

Report of the Directors

Your Directors have pleasure in presenting this Annual Report on the business and operations with audited accounts of your company for the year ended March 31, 2010.

FINANCIAL RESULTS

Your Company's financial performance for the year ended March 31, 2010 is summarized below:

(Rupees in Million)

| Particulars | 2009-2010 | 2008-2009 |
|--|-----------|-----------|
| Net Income | 20751.3 | 17475.7 |
| Profit before Interest & Depreciation | 2949.0 | 2675.2 |
| Interest | 555.0 | 896.4 |
| Depreciation | 882.7 | 762.1 |
| Profit before non-recurring items | 1511.3 | 1016.7 |
| Non-recurring items | — | — |
| Profit before Taxation | 1511.3 | 1016.7 |
| Provision for Taxation | (541.6) | (391.8) |
| Profit after Tax available for appropriation | 969.7 | 624.9 |
| Appropriation | | |
| Dividend on Equity Shares (including Taxes thereon) | | |
| Interim dividend paid | — | 42.1 |
| Final dividend proposed | 100.7 | 42.1 |
| Dividend on Preference Shares paid (including Taxes thereon) | 86.7 | 86.7 |
| Transfer to General Reserve | 100.0 | 65.0 |
| Balance your Directors propose to carry to the Balance Sheet | 682.3 | 389.0 |

DIVIDEND

Your Board of Directors take pleasure in declaring a dividend of 36% for the year ended March 31, 2010.

Your Company paid a dividend on the Cumulative Redeemable Preference Shares (CRPS) at the rate of 3% under the terms of the issue of the 24.69 million CRPS held by Scottish & Newcastle.

CAPITAL

The Authorized Share Capital of the Company remained unchanged at Rs.2,800 million, comprising Equity Share Capital of Rs.300 million and Preference Share Capital of Rs.2,500 million. The Issued, Subscribed and Paid-up Share Capital as on March 31, 2010 stood at Rs.2,709 million, comprising of Equity Share Capital of Re. 1 each aggregating to Rs.240 million and Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.2,469 million.

ALLIANCE WITH HEINEKEN N.V.

As a result of the acquisition of Scottish & Newcastle by Heineken, the effective ownership of 37.49% of Equity holding in your Company now effectively vests in Heineken. Your Company has entered into a new Shareholders' Agreement inter alia with Heineken. A comprehensive business partnership with Heineken has been agreed, thereby formalizing their entry into your Company as an equal promoter. The Parties have agreed upon key commercial terms for the production of 'Heineken' in India, which will accelerate the growth of the premium beer segment throughout India. At the same time, your Company will work with Heineken to expand the international presence of the 'Kingfisher' brand through Heineken's global footprint.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The per capita consumption of beer in India continues to be very low compared to other countries. There has been a steady growth in the Indian Beer Industry of about 15% per year in the last five years, with Industry volumes crossing 200 million cases in financial year 2009-2010 from about 100 million cases in financial year 2003-2004. Considering the Indian demographics, with around 70% of the population below the age of 30 years, growing income and increasing international influence, the industry is expected to maintain if not exceed, its growth at present rate. While the Industry grew by 10% in volume terms during the last financial year your Company's volumes grew by 20%.

Report of the Directors (contd.)

The Indian market infrastructure is a barrier to higher growth. In India, alcohol is available in around 65,000 outlets including shops, bars and restaurants which translates to roughly one outlet for every 18,000 residents, whereas the global average for the same is one outlet per 250 residents and the corresponding figure for China is one outlet for every 300 residents. For instance, in urban conglomeration like Greater Mumbai, there are around 2,500 outlets while in Shanghai, which has similar population base, the number of outlets selling alcohol is 18,000. An encouraging development is that in some cities, like Mumbai, the government has started to issue licenses for outlets to sell beer and wine only, delinking it from the sale of spirits. This development should facilitate future growth.

Taxation is another major factor which adversely affects the Indian brewing industry. In India, all alcoholic beverages are taxed uniformly, irrespective of their alcohol content. Consequently, same rate of taxation is applied for spirits, lager beer, strong beer and other alcoholic beverages, resulting in higher price for beer relative to high alcohol beverages. Across the globe, levies on beer are typically at half the rate applicable to spirits, providing an incentive for consumers towards lower alcohol beverages.

Due to the prevalent excise taxation structure, the majority of Indians who consume alcohol prefer to purchase spirits over beer as it contains higher alcohol at a similar price. Therefore in India, unlike most other countries, consumption of spirits is higher than beer. Some States have recently started to delink beer taxation from spirits, thereby promoting a logical growth in the future.

Taxation & Regulation of alcohol being a State subject under the Constitution of India, each State has separate set of regulations, restrictions and taxation structure for alcoholic beverages. Some States also impose high export duties and restrictions on the export of beer outside the State. Even the sales & distribution structure varies from State to State as some markets are open while in most States primary sale is canalized through State controlled corporations.

Over the last 5 years, a plethora of foreign brands have entered the country as 100% Foreign Direct Investment is permitted thereby increasing the choice of brands and competition. All major global brewers are now present in India. Despite this, your Company has been able to extend its market leadership position.

