoon augurs well for the near term, structural improvements in agricultural productivity are essential for long term growth of the economy.

I have had occasion in the past to also draw attention to the state of the infrastructure, both physical as well as social. While I do see significant investments going to improve the physical infrastructure, this needs to be backed up by a regulatory framework that incentivizes innovation and productivity.

On the social side, despite action on certain key issues such as "Right to Education" there is as yet no concerted effort visible to improve primary education in the country or indeed allied accelerators such as nutrition and health. This would be key to ensuring fundamental and long lasting uplift in productivity which is the vital ingredient for the next step of our country's growth, enabling India to take its rightful place on the high table of developed nations.

At UB Group, we have built our businesses on the principle of anticipating and then catering to the needs of the Indian consumer. To this end, we have invested consistently in product, packaging and communication. The success of the 360 degree effort is visible from the leadership position that we have in each of the industries that we have invested in.

UNITED BREWERIES LIMITED (UBL):

In a tough competitive brewing industry, which now has all the world's major brewers fighting for market share, UBL towers above all others. A growth of 20% in the market growing at half that rate has ensured that UBL's stable of market leading brands command a combined market share of more than 50% in the categories in which we operate.

While Kingfisher Strong has emerged as India's most popular beer, other variants such as Kingfisher Ultra, a super premium product, are also being enthusiastically received by the market.

UBL's position in both the domestic and international beer market will be further strengthened consequent to the signing of the Shareholder Agreement with Heineken. This envisages, among other things, the production and sale of the globally acclaimed Heineken beer in India by UBL. Simultaneously, I also look forward to leveraging Heineken's international distribution strength to further the spread of Kingfisher Beer in select international markets.

UNITED SPIRITS LIMITED (USL):

United Spirits is now commonly acknowledged as the bell weather consumer stock in the country. Last year sales of over 100 million cases has ensured that USL is within touching distance of the global top slot. Indian consumers have historically franchised brown spirits and whisky lies at the very heart of USL's business model. Recent consumer research seems to indicate a continuation of this love affair even with young and emergent consumers. Successive generations have developed an abiding trust in the offerings from USL. Consistent out performance of the market is evidence of USL keeping up its side of the bargain.

Chairman's Statement (contd.)

In keeping with the philosophy of anticipating consumer preferences, we have recently invested, as you know, in Whyte & Mackay Limited, the Glasgow based and world's 4th largest scotch manufacturer. Steady upgradation of the consumer palette means that today's whisky drinker will tomorrow be franchising scotch. Additionally, scotch is also an important blending material in the manufacture of USL's core IMFL brands.

Similarly, the company sees the prospect of significant growth in the wine segment. With a view to catering to the nascent demand we have not only acquired a sophisticated French winery called Bouvet-Ladubay, but also invested in India's largest domestic winery located in the Baramati district of Maharashtra. Already the wines produced from this facility have begun to garner awards and recognition.

The demographic opportunity ensures that there is a significant expansion of the addressable market size by the addition of new consumers reaching legal drinking age. Higher disposable incomes and changes to cultural and social outlook will all combine, I trust, to facilitate greater penetration and as a result higher per capita consumption. This should provide a sustained opportunity for growth, which will be further accelerated by the upgrading from "Country Liquor" to branded IMFL products.

KINGFISHER AIRLINES (KFA):

India's and indeed, Asia Pacific's favourite airline "Kingfisher" continues its winning ways. Built on the same foundation of catering to consumer needs, the airline has redefined service levels for the aviation industry not just in India but also increasingly in the international destinations that it serves. Kingfisher Airlines is proud to have been invited in the short period of time since start up to join the "One World Alliance". This invitation is the first to any Indian carrier and reflects international recognition of our airline's achievements.

After a challenging year where the combination of the global melt down and the oil price shock had resulted in severe losses to the aviation industry globally, we are now seeing signs of new and profitable growth.

The pick up in India's economy is directly translating into increased demand for air travel and the year to date has witnessed growth of 21%. There has also been a discernable pick up in business class travel and the combination of the two can be seen from the higher load factors recorded in general and by Kingfisher in particular. Rational capacity

expansion and a relatively benign fuel cost environment has enabled a sharp turn around in the fortunes of the industry.

I have long been convinced that India's growth in future will come not only from its big cities but also from its smaller towns. Given the size of the country, I feel that air connectivity is a vital force accelerator. There is increasing acceptance of this view point in Government and this should reflect in calibrated changes to the regulatory environment, which should benefit the industry at large and KFA as the market leader.

Given the improvements in the operations and profitability of the airline, it is now time to look at restructuring the balance sheet. A number of steps have been initiated including the raising of new capital and realignment of KFA's debt obligations to a revised business plan, which is reflective of the current environment. Implementation of these will fuel and facilitate sustained profitable growth of this major investment.

UB GLOBAL:

Judicious price increases in select markets and tight control on costs enabled UB Global to record its highest profit despite world markets continuing to be in the grip of recessionary conditions. Trading in wines from South Africa added another product to UB Global's portfolio.

For the eleventh year in succession, UB Global was the highest exporter of beverage alcohol in the country and was recognized with APEDA's Golden Trophy. The Federation of Karnataka Chamber of Commerce & Industry also conferred its Silver Trophy on UB Global for the Best Merchant Exporter.

MANGALORE CHEMICALS & FERTILIZERS (MCF):

The year 2009-10 has been a year of records for the company having achieved sales of over 1 million metric tonnes overall and the highest ever sales of Phosphatic fertilizers. As one of the most efficient fertilizer units in the country, MCF has seen an increase of over 100% in the profit after tax.

Building on the strength of its "Mangla" brand, the company has taken major initiatives to create awareness among the farming community on the advantage of balanced fertilizer use. In practice, years of targeted subsidies have resulted in over use of certain kinds of nutrients alone and this has had a consequential

negative impact on agricultural productivity. The company intends to press ahead with an Integrated Nutrient Management Program (INM) sales of which have already registered an increase of one third over the previous year.

Given its presence in the agricultural heartland of the country, the company regularly engages in several community activities.

UB ENGINEERING (UB ENGG):

As the Indian economy picks up the growth trajectory, there is widespread recognition of the need for upgrading infrastructure. Recognizing the limitations of budgetary funding, there is increased emphasis on private sector participation on the upgradation of India's infrastructure. Ambitious plans have been drawn up for major investments in vital sectors such as power, roads, etc.

This focus creates enormous opportunity for UB Engg., which currently operates two divisions namely; Mechanical Erection and EPC. Both top line and profits have shown impressive growth during the year with prospects of this accelerating in the years to come. The company is also evaluating entry into possible new areas of business, which have tremendous growth prospects for many years to come, while at the same time promoting development across the country.

UB CITY:

From the very first day it was occupied, UB City has become the most prized address in Bangalore, attracting stellar corporates, ultra luxury retail brands, premium restaurants and bars and a steady flow of visitors. Built with a painstaking attention to detail, the office spaces, service apartments, retail mall and food court have each redefined their respective spaces. Taking advantage of the expectation built around UB City, UBHL has plans to imminently launch an ultra luxury residential tower within the same complex. A one of a kind super premium development is envisaged with a minimum size of 500,000 sq. ft. As with the UB City development, the residential

tower will be constructed on a joint development basis with 55% of the built up area accruing to our company and 45% being retained by the builder. Construction is expected to start by the end of the current financial year and should be completed in about 3 ½ years. It is the company's intention to commence sale of space forthwith.

COMMUNITY SERVICE:

The UB Group operates from over 150 manufacturing locations and project sites. Most of these are located in remote parts of the country. As part of UB's commitment to society at large, we have consistently initiated steps to improve the lives of the local communities that we engage with. Primary education, health care, conservation of water and energy and renewal of the water tables are just some of the projects that we undertake on an ongoing basis. We are particularly proud of having been recognized with the prestigious Water Digest Award for the year 2009-2010 in the category of Best Water Conserver – Waste Water Management Company and CSR company for water practices supported by UNESCO, PHDCCI and various Government of India agencies.

Overall, our philosophy is to incrementally make a positive impact to the environments we operate in and we do this on an everyday basis.

Friends, we can be justifiably proud of our achievements last year and confident that we are gathering momentum to set new records each year in each of our businesses.

Every member of the UB Group, its employees, managers, customers, suppliers, financial partners and above all dear shareholders yourselves, have contributed to a successful innings, and I am confident of continued support as we cross new milestones in the future.



Date: August 20, 2010

Dr. Vijay Malliya
Chairman



UNITED BREWERIES [HOLDINGS] LIMITED



Directors	<p>Dr. Vijay Mallya, Chairman</p> <p>Mr. Sidhartha V Mallya</p> <p>Mr. N Srinivasan</p> <p>Mr. S G Ruparel</p> <p>Mr. P G Mankad</p> <p>Mr. B S Patil</p> <p>Mr. M S Kapur <i>[with effect from December 7, 2009]</i></p> <p>Mr. A Harish Bhat <i>[Managing Director with effect from August 21, 2010]</i></p> <p>Mr. R N Pillai <i>[Managing Director upto August 20, 2010]</i></p>
Executive Vice Chairman The UB Group	Mr. S R Gupte
President & Chief Financial Officer The UB Group	Mr. Ravi Nedungadi
Company Secretary and Compliance Officer	Mr. Kaushik Majumder
Auditors	M/s Vishnu Ram & Co., Chartered Accountants Bangalore – 560 003
Registered Office	UB Tower, Level 12, UB City, No.24, Vittal Mallya Road, Bangalore 560 001
Registrars and Transfer Agents	M/s Alpha Systems Private Limited No.30, Ramana Residency, 4 th Cross, Malleswaram, Bangalore 560 003

Report of the Directors

Your Directors have pleasure in presenting the 94th Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

The summary of financial results of the Company for the financial year ended March 31, 2010 is as under:

[Rs. in million]

	2009-2010	2008 – 2009
The working for the year resulted in		
• Profit before Exceptional Income	419.748	595.443
• Add Exceptional Income	960.420	-
• Profit before Depreciation and Taxation	1,380.168	595.443
Less:		
• Depreciation	107.072	80.799
• Taxation	570.806	106.769
Profit after tax	702.290	407.875
Profit for the year	702.290	407.875
Your Directors have made the following appropriations:		
• Proposed Dividend	66.819	-
• Corporate Tax on Proposed Dividend	11.099	-
• Transfer to General Reserve	-	-
Surplus carried to the Balance Sheet	624.372	407.875

DIVIDEND

Taking into account the improved results for the year and also the need for resources for expanding business activities of the Company, your Directors have recommended a dividend of Re.1 per share (10%) for the year ended March 31, 2010.

OPERATIONS

The Company's revenues comprise of rentals of property at UB City, Bangalore, Export Sales, Trade Mark License Fees, Dividends, Guarantee Commission and Interest on Loans and Deposits.

PROPERTY DEVELOPMENT

A Joint Development Agreement was executed on April 26, 2010 with Prestige Estates Projects Limited [PEPL] to develop 1,93,266 sq. ft [4.44 acres] in the residential area "Brewery House" in the property bearing Municipal No.33, Vittal Mallya Road, Bangalore into a Luxury Residential Apartment Buildings with first class specifications. It is intended to develop a minimum super built up area of 500000 sq. ft. or such area as may finally be approved by the authorities and the Company will be entitled to 55% of the constructed area. The sanction of the plan is awaited. When built, this residential development will add yet another landmark to Bangalore's skyline.

Reflecting the changed scenario arising from the global economic slow down since last year, several Lessees of rental space (both office and retail) have re-negotiated the rentals. This has impacted the potential revenue. A re-negotiated package worked out with the retail lessees is now in place.

SALE OF PROPERTY

During the year, the Company has sold Commercial Space measuring 26,696 sq.ft. of saleable super built up area inclusive of proportionate share in all the common areas in the Comet Block in 'UB CITY' and 7868.50 sq.ft. of undivided right, title and interest and ownership in the land in the UB City Property together with 30 covered parking spaces in basement to the developer of the property, Prestige Estates Projects Ltd.

EXPORT BUSINESS

For the eleventh consecutive year, UB Global was awarded APEDA's Golden Trophy for outstanding export performance of Alcoholic Beverages, along with the Silver Award for the Best Merchant Exporter from the Federation of Karnataka Chamber of Commerce and Industry.

Recessionary economic conditions continued to haunt UB Global's markets, with several European countries

experiencing a liquidity crisis. The gradual boom witnessed by the domestic economy only added to the woes through increased input costs. The combined effect of such environmental impediments marginally affected revenues and profitability. However, performance in the branded leather footwear and apparel export was satisfactory.

For the first time, the overseas beer shipments crossed the one million cases mark during the year. Exports of wines to South Africa, which commenced in January 2009, widened its foot-print, spreading its presence to twelve countries.

Recognizing the financial benefits accruing from owned production units, UB Global acquired a footwear manufacturing unit at Ambur, a leather industry centre in Tamil Nadu, which is currently in an expansion phase. The exports division is focusing on ascending the value-chain and will be putting up a new facility to produce high-end casual-wear apparel from the following financial year. Both production units have been entirely funded from internal accruals.

DIRECTORS

During the year, Mr. M S Kapur was appointed as an Additional Director to hold office up to the date of the next Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose Mr. M S Kapur as a candidate for the office of the Director of the Company liable to retire by rotation.

Mr. R N Pillai was re-appointed as Managing Director with effect from March 18, 2010 up to the close of business hours of August 20, 2010 without remuneration subject to approval of the Members at the ensuing Annual General Meeting. The Board wishes to place on record the valuable services rendered by Mr. Pillai during his tenure as Managing Director of the Company. Mr. R N Pillai will however continue to be a Director of the Company.

Mr. A Harish Bhat was appointed by the Board as Managing Director of the Company, without remuneration, from the close of business hours of August 20, 2010 for a period of three years or date of superannuation whichever is earlier subject to approval of the Members at the ensuing Annual General Meeting.

Mr. S G Ruparel and Mr. B S Patil, Directors, retire by rotation and, being eligible, offer themselves for re-appointment, as Directors liable to retire by rotation.

A brief resume of the Directors offering themselves for appointment /re-appointment is given in the Annexure to the Notice.

AUDITORS

Messrs. Vishnu Ram & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

With regard to observations in the Auditors' Report on the accounts for the year ended March 31, 2010, the relevant financial notes are self explanatory and do not require further elucidation.

LISTING OF SHARES OF THE COMPANY

The shares of your Company are presently listed on Bangalore Stock Exchange Limited [Regional Exchange], The Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited.

CORPORATE GOVERNANCE

A report on Corporate Governance is annexed separately as part of the report along with a Certificate of Compliance from the Statutory Auditor. Necessary requirements of obtaining certifications / declarations in terms of Clause 49 of the Listing Agreements have been complied with.

SUBSIDIARIES

During the current year, UB Sports Limited became a wholly owned subsidiary of the Company.

The following are the subsidiaries of the Company:

A. Indian Subsidiary Companies

1. Bangalore Beverages Limited
2. City Properties Maintenance Company Bangalore Limited
3. Kingfisher Finvest India Limited [Formerly Kingfisher Radio Limited]
4. Kingfisher Airlines Limited [Formerly Deccan Aviation Limited]
5. Kingfisher Training and Aviation Services Limited [Formerly Kingfisher Airlines Limited]
6. Kingfisher Aviation Training Limited [Formerly Kingfisher Training Academy Limited]
7. UB Electronic Instruments Limited
8. UB Infrastructure Projects Limited
9. UB International Trading Limited
10. Vitae India Spirits Limited

Report of the Directors (contd.)

B. Overseas Subsidiary Companies

11. Inversiones Mirabel, S.A.
12. Mendocino Brewing Co. Inc, USA
13. Rubic Technologies Inc
14. Rigby International Corp
15. Releta Brewing Company LLC
16. UB Overseas Limited
17. UBHL [BVI] Limited
18. United Breweries of America Inc., Delaware
19. United Breweries International [UK] Limited
20. UBSN Limited

A summary of performance of all the above mentioned subsidiaries including turnover, profit before and after taxation are available in the statement under the heading Summarized Financials of Subsidiary Companies 2009-10 included in the Annual Report.

The Ministry of Corporate Affairs, Government of India, has granted exemption from attaching the annual accounts of the above Subsidiaries in view of the publication of consolidated financials. The Consolidated Financial Statements in the Annual Report include financial information of the Subsidiary Companies.

The Company will, however, make available the Audited Annual Accounts and related information of the Subsidiary Companies, upon request by any member of the Company. These documents will also be available for inspection during business hours at the Registered Office of the Company and at the venue of the Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis Report is appended and forms an integral part of the Report on Corporate Governance which is appended.

FIXED DEPOSITS

The Company started accepting fresh deposits during the year. The response to the Fixed Deposit Scheme was quite good. Fixed Deposits from the Public and Shareholders stood at Rs.1349.024 million as on March 31, 2010.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A[5] and 205C of the Companies Act, 1956, an amount of Rs.0.134 million [Previous Year Rs.1.129 million] being the aggregate of the Unclaimed Dividend and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

PARTICULARS OF EMPLOYEES

The information as are required to be provided in terms of Section 217[2A] of the Companies Act, 1956 read with the Companies [Particulars of Employees] Rules, 1975 is enclosed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

Particulars of Conservation of Energy, Technology Absorption

The Provisions of Section 217[1][e] of the Act relating to conservation of energy and technology absorption do not apply to this Company since it is not engaged in manufacturing activities.

Foreign Exchange Earnings and outgo

The particulars are as under:

[Rs. in million]

Description	Year ended	
	March 31, 2010	March 31, 2009
Foreign exchange earnings	1888.084	1947.960
Foreign exchange outgo	1747.185	152.513

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217[2AA] of the Companies Act, 1956 the Board of Directors hereby state that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
- (iv) the Annual Accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors place on record the support received from Group Companies, shareholders, depositors, banks, financial institutions and employees.

By Order of the Board

Bangalore
August 20, 2010

Dr. Vijay Malliya
Chairman

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2010.

Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs.24,00,000 per annum.							
Sl. No	Name	Age	Total Remuneration (Rs.in lacs)	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Anand Deepak	61	250.23	President – Fertilizers Division	B.A. (Eco.) (Hons), A.C.A.	36	Director, A F Ferguson & Co, Mumbai
2.	Ramanujam S	58	69.20	Executive Vice President – Group Taxation	B.Sc, A.C.A.	32	Manager, Group Taxation, Investment Trust of India Ltd, Chennai
3.	Shashikanth V	49	97.60	Executive Vice President – Overseas Business Division	B.E., PGDIT	26	Project Director, Bharat Forge Ltd, Pune
4.	Ashoke Roy	53	92.70	Deputy President- Internal Audit	B.Com, A.C.A., ICMA, ICSA	26	Senior Auditor, Philips India Limited.
5.	K V Sreenath	54	50.10	Senior General Manager- Chairman's Office	B.Com	34	First employment
6.	Anil Pisharody	50	37.70	Corporate Vice President-Finance	B.Com, A.C.A.	25	Commercial Manager- Contract Advertising India Limited
7.	D. Banerjee	51	58.50	Sr. Vice President	B.Tech (Hons.) PGDM	26	United Spirits Ltd.
8.	Kaushik Majumder	47	32.20	Assistant Vice President – Legal & Company Secretary	M.Com, F.C.S.	23	Company Secretary & Head-Legal – Tata Projects Ltd
9.	R. Swaminathan	49	35.80	Asst. Vice President- Internal Audit	B.Com, A.C.A.	25	Asst. Manager Accounts, The Indian Steel Rolling Mills Limited

Employed for part of the year and were in receipt of remuneration at the rate / not less than Rs.2,00,000 per month.

Sl. No.	Name	Age	Total Remuneration Rs.	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Sudhir Goyal*	62	91.27	Executive Deputy President – Human Resources	M A	33	Head of Human Resources – Duncan Group.
2.	J K Sardana**	54	11.70	Vice President	B.Tech (Mech.)	32	Alstom Projects India Limited

* Since retired; ** Since transferred to another Associate Company

Notes:

- Remuneration shown above includes Salary, Allowance, Medical Leave, Travel Expenses and monetary value of perquisites as per Income Tax Rules.
- None of the employees mentioned above is a relative of any Director of the Company.
- None of the above mentioned employees is holding more than 2% of the Paid up Equity Capital of the Company.

Annexure to Directors' Report (contd.)