OPERATIONS

Volumes during 2009-2010 were buoyant in the Northern & Western markets, but sales in key Southern States were adversely affected. A change in taxation structure in Karnataka and the voluntary withdrawal of your Company's brands in the first quarter of the year 2009-2010 from Andhra Pradesh, on account of a stand off on pricing between beer producers and the State Government, impacted sales in these key markets.

Your Company has successfully commissioned its largest greenfield brewery with a capacity of 6 Lac HL per annum in the State of Andhra Pradesh which became operational in January 2010. The greenfield brewery has been built to international specifications and has adopted several international standards like HAZOP for safe operation, and HACCP, the worldwide standard for food certification. The brewery has been built with a commitment to the environment and your Company has taken various steps to reduce the overall carbon footprint. The latest equipment has been installed with a vision of productivity and environmental conscience. In keeping with its new mantra, 'Conserve, Connect & Conquer', your Company's unique environmental initiative on inclusive water management, the plant design aims not just to deliver water consumption levels exceeding world class standards, but also to maintain the water table levels and the greenery around the brewery. In view of production at enhanced capacity at the new greenfield brewery and to achieve economies in scale of operation, the management has discontinued its operations at its Hyderabad brewery.

Your Company received the prestigious Water Digest Award for the year 2009-2010 in the categories of Best Water Conserver – Waste Water Management Company, and Corporate Social Responsibility for water practices supported by UNESCO, PHDCCI and various Government of India agencies. The brewing unit of your Company at Palakkad has been awarded the State First Prize for 'Pollution Control and Environmental Protection' among medium scale industries in Kerala for 2008. This is the third consecutive year that the unit has received this coveted award. It earlier won the second prize in the same category in the year 2006 and the first prize in 2007.

Acquisition of land at Nanjangud, Karnataka through KIADB has been completed and your company will commence setting up of a new brewery in this profitable State.

Your Company has shifted from furnace oil fired boilers to solid fuel boilers in most of its breweries, leading to savings in the cost of fuel. To contain the increase in bottle cost, your Company has introduced dedicated design registered bottles in select markets. We expect the benefits of this initiative materialising from the financial year 2010-2011.

Heineken owns breweries in Andhra Pradesh and Maharashtra. Your Company has now the benefit of utilization of capacity available at these two breweries.

SALES

Your Company continues to lead the beer market with a sale of 101 million cases and combined national market share crossing 50%. The net sales for the year 2009-2010 stood at Rs.19,975 million as against net sales of Rs.16,983 million in the

Report of the Directors (contd.)

financial year 2008-2009, registering a growth of 18% over the comparable figure in the previous year. This spectacular result has been achieved despite impasse in supply to the Andhra Pradesh market during peak season and excise increases in Karnataka. Your Company has a market share that now stands at over 50%, and is twice the size of its nearest competitor. Your Company along with its associates controls over 63% of the mild beer market and over 46% of the strong beer market in India. The ubiquitous "Kingfisher" brand continues to be the largest selling beer brand in India while "Kingfisher Strong" has grown by 22%.

Region wise, the Northern market grew by 33% particularly due to growth in the States of Rajasthan and Uttar Pradesh. The Eastern markets grew by 70% on account of high growth in the States of Bihar, Jharkhand, West Bengal, Orissa and North Eastern States. The Southern markets grew by 7% as the growth in the States of Kerala and Tamil Nadu was offset by the de-growth of Karnataka market and halting of sales in Andhra Pradesh. The Western markets grew by 19% riding on growth in the States of Madhya Pradesh and Maharashtra and a decline in Daman & Diu.

Your Company has launched a new super premium brand by the name 'Kingfisher Ultra' which has been widely acclaimed in the markets of its launch. Your Company has also launched an All Season beer by the name 'Kingfisher Red' in the North and East markets. 'Kingfisher Red' is developed following a unique process and can be consumed even at 14 to 17 degrees Celsius, without any change in the taste of beer.

The Brand 'Kingfisher' has been awarded the prestigious Gold Medal in the World Beer Championship 2009.

MANUFACTURING EXPENSES

Manufacturing expenses for the financial year 2009-2010 were Rs.10,088 million constituting 50.5% of the net sales as against Rs. 8,693 million in the previous financial year which constituted 51.2% of the net sales.

A significant increase in price of second hand bottles on account of hoarding by bottle traders has adversely affected manufacturing costs. Your Company has recently introduced patented bottles with a view to gain strategic control of this major item of cost. Since the bottles are patented and the name and logo of your Company are embossed on the bottles, they cannot be used by other brewers and are to be necessarily supplied back to your Company. The cost associated with accelerated investment in new patented bottles is expected to be recovered by a drop in the price of second hand bottles.

Your Company has entered into long term agreements for securing supply of malt & barley thereby minimizing the fluctuation in price of these ingredients.

Most of the units have installed solid fuel boilers which has resulted in a reduction of fuel cost. The breweries are continuously improving efficiencies in the brewing process as well as in packing thereby reducing the manufacturing costs.

PERSONNEL AND OTHER OPERATING EXPENSES

Personnel expenses of your Company stood at Rs.989 million as compared to Rs.871 million in the previous year. This constituted 5% of the net sales as against 5.1% of the net sales in the previous year. Other operating expenses amounted to Rs.1,094 million constituting 5.5% of the net sales. Personnel and other operating expenses were contained despite increased volumes during the year.