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2010

(Rs. in million)

Sl. No	Name of the Subsidiary	No. of equity shares at the end of the financial year of the Company		Percentage of holding		Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Shareholders of the Company			
		United Breweries (Holdings) Limited	Other Subsidiary Companies	United Breweries (Holdings) Limited	Other Subsidiary Companies	a) Not dealt with in the Accounts of the Company		b) Dealt with in the Accounts of the Company	
						(i)	(ii)	(i)	(ii)
						For the subsidiary's financial year ended March 31,2010	For previous year of the subsidiary since it became a subsidiary	For the subsidiary's financial year ended March 31,2010	For previous year of the subsidiary since it became a subsidiary
1	2	3		4		5	6	7	8
1.	Bangalore Beverages Limited	-	50,000	-	100	(0.053)	(0.196)	-	-
2	City Properties Maintenance Company Bangalore Limited	50,000	-	55.00	-	2.056	19.046	-	-
3	Kingfisher Finvest India Limited [Formerly Kingfisher Radio Limited]	50,000	-	100.00	-	(821.060)	(1,234.614)	-	-
4	Kingfisher Airlines Limited [Formerly Deccan Aviation Limited]	86,385,156	74,715,448	32.49	28.10	(9,980.510)	(16,200.892)	-	-
5	Kingfisher Training and Aviation Services Limited [Formerly Kingfisher Airlines Limited]	33,216	2,747	66.43	5.49	(11.950)	(50.007)	-	-
6	Kingfisher Aviation Training Limited [Formerly Kingfisher Training Academy Limited]	3,000,000	-	100.00	-	(0.152)	5.476	-	-
7	UB Electronic Instruments Limited	280,976	6,410	96.25	2.19	4.422	6.269	-	-
8	UB Infrastructure Projects Limited	50,000	-	100.00	-	3.173	0.792	-	-
9	UB International Trading Limited	50,002	-	100.00	-	(15.710)	0.290	-	-
10	Vitae India Spirits Limited	-	50,000	-	100.00	(0.031)	(0.093)	-	-
11	Rigby International Corp.	15,115,488	-	100.00	-	(0.095)	(0.478)	-	-
12	UB Overseas Limited	50	950	5.00	95.00	(154.038)	(308.102)	-	-
13	Rubic Technologies Inc.	5,500,000	-	100.00	-	0.610	(25.565)	-	-
14	UBHL (BVI) Limited	238,370	-	100.00	-	(0.286)	(0.222)	-	-
15	United Breweries International (UK) Limited	-	100,000	-	100.00	1.23	4.771	-	-
16	UBSN Limited	-	100,000	-	100.00	(30.083)	(15.758)	-	-
17	United Breweries of America Inc., Delaware	-	14,542	-	92.49	(3.049)	(167.508)	-	-
18	Releta Brewing Company LLC	-	100	-	100.00	(9.803)	(139.053)	-	-
19	Inversiones Mirabel, S.A.	-	2	-	100.00	(0.143)	240.416	-	-
20	Mendicino Brewing Company Inc. USA	-	8,587,818	-	67.24	3.738	(184.543)	-	-

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below.

1. COMPANY'S POLICY ON CORPORATE GOVERNANCE

The Company has always endorsed the principles of good Corporate Governance and has endeavored to follow these principles in their true letter and spirit. The Board of the Company, which is charged with the responsibility of ensuring true Corporate Governance, is always striving to ensure that the management protects the long term interests of all the stake-holders of the Company.

2. BOARD OF DIRECTORS

[a] Composition and Category of Directors

In compliance of Clause 49 of the Listing Agreements with the Stock Exchanges, the Board consists of 5 Independent Directors and 4 Non-Independent Directors (including a Non Executive Chairman and a Managing Director). The requirement of the Listing Agreements that 50% of the Board should comprise of Independent Directors is met.

The Company held Nine Board Meetings during 2009-10 and the gap between two meetings did not exceed four months. The Board Meetings were held on April 27, 2009, June 3, 2009, July 28, 2009, August 11, 2009, September 10, 2009, October 26, 2009, December 7, 2009, January 22, 2010 and March 18, 2010.

The details of attendance of Directors at the Board meetings during the financial year 2009-10 and at the last Annual General Meeting (AGM) held on September 10, 2009, and also the number of Directorships and Committee positions held by them in other Companies as on date are given below:

Name	Category	No. of Board Meetings Attended	Attendance at the last AGM held on 10.9.2009	Directorship in Other Public Limited Companies	Committees	
					Member	Chairman
Dr. Vijay Mallya	Non-Executive Chairman	7	Yes	11	0	0
Mr. N. Srinivasan	Independent Director	8	Yes	14	9	4
Mr. S. G. Ruparel	Independent Director	8	Yes	4	1	1
Mr. A. Harish Bhat*	Non-Executive Director	8	Yes	11	3	0
Mr. Sidhartha V. Mallya	Non-Executive Director	2	No	1	0	0
Mr. P. G. Mankad	Independent Director	3	Yes	11	10	2
Mr. B. S. Patil	Independent Director	8	Yes	9	2	1
Mr. R. N. Pillai	Managing Director (Non-Independent Director)	8	Yes	4	2	0
Mr. M. S. Kapur	Independent Director	2	No	6	3	2

* Mr. A Harish Bhat was appointed as Managing Director of the Company w.e.f the close of business hours of August 20, 2010 in place of Mr. R.N.Pillai who ceased to be Managing Director of the Company with effect from close of business on August 20, 2010.

Notes:

- Mr. M. S. Kapur was appointed as Additional Director with effect from December 7, 2009.
- Mr. R. N. Pillai, the Managing Director, has not drawn any remuneration and perquisites from the Company. Mr. Harish Bhat, who is appointed as Managing Director of the Company w.e.f. close of business on August 20, 2010, shall also not draw any remuneration and perquisites from the Company.
- Except Dr. Vijay Mallya and Mr. Sidhartha V. Mallya none of the other Directors are inter- related.
- None of the Directors has any business relationships with the Company.
- The above numbers exclude Directorships in Private Limited Companies, Companies incorporated under Section 25 of the Act, Chamber and Committee.

Report on Corporate Governance (contd.)

[b] Code of Conduct

The Company has adopted a Code of Ethics for Board Members and Senior Management Personnel. This code is in addition to the Company's Code of Business Conduct, applicable to all the designated employees of the Company.

A copy of the said Code of Ethics for Board Members and Senior Management Personnel is available at the Company's website, www.theubgroup.com and www.ubindia.com.

All the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Ethics for Board Members and Senior Management Personnel and the Code of Business Conduct, as on March 31, 2010.

[c] Directors seeking Appointment / Re-appointment

The brief particulars of the Directors of the Company, seeking appointment/re-appointment at the ensuing Annual General Meeting are given in the Annexure to the Notice.

3. MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

Adequate disclosure is made in the Annual Accounts.

4. COMMITTEES OF THE BOARD

The Board of Directors has constituted Mandatory Committees viz., Audit Committee, and Shareholders' and Investors' Grievance Committee and Non- Mandatory Committees i.e. Remuneration Committee and General Committee of Directors. The functions of these committees are summarized below.

Mandatory Committees

[a] Audit Committee

Terms of Reference and Composition, Names of Members and Chairman

The powers of the Audit Committee are as mentioned in Clause 49(II) [c] and [d] of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement. The Committee acts as a link between the Management, the Statutory and the Internal Auditors on one side and the Board of Directors of the Company on the other side and oversees the financial reporting process.

Executive Vice Chairman, The UB Group, The Chief Financial Officer, The UB Group, and the Internal Auditors are permanent invitees of the Audit Committee. The Statutory Auditors are also invited to attend the meetings. The Company Secretary acts as the Secretary to the Committee.

Five Meetings of the Audit Committee were held during 2009-10 i.e., on April 27, 2009, July 28, 2009, August 11, 2009, October 26, 2009, and January 22, 2010. The composition and attendance of Members at the Meetings of the Audit Committee held during 2009-10 are as follows:

Name	Category	Meetings held during 2009-10	Meetings attended
Mr. N. Srinivasan	Chairman/Independent Director	5	5
Mr. S. G. Ruparel	Independent Director	5	4
Mr. A. Harish Bhat	Non – Executive Director	5	5
Mr. B. S. Patil	Independent Director	5	5

[b] Shareholders' / Investors' Grievance Committee

Three Meetings of the Shareholders' / Investors' Grievance Committee were held during 2009-10 i.e., on April 27, 2009, October 26, 2009 and January 22, 2010. The composition and attendance of

Members at the Meetings of the Shareholders'/ Investors' Grievance Committee held during 2009-10 are as follows:

Name	Designation	Category	Meetings held during 2009-10	Meetings attended
Mr. S. G. Ruparel	Chairman	Independent Director	3	2
Mr. B. S. Patil	Member	Independent Director	3	3
Mr. R. N. Pillai	Member	Non-Independent Director	3	3

The Committee oversees the transfer of shares lodged for transfer, transmission, dematerialization / rematerialization, split and stock option allotments and complaints received from shareholders and other statutory bodies. The Company's Registrars and Share Transfer Agents viz., Alpha Systems Private Limited, Bangalore, have adequate infrastructure to process the above mentioned activities.

Majority of the Complaints from Shareholders are received directly by M/s. Alpha Systems Private Limited, Registrars & Share Transfer Agents, and those received by the Company are forwarded to them for immediate redressal.

Details of complaints resolved during the financial year 2009-10 are as follows:

No of Complaints	Received during 2009-10	Resolved during 2009-10	Closing
As per SEBI Category	27	27	Nil
Other Correspondences	586	586	Nil

None of the complaints were kept pending for more than one month. As on March 31, 2010, no share transfer requests or complaints were pending at our end.

Non Mandatory Committees

[a] Remuneration / Compensation Committee

The Remuneration / Compensation Committee of the Board recommends to the Board, from time to time, compensation package for Whole-time Members of the Board.

Composition of Remuneration Committee

Name	Designation	Category
Mr. S. G. Ruparel	Chairman	Independent Director
Mr. N. Srinivasan	Member	Independent Director
Mr. B. S. Patil	Member	Independent Director

There was no occasion for the Remuneration Committee to meet during the year 2009-10.

Remuneration to Managing Director

Mr. R. N. Pillai, who was the Managing Director of the Company upto August 20, 2010, did not draw any remuneration and perquisites from the Company. Mr. Harish Bhat is appointed as the Managing Director of the Company with effect from the close of business hours of August 20, 2010 in place of Mr. R. N. Pillai without payment of any remuneration. The Company does not have Service Contract with any of the other Directors.

Remuneration to Non-Executive Directors

Non-Executive Directors are being paid sitting fee of Rs.20,000 per meeting of the Board and Audit Committee and Rs.10,000 per meeting of the other Committees attended by them, effective November 28, 2007.

Report on Corporate Governance (contd.)

The details of remuneration paid to the Directors of the Company for attending the Board and Committee Meetings for the year 2009-10 are as follows:

Name	Fees Paid [Rs.]
Dr. Vijay Mallya	140,000
Mr. N. Srinivasan	260,000
Mr. Shrikant G Ruparel	260,000
Mr. A. Harish Bhat	260,000
Mr. Sidhartha V. Mallya	40,000
Mr. Piyush G Mankad	60,000
Mr. B. S. Patil	290,000
Mr. M. S. Kapur	40,000
Total	13,50,000

The particulars of Equity Shares of the Company currently held by the Directors are furnished below:

Name	Number of Shares held	
	As on March 31, 2010	As on March 31, 2009
Dr. Vijay Mallya	5,284,978	5,284,978
Mr. N. Srinivasan	120	120
Mr. Shrikant G Ruparel	Nil	Nil
Mr. A. Harish Bhat	600	600
Mr. Sidhartha V. Mallya	Nil	Nil
Mr. Piyush G Mankad	Nil	Nil
Mr. B S Patil	Nil	Nil
Mr. R. N. Pillai	Nil	Nil
Mr. M. S. Kapur	Nil	Nil

[b] General Committee of Directors

In view of the difficulties in convening Board Meeting[s] with requisite quorum at short notice, for matters requiring immediate and prompt action, on behalf of the Company, the Board constituted a Committee of Directors on October 26, 2006.

The powers to be delegated to the Committee of Directors consisting of Mr. N. Srinivasan, Mr. A. Harish Bhat and Mr. R. N. Pillai are regulated by the Board of Directors from time to time.

There was no occasion for the General Committee to meet during the year 2009-10.

5. SECRETARIAL AUDIT

A Secretarial Audit was carried out by a qualified Practicing Company Secretary for reconciling the total admitted capital with National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited and the total issued and listed capital. The audit confirmed that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL.

This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges, NSDL and CDSL and is also placed before the Board of Directors.

6. COMPLIANCE OFFICER

The Secretarial and Legal Department is headed by Mr. Kaushik Majumder, Assistant Vice President-Legal and Company Secretary, who is responsible for ensuring compliance of the Companies Act and allied laws.

Mr. Kaushik Majumder has been functioning as Compliance Officer for the purpose of complying with various provisions of Securities and Exchange Board of India Regulations, Listing Agreements with Stock Exchanges, Registrar of Companies and for monitoring the share transfer process etc.

Compliance Officer	Mr. Kaushik Majumder
e-mail address	kmajumder @ ubmail.com

7. GENERAL BODY MEETINGS

The last three Annual General Meetings (AGMs) of the Company were held on the following dates, time and venue:

Financial Year	Date	Time	Venue	Special Resolutions passed
91 st Annual General Meeting April 2006 – March 2007	Wednesday, November 28, 2007	11.00 a.m.	Good Shepherd Auditorium, Residency Road, Bangalore 560 025.	<ol style="list-style-type: none"> Investment in the Share Capital of United Breweries Limited. Confirmation of Resolutions passed by the Board of Directors to furnish Corporate Guarantees in exceptional circumstances under Section 372A of the Companies Act, 1956 on behalf of Associate Companies. Approval of the Members for regularization of loan availed by Kingfisher Airlines Ltd a subsidiary of the Company from UB Infrastructure Projects Ltd a wholly owned subsidiary of the Company out of the loans availed by such wholly owned subsidiary from the Company. Approval under Section 81(1A) of the Companies Act, 1956 for issue of shares not exceeding Rs.600 crores. Approval under Section 81(1A) of the Companies Act, 1956 for issue and allotment on preferential basis to select members of the Promoters' group and/or their nominees equity warrants and for the allotment of equity shares on exercise of such warrants not exceeding Rs.720 crores. Revision in FII limits.
92 nd Annual General Meeting April 2007 – March 2008	Friday, December 26, 2008	12.30.p.m.	Dr. B R Ambedkar Bhavana, Vasanthanagar, Bangalore 560 052.	<ol style="list-style-type: none"> Confirmation of Resolutions passed by the Board of Directors to furnish Corporate Guarantees in exceptional circumstances under Section 372A of the Companies Act, 1956 on behalf of Associate Companies.
93 rd Annual General Meeting April 2008- March 2009	Thursday, September 10, 2009	3.15.p.m.	Good Shepherd Auditorium, Residency Road, Bangalore 560 025.	<ol style="list-style-type: none"> Alteration of Clause 112 of the Articles of Association to increase the minimum number of directors from 3 to 9. To restrict the FII limits at 26% and authorize the Board to amend or modify the percentage of FII investment as may be warranted.

8. POSTAL BALLOT

Pursuant to Section 192A of the Companies Act, 1956, a special resolution was passed by Postal Ballot on May 13, 2009 for enhancement in the limit of guarantee/security to be provided on behalf of Kingfisher Airlines Limited, a subsidiary of the Company, details of which have been reported in Corporate Governance forming part of the Annual Report for the year 2008-09.

9. MATERIAL DISCLOSURES AND COMPLIANCE

Materially significant related party transaction

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

Transactions with related parties as per the requirements of Accounting Standards 18 issued by The Institute of Chartered Accountants of India are disclosed in the relevant Schedule of Notes to Accounts.

Details of non-compliance

There has been no instance of non-compliance with any legal requirements nor have there been any strictures passed by Stock Exchanges or SEBI, on any matters relating to the capital market over the last three years.

Report on Corporate Governance (contd.)

10. MEANS OF COMMUNICATION

Website

The Company has its own web-site and all vital information relating to the Company and its performance, including quarterly results, official press releases and presentation to analysts are posted on the web-site. The Company's website address is www.theubgroup.com and www.ubindia.com.

Other means of communication

Half yearly report sent to each household of shareholders	The Company's half yearly Results are published in English and Kannada newspapers. Press Releases are also issued which are carried by other newspapers. Hence, same are not sent to the residence of Shareholders.
Quarterly Results	- do -
Any Website where displayed	www.theubgroup.com and www.ubindia.com
Whether it also displays official news releases and the presentations made to Institutional Investors or to the analysts:	Yes
Newspapers in which Results are normally published in	i) The Asian Age / Financial Express ii) Times of India/Kannada Prabha/ Vijay Karnataka (Kannada) [a regional daily published from Bangalore]
Whether Management Discussion and Analysis is a part of the Annual Report	Yes

11. DESIGNATED E-MAIL ADDRESS FOR INVESTOR SERVICES

In terms of Clause 47[f] of the Listing Agreement, the designated e-mail address for investor complaints is ubhlinvestor@ubmail.com.

12. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company adopted a "Code of Conduct for Dealing in Securities" at the meeting of the Board of Directors held on September 30, 2002. The Company has updated the Code as per the requirements of SEBI and has made it applicable to all Directors and designated employees. The Code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

Designated Officer To oversee the Corporate Disclosures Practices.	Mr. S. R. Gupte Executive Vice Chairman of UB Group
Compliance Officer To carry out the responsibilities as set out in SEBI Regulations	Mr. Kaushik Majumder Assistant Vice President-Legal & Company Secretary

13. GENERAL SHAREHOLDER INFORMATION

The Company's financial year begins on April 1 and ends on March 31 of the following year.

Financial Calendar		Declaration of Unaudited Results
1 st Quarter	April 1 to June 30	By August 14 th
2 nd Quarter	July 1 to September 30	By November 14 th
3 rd Quarter	October 1 to December 31	By February 14 th
4 th Quarter	January 1 to March 31	By May 15 th

The particulars of the Annual General Meeting for the year ended March 31, 2010 is as under:

Date of 94 th Annual General Meeting		Venue	Time
September 30, 2010		Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore 560 025	10.30 a.m
Book Closure	From	September 28, 2010	To
			September 30, 2010

Listing on Stock Exchanges and Stock Codes

The Company's Shares are currently listed and traded on the following Stock Exchanges:

Sl. No.	Name of the Stock Exchanges	Address	Scrip Name, Scrip Code & Scrip ID
1	Bangalore Stock Exchange Limited [Regional Exchange]	No. 51, Stock Exchange Towers, I Cross, J C Road Cross, Bangalore 560 027	UNITEDBRED
2	The Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	United Brewr / 507458/ UBHOLDING
3	National Stock Exchange of India Limited	Bandra Kurla Complex, Bandra East, Mumbai 400 051	UBHOLDINGS

The Listing Fee for the year 2010-2011 has been paid to all the above Stock Exchanges.

Unclaimed Dividend

Section 205A of the Companies Act, 1956, mandates that Companies transfer dividend that has been unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund [IEPF]. In accordance with the following schedule, the dividend for the years mentioned below, if unclaimed within a period of seven years, will be transferred to IEPF.

Financial Year	Type of dividend	Dividend per Share [Rs.]	Date of declaration	Due date for transfer
2002-03		No Dividend Declared		-
2003-04		No Dividend Declared		-
2004-05		No Dividend Declared		-
2005-06	Interim / Final	Re.0.50 per share	September 30, 2006	October 28, 2013
2006-07	Final	Re.1.00 per share	November 28, 2007	December 26, 2014
2007-08	Final	Re.1.00 per share	December 26, 2008	January 24, 2015
2008-09		No Dividend Declared		-

The Company has sent communications to the concerned shareholders, advising them to lodge their claims with respect to unclaimed dividend. Shareholders are advised that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof, either against the Company or against IEPF.

Share Transfer System and Dematerialisation of Shares

Dematerialization of Shares and liquidity

United Breweries [Holdings] Limited shares are tradable compulsorily in electronic form and through Alpha Systems Private Limited, Registrars and Share Transfer Agents. The Company has established connectivity with both the depositories i.e., National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The International Securities Identification Number [ISIN] allotted to the Company's Shares under the Depository System is INE696A01025.

Percentage of Shares held in Physical & Electronic form as on March 31, 2010

Sl. No.	Particulars	No. of Share Holders	No. of Shares	%
1	Demat Mode			
	NSDL	19314	63002929	94.29
	CDSL	5079	1756863	2.63
	Total	24393	64759792	96.92
2	Physical Mode	17437	2058729	3.08
	Grand Total	41830	66818521	100.00

To enable us to serve our investors better, we request Members whose shares are in physical mode to dematerialize shares and to update their bank accounts with the respective depository participants.

Report on Corporate Governance (contd.)

ECS [Electronic Clearing Service] / Mandates / Bank Details

Members may please note that ECS details contained in the BENPOS downloaded from the Depositories would be reckoned for payment of dividend. In order to avoid fraudulent encashment of dividend, please register either ECS mandate or Bank details for payment of dividend.

Market Price Data

The details of market price of the shares of the Company at the Bombay Stock Exchange Limited and National Stock Exchange of India Limited during the period from April 1, 2009 to March 31, 2010 are provided in the table hereunder.

Months	BSE		NSE		BSE-Sensex -Close Rs.
	High	Low	High	Low	
	Rs.	Rs.	Rs.	Rs.	
April, 2009	127.25	74.20	126.15	62.60	11,403.25
May, 2009	258.50	97.00	257.35	96.65	14,625.25
June, 2009	252.20	165.00	256.40	166.00	14,493.84
July, 2009	244.95	176.55	245.00	175.15	15,670.31
August, 2009	233.00	185.00	233.90	187.00	15,666.64
September, 2009	211.40	171.75	212.00	179.00	17,126.84
October, 2009	258.40	191.65	261.00	170.25	15,896.28
November, 2009	300.00	197.25	285.00	197.05	16,926.22
December, 2009	345.90	256.00	345.00	255.60	17,464.81
January, 2010	319.80	239.15	320.00	239.20	16,357.96
February, 2010	268.00	221.10	268.90	222.40	16,429.55
March, 2010	290.40	227.00	290.00	227.50	17,527.77

Share Transfer System

The power of approving transfers up to 5000 shares has been delegated to the Company Secretary and two Directors. Transfers are approved every fortnight. Share transfers above 5000 shares are approved by the Board of Directors.

Registrars and Share Transfer Agents

During the year under review, Alpha Systems Private Limited, Bangalore, continued as the Company's Registrars and Share Transfer Agents.

All matters pertaining to Share Transfers / Transmissions were handled by **Alpha Systems Private Limited**. Share Transfer requests were processed by them and a Memorandum of Transfer along with relevant documents sent to the Company for approval by the Share Transfer Committee.

Shares sent for physical transfer were effected after giving a 15 day notice to the seller for confirmation of the sale. The average time taken for processing Share Transfer requests including dispatch of Share Certificates was 21 days, while 10-12 days were required for processing dematerialisation requests.

Distribution of Shareholding as on March 31, 2010

Category	Number of Shareholders	%	Number of Shares	%
Up to 5,000	41588	99.42	6194650	9.27
5,001 - 10,000	105	0.25	732612	1.10
10,001 - 20,000	45	0.11	644830	0.97
20,001 - 30,000	16	0.04	374012	0.56
30,001 - 40,000	8	0.02	276753	0.41
40,001 - 50,000	4	0.01	178990	0.27
50,001 - 1,00,000	23	0.05	1684688	2.52
1,00,001 and above	41	0.10	56731986	84.90
Total	41830	100.00	66818521	100.00

Report on Corporate Governance (contd.)

Total Foreign Share Holding as on March 31, 2010 is 33400732 Equity Shares i.e. 49.99% [FDI comprising of 33328039 Equity Shares representing 49.88%] of total paid up Capital.

Outstanding Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) / Warrants or Convertible Bonds

- Not Applicable -

Shareholding Pattern as on March 31, 2010

Categories of Shareholding	%
Indian Promoters	
Dr Vijay Mallya and his relatives	7.91
Kamsco Industries Private Limited	3.62
Mallya Private Limited	3.62
The Gem Investments and Trading Company Private Limited	1.60
Pharma Trading Company Private Limited	0.57
Vittal Investments Private Limited	0.15
Devi Investments Private Limited	0.69
McDowell Holdings Limited	7.87
Ganapathy Mallya Investments Private Limited	-
Rossi & Associates Private Limited	-
VJM Investments Private Limited*	-
Foreign Promoters	
Watson Limited	21.19
FirStart Inc	4.22
Total Promoters' Holdings	51.44
Foreign Institutional Investors	24.03
Mutual Funds /UTI	4.19
Financial Institutions / Banks	0.03
Insurance Companies	1.17
Other Bodies Corporate	6.02
Individuals holding up to Rs.1 lakh in nominal capital	8.98
Individuals holding more than Rs.1 lakh in nominal capital	2.93
Others [Trusts / Clearing Members]	0.67
NRI's	0.54
Total Non-Promoter's Holdings	48.56
Grand Total	100.00

* Included as a Promoter w.e.f. August 20, 2010

Plant Location

The Company has no plants.

Report on Corporate Governance (contd.)

Address for Correspondence

For any assistance regarding Share Transfers, Transmissions, Change of address, non-receipt of dividends, duplicate / misplaced Share Certificates and other relevant matters, shareholders may write to:

Address for correspondence with Registrars and Share Transfer Agents	Alpha Systems Private Limited 30, Ramana Residency, 4 th Cross, Sampige Road, Malleswaram, Bangalore – 560 003 Tel.No: 080 – 23460815 – 18 Fax No : 080 – 23460819
Contact Persons e-mail address	Mr. S. Vijayagopal / Mr. S. Rajaraman / Mr. Prabhakar vijayagopal@123alpha.com ; rajaraman@123alpha.com ; prabhakar@123alpha.com
Address for correspondence with the Company	The Company Secretary United Breweries (Holdings) Limited “UB Tower”, Level 12, UB City No.24, Vittal Mallya Road, Bangalore 560 001. Tel. No: 080 - 3985 6079 / 3985 6097 / 3985 6094 Fax No: 080 – 2227 4890
Address for correspondence for Shareholders Holding Shares In Dematerialised Form	Shareholders holding shares in dematerialized form should address all their correspondence (including change of address, nominations, ECS mandates, bank details to be incorporated on dividend warrants, powers of attorney, etc.) to their Depository Participant .

CEO / CFO Certificate

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

On behalf of the Board of Directors

Bangalore
August 20, 2010

R N Pillai
Managing Director

Annexure

Corporate Governance Report of United Breweries [Holdings] Limited

Compliance with Code of Business Conduct and Ethics

In accordance with Clause 49 of the Listing Agreements with the Stock Exchanges, the Board Members and Senior Management Personnel of the Company have confirmed compliance with the Code of Business Conduct and Ethics for the financial year ended March 31, 2010.

Bangalore
August 20, 2010

R N Pillai
Managing Director

CERTIFICATE

To the Members of

United Breweries (Holdings) Limited

We have examined the compliance of conditions of Corporate Governance by United Breweries [Holdings] Limited ("the Company"), for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

We state that no investor grievance is pending for a period exceeding one month as on March 31, 2010 against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

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

Bangalore
August 20, 2010

For Vishnu Ram & Co
Chartered Accountants

S. Vishnumurthy
Proprietor
Membership No. : 22715

UBHHL

Report on Corporate Governance (contd.)

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE COMPANY

The Company is the flagship Holding Company of the UB Group, through which the Promoters and the Promoter Group hold their stakes in the various Companies which comprise the UB Group. The Company owns controlling interests in a number of Companies that have market-leading positions in a fast-growing consumer space, reflecting the aspiration of a growing consumer class in India. While the Company is primarily the investment arm of the UB Group, which is in the business of investing and funding various Group Companies, it also facilitates the UB Group's entry into new business ventures. The Company derives most of its income from export sales, lease rentals, property development, dividends from Investee Companies, licensing fees, interest and guarantee commissions from Investee Companies. The Company derives a significant portion of its value from various stakes that it holds in the Investee Companies, to which it provides managerial and strategy-related assistance, as well as financial support. Through the holdings in Kingfisher Airlines Limited, United Spirits Limited and United Breweries Limited, the Company is one of the leading conglomerates in the consumer-oriented products and services industry in India, with a leading market share in the Indian aviation, spirits and beer industries. The Company owns several brands and trademarks, including the UB "Pegasus" and the "Kingfisher" brand under certain classes of the Trade Marks Act, 1999. The Company also has a presence in the property development, fertilizer and engineering industries through UB City, Mangalore Chemicals & Fertilizers Limited, McDowell Holdings Limited and UB Engineering Limited.

2. RISKS, CONCERNS AND MITIGATIONS

The Company has a proper risk identification and management process. This process generally involves the following steps:

- Identifying risks inherent in the Group strategy
- Selecting the appropriate risk management strategy
- Implementing controls to manage the risks
- Monitoring the effectiveness of risk management approaches and controls
- Learning from experience and making improvement

Strength

Universally recognized UB Group, brand image and market share in alcoholic beverages, Kingfisher brand reach in International markets, UB City a landmark in the City of Bangalore patronized by International Brands and coveted premium office space are all seen as inherent strengths of the Company.

Risks

The Company is dependent upon export income, sale of developed office space, lease rentals of UB City properties, license fee for use of Pegasus logo, dividends and distributions from the Investments for a significant portion of its cash flow.

Concerns

- [a] Rental income from property in UB City is subject to variations as lessees who represent international brands are susceptible to global economic trends.
- [b] Being a holding Company, Dividend income is related to Group investee Companies declaring adequate dividends, trademark license fees, Royalty, commission etc. by Group Companies, rentals by Lessees of office and retail areas on time.
- [c] The Company has guarantee exposure on behalf of Subsidiaries.

- [d] The Company's majority of shares and fixed assets are under charge in favour of lenders who had advanced loans to the Company and its Subsidiaries.
- [e] Any decline in the market value of the securities and property could impact the permitted margins which could result in the lenders requiring the margin shortfalls to be topped up.

Risk Mitigation

The Chairman, Managing Director, CFO and Internal Audit keep constant vigil over the functioning and performance of individual companies in the Group.

3. INTERNAL CONTROL SYSTEM

The adequacy of the internal control system is reviewed by the Audit Committee of the Board of Directors. The Group Internal Audit Department evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Board believes that appropriate procedures, controls and monitoring assessment procedures are in place.





To

The members of
United Breweries (Holdings) Limited.

1. We have audited the attached Balance Sheet of **United Breweries (Holdings) Limited**, Bangalore, as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (1 of 1956), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. *We draw attention, without qualifying our report, to Note No 9(iii) in Schedule 12 regarding diminution in the carrying value of investment, Note No. 11 in Schedule 12 regarding the delay in recovery of unsecured advances to subsidiaries amounting to Rs. 13,151.541 million and Note No. 13 in Schedule 12 regarding company's exposure to guarantees given on behalf of subsidiaries.*
5. Further to our comments in the annexure referred to above, we report that:
 - i we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-03-2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - vi in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31-03-2010;
 - (b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Vishnu Ram & Co.,
Chartered Accountants,

(S.Vishnumurthy)
Proprietor.

Membership No. 22715
Firm Registration No. 004742S

Bangalore
20.08.2010

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

Re: United Breweries (Holdings) Limited

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Discrepancies noticed on verification during the year have been properly dealt with in the books of account.
- (c) During the year, the company has disposed off a portion of its land and building. This transaction has not affected the "going concern" status of the company.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of such verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of its inventory. The discrepancies noticed on physical verification of inventory have been properly dealt with in the books of account.
- (iii) (a) In our opinion and according to the information and explanations given to us, the company has granted unsecured loans to a party covered in the register maintained under section 301 of the Companies Act, 1956. The amount of such loans outstanding as at 31-3-2010 is Rs. 3,212.275 million. The rate of interest and other terms and conditions of loans given by the company are prima facie not prejudicial to the interest of the company. The repayments of the dues are in accordance with terms and conditions stipulated.
- (b) The company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(e) to 4(iii)(g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there exists in the company an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system of the company.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or Reserve Bank of India or any Court or any other Tribunal in relation to the deposits accepted by the company.
- (vii) In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us the provisions of section 209(1)(d) of the Companies Act, 1956 with regard to maintenance of cost records are not applicable to the company.
- (ix) (a) In our opinion and according to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including dues in respect of provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, excise duty etc., were in arrears as at 31-3-2010 for a period of more than six months from the date they became payable except an amount of rupees 0.700 million in respect of customs duty.

Annexure to the Auditor's Report (contd.)

- (c) According to the information and explanations given to us, following is the list of dues on account of taxes, which have not been deposited on account of disputes.

Name of the Statute	Nature of dues	Disputed amount (Rs. in million)	Forum where dispute is pending.
Income Tax Act, 1961	Income tax for the A.Y. 1993-94.	25.105	Supreme Court
Income Tax Act, 1961	Income tax for the A.Y. 1997-98.	40.000	Supreme Court
Income Tax Act, 1961	Income tax for the A.Y. 1990-91.	2.737	Supreme Court
Income Tax Act, 1961	Income tax for the A.Y. 1991-92.	3.575	Supreme Court
Income Tax Act, 1961	Interest for A.Y 1990-91 & 1991-92	5.094	Supreme Court
Income Tax Act, 1961	Interest for A.Y 2001-02	1.929	CCIT, Bangalore
Income Tax Act, 1961	Income tax for the A.Y. 2007-08.	347.473	CIT (Appeals)
Foreign Trade (Development & Regulation) Act, 1992	Penalty	5.000	High Court of Judicature, Madras

- (x) The company does not have any accumulated losses. The company has not incurred cash losses during the financial year covered by our audit and during the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution or banks. The company has not issued any debentures.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiii) In our opinion and according to the information and explanations given to us, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures or other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans raised during the year have been applied for the purposes for which they were raised.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to any parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xix) According to the information and explanations given to us, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xx) According to the information and explanations given to us, the company has not raised any money during the year by public issue. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Vishnu Ram & Co.,
Chartered Accountants,

(S.Vishnumurthy)

Proprietor.

Membership No. 22715

Firm Registration No. 004742S

Bangalore
20.08.2010

Balance Sheet as at March 31, 2010

Rs. in million

	Schedule	As at March 31, 2010		As at March 31, 2009	
I SOURCES OF FUNDS					
(1) SHAREHOLDERS' FUNDS					
(a) Capital	1	668.185		668.185	
(b) Equity warrants		-		490.165	
(c) Reserves and Surplus	2	15,039.547	15,707.732	13,952.314	15,110.664
(2) Foreign Currency Monetary Item Translation Difference Account			0.371		54.929
(3) LOAN FUNDS	3				
(a) Secured loans		7,791.783		8,245.332	
(b) Unsecured loans		1,287.902	9,079.685	95.000	8,340.332
			24,787.788		23,505.925
II APPLICATION OF FUNDS					
(1) FIXED ASSETS	4				
(a) Gross Block		2,499.126		2,496.713	
(b) Less : Depreciation		290.836		286.483	
(c) Net Block		2,208.290		2,210.230	
(d) Capital work-in-progress		13.185	2,221.475	13.037	2,223.267
(2) INVESTMENTS	5		10,594.610		9,041.238
(3) CURRENT ASSETS, LOANS AND ADVANCES	6				
(a) Inventories		53.808		25.816	
(b) Sundry Debtors		331.065		274.337	
(c) Cash and Bank balances		1,848.707		292.730	
(d) Loans and Advances		14,294.338		13,740.359	
(e) Other current assets		63.276		466.406	
		16,591.194		14,799.648	
Less: CURRENT LIABILITIES AND PROVISIONS	7				
(a) Current liabilities		3,674.093		2,243.049	
(b) Provisions		945.398		315.179	
		4,619.491		2,558.228	
Net Current Assets			11,971.703		12,241.420
			24,787.788		23,505.925
ACCOUNTING POLICIES	11				
NOTES TO ACCOUNTS	12				

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

This is the Balance Sheet referred to in our report of even date.

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Malliya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Membership No.: 22715
Firm Registration No. : 004742S

Profit and Loss Account for the year ended March 31, 2010

Rs. in million

	Schedule	For the year ended March 31, 2010		For the year ended March 31, 2009	
INCOME	9				
Sales and Services		3,345.536		3,243.140	
Profit on sale of old assets		0.365		2.067	
Profit on sale of land and building		292.664		220.110	
Profit on sale of investments		114.843		26.631	
Other income		742.527	4,495.935	535.591	4,027.539
EXPENDITURE	10				
Direct costs		1,787.620		1,744.493	
Personnel costs		170.139		168.500	
Other expenses		645.560		351.348	
Finance costs		1,472.868	4,076.187	1,167.755	3,432.096
Profit before depreciation, exceptional income and taxation			419.748		595.443
Less : Depreciation			107.072		80.799
Profit before exceptional income and taxation			312.676		514.644
Exceptional income (Refer Note 28 in Sch 12)			960.420		-
Profit before taxation			1,273.096		514.644
Less : Provision for taxation					
- Current tax			206.502		101.800
- Earlier years			364.304		-
- Deferred tax (Refer Note 22 in Sch 12)			-		-
- Fringe benefit tax			-		4.969
Profit for the year			702.290		407.875
Less : Appropriations					
- Proposed Dividend			66.819		-
- Tax on Proposed Dividend			11.099		-
Surplus carried forward			624.372		407.875
Earning per share (Basic / Diluted) in Rs.			10.51		6.10
ACCOUNTING POLICIES	11				
NOTES TO ACCOUNTS	12				

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

This is the Profit and Loss Account referred to in our report of even date.

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Membership No.: 22715
Firm Registration No. : 004742S

Cash Flow Statement for the year ended March 31, 2010

Rs. in million

	March 31, 2010		March 31, 2009	
A. Cash Flow from Operating Activities				
Net profit before taxes		1,273.096		514.644
Adjustments for :				
Depreciation	107.072		80.799	
Dividend Income	(76.136)		(75.631)	
Profit on sale of investments (other than short term investments)	(110.628)		-	
Profit on sale of old assets	(0.365)		(2.067)	
Profit on sale of land and building	(292.664)		(220.110)	
Interest expenses	1,472.868		1,167.755	
Interest income	(517.124)		(371.261)	
Liabilities no longer required written back	(3.320)		(41.836)	
Provision for bad and doubtful advances	6.912		-	
Bad debts written off	4.620		-	
Exceptional income	(960.420)			
Unrealised exchange fluctuation (gain) / loss	(0.372)		(27.466)	
Old assets written off	0.438		0.042	
Loss on asset discarded	19.320		-	
		(349.799)		510.225
Operating profit before working capital changes		923.297		1,024.869
Adjustments for :				
(Increase)/decrease in trade and other receivables	204.237		(581.367)	
(Increase) /decrease in inventories	(27.992)		7.833	
(Decrease) / increase in trade payables / other creditors	1,435.361		753.138	
		1,611.606		179.604
Cash from operations		2,534.903		1,204.473
Direct taxes paid		(243.562)		(243.341)
Fringe benefit tax paid		-		(4.513)
Net cash from operating activities		2,291.341		956.619
B. Cash Flow from Investing Activities		-		
Purchase of fixed assets (including changes in capital work in progress)	(182.957)		(127.890)	
Sale of assets	323.643		261.353	
Loans to subsidiaries (net)	(253.472)		(2,382.823)	
Purchase of investments	(1,343.992)		(546.238)	
Sale of investments (other than short term investments)	137.500		0.005	
Exceptional income	960.420		-	
Dividend income	76.136		75.631	
(Increase) / decrease in fixed deposits with bank	(420.167)		135.973	
Net cash used in investing activities		(702.889)		(2,583.989)

Cash Flow Statement for the year ended March 31, 2010 (contd.)

Rs. in million

	March 31, 2010		March 31, 2009	
C. Cash Flow from Financing activities				
Interest paid	(1,472.868)		(1,167.755)	
Interest received	517.124		371.261	
Dividend and dividend distribution tax paid	-		(78.175)	
Short term loan : increase / (decrease)	894.810		42.970	
Bank borrowings : increase / (decrease)	(210.823)		243.549	
Long term borrowings: increase / (decrease)	55.366		1,054.194	
Net cash (used in) / generated from financing activities		(216.390)		466.044
Net increase / (decrease) in cash and cash equivalents		1,372.062		(1,161.326)
Cash and cash equivalents at the beginning of the year		140.515		1,301.841
Closing balance of cash and cash equivalents		1,512.577		140.515
Cash and Cash equivalents comprises of:				
Cash in hand (including foreign currencies)		0.129		0.043
Balance with banks in current accounts		1,276.196		140.472
Short term investments		236.252		-
		1,512.577		140.515

Notes to the Cash Flow Statement

- Short term investments represents amounts invested in mutual funds which are readily convertible into cash.
- Balances with banks include Rs.1.643 million being balances in unpaid dividend account which can not be used by the Company except for payment of unpaid dividend / transfer to Investor Education and Protection Fund.

This is the Cash Flow Statement referred to in our report of even date.

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Membership No.: 22715
Firm Registration No. : 004742S

Schedules to Balance Sheet forming part of accounts as at March 31, 2010

Rs. in million

SCHEDULE 1

SHARE CAPITAL

Authorised

100,000,000 Equity shares of Rs.10 each	1,000.000	1,000.000
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Issued, Subscribed and Paid-up

66,818,521 shares of Rs. 10/- each fully paid (PY - 66,818,521 shares)	668.185	668.185
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Of the above shares,

1. 34,008 shares to the extent of Rs. 7.50 per share were issued for a consideration other than cash.
2. 7,905,249 shares were allotted for consideration other than cash under scheme / arrangement sanctioned by the Court.
3. 1,114,089 shares were allotted through conversion of debentures in 1989.
4. 5,784,099 shares were allotted as fully paid bonus share by capitalisation of reserves.
5. 825,256 shares were allotted, as per scheme of amalgamation in 1995.
6. 29,720,949 shares were allotted as fully paid bonus shares by capitalising the securities premium.