SELLING AND BRAND PROMOTION EXPENSES

During the period under review, your Company has spent 28% of net sales on selling and brand promotion exercise as compared to 25.2% of net sales spent in the previous year.

During the year, your Company continued its investments in brand building, especially behind the Kingfisher Brand. Kingfisher continues its high profile association with five of the eight IPL teams as their 'Good Times Partner'. This association was effectively leveraged both through communication as well as consumer and trade contacts.

Kingfisher further strengthened its association with football by signing on as the title sponsor of the Goa Professional League.

Kingfisher continued to leverage on the excitement and glamour of Formula-1 by being a very visible and prominent sponsor of the Force India team.

Kingfisher also continued its association with large city-based sporting events such as the Mumbai Marathon, Delhi Half Marathon and the World 10K race in Bangalore.

Kingfisher and fashion have been synonymous for over a decade. Kingfisher has strengthened its association with fashion by being a key sponsor to the India Couture Week, Wills Lifestyle India Fashion Week and the Lakme Fashion Week, apart from the fashion weeks in Kolkata, Chennai and Bangalore.

Music has been another significant platform that Kingfisher has used over the years. During the year, the pub-based rock festival – 'Kingfisher Pubrock Fest' was extended to 20 cities and over 75 shows. The Kingfisher Voice of Goa talent hunt has grown from strength to strength and has firmly entrenched Kingfisher extremely close to the hearts of Goans.

Report of the Directors (contd.)

The eighth edition of the much awaited and world acclaimed 'Kingfisher Swimsuit Calendar' was released in January to a tremendous response. Your Company's association with India's No.1 Lifestyle TV channel 'NDTV Good Times' continued into its third year.

PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION (PBIDT)

PBIDT for the year under review stood at Rs.2,949 million as compared to Rs.2,675.2 million in the previous year, reflecting an increase of 10.2%. This increase in PBIDT is resulting from strong revenue growth and sustained investment behind your Company's brands.

INTEREST AND DEPRECIATION

Interest paid during the year amounted to Rs.555 million as against Rs.896.4 million in the previous year. Depreciation for the year was Rs.882.7 million as compared to Rs.762.1 million in the previous year.

There has been reduction in the interest cost as compared to the previous year due to exchange gains in the current year compared to losses in the previous year and the payment of a term loan commitment fee in the previous year. Depreciation has increased on account of continued investment in production capacities, including the investment in the greenfield Andhra Pradesh brewery.

PROFIT BEFORE AND AFTER TAXATION

The Profit Before Taxation for the year stood at Rs.1,511.3 million as compared to Rs.1,016.7 million in the previous year reflecting an increase of around 48.6%. The Profit After Taxation stood at Rs.969.7 million as against Rs.624.9 million in the previous year reflecting a growth of 55.2%.

PROSPECTS

While multinational companies are expected to increase competition in the premium beer segment, established domestic brands, particularly those of your Company have the advantage of having an established brand equity. Several international brewers have currently built brand associations and are marketing their brands aggressively through various point-of-sale promotions throughout their distribution networks. Your Company has the benefit of a strong route to market combined with India's leading brands.

A double digit growth rate is expected for the coming years, resulting from the increase in disposable income and the growth of consumers entering the legal drinking age.

On-trade sales are expected to grow considerably with growing affluence among young consumers together with the culture of frequenting pubs and clubs that is now spreading to second-tier cities. Off-trade sales are meanwhile expected to be boosted by the gradual deregulation of beer retail through supermarkets/hypermarkets and beer & wine licenses.

In order to augment capacities in critical markets, expansion in Karnataka is expected to commence in the next financial year.

ENVIRONMENTAL INITIATIVES

Besides corporate social responsibility, water conservation has been our key focus area. Also, with the expected future growth, its importance has considerably increased. Most of our units have a constraint on disposal of waste water, and therefore, the Company has embarked upon a plan to install sophisticated equipment and modification process so as to reduce consumption of water and its disposal. This will in turn reduce need for acquisition of additional lands for waste water disposal. As an environmental initiative, your Company has installed bottle washers incorporating the latest technology at all units and is encouraging rain water harvesting at these units. Your Company has also collaborated with several agricultural universities for cultivation of identified crops with waste water from the Brewery being used for irrigation on a select basis.

Dry yeast recovery has also been earning revenue as an ingredient for probiotics, as a mixer with spent grain and pesticides. Going ahead, as an environment friendly initiative, your Company is determined to focus on measures for reduction of process loss during production, reduction of pollutants and other wastages and utilization of natural methods of root zone treatments such as usage of duck weed / water hyacinth as an economical method for water purification. This is being done in addition to reducing pollutants which will in turn reduce load on the effluent treatment facility and thereby assist in conservation of the environment.

SOCIAL INITIATIVES

Social responsibility is integrated in the corporate philosophy of your Company and we have been able to positively impact the lives of the communities that we work in. Primary Health, Primary Education and Water are the three key areas for our interventions. Each initiative undertaken is long term and sustainable and addresses a specific need of the local community. These are implemented and monitored in partnership with representatives of the community. Our teams work relentlessly to ensure that each of these meet the needs of the local people. In Education, the objective is to ensure that quality education is

Report of the Directors (contd.)

imparted to children from the underprivileged strata of the society. Here your Company's representatives work closely with local schools to provide better infrastructure, mid day meals, stationery and uniforms as well as deployment of teachers to enhance the quality of education. In primary health, your Company's endeavour has been to ensure that the community has access to primary healthcare. These are either in the form of Primary Health Centres set up by us or mobile health services where a qualified doctor travels in an ambulance to villages that do not have primary health facilities. Your Company's initiatives in water have been to both conserve as well as provide potable water to the local community. These interventions have earned us the trust and appreciation of the community, local bodies and Governmental agencies. Your Company's initiatives in Primary Health in 7 locations have benefitted over 6000 people. In Education, the interventions have enhanced the quality of education for over 1000 students in 7 locations and we have been able to facilitate access to water for over 13000 locales in 6 locations.