668.185	668.185
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SCHEDULE 2

RESERVES AND SURPLUS

Capital Reserves

- As per last Balance Sheet	21.200	21.200
- Addition during the year (Refer Note 1 in Sch 12)	490.165	511.365
	-	21.200

Security Premium	8,331.975	8,331.975
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Fixed Assets Revaluation Reserve

As per last Balance Sheet	1,150.483	1,183.468
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Adjustment on sale of fixed assets	27.304	1,123.179	32.985	1,150.483
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Contingency Reserve	75.000	75.000
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Surplus in Profit & Loss Account (Refer Sch 8)	4,998.028	4,373.656
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15,039.547	13,952.314
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SCHEDULE 3

SECURED LOANS

From Banks (for securities and amounts due within one year Refer Note 4(i) in Sch 12)	362.902	573.725
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From Others (for securities and amounts due within one year Refer Note 4(ii) in Sch 12)	7,428.881	7,671.607
---	-----------	-----------

7,791.783	8,245.332
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UNSECURED LOANS

Inter Corporate Deposits	-	95.000
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Public Deposits	1,287.902	-
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1,287.902	95.000
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Schedules to Balance Sheet forming part of accounts as at March 31, 2010 (contd.)

SCHEDULE 4

FIXED ASSETS

Rs. in million

Description of Tangible assets	Cost/Valuation			Depreciation				Net Value of Assets as at 31.03.10	Net Value of Assets as at 31.03.09
	As on 01.04.09	Additions during the year	Deductions during the year	As on 31.03.10	As on 01.04.09	Deduction during the year	For the year	As on 31.03.10	As on 31.03.09
Land (Refer Note 2 in Sch 12)	1,187.949	11.096	27.796	1,171.249	-	-	-	1,171.249	1,187.949
Buildings	713.284	46.426	31.541	728.169	74.527	3.933	32.855	103.449	638.757
Plant and Machinery	232.732	110.739		343.471	47.261		39.430	86.691	185.471
Office Equipment	24.504	9.185	0.002	33.687	4.242	0.001	4.020	8.261	20.262
Furniture and Fixture	175.726	2.865	0.727	177.864	34.477	0.434	25.615	59.658	141.249
Computers	12.846	2.448		15.294	7.911		2.565	10.476	4.935
Aircraft	111.635	-	111.635	-	92.314	92.314		-	19.321
Vehicles	38.037	0.048	8.693	29.392	25.751	6.037	2.587	22.301	12.286
TOTAL ASSETS	2,496.713	182.807	180.394	2,499.126	286.483	102.719	107.072	290.836	2,210.230
Previous Year	2,404.006	173.895	81.188	2,496.713	214.670	8.986	80.799	286.483	2,189.336
Advances for capital works and expenses pending capitalisation. (Refer Note 8 in Sch 12)								13.185	13.037
								2,221.475	2,223.267

Note: On completion of the "UB CITY" project in 2007, the Company was allotted 556,503 sft of super built area in exchange for 137,844 sft of undivided share of land which was valued at an agreed figure of Rs. 560 million and this amount was capitalized as "Buildings"

Schedules to Balance Sheet forming part of accounts as at March 31, 2010 (contd.)

SCHEDULE 5

INVESTMENTS (Refer Note 9 in Sch 12)

Rs. in million.

PARTICULARS	As at March 31, 2010				As at March 31, 2009			
	NUMBER OF SHARES	FACE VALUE		COST	NUMBER OF SHARES	FACE VALUE		COST
QUOTED								
TRADE INVESTMENTS IN FULLY PAID EQUITY SHARES:								
LONG TERM								
United Breweries Limited	30,295,911	Re	1	1,165.238	30,295,911	Re	1	1,165.238
Mangalore Chemicals & Fertilisers Limited	29,043,797	Rs	10	334.569	29,043,797	Rs	10	334.569
United Spirits Limited	23,881,821	Rs	10	701.894	23,881,821	Rs	10	701.894
McDowell Holdings Limited	4,392,691	Rs	10	146.038	4,392,691	Rs	10	146.038
UB Engineering Limited	6,345,554	Rs	10	424.928	6,345,554	Rs	10	424.928
IN SUBSIDIARY COMPANY								
Kingfisher Airlines Limited (Formerly known as Deccan Aviation Limited)	86,385,156	Rs	10	2,015.321	86,385,156	Rs	10	2,015.321
NON TRADE INVESTMENTS IN FULLY PAID EQUITY SHARES:								
Aventis Pharma Limited					50,000	Rs	10	0.031
				4,787.988				4,788.019
UN-QUOTED								
In Equity Shares								
In Subsidiary Companies								
Kingfisher Training and Aviation Services Limited (Formerly known as Kingfisher Airlines Limited)	33,216	Rs	10	0.332	33,216	Rs	10	0.332
UB Infrastructure Projects Limited	50,000	Rs	10	0.500	50,000	Rs	10	0.500
UB Electronic Instruments Limited	280,976	Rs	100	27.209	280,976	Rs	100	27.209
UB International Trading Limited	50,002	Rs	10	0.500	50,002	Rs	10	0.500
Kingfisher Finvest India Limited (Formerly known as Kingfisher Radio Limited)	50,000	Rs	10	0.500	50,000	Rs	10	0.500
Kingfisher Aviation Training Limited (Formerly known as Kingfisher Training Academy Limited)	3,000,000	Rs	10	30.000	3,000,000	Rs	10	30.000
City Properties Maintenance Company Bangalore Limited	50,000	Rs	10	0.500	50,000	Rs	10	0.500
UB Overseas Limited	50	USD	1	0.002	50	USD	1	0.002
Advance against equity - UB Overseas Limited				1,343.992				
UBHL (BVI) Limited	238,370	USD	1	10.040	1,000	USD	1	0.040
Advance against equity - UBHL (BVI) Limited								10.000
Rigby International Corp.	15,115,488	USD	1	660.238	15,115,488	USD	1	660.238
Rubic Technologies Inc.	5,500,000	USD	0.01	26.558	5,500,000	USD	0.01	26.558
				2,100.371				756.379
In other Companies								
Asian Age Holdings Limited					7,711	Rs	10	26.841
United Racing & Bloodstock Breeders Limited	40,045	Rs	10	0.400	40,045	Rs	10	0.400
WIE Engineering Limited	306,860	Rs	10	1.419	306,860	Rs	10	1.419
UB Pharma (Kenya) Limited	120,000	KS	100	7.616	120,000	KS	100	7.616
				9.435				36.276
In Preference Shares								
In Subsidiary Companies								
Kingfisher Airlines Limited - 6% (Formerly known as Deccan Aviation Limited)	9,700,000	Rs	100	970.000	9,700,000	Rs	100	970.000
Kingfisher Finvest India Limited (Formerly known as Kingfisher Radio Limited)	10,000,000	Re	1	2,500.000	10,000,000	Re	1	2,500.000
				3,470.000				3,470.000
CURRENT INVESTMENT								
In Mutual Funds								
				236.252				
				10,604.046				9,050.674
Less : Provision for dimunition in value of investments				9.436				9.436
Net value of investments				10,594.610				9,041.238
Aggregate amount of quoted investments				5,024.240				4,788.019
Aggregate amount of unquoted investments				5,570.370				4,253.219
Market value of quoted investments				44,004.342				21,892.425

SCHEDULE 5
INVESTMENTS (contd.)

Rs. in million

ADDITION DURING THE YEAR	NUMBER OF SHARES	FACE VALUE		COST
Advance against equity - UB Overseas Limited				1,343.992
In Mutual Funds				3,644.730
Total				4,988.722
SALES / REALISATION DURING THE YEAR				
Aventis Pharma Limited	50,000	Rs	10	0.031
In Mutual Funds				3,408.478
Asian Age Holdings Limited	7,711	Rs	10	26.841
Total				3,435.350

SCHEDULE 6
CURRENT ASSETS, LOANS AND ADVANCES
A. CURRENT ASSETS**1. INVENTORIES**

Trading goods	37.124	22.060
Packing material	16.684	3.756
	<u>53.808</u>	<u>25.816</u>

2. SUNDRY DEBTORS

(Unsecured, considered good unless otherwise stated)

Outstanding for a period exceeding six months

Debts considered good for which the company holds
no security other than the debtor's personal security

40.900	17.485
2.538	2.285
<u>43.438</u>	<u>19.770</u>

Less : Provision

<u>2.538</u>	<u>40.900</u>	<u>2.285</u>	17.485
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Outstanding for a period not exceeding six months

Debts considered good for which the company holds no
security other than the debtor's personal security

290.165	256.852
<u>331.065</u>	<u>274.337</u>

3. CASH AND BANK BALANCES

(a) Cash on hand (includes foreign currency notes)	0.129	0.043
(b) Bank balances with scheduled banks		
(i) on current accounts	1,276.196	140.472
(including in unpaid dividend accounts of Rs. 1.643 million)		
(ii) In deposit accounts (Refer Note 14 in Sch 12)	572.382	152.215
	<u>1,848.707</u>	<u>292.730</u>

Schedules to Balance Sheet forming part of accounts as at March 31, 2010 (contd.)

Rs. in million

SCHEDULE 6 contd.

4. LOANS AND ADVANCES

(Unsecured, considered good, unless otherwise stated)

	As at March 31, 2010	As at March 31, 2009	
Due from subsidiaries - considered good	13,131.541	12,932.254	
- considered doubtful	20.000	20.000	
	13,151.541	12,952.254	
Less : Provisions	20.000	20.000	12,932.254
Dues from others - Considered good	90.326	253.344	
- Considered doubtful	33.635	33.635	
	123.961	286.979	
Less : Provisions	33.635	33.635	253.344
Advances recoverable in cash or in kind			
Tax deducted at source	708.128	484.068	
Others - considered good	364.343	70.693	554.761
Others considered doubtful	231.629	224.717	
Less : Provisions	231.629	224.717	-
	14,294.338	13,740.359	

5. OTHER CURRENT ASSETS

Deposits	63.276	466.406
	63.276	466.406

SCHEDULE 7

CURRENT LIABILITIES

Sundry Creditors (Refer Note 19 in Sch 12)

- due to SSI units	-	-	
- due to others	885.774	407.279	
Trademark licence deposits	1,745.000	1,205.000	
Lease security deposits	1,040.628	627.703	
Investor Education and Protection Fund			
- Unclaimed public deposits / interest *	1.048	1.321	
- Unclaimed dividends *	1.643	1.746	2,243.049
* no amount is due for transfer to Investor Education and Protection Fund			

PROVISIONS FOR

Proposed dividend	66.819	-	
Tax on proposed dividend	11.099	-	
Income tax	807.928	256.624	
Claims against the company	37.428	37.403	
Leave encashment	22.124	21.152	315.179
	945.398	21.152	315.179
	4,619.491	2,558.228	

SCHEDULE 8

PROFIT & LOSS ACCOUNT

Balance as per last Balance Sheet	4,373.656	3,963.517	
Add: Adjustment relating to earlier years	-	2.264	
Surplus for the year	624.372	407.875	4,373.656
Balance	4,998.028	4,373.656	

Schedules to Profit and Loss Account forming part of accounts for the year ended March 31, 2010

Rs. in million

SCHEDULE 9

INCOME

SALES AND SERVICES

	Year ended March 31, 2010	Year ended March 31, 2009
Sales	2,046.237	2,066.675
Dividends		
From trade investment	72.638	57.793
From non trade investment	3.498	17.838
Guarantee commission (tax deducted at source Rs. 57.450 million)	522.606	349.757
Rent (tax deducted at source Rs. 52.719 million)	359.336	403.292
Income from property maintenance	70.699	60.085
Licence fees (tax deducted at source Rs. 29.503 million)	248.922	264.000
Management services fees (tax deducted at source Rs. 2.697 million)	21.600	23.700
	<u>3,345.536</u>	<u>3,243.140</u>

OTHER INCOME

Interest income (tax deducted at source Rs. 62.168 million)	517.124	371.261
Duty drawback	186.541	80.509
Provisions / liabilities no-longer required written back	3.320	41.836
Miscellaneous income	32.008	24.728
Exchange fluctuation gain	3.534	17.257
	<u>742.527</u>	<u>535.591</u>

SCHEDULE 10

EXPENDITURE

DIRECT COSTS

Trading goods (tax collected at source Rs. 10.039 million)	1,532.648	1,467.684
Packing material consumed	75.694	62.956
Freight and transport	171.173	203.780
Other direct costs	8.105	10.073
	<u>1,787.620</u>	<u>1,744.493</u>

PERSONNEL COSTS

Salaries, wages and bonus	133.572	125.033
Contribution to provident and other funds	13.075	25.105
Provision for leave encashment	2.791	1.003
Welfare expenses	20.701	17.359
	<u>170.139</u>	<u>168.500</u>

Schedules to Profit and Loss Account forming part of accounts for the year ended March 31, 2010 (contd.)

Rs. in million

SCHEDULE 10 (contd.)

OTHER EXPENSES

	Year ended March 31, 2010	Year ended March 31, 2009
Rent including lease rent	13.343	14.137
Rates and taxes	25.709	31.157
Insurance premia	1.232	1.750
Communication expenses	6.819	6.467
Travel and conveyance	29.907	27.114
Electricity charges	2.097	1.655
Printing and stationery	5.066	4.517
Repairs and maintenance		
i) Buildings	6.925	8.052
ii) Machinery	1.341	0.806
iii) Others	1.063	0.217
Vehicle repairs and maintenance	6.448	6.507
Property maintenance expenses	52.513	44.437
Advertisement and sales promotion	277.821	57.278
Brokerage	9.735	15.490
Rebate and discount	35.081	14.382
Commission paid to selling agents	11.754	15.857
Miscellaneous expenses	12.541	13.737
Claims paid	1.776	14.031
Legal and professional fees	108.079	70.105
Directors' sitting fees	1.350	1.000
Auditor's remuneration	3.670	2.610
Old assets written off	0.438	0.042
Loss on asset discarded	19.320	-
Provision for bad and doubtful advances	6.912	-
Bad debts written off	4.620	-
	<u>645.560</u>	<u>351.348</u>

FINANCE COST

Interest on fixed loans	1,359.821	1,098.804
Interest on working capital loan	-	6.113
Interest to others	52.735	14.634
Processing fees and bank charges	60.312	48.204
	<u>1,472.868</u>	<u>1,167.755</u>

SCHEDULE 11 : ACCOUNTING POLICIES

A) Basis for preparation

1. Accounting Convention:

The financial statements of the Company have been prepared, unless otherwise stated, under historical cost convention, having due regard to the fundamental accounting assumptions of going concern, consistency, accrual and in compliance with the mandatory Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006.

2. Use of estimates:

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

B) Significant Accounting Policies

1. Revenue recognition:

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

- i) Sales are recognized when the property in goods are transferred for a price and their collection is expected within the agreed time.
- ii) Lease income from non cancellable operating leases are recognized in the statement of Profit & Loss Account, on straight line basis, over the lease term. In respect of other operating leases, lease income is recognized in accordance with the terms of the lease deeds as modified based on negotiations from time to time.
- iii) Interest is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- iv) Dividends and royalty income are accounted for, when the right to receive the payment is established.

2. Valuation of Inventories:

Inventories are valued at lower of weighted average cost and net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

3. Fixed Assets:

Fixed assets are stated at cost less depreciation, wherever applicable. The land in Bangalore is stated at the revalued amount as adjusted in accordance with the revaluation done in August 2001 at the market value determined by approved valuers. All costs relating to the acquisition and installation of fixed assets are capitalised and such costs include borrowing cost relating to borrowed funds attributable to the acquisition of qualifying assets for the period upto the date of acquisition/installation.

4. Borrowing Cost:

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

5. Depreciation:

Depreciation is provided under written down value method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

6. Effects of changes in Foreign Exchange rates :

- i) Transactions in foreign currencies are translated applying the following exchange rates:
 - a) In respect of export transactions, at the average exchange rate prevailing in the month preceding month in which the transaction took place.
 - b) In respect of all other transactions at the rate of exchange prevailing on the date of transaction.
- ii) Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognized in the Profit & Loss Account except exchange differences arising on reporting of long term foreign currency monetary items which are accumulated in a Foreign Currency Monetary Item Translation Difference Account and amortised over the balance period of such long term asset/liability but not beyond March 31, 2011.
- iii) Non-monetary items are carried at historical cost denominated in foreign currency and these are translated using the exchange rate prevailing on the date of transaction.

7. Accounting for Government Revenue Grants :

Government revenue grants available to the Company are considered for inclusion in the accounts, where there is reasonable assurance that the Company will comply with the conditions attached to them and where such benefits have been earned by the Company and it is reasonably certain that the ultimate collection will be made. Grants of revenue nature are recognized in Profit & Loss Account.

8. Investments:

- i) Trade investments refer to the investments made with the aim of enhancing the group's business interest.
- ii) Long term investments are stated at cost. All expenses relating to acquisition of investments are capitalized. Diminution in the value of investments, if considered permanent, is provided for.
- iii) Current investments are stated at lower of cost and fair value on the Balance Sheet date.

9. Employee Benefits:

a) Defined-contribution plans :

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employees' Provident Fund, Superannuation Fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognized as expenses during the period in which the employees perform the services that the payment covers.

b) Defined-benefit plans:

Gratuity : The Company provides for gratuity, a defined benefit plan (Gratuity Plan), to certain categories of employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary, at the Balance Sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit & Loss Account as income or expense.

c) Other long term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date based on actuarial valuation carried out at each Balance Sheet date.

d) Short term employee benefits:

Undiscounted amount of short term employees benefits expected to be paid in exchange for the services rendered by the employees is recognized during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

10. Segment reporting:

The operations of the Company are divided into alcoholic beverages, leather products, investments, guarantee services, property development and other activities. Accordingly, the primary segment reporting comprises the performance under these segments and the secondary segment reporting is based on geographical locations of customers.

11. Related Party disclosures:

Transactions between related parties are disclosed as per Accounting Standard 18, "Related Party Disclosures". Accordingly, disclosures regarding the name of the transacting related party, description of the relationship between the parties, nature of transactions and the amount outstanding as at the end of the accounting year, are made.

12. Taxes on Income:

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

13. Impairment of Assets:

The Company evaluates all its assets for assessing any impairment and accordingly recognises the impairment, wherever applicable, as provided in Accounting Standard 28, "Impairment of Assets".

14. Provisions and Contingencies:

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

15. Earnings per share:

Earnings per equity share (basic / diluted) is arrived at by dividing the Net Profit or Loss for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

SCHEDULE 12 : NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

1. On cancellation of 4,415,999 equity warrants due to non-exercise of option by a promoter group Rs. 490.165 million being 10% advance amount was credited to Capital Reserve Account.
2. **UB City Luxury Residential Project**
The Company has executed a Joint Development Agreement with a Developer on 26th April, 2010 for development of a luxury residential building in the available land in UB City. The super built area of the building would be not less than 5,00,000 sft. and shall be shared in the ratio of 55% for the Company and 45% for the Developer.
3. Estimated amount of contracts remaining to be executed on capital account as at March 31, 2010 and not provided for is Rs. 85.699 million (net of advances) (Pr year Rs.328.782 million).
4. **Secured Loans:**
Details of the securities provided for loans availed from banks :
 - i) Loan from The Lakshmi Vilas Bank Limited amounting to Rs. 362.902 million is secured by assignment of future receivables for use of Pegasus logo by group companies. An amount of Rs. 40.618 million is repayable within one year.
 - ii) **Details of securities provided for loans availed from others :**
 - a) Loans from HDFC, amounting to Rs. 1,943.242 million (Pr year Rs. 4,675.015 million) are secured by the pledge of 1,585,154 shares in United Spirits Limited, mortgage by deposit of title deeds of the Company's land in Bangalore, the super structure thereon and assignment of the rent receivable from the property let out. An amount of Rs. 636.376 million is repayable within one year.
 - b) Vehicle loans from others amounting to Rs. 0.114 million (Pr year Rs. 0.483 million) are secured by the hypothecation of vehicles. An amount of Rs.0.114 million is repayable within one year.
 - c) Loan from IL&FS Financial Services Limited amounting to Rs. 1,500.410 million (Pr year Rs. 1,500 million) is secured by the pledge of 2,223,000 shares in United Spirits Limited held by the Company and pledge of 1,050,000 shares in United Spirits Limited held by a subsidiary company. Entire amount of Rs. 1,500.410 million is since repaid.
 - d) Loan from IFCI Limited amounting to Rs. 2,512.937 million (Pr year Rs.1,006.124 million) is secured by the pledge of 1,237,477 shares in United Spirits Limited held by the company, 7,673,422 shares in United Breweries Limited held by the Company and pledge of 1,467,523 shares in United Spirits Limited held by a subsidiary company. No amount is repayable within one year.
 - e) Loan from SICOM Limited amounting to Rs. 430 million (Pr year Rs. 440 million) is secured by the pledge of 400,000 shares in Kingfisher Airlines Limited held by the Company and pledge of 20,800,000 shares in Kingfisher Airlines Limited held by a subsidiary company. Entire amount of Rs. 430 million is repayable within one year.
 - f) Loan from L&T Finance Limited amounting to Rs.41.999 million (Pr year 49.985 million) are secured by the fixed assets for which the loan was taken. An amount of Rs. 8.421 million is repayable within one year.
 - g) Loan from ECL Finance Limited amounting to Rs. 500 million (Pr year nil) is secured by the pledge of 850,000 shares in United Spirits Limited.
 - h) Loan from Multiflow Financial Services Limited amounting to Rs. 500.178 million (Pr year nil) is secured by pledge of 931,092 shares in United Spirits Limited. Entire amount of Rs. 500.178 million is since repaid.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

5. Unsecured Loan

The Company, during the year accepted fixed deposits from the Public amounting to Rs. 1,287.902 million. No amount is repayable within one year.

6. Contingent liabilities:

	2009-10	2008-09
1) Guarantees given by the Company on behalf of subsidiaries to banks, financial institutions and others	72,897.227	50,045.380
2) Guarantees given by the Company on behalf of associates to banks	2,578.400	1,628.400
3) Claims against the Company not acknowledged as debt	-Nil-	23.329
4) Demands raised by Income Tax authorities which the Company has preferred appeals	-Nil-	32.997

7. Events occurring after the Balance Sheet date

After the Balance Sheet date, the Company has issued the following further corporate guarantees :

- Guarantees for Rs. 670.000 million in favour of banks on behalf of a subsidiary.
- Guarantees for Rs. 2,372.100 million in favour of lenders on behalf of subsidiaries
- Guarantees for Rs. 300.000 million in favour of banks on behalf of an associate.

8. Fixed Assets

- The Company's land in Bangalore was revalued during August 2001, based on an independent valuer's report. Accordingly, the value of the land was restated at Rs.1,707 million, with a corresponding adjustment to the Fixed Assets Revaluation Reserve.
- The Company owns certain valuable trademarks/logo which are carried at nil value. Some of these trademarks /logo have been licenced to Group companies.
- The Company's UB City property is under charge in favour of a Financial Institution for facility granted to the Company and its wholly owned subsidiary.
- The Company's property in Goa is under charge in favour of a bank for facilities granted to a subsidiary.

9. Investments:

- The Company has pledged 16,699,402 shares held in United Spirits Limited, 10,000,000 shares held in Mangalore Chemicals & Fertilisers Limited, 769,728 shares held in UB Engineering Ltd., 64,252,041 shares in Kingfisher Airlines Limited and 4,305,030 shares held in McDowell Holdings Limited to secure the borrowings of subsidiary companies and associate companies.
In addition to the above, the Company has given negative lien of shares of United Breweries Limited amounting Rs. 1,250 million in favour of ICICI Bank Limited to secure the borrowings of a subsidiary company.
- The Company has given a letter of undertaking in favour of ICICI Bank Limited, undertaking not to dispose of its investments in Kingfisher Airlines Ltd., till such time as there are borrowings from ICICI Bank Limited to Kingfisher Airlines Limited.
- The investment in subsidiaries (including step down subsidiaries) have been considered as long term strategic investments and diminution in their market value/net worth, though significant is considered temporary and hence no provision is considered necessary.

10. Confirmation of balances from certain Sundry Debtors and Sundry Creditors are awaited. Adjustment for differences, if any, arising out of confirmation and reconciliation thereof would be made in the current year. The Management is of the opinion that the impact of adjustments, if any, is not likely to be significant.

11. The Company, over the years has advanced significant amounts to subsidiaries including overseas subsidiaries aggregating Rs. 13,151.541 million (including Rs.3,302.755 million advanced during the year) which have not yet been repaid. Interest has not been charged on loans advanced aggregating Rs. 8,250.279 million. The net worth of

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

an overseas subsidiary has been fully eroded. Considering, the income stream of those companies, the repayment of loans could possibly take protracted period of time beyond those stipulated in the Loan Agreements. The Directors are of the view that all the amounts are ultimately recoverable with interest wherever applicable taking into consideration their business plans and growth strategies. Accordingly the advances to subsidiaries are considered presently good and recoverable except to the extent of Rs. 20 million.

12. As required under Section 205C of the Companies Act, 1956, the Company has transferred Rs. 0.134 million (Pr year Rs. 1.129 million) to the Investor Education and Protection Fund (IEPF) during the year. On March 31, 2010, no amount was due to be transferred to the IEPF.

13. Guarantee Commission represents the commission charged by the Company for the corporate guarantees provided on behalf of subsidiaries and certain associate companies. Security Commission represents the commission charged by the Company for the securities pledged on behalf of a subsidiary and an associate company.

The Company has significant guarantee exposure on behalf of subsidiaries and other associated companies. Wherever any guarantee has been invoked, the guaranteed amount has been paid by the beneficiaries. The Management is reasonably confident that none of the other guarantees would eventually devolve upon the Company.

14. Deposit amounting to Rs. 500 million with The Lakhmi Vilas Bank Limited is pledged for facilities granted to a subsidiary company.

15. Advertisement and sales promotion expenses include Rs. 227.318 million paid to an overseas company for promotion of the Company's logo.

16. Remuneration to Chairman, Managing Director and Managerial Personnel

- i) The Chairman of the Company has received remuneration from two subsidiaries, amounting to USD 120,000 (Pr year USD 120,000) and GBP 89,600 (Pr year GBP 89,600) for the year 2009-10.
- ii) The Company has not paid any remuneration to the Managing Director. However, he has received remuneration of Rs. 3.882 million (Pr year 3.861 million) as an executive of an associate company. The Managing Director of the Company has not received sitting fees from any subsidiary company. The reappointment of Mr. R. N. Pillai as Managing Director with effect from 18th March, 2010, without remuneration requires approval of the shareholders at the ensuing Annual General meeting.
- iii) Subsidiaries have paid sitting fees of Rs.0.155 million (Pr year Rs. 0.240 million) to Directors other than the Managing Director.

17. Remuneration to Auditors:

	2009-10	2008-09
Statutory Audit	2.000	1.500
Tax Audit	0.200	0.200
Limited Reviews	0.300	0.300
Certification Fees	1.170	0.610
	<u>3.670</u>	<u>2.610</u>

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

18. Employee benefit

Gratuity computations as on 31-03-2010

Disclosure as per AS 15

Defined benefit plans

	31.03.2010	31.03.2009
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:		

Obligations at period beginning	37.134	26.963
Service cost	18.043	12.705
Interest cost	2.748	1.703
Benefits settled	(5.563)	(5.272)
Actuarial (gain)/loss	(0.320)	1.035
Obligations at period end	52.042	37.134

Defined benefit obligation liability as at the Balance Sheet is wholly funded by the Company

Change in plan assets

Plan assets at period beginning, at fair value	49.568	18.738
Asset available in another policy	3.659	-
Expected return on plan assets	4.238	2.631
Actuarial gain/(loss)	0.721	(0.110)
Contributions	5.055	33.581
Benefits settled	(5.563)	(5.272)
Plans assets at period end, at fair value	57.678	49.568

Reconciliation of present value of the obligation and the fair value of the plan assets:

Fair value of plan assets at the end of the year	57.678	49.568
Present value of the defined benefit obligations at the end of the period	52.042	37.134
Liability recognized in the Balance Sheet	5.636	12.435

Details of Gratuity Cost

Service cost	18.043	12.705
Interest cost	2.748	1.703
Expected return on plan assets	(4.238)	(2.631)
Actuarial (gain) / loss	(1.040)	1.115
Net Gratuity Cost	15.513	12.922
Actual return on plan assets	4.958	2.521

Description of the basis used to determine the overall expected rate of return on assets including major categories of plan assets.

The expected return is calculated on the average fund balance based on the mix of investments and the expected yield on them.

Assumptions

Interest rate	8.00%	7.00%
Discount factor	8.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%
Salary Increase	5.00%	5.00%
Attrition rate	1.00%	1.00%
Retirement age	58	58

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

19. Details of outstanding to Micro, Small and Medium Enterprises and Small Scale Industries

Based on the response received by the Company, there are no amount outstanding as at March 31, 2010 to suppliers, as defined under the Micro, Small & Medium Enterprises Development Act, 2006.

Amount due to Small Scale Industries (SSI) is nil to the extent of information disclosed by creditors.

20. The Company has recognized the rent from cancellable operating leases in accordance with the terms of the lease deed.

In respect of the non- cancellable operating leases, the Company has recognized the rent on a straight line basis over the non-cancellable lease term.

Future minimum lease payments receivable under non-cancellable operating leases up to one year Rs. Nil
(Pr year Rs. 20.476 million)

21. The gross carrying amount, accumulated depreciation and net carrying value of leased building are as follows:

Description	31.03.2010	31.03.2009
Gross Block	507.320	507.320
Accumulated depreciation	55.187	31.390
Net Block	452.133	475.930

22. Deferred tax

Particulars	31.03.2010	31.03.2009
Deferred Tax Liability in respect of		
i) Depreciation on fixed assets	-	16.357
Total	-	16.357
Deferred Tax Asset in respect of		
i) Depreciation on fixed assets	0.734	
ii) Allowance for carried forward losses	202.596	**14.397
iii) Merger expenses	-	1.960
Total	*203.330	16.357
Net	-	Nil

Note : * Deferred tax asset is not recognized as a matter of prudence. ** Deferred tax asset is recognized only to the extent of deferred tax liability.

23. Quantitative Particulars

Particulars of Purchases and Sales of Goods traded by the Company

Products	Units	Opening Stock		Purchases		Sales		Closing Stock	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1. Alcoholic Beverages	Cases	11,623 (44,366)	9.310 (22.148)	2,861,128 (2,739,904)	10,017.050 (770.274)	2,768,096 (2,739,904)	1,353.000 (1,303.894)	104,655 (11,623)	26.529 (9.310)
2. Leather Products	Pairs	- (100)	- (4.502)	271,141 (328,428)	322.000 (423.221)	270,531 (328,528)	350.410 (468.613)	610 (-)	0.480 (-)
3. Processed Food	Tons	78.90 (79.48)	3.770 (2.028)	1,738.100 (1,730.430)	94.070 (91.577)	1,817 (1,731)	127.950 (140.500)	- (78.90)	- (3.770)
4. Readymade Garments	Pcs	5,151 (371)	1.040 (0.303)	765,068 (444,812)	148.550 (143.188)	755,245 (440,032)	156.020 (148.058)	14,974 (5,151)	2.540 (1.040)
5. Pharmaceuticals	Boxes EA	-	-	8,180 (30,340)	2.480 (4.773)	8,180 (30,340)	2.530 (5.610)	-	-

Figures in brackets relates to previous year

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

24. Segment Reporting:

Segment-wise business performance for the year ended March 31, 2010

Primary Segment Information		Segment Revenue		Segment Results	
		2009-10	2008-09	2009-10	2008-09
a)	Alcoholic Beverages	1,500.393	1,329.593	190.481	219.608
b)	Leather Products	406.170	511.176	42.852	(6.161)
c)	Investments	191.344	102.270	81.508	13.712
d)	Guarantee Services	522.606	349.757	412.771	261.199
e)	Property development	652.000	623.403	522.665	509.922
f)	Others	702.979	698.244	26.356	271.021
	Total	3,975.492	3,614.443	1,276.633	1,269.301
	Provision / liabilities no longer required			3.320	41.836
	Exceptional Items			960.420	-
	Provision for bad and doubtful advances			(6.912)	-
	Bad Debts written off			(4.620)	-
	Interest Expenses			(1,472.868)	(1,167.755)
	Interest Income			517.123	371.261
	Profit before tax			1,273.096	514.644

Other Information:		2009-10		2008-09		2009-10		2008-09	
		Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
a)	Alcoholic Beverages	624.941	397.299	339.602	126.545	0.011	0.109	0.031	0.194
b)	Leather Products	201.899	80.408	145.874	89.803	24.163	1.593	5.999	1.407
c)	Investments	25,895.237	12,295.773	23,161.029	10,338.706	-	-	-	-
d)	Property Development	1,714.215	-	1,732.181	-	-	29.210	-	33.619
e)	Others	262.859	39.850	201.400	86.883	158.633	76.160	167.866	45.579
	Total	28,699.151	12,813.330	25,580.086	10,641.937	182.807	107.072	173.896	80.799

Notes :

1. Income under the segment "investments" represents dividends received and profit on sale of investments/assets.
2. Segment results represents profit/(loss) before finance expenses, interest income and tax.
3. Capital expenditure represents the gross additions made to fixed assets during the year.
4. Segment assets include Fixed Assets, Investments, Current Assets, Loans & Advances except income tax assets.
5. Segment Liabilities include Secured and Unsecured Loans, Current Liabilities and Provisions except provision for tax and dividend.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

Secondary segments, based on geographical locations

Particulars	Segment Revenue		Segment Assets	
	2009-10	2008-09	2009-10	2008-09
Within India	1,985.560	1,564.355	25,915.501	24,698.947
Outside India	1,989.932	2,050.088	2,783.650	881.139
Total	3,975.492	3,614.443	28,699.151	25,580.086

Notes: Segment Assets include Fixed Assets, Investments, Current Assets, Loans and Advances except income tax assets.

25. Related Party Transactions:

Key Management Personnel: Mr. R. N. Pillai - Managing Director

i) Name of the Related Parties and description of relationship

Subsidiaries

UB Electronic Instruments Limited *, UB Infrastructure Projects Limited *, UB International Trading Limited *, Kingfisher Finvest India Limited (Formerly known as Kingfisher Radio Limited) *, Kingfisher Airlines Limited (Formerly known as Deccan Aviation Limited) *, Kingfisher Training and Aviation Services Limited (Formerly known as Kingfisher Airlines Limited) *, Kingfisher Aviation Training Limited (Formerly known as Kingfisher Training Academy Limited) *, City Properties Maintenance Company Bangalore Limited *, Bangalore Beverages Limited *, Vitae India Spirits Limited, Rigby International Corp., United Breweries of America Inc, Delaware, Inversiones Mirabel, S.A, Mendocino Brewing Co. Inc, USA, United Breweries International [UK] Limited , UBSN Limited, Rubic Technologies, Inc, Releta Brewing Company LLC, UB Overseas Limited *and UBHL (BVI) Limited *

Associates

United Spirits Limited *, Mangalore Chemicals & Fertilizer Limited *, UB Engineering Limited* WIE Engineering Limited (Under Liquidation), McDowell Holdings Limited , Pixray India Limited , UB Pharma (Kenya) Limited and DCL Holdings Private Limited

* with which there have been transactions during the year

UBHL

ii) Transactions with Related Parties during the year:

	Kingfisher Finvest India Ltd		UB Electronic Instruments Ltd		Kingfisher Airlines Ltd		Kingfisher Training and Aviation Services Ltd		UB Infrastructure Projects Ltd		Kingfisher Aviation Training Ltd		City Properties Maintenance Company B'lore Ltd		UB International Trading Ltd		UB Overseas Ltd		UBHL-BVI Ltd.		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Purchase of goods (finished or unfinished)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	279,532	383,534
Sale of goods (finished or unfinished) *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,875	14,602
Receiving of services	-	-	-	0.085	0.033	0.758	0.199	-	-	-	-	-	-	8.537	6.653	-	-	-	-	-	9,380	6,885
Licence Agreement	-	-	-	-	-	58,250	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	58,250	59,000
Finance (including loans in cash or in kind paid)	1,259,755	2,590,176	-	0.085	-	2,007,020	515,609	56,754	0.058	1,069,501	576,651	0.300	365,300	56,411	27,288	273,326	45,439	-	188,676	-	4,723,152	4,309,216
Finance (including loans in cash or in kind received)	4,098,468	1,047,560	-	-	-	1,004,894	414,835	0.055	-	82,939	887,779	-	-	53,654	-	7,567	-	-	6,869	-	5,247,577	2,357,043
Investments made	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,343,992	-	10,000	1,343,992	10,000
Guarantee Commission received	-	-	-	-	-	494,820	327,791	0.515	0.515	-	-	-	-	-	-	-	-	6,004	6,038	-	501,339	334,344
Interest Received	-	-	-	-	-	249,386	136,052	-	-	195,062	179,961	-	-	-	-	-	-	31,817	20,191	-	476,265	336,204
Guarantees and collaterals	-	-	-	-	-	103,599,700	82,855,900	51,500	51,500	-	-	-	-	-	-	-	-	2,415,000	2,415,000	-	106,066,200	85,322,400
Amount due from as on Mar 31, 2010	5,678,446	8,517,159	-	-	3,212,275	1,408,450	64,333	7,119	3,263,785	2,082,161	383,298	382,997	20,068	19,788	44,264	33,143	257,312	244,337	227,957	257,298	13,151,738	12,952,452
Amount due to as on Mar 31, 2010	-	-	-	-	0.062	-	-	-	-	-	-	-	-	0.117	0.095	0.018	-	-	-	-	0.197	0.095

Associate Companies	United Spirits Ltd		Mangalore Chemicals and Fertilisers Ltd		UB Engineering Ltd		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Purchase of goods (finished or unfinished)	839,062	600,773	-	-	-	-	839,062	600,773
Leasing arrangement	6,323	11,901	-	4,544	-	-	6,323	16,445
Sale of Assets	-	-	-	106,368	-	-	-	106,368
Licence Agreement	45,000	60,000	60,000	60,000	25,672	25,000	130,672	145,000
Finance (including loans in cash or in kind paid)	1,860,494	608,120	18,770	2,326	92,933	5,450	1,972,197	615,896
Finance (including loans in cash or in kind received)	1,248,161	0.081	167,893	179,118	110,659	4,278	1,526,713	183,477
Dividend received	47,764	35,823	20,330	17,426	-	-	68,094	53,249
Guarantee Commission received	4,100	4,197	-	-	17,167	11,217	21,267	15,414
Deposit Received	1,030,000	748,281	-	-	-	-	1,030,000	748,281
Interest Received	-	-	-	-	8,353	-	8,353	-
Guarantees and collaterals	410,000	410,000	-	-	2,160,000	1,210,000	2,570,000	1,620,000
Management contracts including deputation of employees	-	-	21,600	26,368	2,086	5,402	23,686	31,770
Amount due from as on Mar 31, 2010	96,329	24,842	0.029	86,321	90,000	52,636	186,491	163,932
Amount due to as on Mar 31, 2010	2,468,444	1,170,676	-	-	2,993	-	2,471,437	1,170,680

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

26. Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets".

Provisions:

Particulars of disclosure		Provision for contingent claims	Provision for leave encashment
1.	Balance as on 1.04.09	37.403	21.152
2.	Provision made during year	7.750	2.653
3.	Provision used during the year.	7.775	1.681
4.	Balance as on 31.03.10	37.428	22.124

Year and quantum of outflow of cash in respect of the above contingent claims is not presently ascertainable. Time of outflow of cash on account of leave encashment is contingent upon the time of employee's separation from the Company.

27. With a view to facilitating the smooth business operation of its subsidiary, Kingfisher Airlines Limited, the Company, as part of its obligation as Holding Company has expressed its intention to honour the financial obligations to the lending institutions on the due dates.
28. Exceptional income represents the amount received from Heineken Group (net of expenditure) in connection with the closure of all pending disputes and settling the matters out of Court and ceding certain management rights in United Breweries Limited in terms of the settlement.

29.	Earnings per Share	2009-10	2008-09
	Net profit after tax	702.290	407.875
	Number of equity shares	66,818,521	66,818,521
	Earnings per share (Basic)/ (Diluted) - in Rs.	10.51	6.10

30.	Value of imports calculated on CIF basis	2009-10	2008-09
	Raw materials	61.398	52.920
	Packing materials	62.254	36.241
	Capital Goods	5.937	10.025
	Total	129.589	99.186

31.	Expenditure in Foreign Currency:	2009-10	2008-09
	Foreign Travel expenses	6.826	4.748
	Commission to Agents	2.005	1.625
	Professional and Legal fees	4.661	8.192
	Imports of material & capital goods	129.589	99.186
	Others	260.113	28.762
	Investments	1343.991	10.000
	Total	1747.185	152.513

32.	Earnings in Foreign Exchange	2009-10	2008-09
	Export of goods calculated on FOB basis	1,888.084	1,947.960

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

33. The Company has not entered into any speculative derivative transactions. Hedging is restricted to the business needs of the Company. As at the Balance Sheet date, foreign currency receivable / payable that is not hedged by any derivative instrument or otherwise are as under:

Particulars	Net Receivable / (Payable) Foreign Currency Amount		Net Receivable / (Payable) Amount in local currency	
	2009-10	2008-09	2009-10	2008-09
Currency				
USD	10.995	9.326	501.226	475.160
Euro	(0.002)	(0.043)	(0.150)	(2.171)
Euro	0.003	0.093	0.210	4.718
USD	(0.219)	(0.124)	(9.827)	(6.264)

34. Given the time and nature of the Company's cash flow, the Company has borrowed to meet immediate needs from time to time. Management has initiated steps to improve the liquidity inter alia through sale of luxury residential property being developed in the UB City. Accordingly the annual accounts have been prepared on the basis of going concern.
35. The Board of Directors have proposed a dividend of Re. 1/- per share (10%) for the year ended March 31, 2010.
36. All amounts are in Rupees million, unless otherwise stated.
37. Previous year's figures have been regrouped wherever necessary to conform with the current year's classification/ presentation.