INTERNAL CONTROL SYSTEM

Your Company has established a robust system of internal controls to ensure that assets are safeguarded and transactions are appropriately authorized, recorded and reported. Internal Audit evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Company's internal control systems are adequate and are routinely tested and certified by statutory and internal auditors. The process adopted provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

In order to continuously upgrade the internal control system, to be in line with International best practices and to ensure proper corporate governance, your Company has implemented risk assessment, control self assessment and legal compliance management systems. These have been updated during the year under review.

The internal control system evaluates adequacy of segregation of duties and reliability of management information systems, including controls in the area of authorization procedures and steps for safeguarding assets. Planned periodic reviews are carried out for identification of control deficiencies and opportunities for bridging gaps with best practices along with formalization of action plans to minimize risks.

Your Company believes that the overall internal control system is dynamic, and reflects the current requirements at all times, hence ensuring that appropriate procedures and controls, in operating and monitoring practices are in place.

Internal Audit reports to the Audit Committee and recommends control measures from time to time.

OPPORTUNITIES & THREATS

With growing demand, the domestic production of beer is on the rise. With further investments, your company has been able to upgrade and expand its capacities and also its brands. International brewers have established breweries across India in order to extend their brand presence to more States. With these international brands starting domestic production in India, indigenous brands such as your company's face increasing competition. International premium lager is growing steadily (though on a smaller base) as the companies have expanded their distribution across India, and have launched several new brands during the year under review. Despite this influx of new entrants, Kingfisher Lager continues to not just maintain market share but indeed increased it beyond 50% during the period under report.

India is predominantly a spirits market and beer is a minority preference for those who consume beverage alcohol. The low penetration in beer consumption in comparison to international levels offers the expectation of substantial and sustainable growth in demand for beer in years to come, particularly given the youthful age of India's populace. It is expected that gradually there will be a deregulation in the Indian beer industry too, giving it a boost.

Foreign brewers have been eyeing the Indian market for some years now as India is widely acknowledged to be the last untapped big growth market. However, consistent investments by your Company, in the product, packaging and communication, along with well established distribution, puts UB in a strong position, as seen by consistent improvements to the Company's national market share.

RISK MANAGEMENT

Your Company has evolved a framework for management of Business Risks. Towards this end the company has identified risk categories under strategic risks, operative risks, information technology risks, financial risks. This is audited regularly by the internal audit team.

Continuity and sustainability of the business is as important to stakeholders as growing and operating the business. Managing risks and protecting the business from the effects of disasters, failures and reputational damage are focal points on the management's agenda.

RISKS AND CONCERNS

The Indian beer industry is plagued with myriad taxes & levies that vary from State to State. These along with price regulation, inadequate market infrastructure and restrictions in interstate movement of beer, pose a great challenge for the industry.

Report of the Directors (contd.)

Unlike most developed countries where beer is less regulated and available freely, high level of regulation and higher end consumer price hampers beer sales in India.

Uniform tax regime for beer in all States will be a boon for the industry. If implemented, it will help the beer industry by rationalizing end consumer prices in all States, as is in the case of other consumer goods. Globally, the policy of uniform taxation has been a success because of inherent positive implications on Government revenue. In addition to economic contribution, a uniform tax structure will also create increased agro linkages that are beneficial to a country like India.

It is important to realize that the beer sector can contribute immensely to the agricultural sector, as beer is an agro-based product. Barley farmers particularly stand to benefit from the growth of the beer sector.

Additionally, the continuing control on pricing as exercised by a number of State Governments has resulted in our inability to raise prices on roughly 60% of our sales. This has had a direct bearing upon the Company's profitability. As this challenge continues in the current financial year, it has resulted in a number of key markets becoming unattractive from a financial perspective.

Your Company has explored a variety of avenues to contain the risk of continued increase in basic costs and has entered into a number of long term agreements for sourcing vital inputs. There has been a continuing review of the long term strategy for procurement at an economical cost.

Excessive regulation and further extensions of Government intervention, in the areas of distribution and pricing, is affecting the growth and profitability of the industry as well as restricting Government revenues. In addition, restrictions on advertising and licensing of retail outlets continue to present challenges to the Industry.

Inclusion of alcoholic beverages into Goods and Service Tax (GST), is uncertain. Non-inclusion of alcoholic beverages in purview of GST would be against the fundamental concept of GST and could have a material negative impact. However, even if it is included there may be material negative impact on input cost.