SIGNATURES TO SCHEDULES 1 TO 12

Dr. Vijay Mallia
Chairman

Bangalore
August 20, 2010

N. Srinivasan
Director

Kaushik Majumder
Company Secretary

R. N. Pillai
Managing Director

A. Harish Bhat
Director

For Vishnu Ram & Co.,
Chartered Accountants

S. Vishnumurthy
Proprietor

Membership No.: 22715
Firm Registration No. : 004742S

Company's General Business Profile

I Registration Details

Registration / CIN	:	740 / L85110KA1915PLC000740
State Code	:	08
Balance Sheet Date	:	31.03.2010

II Capital Raised during the year

Public Issue	:	Nil
Rights Issue	:	Nil
Private Placement	:	Nil
Bonus Issue	:	Nil

III Position of Mobilisation and Deployment of Funds

(Rs. in Thousands)

Total Liabilities	24,787,788	Total Assets	24,787,788
Sources of funds		Application of Funds	
Paid up Capital	668,185	Net Fixed Assets	2,221,475
Reserves and Surplus	15,039,918	Investments	10,594,610
Secured Loans	7,791,783	Net Current Assets	11,971,703
Unsecured Loans	1,287,902	Profit and Loss Account	-

IV Performance of the Company

Turnover	5,456,355	Total Expenditure	4,183,259
Profit Before Tax	1,273,096	Profit after Tax	702,290
Earning per share	Rs. 10.51	Dividend Rate	10%

V Generic Name of three Principal Products / Services of the Company

1 Trading in following goods

ITC Code	Beer	-	220300
	Liquor	-	220830
	Leather Shoes	-	640320

2 Real Estate Development and Investment holding

- NA

Disclosure under Clause 32 of the Listing Agreement
In the books of the Holding Company United Breweries (Holdings) Limited

Rs. in million

Sl. No.	Name of the Company	Value of Investment			Amount of Outstanding As at March 31,2010	Maximum amount outstanding during the year
		Parent Company	Subsidiaries	Total		
	Subsidiaries					
1	UB Electronic Instruments Limited	27.209	0.326	27.535	-	-
2	Kingfisher Training and Aviation Services Limited (formerly known as Kingfisher Airlines Limited)	0.332	0.027	0.359	64.333	64.333
3	Kingfisher Airlines Limited (formerly known as Deccan Aviation Limited)	2,985.321	9,682.170	12,667.491	3,212.213	3,212.275
4	Bangalore Beverages Limited		0.500	0.500	0.001	0.001
5	Kingfisher Finvest India Limited (formerly known as Kingfisher Radio Limited)	2,500.500	-	2,500.500	5,678.446	9,131.142
6	UB Infrastructure Projects Limited	0.500	-	0.500	3,263.785	3,263.785
7	Kingfisher Aviation Training Limited (formerly known as Kingfisher Training Acedamy Limited)	30.000	-	30.000	383.298	383.298
8	City Properties Maintenance Company Bangalore Limited	0.500	-	0.500	19.951	23.980
9	UB International Trading Limited	0.500	-	0.500	42.245	44.264
10	Vitae India India Spirits Limited		0.500	0.500	-	-
11	Rubic Technologies Inc.	26.558	-	26.558	-	-
12	Rigby International Corp.	660.238	-	660.238	-	-
13	UB Overseas Limited	1,343.994	0.002	1,343.996	257.312	257.312
14	UBHL (BVI) Limited	10.040	-	10.040	227.957	227.957
		7,585.692	9,683.525	17,269.217	13,151.541	16,608.347
	Associates					
1	United Spirits Limited	701.894	421.319	1,123.213	96.329	210.555
2	McDowell Holdings Limited	146.038	3.067	149.105	-	-
3	Mangalore Chemicals & Fertilizer Limited	334.569	-	334.569	0.028	85.721
4	United Racing & Bloodstock Breeders Limited	0.400	-	0.400	-	-
5	Pixray India Limited	-	0.153	0.153	-	-
6	WIE Engineering Limited	1.419	-	1.419	-	-
7	DCL Holdings Private Limited	-	700.000	700.000	-	-
8	UB Pharma (Kenya) Limited	7.616	-	7.616	-	-
9	UB Engineering Limited	424.928	-	424.928	87.007	87.007
		1,616.864	1,124.539	2,741.403	183.364	383.283

Auditor's Report on Consolidated Financial Statements

The Board of Directors,
United Breweries (Holdings) Limited,
Bangalore.

1. We have audited the attached Consolidated Balance Sheet of United Breweries (Holdings) Limited Group, as at 31st March 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the United Breweries (Holdings) Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3.
 - (a) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 91,919.779 million as at 31st March 2010, total revenues of Rs. 53,508.072 million and net cash in flows amounting to Rs. 142.920 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of such other auditors.
 - (b) *The auditor of a subsidiary company has drawn attention of the members to note 11(b) of schedule 12 regarding recognition of deferred tax asset and reported that in view of Explanation 1 to Paragraph 17 of Accounting Standard 22, they cannot express any independent opinion in the matter of recognition of deferred tax asset of Rs. 7,646.331 million (net) for the year and total deferred tax asset of Rs.24,343.651 million as at 31-03-2010.*
 - (c) *The auditor of a subsidiary company has drawn attention of the members to note 16 of schedule 12 regarding change in the method of accounting of costs incurred on major repairs and maintenance of engines of aircraft taken on operating lease during the year aggregating to Rs.2,070.076 million which have been included under fixed assets and amortised over the estimated useful life of the repairs. In the opinion of the auditor of the subsidiary company, the revised accounting treatment is not in accordance with current accounting standards.*
 - (d) *The financial statements of certain associate companies mentioned in note 2 of schedule 11 have not been considered in the Consolidated Financial Statements for the reasons stated against their names.*
 - (e) The financial statements of certain associate companies, which reflect the group's share of loss (net) for the year of Rs. 85.818 million have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our examination of the Consolidated Financial Statements.
 - (f) *Subject to our comments in paragraphs 3(b), 3(c) and 3(d) above, we report that the consolidated financial statements have been prepared by the United Breweries (Holdings) Limited's management in accordance with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements and Accounting Standard, (AS) 23 Accounting for Investments in Associates in Consolidated Financial Statements specified in the Companies (Accounting Standards) Rule, 2006.*
4. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, and *subject to our observations in paragraphs 3(b), 3(c) and 3(d) above*, we are of the opinion that the

Auditor's Report on Consolidated Financial Statements (contd.)



attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the United Breweries (Holdings) Limited Group as at 31st March 2010;
- (b) in the case of the Consolidated Profit and Loss Account, of the loss for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Vishnu Ram & Co.,
Chartered Accountants

(S. Vishnumurthy)

Proprietor

Membership No. 22715

Firm Registration No.004742S

Bangalore
20.08.2010



Consolidated Balance Sheet as at March 31, 2010

Rs. in million

	Schedule	As at March 31, 2010		As at March 31, 2009	
I SOURCES OF FUNDS					
(1) SHAREHOLDERS' FUNDS					
(a) Capital	1	668.185		668.185	
(b) Employee Stock Option outstanding (Refer Note 9 in Sch 12)		74.818		81.094	
(c) Equity warrants		-		490.165	
(d) Reserves and Surplus	2	16,453.132	17,196.135	11,491.523	12,730.967
(2) MINORITY INTEREST			88.495		114.592
(3) Foreign Currency Monetary Item Translation Difference Account			-		54.929
(4) LOAN FUNDS	3				
(a) Secured loans		62,478.485		42,209.892	
(b) Unsecured loans		26,870.443	89,348.928	28,660.532	70,870.424
			106,633.558		83,770.912
II APPLICATION OF FUNDS					
(1) FIXED ASSETS	4				
(a) Gross Block		24,086.814		22,494.387	
(b) Less : Depreciation		5,679.152		3,854.080	
(c) Less : Impairment		0.500		0.500	
(d) Net Block		18,407.162		18,639.807	
(e) Capital work-in-progress		9,497.005	27,904.167	16,002.860	34,642.667
(2) GOODWILL ON CONSOLIDATION			20,536.907		20,537.223
(3) INVESTMENTS	5		14,438.299		14,321.295
(4) Foreign Currency Monetary Item Translation Difference account			279.457		-
(5) DEFERRED TAX ASSET			24,340.056		16,694.428
(6) CURRENT ASSETS, LOANS AND ADVANCES	6				
(a) Inventories		1,822.900		1,629.719	
(b) Sundry Debtors		3,858.677		2,891.447	
(c) Cash and Bank balances		4,585.848		2,110.071	
(d) Other current assets		9,297.685		10,419.663	
(e) Loans and Advances		10,686.990		6,442.685	
		30,252.100		23,493.585	
Less: CURRENT LIABILITIES AND PROVISIONS	7				
(a) Current liabilities		39,413.593		37,336.347	
(b) Provisions		1,346.649		701.672	
		40,760.242		38,038.019	
Net current assets			(10,508.142)		(14,544.434)
(7) (a) Miscellaneous Expenditure (to the extent not written off or adjusted) (Refer Note 15 in Sch 12)			1,456.423		1,709.568
(b) Profit and Loss Account	8		28,186.391		10,410.165
			106,633.558		83,770.912
ACCOUNTING POLICIES	11				
NOTES TO ACCOUNTS	12				

The Schedules referred to above and notes there on form an integral part of the accounts.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor
Membership No.: 22715
Firm Registration No. : 0047425

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Consolidated Profit and Loss Account for the year ended March 31, 2010

Rs. in million

	Schedule	For the year ended March 31, 2010		For the year ended March 31, 2009	
INCOME	9				
Sales and services		55,462.696		57,393.266	
Profit on sale of land and buildings/ assets		318.176		179.625	
Profit on sale of investments		-		26.880	
Other income		2,326.558	58,107.430	3,363.871	60,963.642
EXPENDITURE	10				
Direct costs		43,562.074		52,462.162	
Personnel costs		7,110.234		8,468.246	
Loss on sale of investments		94.531		-	
Other expenses		15,106.943		14,200.614	
Finance costs		12,370.405		9,309.494	
Maintenance rent reversed		-	78,244.187	(5,308.244)	79,132.272
Loss before depreciation, exceptional items and taxation			(20,136.757)		(18,168.630)
Depreciation			2,152.837		1,475.803
Loss before exceptional items and taxation			(22,289.594)		(19,644.433)
Exceptional Items					
Add: Cost incurred on account of premature termination of lease/purchase contracts			3,576.547		2,375.354
Less: Exceptional income (Refer Note 17 in Sch 12)			960.420		-
Loss before taxation			(24,905.721)		(22,019.787)
Provision for taxation					
- Current tax		212.435		105.418	
- Previous years		303.689		130.511	
- Deferred tax		(7,645.628)	(7,129.504)	(5,588.173)	(5,352.244)
Loss after tax			(17,776.217)		(16,667.543)
Transferred to Minority			(15.409)		(15.171)
Share of profit /(loss) in associates			95.330		(1,458.489)
Loss for the year			(17,665.478)		(18,110.861)
- Appropriations					
- Proposed dividend			66.819		-
- Tax on proposed dividend			11.099		-
Loss carried forward			(17,743.396)		(18,110.861)
Earnings per share (Basic / Diluted) in Rs			(264.38)		(271.05)
ACCOUNTING POLICIES	11				
NOTES TO ACCOUNTS	12				

The Schedules referred to above and notes there on form an integral part of the accounts.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Membership No.: 22715
Firm Registration No. : 004742S

Consolidated Cash Flow Statement for the year ended March 31, 2010

Rs. in million

	For the year ended March 31, 2010		For the year ended March 31, 2009	
A. Cash flow from operating activities				
Net loss before taxation		(24,905.721)		(22,019.787)
Adjustments for :				
Depreciation	2,152.837		1,475.803	
Dividend income	(145.943)		(137.820)	
Interest income	(180.302)		(173.289)	
Increase/ (decrease) in provision for stock obsolescence	(8.535)		60.988	
Income on sale and lease back transaction	(4.142)		(4.142)	
Profit on sale of assets	(318.176)		(179.625)	
Loss on sale of investments (other than short term investments)	98.746		-	
Interest expenses	12,370.405		9,309.494	
Liabilities no longer required	(1,297.199)		(52.435)	
Amortisation of initial cost on lease of aircrafts	288.811		262.538	
Amortisation of shares issue expenses	45.088		121.351	
Amortisation of slot charges	211.001		-	
Loss on sale/ written off/ impairment of old assets	0.438		0.419	
Loss on discard of asset	19.320		-	
Provision for employee compensation	(6.277)		(15.661)	
Provision for frequent flyer scheme	82.785		47.277	
Maintenance rent reversal	-		(5,308.244)	
Loss on transfer of aircrafts	-		51.303	
Unrealised exchange fluctuation loss / (gain)	548.701		(2,204.172)	
Bad debts written off	4.620		15.297	
Provision for bad and doubtful advances	6.912		-	
Exceptional income	(960.420)		-	
		12,908.670		3,269.082
Operating loss before working capital changes		(11,997.051)		(18,750.705)
Adjustment for changes in working capital:				
Increase in inventories	(184.645)		(622.435)	
Increase in trade and other receivables	(4,934.944)		(2,773.909)	
Increase in current liabilities and provisions	3,662.946	(1,456.644)	18,674.763	15,278.419
Cash used in operations		(13,453.695)		(3,472.286)
Less : taxes paid		(205.714)		(425.594)
Net cash used in operating activities		(13,659.409)		(3,897.880)
B. Cash flow from investing activities				
Movement in Fixed Assets (including changes in capital work in progress)	2,415.253		(297.649)	
Lease rentals for aircrafts on finance lease (principal portion)	(886.958)		(714.048)	
Sale of fixed assets	1,100.983		251.683	
Purchase of investments	-		(1,536.238)	
Sale of investments	4,199.648		50.005	
Loan to other companies	(3.471)		(281.796)	
Dividend income	145.943		137.820	
Interest received	180.302		173.289	
Exceptional income	960.420		-	
(Increase)/ decrease in fixed deposits with bank	(858.848)		2,364.974	
Net cash generated from in investing activities		7,253.272		148.040

Consolidated Cash Flow Statement for the year ended March 31, 2010 (contd.)

Rs. in million

	For the year ended March 31, 2010		For the year ended March 31, 2009	
C. Cash flow from financing activities				
Proceeds from issue of shares	2.754		13.615	
Interest paid	(12,370.405)		(9,309.494)	
Dividend paid and corporate dividend tax paid	-		(78.175)	
Proceeds from loans from banks and others	20,630.333		12,200.010	
Net cash generated from financing activities		8,262.681		2,825.956
Net increase / (decrease) in cash and cash equivalents		1,856.545		(923.884)
Cash and cash equivalents at the beginning of the year		684.647		1,597.398
Less: elimination on cessation of subsidiaries		-		(53.848)
Additions due to new subsidiary		-		58.369
Exchange gain / (loss) on opening cash and cash equivalents		(3.365)		6.612
Cash and cash equivalents at the end of the year		2,537.827		684.647
Cash and cash equivalents comprise of :				
Cash in hand		18.742		25.952
Balance with banks in current accounts		2,282.833		658.695
Short term investments		236.252		-
		2,537.827		684.647

Notes to the Consolidated Cash Flow Statement

1. Short term investments represents amounts invested in mutual funds which are readily convertible into cash.
2. Balances with banks include Rs.1.919 million being balances in unpaid dividend account which can not be used by the Company except for payment of unpaid dividend / transfer to Investor Education and Protection Fund.

UBHL

This is the Consolidated Cash Flow Statement referred to in our Report of even date.

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Mallaya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Membership No.: 22715
Firm Registration No. : 004742S

Schedules to Balance Sheet forming part of accounts as at March 31, 2010

Rs. in million

SCHEDULE 1

SHARE CAPITAL

Authorised

100,000,000 equity shares of Rs.10 each

1,000.000

1,000.000

Issued, Subscribed and Paid-up

66,818,521 shares of Rs 10/- each fully paid (PY - 66,818,521 shares)

668.185

668.185

Of the above shares,

- 34,008 shares to the extent of Rs. 7.50 per share were issued for a consideration other than cash.
- 7,905,249 shares were allotted for consideration other than cash under scheme / arrangement sanctioned by the Court.
- 1,114,089 shares allotted through conversion of debentures in 1989.
- 5,784,099 shares were allotted as fully paid bonus shares by capitalisation of reserves.
- 825,256 shares allotted, as per scheme of amalgamation in 1995.
- 29,720,949 shares were allotted as fully paid bonus shares by capitalising the securities premium.

668.185

668.185

SCHEDULE 2

RESERVES AND SURPLUS

Capital Reserve

As per last Balance Sheet

21.200

21.200

Additions during the year (Refer Note 4 in Sch 12)

490.165

511.365

-

21.200

Security premium Account

As per last Balance Sheet

8,331.975

9,200.082

Adjustment as per scheme

-

8,331.975

868.107

8,331.975

Fixed Assets Revaluation Reserve

As per last Balance Sheet

1,150.484

1,183.468

Adjustment on sale of fixed assets

27.304

1,123.180

32.984

1,150.484

Capital Reserve arising on consolidation of associates

6,723.827

2,602.250

Foreign Currency Translation Reserve

(312.215)

(689.386)

Contingency Reserve

75.000

75.000

16,453.132

11,491.523

SCHEDULE 3

SECURED LOANS

From Banks

40,692.924

16,627.062

From Others

21,785.561

25,582.830

62,478.485

42,209.892

(Secured by pledge of shares held by the parent Company and its subsidiary, deposit of title deeds of the parent Company's land and structures in Bangalore and in Goa, charge on fixed asset, assignment of rights under purchase agreement entered with aircraft manufacturers for purchase of aircrafts, hypothecation of underlying aircrafts under finance lease liability, hypothecation of stocks, charge on supply advances, book debts, securitization of rent receivable from the property let out and assignment of receivables for use of trademark.)

UNSECURED LOANS

From Banks

19,128.006

23,163.484

From Others

6,454.535

5,497.048

Public Deposits

1,287.902

-

26,870.443

28,660.532

Schedules to Balance Sheet forming part of accounts as at March 31, 2010 (contd.)

Rs. in million

SCHEDULE 5

INVESTMENTS

Long term investments

In fully paid equity shares

In associate companies

Goodwill on acquisition of Associate

In other companies

	As at March 31, 2010	As at March 31, 2009
In associate companies	12,286.240	8,107.906
Goodwill on acquisition of Associate	450.450	450.450
In other companies	1,474.793	5,772.375
	14,211.483	14,330.731
Less : Provision for diminution in value of investments	9.436	9.436
	14,202.047	14,321.295
Current Investments	236.252	-
	14,438.299	14,321.295

SCHEDULE 6

CURRENT ASSETS, LOANS AND ADVANCES

1. INVENTORIES

Packing material

Trading goods

Work in progress

Rotables, Tools and Engineering consumables

Less: Provision for obsolescence

Inflight stores & consumables

16.684

149.589

7.854

1,382.624

(64.371)

330.520

3.756

150.935

2.560

1,217.941

(72.906)

327.433

1,822.900

1,629.719

2. SUNDRY DEBTORS

(Unsecured, considered good unless otherwise stated)

Outstanding for a period exceeding six months

Debts considered good for which the company holds no security other than the debtor's

personal security

considered doubtful

216.990

2.538

219.528

2.538

52.821

2.285

55.106

2.285

Less : Provision

Other debts

Debts considered good for which the company holds no security other than the debtor's personal security

3,641.687

3,858.677

2,838.626

2,891.447

3. CASH AND BANK BALANCES

(a) Cash on hand (includes foreign currency notes)

(b) Bank balances

(i) in current accounts

(including in unpaid dividend accounts of Rs. 1.919 million)

(ii) in deposit accounts

18.742

2,282.833

2,284.273

4,585.848

25.952

658.695

1,425.424

2,110.071

Schedules to Balance Sheet forming part of accounts as at March 31, 2010 (contd.)

Rs. in million

SCHEDULE 6 (contd.)

4. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received

	As at March 31, 2010	As at March 31, 2009
Considered good	10,686.990	6,442.685
Considered doubtful	285.265	278.352
	<u>10,972.255</u>	<u>6,721.037</u>
Less: Provision	285.265	278.352
	<u>10,686.990</u>	<u>6,442.685</u>

5. OTHER CURRENT ASSETS

Deposits considered good	8,329.411	9,633.218
Income tax refund due / advance tax paid	968.274	786.445
	<u>9,297.685</u>	<u>10,419.663</u>

SCHEDULE 7

CURRENT LIABILITIES

Sundry Creditors	33,080.021	32,733.460
Advances Received / forward sales	3,485.074	2,662.733
Interest accrued but not due on loans	59.903	104.108
Trademark licence deposit	1,745.000	1,205.000
Lease security deposits	1,040.628	627.703
Investor Education and Protection Fund		
- Unclaimed deposits / Interest*	1.048	1.321
- Unclaimed dividends*	1.919	2.022
	<u>39,413.593</u>	<u>37,336.347</u>

* no amount is due for transfer to Investor Education and Protection Fund

PROVISIONS FOR

Income tax	948.957	456.720
Proposed dividend	66.819	-
Tax on proposed dividend	11.099	-
Frequent flyers scheme	173.034	90.249
Leave encashment	146.740	154.703
	<u>1,346.649</u>	<u>701.672</u>

SCHEDULE 8

PROFIT AND LOSS ACCOUNT

Balance as per last Balance Sheet	(10,410.165)	(4,161.811)
Profit / (Loss) for the year	(17,743.396)	(18,110.861)
Share of brought forward loss transferred to minority	4.929	1.836
Adjustments relating to earlier years	-	2.264
Adjustment as per scheme	-	11,523.179
Elimination on transfer of subsidiary/associate	(37.759)	335.228
	<u>(28,186.391)</u>	<u>(10,410.165)</u>

Schedules to Profit and Loss Account forming part of accounts for the year ended March 31, 2010

Rs. in million

SCHEDULE 9

INCOME

SALES & SERVICES

	Year ended March 31, 2010	Year ended March 31, 2009
Sales	3,808.363	3,701.078
Income from air passanger , cargo & other related services	50,678.151	52,691.707
Dividends	145.943	137.820
Guarantee commission	27.749	22.194
Rent	359.336	403.292
Maintenance charges received	165.635	135.287
Training charges received	65.247	73.188
Licence fees	190.672	205.000
Management service fees	21.600	23.700
	<u>55,462.696</u>	<u>57,393.266</u>

OTHER INCOME

Interest income	180.302	173.289
Duty drawback	406.103	138.042
Lease subsidy, compensation, incentives /claims	-	255.500
Income on sale and lease back transaction	4.142	4.142
Provisions / liabilities no longer required	1,297.199	52.435
Miscellaneous income	438.812	276.254
Exchange fluctuation gain	-	2,464.209
	<u>2,326.558</u>	<u>3,363.871</u>

SCHEDULE 10

EXPENDITURE

DIRECT COSTS

Trading goods	2,726.468	2,515.484
Packing material consumed	75.694	62.956
Aircraft Fuel, Lease rentals, Maintenance & other expenses	40,465.126	49,517.843
Other direct costs	294.786	365.879
	<u>43,562.074</u>	<u>52,462.162</u>

PERSONNEL COSTS

Salaries, wages and bonus	6,870.293	8,246.969
Contribution to gratuity, provident & other funds	111.841	126.902
Employee compensation expenses (Refer Note 9 in Sch 12)	(6.277)	(15.661)
Welfare expenses	134.377	110.036
	<u>7,110.234</u>	<u>8,468.246</u>

Schedules to Profit and Loss Account forming part of accounts for the year ended March 31, 2010 (contd.)

Rs. in million

SCHEDULE 10 (contd.)

OTHER EXPENSES

	Year ended March 31, 2010	Year ended March 31, 2009
Rent	593.408	594.311
Rates and taxes	777.022	214.832
Insurance premia	617.688	584.157
Communication expenses	339.951	404.071
Travel and conveyance	727.084	1,211.288
General administrative expenses	295.722	305.525
Repairs and maintenance	295.233	296.877
Vehicle expenses	6.448	6.507
Selling and promotion	5,831.091	6,049.297
Commission paid	1,609.927	1,131.541
Brokerage	9.735	15.490
Training	246.665	516.327
Recruitment	12.240	38.765
Miscellaneous expenses	456.731	598.074
Hire charges	552.729	656.395
Legal & professional fees	1,022.665	1,093.530
Director's sitting fees	2.745	3.103
Auditor's remuneration	14.922	11.643
Amortisation of initial cost on lease of aircrafts	288.811	262.538
Amortisation of slot charges	211.001	-
Amortisation of issue expenses of shares	45.088	121.351
Loss on sale/ write off of asset / Impairment	0.437	0.419
Bad debts / advances / deposits written off	4.620	15.297
Loss on transfer of aircraft	-	51.303
Loss on discard of asset	19.320	-
Foreign exchange loss	1,116.972	-
Provision for bad and doubtful advances	6.912	-
Claims paid	1.776	17.973
	<u>15,106.943</u>	<u>14,200.614</u>

FINANCE COSTS

Interest on loans	11,918.218	8,766.765
Processing fees & bank charges	452.187	542.729
	<u>12,370.405</u>	<u>9,309.494</u>

Schedules forming part of accounts for the year ended March 31, 2010

SCHEDULE 11 : SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation of Consolidated Financial Statements:

The consolidated financial statements relate to UNITED BREWERIES (HOLDINGS) LIMITED (the Company) and its subsidiaries and associates (Group). The consolidated financial statements are prepared in accordance with Accounting Standard 21, "Consolidated Financial Statements" and Accounting Standard 23, "Accounting for Investments in Associates in Consolidated Financial Statements". The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statement, except as otherwise stated.

2. The subsidiary companies considered in the consolidated financial statements are:

	Name of the Subsidiary	Ownership Percentage	Country of Incorporation
1	Kingfisher Airlines Limited (Formerly known as Deccan Aviation Limited)	60.59	India
2	Kingfisher Training and Aviation Services Limited (Formerly known as Kingfisher Airlines Limited)	71.92	India
3	UB International Trading Limited	100.00	India
4	UB Electronics Instruments Limited	98.44	India
5	Kingfisher Finvest India Limited (Formerly known as Kingfisher Radio Limited)	100.00	India
6	UB Infrastructure Projects Limited	100.00	India
7	Kingfisher Aviation Training Limited (Formerly known as Kingfisher Training Academy Limited)	100.00	India
8	City Properties Maintenance Company Bangalore Limited	55.00	India
9	Bangalore Beverages Limited	100.00	India
10	Vitae India Spirits Limited	60.59	India
11	Rigby International Corp.	100.00	British Virgin Islands
12	Rubic Technologies Inc.	100.00	British Virgin Islands
13	United Breweries of America Inc., Delaware	92.49	United States of America
14	Inversiones Mirabel, S.A.	100.00	Republic of Panama
15	Mendocino Brewing Company, Inc.	67.24	United States of America
16	United Breweries International [UK] Limited	67.24	United Kingdom
17	UBSN Limited	67.24	United Kingdom
18	Releta Brewing Company, LLC	67.24	United States of America
19	UB Overseas Limited	100.00	British Virgin Islands
20	UBHL [BVI] Limited	100.00	British Virgin Islands

The associate companies required to be considered in the consolidated financial statements are:

	Name of the Associate Company	Ownership Percentage	Country of Incorporation
1	UB Engineering Limited	37.18	India
2	Mangalore Chemicals & Fertilizers Limited	24.51	India
3	United Spirits Limited	29.11	India
4	McDowell Holdings Limited	36.24	India
5	DCL Holdings Private Limited	35.00	India
6	Pixray India Limited	30.36	India
7	WIE Engineering Limited (under liquidation)	25.88	India
8	UB Pharma (Kenya) Limited	50.00	Kenya

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

The following companies are excluded from the consolidation for the year under review for reasons mentioned there against.

	Name of the Associate Company	Reason for exclusion
1	WIE Engineering Limited	Under liquidation proceedings
2.	UB Pharma (Kenya) Limited	Closed operations

3. Basis of Presentation of Financial Statements:

The financial statements of the parent Company and that of its subsidiaries, UB Electronic Instruments Limited, Kingfisher Finvest India Limited, Kingfisher Airlines Limited, UB International Trading Limited, UB Infrastructure Projects Limited, Kingfisher Aviation Training Limited, Kingfisher Training and Aviation Services Limited, City Properties Maintenance Company Bangalore Limited, Bangalore Beverages Limited and Vitae India Spirits Limited have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the financial statements of Rigby International Corp, Rubic Technologies Inc, Inversiones Mirabel, S.A., Mendocino Brewing Company, Inc., United Breweries of America, Delaware, United Breweries International (UK) Limited, UBSN Limited, Releta Brewing Company LLC, UB Overseas Limited and UBHL [BVI] Limited have been prepared as per the financial accounting standards realigned to GAAP applicable in India for the purpose of consolidation.

4. Principles of Consolidation:

- The financial statements of the parent Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and intra-group transactions.
- Unless otherwise stated, the financial statements of the parent Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- Goodwill represents the difference between the group's share in the network of a subsidiary and the cost of acquisition at each point of time of making the investment in the subsidiary. Goodwill arising on consolidation is not amortised. For this purpose the group's share of network is determined on the basis of the latest financial statement prior to the acquisition after making necessary adjustments for material events between the date of such audited financial statement and the date of respective acquisition. Negative goodwill is recognised as capital reserve on consolidation. However for the purposes of consolidation, capital reserve arising on consolidation of subsidiaries is set off against the goodwill arising on consolidation.

5. Accounting for Investment in Associates:

Accounting for investments in Associate companies have been carried out under the Equity method of accounting prescribed under Accounting Standard 23, "Accounting for Investments in Associates", wherein goodwill/ capital reserve arising on acquisition of an associate included in the carrying amount of the investment is disclosed separately.

	Name of the Associate Company	Basis of inclusion
1	UB Engineering Limited	Audited results for the year ended 31/3/10
2	Mangalore Chemicals & Fertilizers Limited	Audited results for the year ended 31/3/10
3	United Spirits Limited	Audited results for the year ended 31/3/10
4	McDowell Holdings Limited	Audited results for the year ended 31/3/10
5	Pixray India Limited	Audited results for the year ended 31/3/10
6.	DCL Holdings Private Limited	Audited results for the year ended 31/3/10

6. Valuation of Inventories:

Inventories are valued at lower of costs and net realizable value. Cost of inventories comprise of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

In respect of the parent Company and its Indian subsidiary, UB International Trading Limited, and its overseas subsidiaries, cost is determined under the weighted average cost method.

In respect of the subsidiary, Kingfisher Airlines Limited, cost is determined on first in first out basis. In respect of reusable items such as rotables, provision for obsolescence is made based on the estimated useful life of the aircraft as derived from Schedule XIV to the Companies Act, 1956. In-flight inventory is valued on weighted average basis, while Inventory of fuel is valued on the basis of last fuel uplifted rates in respective aircrafts.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

7. Revenue recognition:

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

- i) Sales are recognized when the property in goods are transferred for a price and it is reasonable to expect the ultimate collection.
- ii) Lease Income from non cancellable operating leases are recognized in the statement of Profit and Loss Account, on straight line basis, over the non-cancellable lease term.
- iii) Interest is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- iv) Dividends and royalty income are accounted for, when the right to receive the payment is established.
- v) In respect of the subsidiary, Kingfisher Airlines Limited,
 - a) Revenue from sale of tickets of the airline operations and cargo operations are recognized in the period in which the service is provided, i.e. on flown / carried basis. Such revenue is net of the statutory fees to be collected from customers as per government regulations. Unearned revenue represents consideration on sale of passenger tickets and cargo against which the Company has to provide services in future periods and is included under advances from customers. The same is released to the Profit and Loss Account as the services are rendered.
 - b) Fees for passenger initiated changes in and cancellations of tickets are recognized as revenues in the period in which such changes / cancellations are effected.
- vi) Revenue from training activities is recognized over the period of the course programmes or as per the terms of agreement, as the case may be.

8. Fixed Assets :

- i) Fixed Assets are stated at cost as adjusted by the revaluation of Land in Bangalore in August 2001 at the market value by approved valuers less depreciation, where applicable. All costs relating to the acquisition and installation of fixed assets are capitalized and include borrowing cost relating to borrowed funds attributable to the acquisition of qualifying assets for the period upto the date of acquisition.
- ii) Capital work-in-progress comprise advances paid towards acquisition of fixed assets and cost of fixed assets that are not ready for intended use at the year-end.
- iii) Assets acquired under leases where the acquiring company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at lower of the fair value or the present value of minimum lease payments. .

9. Borrowing costs:

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

10. Depreciation:

- i) Depreciation is provided at the rates prescribed under Schedule XIV of the Companies Act, 1956, under written down value method with regard to the parent Company and its Indian subsidiaries other than Kingfisher Airlines Limited and Kingfisher Training and Aviation Services Limited.
- ii) In respect of Kingfisher Airlines Limited,
 - a) Depreciation on fixed assets (other than non-compete fees, computer software, design – aircraft interiors, leasehold improvements (aircraft and others), movable cabins and mobile phones) is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
 - b) Non-compete fees are amortized over the period of agreement (i.e. five years).
 - c) Computer Software is amortized over the period of one to four years.
 - d) Design – Aircraft Interiors are amortized over the period of seven years.
 - e) Leasehold improvements are amortized over the shorter of the period of lease and their estimated useful lives.
 - f) Movable cabins and mobile phones are depreciated over the period of five and two years, respectively, on a straight-line method.
 - g) Cost of major maintenance and overhaul of the engines are amortized over the period of estimated useful life of the repairs.

- iii) In respect of Kingfisher Training and Aviation Services Limited,
 - a) Depreciation on fixed assets (other than computer software and interiors) is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
 - b) Computer Software is amortized over a period of four years.
 - c) Interiors in leased premises are amortized over a period of five years.
- iv) In respect of foreign subsidiaries, depreciation is provided on straight line basis.

11. Effect of changes in foreign exchange rates:

- i) Transactions in foreign currencies are translated applying the following exchange rates:
 - a) In respect of export transactions of the parent Company, at the average exchange rate prevailing in the month preceding month in which the transaction took place.
 - b) In respect of all other transactions at the rate of exchange prevailing on the date of transaction.
- ii) Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognized in the Profit and Loss Account
- iii) Exchange differences arising on reporting of long term foreign currency monetary items which are accumulated in a Foreign Currency Monetary Item Translation Difference Account and amortized over the balance period of such long tem asset/liability but not beyond March 31, 2011.
- iv) Financial statements of non-integral foreign operations are translated using the average rate of exchange for the year, in so far as their profit and loss is concerned and the closing rate in so far as their Balance Sheet is concerned.
- v) Exchange difference arising on translation of financial statements of non-integral foreign operations is accumulated in foreign currency translation reserve.

12. Accounting for Government Revenue Grants:

Government grants available to the Company are considered for inclusion in the accounts, where there is reasonable assurance that the Company will comply with the conditions attached to them and where such benefits have been earned by the Company and it is reasonably certain that the ultimate collection will be made. Revenue grants are recognized in the Profit and Loss Account.

13. Investments:

- i) Trade investments refer to the investments made with the aim of enhancing the group's business interest.
- ii) Long term investments are stated at cost. All expenses relating to acquisition of shares are capitalized. Diminution in the value of investment, if considered permanent, is provided for.
- iii) Current investments are stated at the lower of cost and fair value.

14. Retirement Benefits:

a) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the Employees' Provident Fund, Superannuation Fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans recognized as expenses during the period in which the employees perform the services that the payment covers.

b) Defined-benefit plans

Gratuity: The Company provides for gratuity, a defined benefit plan (Gratuity Plan), to certain categories of employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary, at the Balance Sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

c) **Other long term employee benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date based on actuarial valuation carried out at each Balance Sheet date.

d) **Short term employee benefits:**

Undiscounted amount of short term employees benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

15. **Segment reporting:**

The operations of the Group are divided into alcoholic beverages, leather products, investment, property development, maintenance, training, airlines and other activities. Accordingly, the primary segment reporting comprises the performance under these segments and the secondary segment reporting is based on geographical locations of customers.

16. **Related Party disclosures:**

Transactions between related parties is disclosed as per Accounting Standard 18, "Related Party Disclosure", and disclosure regarding the name of the transacting related party, description of the relationship between the parties, nature of transactions and amount outstanding as at the end of the accounting year, are made.

17. **Taxes on Income:**

- i) Tax expenses comprises of current and deferred tax.
- ii) Current income tax is measured at the amount expected to be paid to the tax authorities by the components (holding and subsidiary companies) and in accordance with the Income tax laws of the respective countries in which they are incorporated.
- iii) Deferred tax is recognized, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

18. **Accounting for Leases:**

In respect of the parent Company,

Lease income from non cancellable operating leases are recognized in the statement of Profit and Loss Account, on straight line basis, over the non-cancellable lease term.

In respect of the subsidiary, Kingfisher Airlines Limited.

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessors effectively retain substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease payments including expenses incurred for bringing the leased asset to its working condition for intended use are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Profit or loss on sale and leaseback arrangements resulting in operating leases are recognized immediately in case the transaction is established at a fair value, else the excess over the fair value is deferred and amortised over the

period for which the asset is expected to be used. If the sale price is below the fair value and the loss is compensated by future lease payments at below market price, the same is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the fair value at the time of sale and lease back transaction is less than the carrying amount of the asset, a loss equal to the amount of difference between the carrying amount and fair value is recognised immediately. In case of sale and leaseback arrangement resulting in a finance lease, any excess or deficiency of sales proceeds over the carrying value is deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

19. Impairment of assets:

The group evaluates all the assets for assessing any impairment and accordingly recognizes the impairment wherever applicable as provided in Accounting Standards 28, "Impairment of Assets".

20. Employee Stock Options Scheme:

Stock Options granted to employees under the Employee Stock Option Plan are accounted as per the accounting treatment prescribed in the Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India.

The Company measures compensation cost relating to employee stock options using the Net Intrinsic Value Method. Compensation expense is amortized over the vesting period of the option. The accounting value of the options net of deferred compensation expense is disclosed as Employees Stock Option Outstanding.

21. Provisions and Contingencies:

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

22. Maintenance Costs:

Payments for maintenance of aircrafts to lessors and third party service providers as per the related maintenance agreements, comprising fixed period-based amounts and variable activity-based amounts, are expensed on accrual basis.

In respect of aircraft acquired on finance lease, payments made to lessors for major maintenance expenditure in terms of the lease agreements are initially considered as Maintenance Deposits and expensed to Profit and Loss Account as and when maintenance expenditure is incurred under "Direct Expense Method".

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

SCHEDULE 12 : NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

1. UB City Luxury residential Project :

The parent Company has executed a Joint Development Agreement with a Developer on 26th April 2010 for development of a luxury residential building in the available land in UB City. The super built area of the building would be not less than 5,00,000 Sft and shall be shared in the ratio of 55% for the Company and 45% for the Developer.

2. Estimated amount of contracts remaining to be executed, on capital account as on 31.03.10 and not provided for, in case of :

- Parent Company Rs. 85.699 million (net of advances) (Pr year Rs. 328.782 million)
- A subsidiary of the parent Company, Kingfisher Airlines Limited, Rs. 226,764.057 million (Pr year 267,522.960 million)
- A subsidiary of the parent Company, UB International Trading Ltd., Rs. 0.999 million (Pr year Nil)

3. Events occurring after the Balance Sheet date :

The following events have occurred subsequent to the date of the Balance Sheet.

After the Balance Sheet date, the parent Company has issued the following corporate guarantees

- Guarantees for Rs. 670.000 million in favour of banks on behalf of a subsidiary.
- Guarantees for Rs. 2,372.100 million in favour of lenders on behalf of a subsidiary.
- Guarantees for Rs. 300.000 million in favour of banks on behalf of an associate.

4. On cancellation of 4,415,999 equity warrants due to non-exercise of option by a promoter group Rs. 490.165 million being 10% advance amount was credited to Capital Reserve Account of the parent Company.

5. Fixed Assets :

- The parent Company's land in Bangalore was revalued during August 2001, based on an independent valuer's report. Accordingly, the value of the land stood restated at Rs.1,707 million, with a corresponding adjustment to the Fixed Assets Revaluation Reserve.
- Depreciation has been charged under the written-down value method as per the rates prescribed under the Companies Act 1956, in respect of the parent Company and its Indian subsidiaries except Kingfisher Airlines Limited and Kingfisher Training and Aviation Services Limited. In respect of Kingfisher Airlines Limited, Kingfisher Training and Aviation Services Limited and the overseas subsidiaries, depreciation is charged under the straight-line method at the rates prescribed under the statute governing those subsidiaries. The net book value of fixed assets on which straight-line method of depreciation is used, is Rs. 16,179.245 million (Pr year Rs.16,427.785 million).

6. Disclosures pursuant to Accounting Standard 21, "Consolidated Financial Statements":

During the year, there has been an additional investment of Rs. 2.753 million by the minority shareholders in one of the subsidiaries.

7. Disclosures pursuant to Accounting Standard 23, "Accounting for Investments in Associates in Consolidated Financial Statements":

The details of carrying value of investments in associates as on March 31, 2010 is as under.

1	Cost of investments in associates (excluding goodwill and capital reserve)	2,281.518
2	Share of profits of associates up to 31.03.2010	3,280.895
3	Movement in share of equity in Associates	6,723.827
4	Goodwill arising on acquisition of associates	450.450
5	Carrying value of investments in associates	12,736.690

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

8. Leases

a) Future Minimum Lease Payments (in respect of Finance Lease) : (Aircraft Lease Rentals)

Particulars	Future Minimum Lease Payments As at March 31, 2010	Present Value of Minimum Lease Payments As at March 31, 2010
Not later than one year	1,731.157 (1,719.893)	1,304.738 (1,100.444)
Later than one year and not later than five years	4,669.454 (5,818.548)	3,480.342 (4,103.345)
Later than five years	2,808.170 (4,862.143)	2,468.686 (4,201.806)
Total	9,208.781 (12,400.584)	7,253.766 (9,405.595)

Note - Figures in bracket indicate previous year figures.

b) Future Minimum Lease Payments (in respect of Operating Lease): (Aircraft and Engine Lease Rentals)

Particulars	As at March 31, 2010	As at March 31, 2009
Not later than one year	10,041.903	12,930.061
Later than one year and not later than five years	31,455.195	42,338.180
Later than five years	17,291.821	29,363.941
Total	58,788.919	84,632.182

c) Future Minimum Lease Payments (in respect of Operating Lease): (Other than Aircraft and Engine Lease Rentals)

Rs. in million

Particulars	As at March 31, 2010	As at March 31, 2009
Not later than one year	13.533	23.440
Later than one year and not later than five years	19.486	47.601
Later than five years	-	-
Total	33.019	71.041

d) Salient features of Finance Lease Agreement:

- Monthly aircraft lease rentals are paid in the form of fixed rentals.
- The subsidiary is responsible for keeping the aircraft airworthy in all respects and in good condition and insuring the same throughout the lease period.
- The subsidiary has an option to purchase the aircraft either during the term of the lease on payment of the outstanding principal amount or at the end of the lease term on payment of a nominal option price.
- In the event of default, the Lessee is responsible for payment of all costs of the Owner including financing costs and other associated costs. Further, a right of repossession is available to the Owner/ Lessee.

e) Salient features of Operating Lease Agreement:

- Lease periods range up to twelve years and are usually non-cancellable.
- Lease rentals are usually fixed over the term of the lease while some arrangements are subject to adjustments linked to the Libor rates movements.
- The subsidiary also has agreements for maintenance and lease of stores and spares for such aircrafts for which fixed and variable rentals are paid. Variable rentals are paid on a pre determined rate payable on the basis of actual flying hours / cycles. Such variable rentals are subject to annual escalations as stipulated in the agreements. However, the subsidiary is eligible to claim reimbursement of maintenance costs to the extent eligible under the agreements.
- The subsidiary does not have an option to buy the aircraft or helicopters and spare engines or to renew the leases.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

- In case of default by the subsidiary in addition to repossession of the aircraft, penalties are stipulated in the agreements.
 - The subsidiary is required to deposit a commitment fee and a security deposit with the lessor or provide a letter of credit for such amounts.
- f) The aircraft lease rental recognised in the Profit and Loss Account during the year is Rs. 10,938.152 million (Pr year Rs. 11,851.322 million).
- g) The subsidiaries of the parent Company has entered into cancellable lease agreement for its premises. The rentals paid and recognised in the Profit and Loss Account is Rs. 573.147 million (Pr year Rs. 568.913 million).

9. Employee stock option plan [ESOP]

On March 16, 2005, the shareholders of Kingfisher Airlines Limited, a subsidiary approved an employee stock option plan [ESOP 2005]. Further, on December 21, 2005, the Board of Directors approved the ESOP 2006 scheme, which will govern issuance of options on or after January 1, 2006. Options issued under ESOP 2005 would continue to be governed under ESOP 2005. The shareholders have approved the issuance of 8,181,779 options in aggregate subject to a maximum of 10% of the aggregate number of issued and outstanding equity shares (calculated on an "as converted" basis), under both the options put together.

During the year ended March 31, 2010, no options under ESOP 2006 scheme have been issued. Details of number and weighted average exercise prices of options are given below:

Particulars	2009-10		2008-09	
	Number of options	Weighted average exercise price (per share) (In Rupees)	Number of options	Weighted average exercise price (per share) (In Rupees)
Outstanding at the beginning of the year	1.793	65	3.486	65
Granted during the year	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	0.077	65
Forfeited during the year	0.363	65	1.615	65
Outstanding at the end of the year	1.430	65	1.793	65
Exercisable at the end of the year	0.822	65	0.608	65

The weighted average contractual remaining life of the options is 6.69 years as at March 31, 2010.

The subsidiary has determined intrinsic values, based on the fair value of the shares on the date of grant, as follows:

Month & year of grant	Intrinsic value determined (Rs.)
June 2005	62.97
December 2005	62.97
April 2007	49.90
September 2007	83.80
February 2008	91.95

The subsidiary has written back deferred compensation expense of Rs. 6.277 million (Pr year Rs. 15.660 million) during the year, on account of forfeitures of options issued.

Accounting value of stock options outstanding	80.368
Less : Deferred stock compensation expense to be amortized in future years	5.550
Employee stock option outstanding	74.818

The Board of Directors of the subsidiary are yet to formulate the stock option plan to the employees of the commercial airline division of Kingfisher Training and Aviation Services Limited taken over by the subsidiary.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

10. Employee benefit

Gratuity computations as on 31-03-2010

Disclosure as per AS 15

Defined benefit plans

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:	31.03.2010	31.03.2009
Obligations at period beginning	128.237	61.320
Additions due to new subsidiary	-	38.434
Service cost	52.143	32.068
Interest cost	11.935	6.363
Benefits settled	(12.231)	(8.571)
Actuarial (gain)/loss	(22.408)	(1.377)
Obligations at period end	157.677	128.237
Defined benefit obligation liability as at the Balance Sheet is wholly funded by the Company		
Change in plan assets		
Plan assets at period beginning, at fair value	49.568	18.738
Assets available in another policy	3.659	-
Expected return on plan assets	4.238	2.631
Actuarial gain/(loss)	0.721	(0.110)
Contributions	5.055	33.581
Benefits settled	(5.563)	(5.272)
Plan assets at period end, at fair value	57.678	49.568
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	57.678	49.568
Present value of the defined benefit obligations at the end of the period	157.677	128.237
Liability recognized in the Balance Sheet	(99.999)	(78.669)
Details of Gratuity cost		
Service cost	52.143	32.068
Interest cost	11.935	6.363
Expected return on plan assets	(4.238)	(2.631)
Actuarial (gain) / loss	(23.128)	(1.297)
Net gratuity cost	36.712	34.503

Description of the basis used to determine the overall expected rate of return on assets including major categories of plan assets.

The expected return is calculated on the average fund balance based on the mix of investments and the expected yield on them.

Actual return on plan assets	4.958	2.521
Assumptions		
Interest rate	8.00%	7.00%
Discount factor	8.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%
Salary Increase	5.00%	5.00%
Retirement age (years)	58	58

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

11. Deferred Tax:

a) The following deferred tax assets / liabilities are recognized for the year.

Name of the Company	Deferred tax Liability	Deferred Tax Asset
City Properties Maintenance Company Bangalore Limited	-	0.124
UB Electronic Instruments Limited	-	0.0005
UB International Trading Limited	0.827	-
Kingfisher Airlines Limited	-	7,646.331
Kingfisher Training and Aviation Services Limited	7.266	7.266
Total	8.093	7,653.721
Deferred tax asset (net of deferred tax liability) (recognized in the Profit and Loss Account)		7,645.628

- b) Kingfisher Airlines Limited, a subsidiary of the parent Company has recognized in its financial statements, deferred tax assets on unabsorbed depreciation and business losses on the basis of the business plan prepared by the Management, which takes into account certain future receivables arising out of contractual obligations. The Management of the subsidiary is of the opinion that there is virtual certainty supported by convincing evidences that sufficient future taxable income will be available against which the deferred tax assets can be realized.
- c) In respect of parent Company, deferred tax asset of Rs. 203.330 million is not recognized as a matter of prudence.

12. Segment Reporting:

Segment-wise business performance for the year ended March 31, 2010

Primary Segment Information	Segment Revenue		Segment Results	
	2009-10	2008-09	2009-10	2008-09
a) Alcoholic Beverages	3,276.616	2,961.605	164.706	216.389
b) Leather products	389.264	491.735	45.981	(28.962)
c) Investments	146.311	164.723	(111.854)	24.674
d) Airlines	51,332.004	55,671.772	(15,504.463)	(13,790.459)
e) Property development	652.000	623.403	522.665	509.922
f) Maintenance	165.851	135.619	21.634	18.015
g) Training	65.261	73.187	(9.273)	(36.322)
h) Others	602.621	615.874	(80.443)	182.403
Total	56,629.928	60,737.918	(14,951.047)	(12,904.341)
Interest cost			(12,370.405)	(9,309.494)
Interest Income			180.302	173.289
Provision / liabilities no longer required			1,297.199	52.435
Provision for bad debts & doubtful advances			(6.912)	(2.691)
Bad debts / advance written off			(4.620)	(12.606)
Exceptional income			960.420	-
Unallocated corporate expenses			(10.658)	(16.379)
Net (loss) before Tax			(24,905.721)	(22,019.787)

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

Other Information		2009-10		2008-09		2009-10		2008-09	
		Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
a)	Alcoholic Beverages	1,521.959	1,078.176	1,362.638	1,012.450	34.188	49.151	39.872	45.377
b)	Leather products	338.861	139.314	155.234	108.501	31.179	4.162	9.123	18.326
c)	Investments	17,869.519	18,384.576	17,586.649	18,014.262	-	-	-	-
d)	Airlines	49,427.042	109,163.506	50,443.408	89,028.340	2,521.916	1,979.878	1,979.946	1,332.004
e)	Property development	1,714.215	-	1,732.181	-	-	29.210	-	33.619
f)	Maintenance	88.577	58.886	57.783	53.544	4.047	1.924	4.794	1.306
g)	Training	107.980	118.701	103.020	137.572	0.097	10.897	1.741	10.866
h)	Others	558.137	139.134	230.188	97.054	158.633	77.615	167.864	34.305
	Total	71,626.290	129,082.293	71,671.102	108,451.723	2,750.060	2,152.837	2,203.340	1,475.803

Notes :

1. Income under the segment "investments" represents dividends received and profit on sale of investments.
2. Segment results represents profit/(loss) before finance expenses and tax.
3. Capital expenditure represents the gross additions made to Fixed Assets during the year.
4. Segment Assets include Fixed Assets, Investments, Current Assets, Loans & Advances except goodwill and income tax assets.
5. Segment Liabilities include Secured and Unsecured Loans, Current Liabilities and Provisions except provision for tax and dividend.

Secondary segments, based on geographical locations

Particulars	Segment Revenue		Segment Assets	
	2009-10	2008-09	2009-10	2008-09
Within India	47,405.057	56,038.276	70,218.600	70,378.429
Outside India	9,224.872	4,699.642	1,407.690	1,292.673
Total	56,629.929	60,737.918	71,626.290	71,671.102

Note : Segment Assets include Fixed Assets, Investments, Current Assets, Loans & Advances except goodwill and income tax assets.

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

13. Related Party Transactions:

- i. Key Management Personnel : Dr. Vijay Mallya, Chairman of the parent Company and Chairman & Managing Director of its subsidiary, Kingfisher Airlines Limited, Mr. R N Pillai - Managing Director of the parent Company

Name of the Related Parties where control exists:

Associates

United Spirits Limited*, McDowell Holdings Limited*, Mangalore Chemicals & Fertilizer Limited*, UB Engineering Limited*, WIE Engineering Limited (Under Liquidation), Pixray India Limited, UB Pharma (Kenya) Limited and DCL Holdings Private Limited.

* with which there have been transactions during the year.

- ii. Transactions with Related Parties during the year :

Sl. No.	Nature of Transactions	Associates		Key Management Personnel	
		Current Year	Previous Year	Current Year	Previous Year
1.	Purchase of goods/services	839.062	600.773		
2.	Rendering of services	22.546	21.188		
3.	Leasing arrangement	6.323	16.445		
4.	Licence Fees received	130.672	162.201		
5.	Dividend received	93.447	72.264		
6.	Guarantee commission received	27.749	22.194		
7.	Interest received	40.340	24.932		
8.	Guarantees given	2,570.000	2,042.254		
9.	Finance (including loans in cash or in kind paid)	1,972.194	769.802		
10.	Finance (including loans in cash or in kind received)	1,649.405	328.186		
11.	Payment of remuneration for employment	-	-	15.942	16.125
12.	Management contracts	23.686	31.770		
13.	Deposit received	1,030.000	748.281		
14.	Sale of assets	-	106.368		
15.	Amount Due from as on March 31, 2010	410.194	388.086		
16.	Amount Due to as on March 31, 2010	2,471.437	1,174.554		

14. Contingent liabilities:

		2009-10	2008-09
i)	Guarantees given	9,713.270	9,487.670
ii)	Claims against the parent Company and its subsidiaries, not acknowledged as debts	4,056.205	6,336.008
iii)	Liability for deduction of tax at source on lease payments in respect of aircrafts and engines, where agreements were entered into with lessors prior to March 31, 2007	864.415	580.834
iv)	Demands raised by Income Tax Authorities against which the subsidiaries has preferred appeals	134.192	272.663
v)	Demands raised by Income Tax authorities against which the parent Company has preferred appeals	-	32.997

15. Miscellaneous Expenditure:

In respect of the subsidiary, Kingfisher Airlines Limited, expenses directly attributable and incurred in relation to

Schedules forming part of accounts for the year ended March 31, 2010 (contd.)

aircrafts acquired on operating lease arrangement are deferred and amortised over the period of lease of aircrafts. Such expenses inter-alia include initial borrowing costs incurred on the pre-delivery payments for acquisition of aircrafts till the novation of the right to acquire the aircrafts in favour of lessors.

16. Change in the method of accounting costs on major repairs and maintenance of its engines:

During the year, the subsidiary of the company Kingfisher Airlines Limited has adopted the exposure draft on Accounting Standard - 10 (Revised) 'Tangible Fixed Assets' which allows such costs on major repairs and maintenance incurred to be amortized over the incremental life of the asset. The subsidiary has extended the same treatment to costs and maintenance for engines pertaining to aircrafts acquired on operating lease. Earlier, the subsidiary used to charge off the cost of such repairs and maintenance of its engines to the Profit and Loss Account as and when incurred. Had the subsidiary not changed its method of accounting, the loss before and after tax for the year would have been higher by Rs. 1,639.025 million and Rs. 1,094.582 million respectively.

17. Exceptional income represents the amount received from Heineken Group (net of expenditure) in connection with the closure of all pending disputes and settling the matter out of Court and ceding certain management rights in United Breweries Limited in terms of the settlement.

18. Earnings per Share:

	2009-10	2008-09
Loss for the year	(17,665.478)	(18,110.861)
Weighted average number of equity shares	66,818,521	66,818,521
Earnings per share (Basic / Diluted) - in Rs.	(264.38)	(271.05)

19. There are no speculative derivative transactions. Hedging is restricted to the business needs of the companies. As at the Balance Sheet date, foreign currency exposures that have not been hedged by any derivative instrument or otherwise are as follows :

	2009-10	2008-09
Capital advances	8,485.564	13,817.386
Prepaid Maintenance Reserve	6,101.197	6,714.311
Other assets	3,907.755	5,125.785
Finance lease for aircrafts and other term loan from financial institution	7,688.036	9894.391
Other liabilities	12,222.743	7,313.122

20. All amounts are in Rupees million, unless otherwise stated.

21. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

SIGNATURES TO SCHEDULES 1 TO 12

For Vishnu Ram & Co.,
Chartered Accountants

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R. N. Pillai
Managing Director

S. Vishnumurthy
Proprietor

Bangalore
August 20, 2010

Kaushik Majumder
Company Secretary

A. Harish Bhat
Director

Membership No.: 22715
Firm Registration No. : 004742S

Summarised Financials of Subsidiary Companies 2009-10

SUMMARISED FINANCIALS OF SUBSIDIARY COMPANIES 2009-10

	Name of the Company	Capital	Reserves	Total Assets	Total Liabilities	Investments	Total Revenue	Profit before Tax	Tax Provision	Profit after Tax
	Indian Subsidiaries									
1	UB Electronic Instruments Limited	29.193	10.957	52.319	12.168	-	14.099	6.501	2.009	4.492
2	Kingfisher Finvest India Limited	10.500	434.326	11,813.863	11,369.038	10,807.685	132.848	(821.060)	-	(821.060)
3	UB International trading Limited	0.500	(10.227)	77.354	87.082	-	288.085	3.598	0.979	2.619
4	City Properties Maintenance Company Bangalore Limited	0.909	24.058	103.920	78.953	-	94.999	5.492	1.754	3.739
5	Vitae India Sprits Limited	0.500	(0.205)	0.343	0.048	-	-	(0.052)	-	(0.052)
6	Bangalore Beverages Limited	0.500	(0.196)	0.343	0.039	-	-	(0.053)	-	(0.053)
7	Kingfisher Training and Aviation Services Limited	0.500	(86.147)	166.373	252.020	-	67.108	(16.616)	-	(16.616)
8	Kingfisher Aviation Training Limited.	30.000	0.932	415.589	384.656	-	0.005	(0.152)	-	(0.152)
9	UB Infrastructure Projects Limited	0.500	4.044	3,287.389	3,282.845	300.000	199.873	4.593	1.419	3.174
10	Kingfisher Airlines Limited	3,629.089	(43,864.967)	74,546.208	114,782.086	0.500	52,710.411	(24,179.155)	(7,706.949)	(16,472.206)
	Overseas Subsidiaries									
1	Rigby International Corp.	682.313	(0.569)	682.313	0.569	682.313	-	(0.095)	-	(0.095)
2	UB Overseas Limited	1,321.655	(453.813)	2,312.043	1,444.201	2,301.773	0.013	(154.038)	-	(154.038)
3	Rubic Technologies Inc.	24.827	(24.988)	0.065	0.226	-	0.610	0.610	-	0.610
4	UBHL (BVI) Limited	10.760	(0.493)	238.291	228.025	0.041	0.004	(0.286)	-	(0.286)
5	United Breweries International (UK) Limited	6.803	8.856	30.369	14.711	20.350	63.303	1.828	-	1.828
6	UBSN Limited	6.803	(66.492)	251.834	311.523	-	988.503	(44.739)	-	(44.739)
7	United Breweries of America Inc., Delaware	709.691	(184.227)	613.707	88.244	456.950	4.342	(3.259)	0.038	(3.297)
8	Relata Brewing Company LLC	225.700	(207.107)	245.219	226.625	-	264.087	(14.216)	0.363	(14.578)
9	Inversiones Mirabel, S.A.	0.001	240.280	250.753	10.472	250.753	-	(0.143)	-	(0.143)
10	Mendicino Brewing Company Inc. USA	689.328	(268.894)	893.131	472.697	280.997	482.005	5.636	0.076	5.559

Note:

- The exchange rate prevalent on the last day of the financial year has been taken for conversion for the balance sheet items while the conversion rate for the revenues has been the average rate for the period.
- None of the above Companies has proposed any dividend.
- The Annual Report along with related information of the above companies shall be made available for investors of the Company and its subsidiaries seeking the Report /information at any point of time.
- The Annual Report is also available for inspection of investors at the Registered Office of the Company and its Subsidiaries.
- In respect of overseas subsidiaries, USD is valued at Rs. 45.14 and GBP at Rs. 68.03 as on 31.03.2010 (for Balance Sheet items) and average rate at Rs.47.72 for USD . Rs.70.69 for GBP (for Profit and Loss Account items).

Board of Directors



Dr. Vijay Mallya
Chairman



N. Srinivasan



S. G. Ruparel



A. Harish Bhat



Piyush Mankad



Sidhartha V. Mallya



B. S. Patil



M.S. Kapur



R. N. Pillai
Managing Director



Kaushik Majumder
Asst. Vice President - Legal
& Company Secretary

The Team



Left to Right: V. Shashikanth, Subhash R. Gupte, Ravi Nedungadi, S. Ramanujam, and Ashoke Roy



UNITED BREWERIES (HOLDINGS) LIMITED

UB Tower, Level 12-16, UB City, 24 Vittal Mallya Road, Bangalore - 560 001.
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