HUMAN RESOURCES

People continue to be the focal point of the organization's development. Your Company believes in building a stimulating, conducive and transparent culture that drives high level of performance. For a high performance organization, it is imperative that it has right people in the right job equipped with the right set of skills. As such, the emphasis this year was in identifying and developing people capability to ensure that we not only maintain but accelerate our rate of growth and performance. With this intent, an in-depth evaluation of role requirement vis a vis the individual's strength was carried out. This was to ensure right deployment of people and also identify their developmental needs that will strengthen and consolidate our leadership pipeline. The organization also completed the succession planning exercise that has also enabled us to fill critical positions internally.

We continued to significantly improve our performance in the areas of productivity and safety by means of focused initiatives. Your Company maintained harmonious employee relations during the year. The transition of workforce from the existing plant to the new greenfield also happened seamlessly.

As on March 31, 2010, the total employee strength at United Breweries Limited stands at 1661. Your Directors place on record their sincere appreciation to all employees for their contribution towards the continuous success of the organization.

SUBSIDIARY COMPANIES

Associated Breweries & Distilleries Limited remains a wholly owned Subsidiary of your Company while your Company holds 51% of equity in Maltex Masters Limited.

Your Company has received approval from the Central Government exempting your Company from attaching the Accounts etc., of its subsidiaries viz. Associated Breweries & Distilleries Limited and Maltex Masters Limited with the balance sheet of your Company. In terms of the approval so granted by the Central Government, the Accounts, etc., of the above subsidiaries are not required to be attached with the balance sheet of the holding company. However, these Accounts will be provided on request to any member requiring to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

Statement pursuant to Section 212 (1) (e) also forms part of the Annual Report.

CONSOLIDATION

As per the Listing Agreement, Consolidated Accounts conforming to applicable Accounting Standards are attached to this Annual Report.

DEPOSITORY SYSTEM

Your Company has entered into Agreement with National Securities Depository Limited and Central Depository Services (India) Limited in accordance with the provisions of the Depositories Act, 1996 and as per the directions issued by Securities and Exchange Board of India.

Report of the Directors (contd.)

DIRECTORS

The Board of Directors of your company has been reconstituted and broad based to comprise of 12 Directors with a balanced combination of Promoters and Independent Directors. Mr. John Hunt and Mr. John Nicolson opted out of the Board. Mrs. Kiran Mazumdar Shaw and Mr. Madhav Bhatkuly have been inducted on Board as Independent Directors with effect from October 26, 2009. Mr. Duco Reinout Hooft Graafland, Mr. Sijbe Hiemstra and Mr. Guido de Boer were inducted on Board with effect from December 07, 2009. Mr. Stephan Gerlich was appointed to the board on July 02, 2010.

The Board places on record the contributions of outgoing Directors during their tenure on the Board of your Company.

Mr. Chugh Yoginder Pal, Mr. A K Ravi Nedungadi and Mr. Sunil Alagh retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS AND AUDITORS' REPORT

M/s Price Waterhouse, Statutory Auditors hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification or explanation.

LISTING REQUIREMENTS

Your Company's Equity Shares are presently listed at the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and the Bangalore Stock Exchange Limited. The listing fees have been paid to all the Stock Exchanges for the year 2010-2011.

During the year under review, the Securities of your Company have been delisted from Stock Exchanges at Chennai and New Delhi upon application made in terms of special resolution passed by the members in this regard.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2010 is appended.

CORPORATE GOVERNANCE

A Report on Corporate Governance forms part of this Report along with the Certificate from the Company Secretary in practice.

FIXED DEPOSITS

The Company has not invited any Fixed Deposits.

PARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, ETC.:

Information in accordance with sub-Section (2A) of Section 217 of the Companies Act, 1956, read with the Company's (Particulars of Employees) Rules, 1975, forms part of this Directors' Report and is annexed. Particulars required under Section 217(1)(e) are also annexed.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Board of Directors report that:

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and that the judgements 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.
- 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 preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continued support received from shareholders, banks and financial institutions. Your Directors are also grateful to the Company's business partners and customers for their continued support and patronage. Finally, your Directors wish to acknowledge the support and contribution on the part of all employees who constitute our most valuable asset.

By Authority of the Board,

Bangalore
July 21, 2010

Kalyan Ganguly
Managing Director

Guido de Boer
Director & CFO

Annexure to Directors' Report

STATEMENT UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

A. Conservation of Energy

Energy conservation measures taken by the Company:

Electrical Energy

- Vapour absorption machine is being commissioned at Bangalore unit for generating chilled water for wort cooling instead of using high electricity consuming reciprocating compressors.
- Draft control on alternate fuel boilers installed to reduce electricity consumption at Palakkad, Orissa & Mangalore units.
- Lighting energy savers installed at Mumbai, Bangalore & Mangalore units.
- Focus on optimal work in process during the off season has reduced refrigeration load and consequently saved on energy consumption.
- Installed variable frequency drives in Mumbai on high load motor to reduce energy consumption.
- De-superheaters in Refrigeration compressor installed at Bangalore, Kalyani & Palakkad units to reduce electricity consumption.
- Chilled water generation through CO₂ evaporation implemented at Mumbai to reduce electrical consumption.

Fuel Oil Consumption

- De-superheaters installed at Bangalore, Palakkad and Kalyani units to generate higher feed water temperature in boilers leading to reduced solid fuel consumption.
- After successful implementation of alternate fuel boilers at units located at Punjab, West Bengal and Andhra Pradesh, alternate fuel boilers are installed at all units except at Cherthala and Goa. This has reduced fuel cost substantially.

Water Conservation

- Recycling of effluent treated water with programmable logic control operated reverse osmosis plant installed at Mallepally, and Ludhiana units to ensure water conservation.
- Rainwater harvesting initiative is being undertaken at Mallepally unit in a phased manner to save water and enhance the ground water table.

Environment

- LED coupled with solar power & geo thermal office cooling system installed at Mallepally unit. Vapor Heat recovery systems are installed at Mumbai & Mallepally units.
- Heat recovery system installed in Mumbai to reduce fuel consumption and reduce heat emission into the atmosphere. This has a positive impact on reduction in global warming.
- Commissioned CO₂ recovery plant at all units. This has reduced release of green house gases into atmosphere.

B. Technology Absorption

- First Mash filter & high speed 36000 BPH bottling line commissioned at Mallepally unit in Andhra Pradesh.
- Coil cooler installed for Diesel Generator (DG) sets at Mallepally unit in place of Radiators to increase efficiency of DG sets during longer running hours at high temperature regions.
- Latest technology in labellers, Auto PU controlled Pasteurizer and fillers for beer packaging has been implemented at Mallepally. This has resulted in improved quality, reduced wastages and higher productivities on the line.
- Double Evacuation Filler commissioned in Cherthala unit.
- Automation and Auto Blowdown installed in the boilers on selective basis.

C. Research and Development

The Company has continued its Research & Development (R&D) programme in the area of development of two row malting variety of Barley. The Company is expecting to shortly launch a flavoured beer in the market by utilizing the technology developed by our R&D department.

D. Foreign Exchange Inflow and Outflow (Rs. in Million)

Foreign Exchange earned : 9.42

Foreign Exchange used : 738.30

Annexure to Directors' Report (contd.)

STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (EMPLOYED FOR FULL YEAR)

| Sl. No. | Name | Age | Date of Joining | Total Remuneration | Designation | Educational Qualifications | Experience in Years | Previous Employment |
|---------|----------------------|-----|-----------------|--------------------|---|---|---------------------|---|
| 1 | K Ganguly | 59 | 1-Feb-79 | 33876106 | Managing Director | B.A. (Hons.), PGDBM (XLRI) | 37 | EVP - Marketing & Sales McDowell & Co. Ltd. |
| 2 | Shekhar Ramamurthy | 49 | 15-May-89 | 18910553 | Dy. President | B.Tech. (Civil) - IIT, Delhi, PGDBM - IIM - Kolkata | 23 | General Manager - Marketing Herbertsons Ltd. |
| 3 | Cedric Vaz | 51 | 15-May-06 | 9404063 | EVP - Manufacturing | B.Tech. (Chem. Engg.), IIT - Kanpur | 28 | Head Operations - Cadbury India Ltd. |
| 4 | J Noronha | 55 | 15-Jul-91 | 8651142 | EVP - Human Resources | B.Com. (Hons.) PGDPM-IR (XLRI) | 30 | Personnel Manager - The Oberoi Bogmalo Beach, Goa |
| 5 | Perry Goes | 45 | 14-Jun-04 | 7603786 | SVP - MIS, Strategic Planning & Business Analysis | B.E. (Mech.), PGDBM (Mktg-Fin & HR) - Goa Inst. of Mgmt. | 23 | Group Leader for Business Analytics - Honeywell Technologies Solutions Labs |
| 6 | Sudhir Jain | 50 | 15-Jan-04 | 4529166 | DVP - Operations - South & West | B.E. (Mech.) University of Roorkee | 24 | G M Plant Operations - Pepsico India Holdings P. Ltd. |
| 7 | Kiran Kumar | 42 | 28-Apr-97 | 7489206 | SVP - Sales | B.Com., PGDBM IIM - Ahmedabad | 19 | Marketing Manager - Herbertsons Ltd. |
| 8 | Vivek Agnihotri | 40 | 01-Mar-09 | 3082756 | GM-Instl. Sales & Customer Mktg. | B.Com., MBA (Marketing) | 15 | Kingfisher Airlines Ltd. |
| 9 | Umesh Hingorani | 41 | 2-Feb-93 | 4191295 | DVP - Business Development | BBA - University of Southern California | 17 | Marketing Manager - Castle Breweries Ltd. |
| 10 | R K Jindal | 49 | 19-Mar-85 | 4925478 | DVP - Operations North & East and Malting | B.Com., F C A | 25 | First Employment |
| 11 | Govind Iyengar | 43 | 5-Feb-01 | 5047026 | DVP - Legal & Company Secretary | B.Com., L.L.B., ACS | 20 | Company Secretary - Citurgia Biochemicals Ltd. |
| 12 | Govind Tiwari | 58 | 12-Feb-75 | 5304010 | DVP - UBL Goa & Contract Units | B.Sc., PGDIFAT, DBA, PGDM & IR | 40 | Asst. Brewer - Indo Lowenbrau Breweries Ltd., Faridabad |
| 13 | Sharad Dalmia | 45 | 1-Feb-01 | 3629681 | DVP - Engineering & Projects | B.E. (Mech.), PGDM (Mech. & Elec. Engg.) (Jamshedpur Tech. Inst.) | 23 | General Manager - McDowell & Co. Ltd. |
| 14 | George Paul | 46 | 6-Jan-03 | 3775894 | AVP - UBL Rajasthan | B.Tech. (Mech.), MBM (Asian Inst. of Mgmt.) | 22 | General Manager - A W Faber Castel (I) Pvt. Ltd. |
| 15 | R Santosh Kumar | 45 | 1-Jul-98 | 4835879 | DVP - Commercial | B.E., PGDCA | 22 | Mfg. Manager - Pepsico India Holdings |
| 16 | Samrat Chadha | 37 | 2-May-97 | 3673183 | General Manager, Sales - West | B.Sc., PGDM (T.A. Pai Mgmt. Inst.) | 13 | First Employment |
| 17 | Gurpreet Singh | 35 | 20-Apr-98 | 3544549 | General Manager - Marketing | B.Com., PGDM (T.A. Pai Mgmt.Inst.) | 12 | First Employment |
| 18 | M R Srinivasan | 58 | 15-Jul-89 | 3135187 | AVP - UBL Mangalore | B.Sc., MSW (University of Mysore) | 36 | Personnel Executive - Indl. Relations & Welfare - Cipla Ltd. |
| 19 | P A Poonacha | 39 | 1-Jul-96 | 4241712 | AVP - Finance | B.Com., ACA, AICWA | 15 | Accounts Executive - BPL Sanyo Technologies Ltd. |
| 20 | R Raghupathy | 50 | 10-Jul-89 | 3349725 | General Manager - Corporate Accounting | B.Com., AICWA | 27 | Accounts Executive - Laurel Aromatics Pvt. Ltd. |
| 21 | P L Murugappan | 39 | 27-Sep-97 | 3409282 | General Manager - Finance | B.Sc., MBA (Fin.), AICWA | 18 | Head Finance-Cipla Ltd. (Bangalore Unit) |
| 22 | Jayant Basu | 58 | 11-May-98 | 3491441 | AVP - UBL Kalyani | B.Sc., PGDPMIR, LLB, MBA | 36 | Plant Manager - Pfizer Ltd. |
| 23 | S Ramakrishnan | 50 | 1-Jun-95 | 3882606 | AVP - IT | M.Com., Dip. in Comp. Sc. | 25 | Senior Manager - Systems - McDowell & Co. Ltd. |
| 24 | Susheel Kumar | 58 | 19-Apr-02 | 2931639 | AVP - UBL Nelamangala | B.Sc., Tech., Bio Engg. & PGDMM | 33 | Chief Executive - Empee Breweries Ltd. |
| 25 | Rakesh Chandra Gupta | 41 | 1-Jun-04 | 3058102 | AVP - UBL Mumbai | B.E. (Mech.), MFM, Master in SAP-PS, MDP | 18 | Senior Manager - Projects - Birla Management Corporation |
| 26 | C Gouri Sankar | 44 | 14-Mar-07 | 3136132 | AVP - Srikakulam | B.E. (Mech.), Adv. Dip. in Business Admn. | 21 | Senior Manager - Production - Asian Paints (I) Ltd. |
| 27 | A K Das | 56 | 14-Jan-81 | 2716744 | AVP - Aurangabad | M.Com. | 31 | Indo Lowenbrau Breweries Ltd. |
| 28 | A V Ganesh Ramu | 49 | 01-Mar-83 | 2449750 | General Manager - Brewing & Technical | B.Sc., PGD Business Mgmt. Masters in Brewing - UK | 27 | First Employment |
| 29 | A Narayanan | 43 | 03-Nov-93 | 2573604 | General Manager-Chennai | B.Tech. ME., EGMP (IIM-B) | 20 | Skol Brewries Ltd. |
| 30 | Nirmal Rajani | 47 | 01-Jun-98 | 2494732 | General Manager Sales - South | B.Com. | 27 | McDowell & Co. Ltd. |

Annexure to Directors' Report (contd.)

| | | | | | | | | |
|---|-----------------------|----|-----------|---------|--------------------------------|---|----|--|
| 31 | Shyamal Mittal | 50 | 02-May-01 | 2564511 | General Technical Manager | M.Sc. (Micro Biology) | 27 | Shaw Wallace & Co. Ltd. |
| 32 | Prem Korah | 36 | 20-May-04 | 2455282 | General Marketing Manager | B.E. (Electronics), MBA (XIMB) | 10 | Cavincare Pvt. Ltd. |
| 33 | Madhusudhan Sharma | 39 | 01-Jul-05 | 2764484 | AVP - Projects | B.E., MBA | 15 | G M R Beverages & Industries Ltd. |
| 34 | Ajay Jairath | 46 | 09-Jan-07 | 2563912 | General Manager - UBL Ludhiana | B.Tech. (Chem. Engg.) MBDA (Intl. Marketing) | 23 | International Packaging Products Pvt. Ltd. |
| 35 | Ramakrishnan S | 46 | 22-Jan-07 | 3056879 | AVP - UBL Palakkad | B.E. (Chem. Engg.) PGDM | 23 | Organics Aromatics Pvt. Ltd. |
| 36 | Eswar Van Sharma | 41 | 06-Mar-08 | 2804086 | General Manager - Innovation | B.E. (Civil & Environmental Engg.) PGDM (XIM) | 16 | McCann Erickson |
| Employed for part of the year and in receipt of remuneration in aggregate of not less than Rs. 24,00,000/- per annum | | | | | | | | |
| 1 | Guido de Boer* | 38 | 01-Oct-09 | 6989448 | Director & CFO | M.Sc., Economics & Business | 13 | Heineken International B.V. |
| 2 | Ravikanth Sabnavis | 41 | 12-Mar-07 | 2730898 | DVP - Marketing | B.E., MMS | 18 | Marketing Manager, Heinz India Pvt. Ltd. |
| 3 | Samar Singh Shekhawat | 44 | 09-Nov-09 | 2634407 | SVP - Marketing | B.A. MBA (Marketing) | 20 | Spencers Retail Ltd. |

All the employees mentioned above are in full time employment with the Company.

AVP – Assistant Vice President, DVP – Divisional Vice President, SVP – Senior Vice President, EVP – Executive Vice President, CFO – Chief Financial Officer.

*Mr. Guido de Boer was appointed as Director & CFO effective December 7, 2009.

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 except Mr. Umesh Hingorani, who is related to Dr. Vijay Mallya. None of the above mentioned employees holds more than 2% of the paid-up equity capital in the Company.

By Authority of the Board,

Bangalore
July 21, 2010

Kalyan Ganguly
Managing Director

Guido de Boer
Director & CFO

"Persons constituting group coming within the definition "group" for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:"

Dr. Vijay Mallya

Mr. Sidhartha V Mallya

Ms. Ritu Mallya

Kamsco Industries Private Limited

The Gem Investment & Trading Company Private Limited

Mallya Private Limited

McDowell Holdings Limited

United Breweries (Holdings) Limited

Pharma Trading Company Private Limited

Vittal Investments Private Limited

Devi Investments Private Limited

VJM Investments Private Limited

Scottish & Newcastle India Limited

Heineken International B.V.

Heineken N.V.

Scottish and Newcastle India Private Limited

UNITED BREWERIES LIMITED

Report on Corporate Governance

A. MANDATORY REQUIREMENTS

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

As manifested in the Company's vision United Breweries Limited has always strived for excellence in Corporate Governance. Beyond mere compliance we are committed towards taking all strategic initiatives to enhance Shareholders' wealth in the long term. In pursuit of corporate goals, the Company accords high importance to transparency, accountability and integrity in its dealings. Our philosophy on Corporate Governance is driven towards welfare of all the Stakeholders and the Board of Directors remains committed towards this end.

The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on its role to align and direct the actions of the Company in achieving its objectives.

BOARD OF DIRECTORS

Your Company is managed and controlled through a professional Board of Directors. The Board comprises of a balanced combination of non-Executive and independent Directors in addition to the Managing Director and Chief Financial Officer. Your Company's Board consists of eminent persons with considerable professional expertise and experience.

Matters of policy and other relevant and significant information are regularly made available to the Board. In order to ensure better Corporate Governance and transparency, the Company has constituted an Audit Committee, Investors' Grievance Committee, Remuneration / Compensation Committee and Share Transfer Committee to look into the aspects of each Committee. Internal Audit carried out by the Group Internal Audit team commensurate with the size of the organization. There is comprehensive management reporting systems involving the preparation of operating results and their review by senior management and by the Board.

In addition to securing Board approvals for various matters prescribed under the Companies Act, 1956, matters such as annual budget, operating plans, significant and material show cause notice and demands, if any, minutes of Committee meetings, control self assessment, risk management and updates thereof are regularly placed before the Board.

During the financial year ended on March 31, 2010, 6 Board Meetings were held on April 09, 2009, April 28, 2009, July 23, 2009, October 26, 2009, December 07, 2009 and January 22, 2010.

ATTENDANCE AT BOARD MEETINGS AND ANNUAL GENERAL MEETING (AGM)

| Names of the Directors | Category | Number of Board Meetings held | Number of Board Meetings attended | Attendance at the last AGM held on 10.09.2009 |
|------------------------------------|--------------------|-------------------------------|-----------------------------------|---|
| Dr. Vijay Mallya | Chairman (NE) | 6 | 5 | YES |
| Mr. Kalyan Ganguly | Managing Director | 6 | 6 | YES |
| Mr. A K Ravi Nedungadi | Director (NE) | 6 | 5 | YES |
| Mr. John Hunt* | Director (NE) | 6 | 1 | YES |
| Mr. John Nicolson* | Director (NE) | 6 | 1 | — |
| Mr. Guido de Boer** | Director (CFO) | 6 | 2 | — |
| Mr. Chugh Yoginder Pal | Director (NE, Ind) | 6 | 5 | YES |
| Mr. Sunil Alagh | Director (NE, Ind) | 6 | 6 | YES |
| Mr. Chhaganlal Jain | Director (NE, Ind) | 6 | 6 | YES |
| Ms. Kiran Mazumdar Shaw# | Director (NE, Ind) | 6 | 2 | — |
| Mr. Madhav Bhatkuly# | Director (NE, Ind) | 6 | 2 | — |
| Mr. Sijbe Hiemstra** | Director (NE) | 6 | 1 | — |
| Mr. Duco Reinout Hooft Graafland** | Director (NE) | 6 | 1 | — |
| Mr. Stephan Gerlich@ | Director (NE, Ind) | 6 | — | — |

Notes: NE – Non-Executive, Ind – Independent, CFO – Chief Financial Officer

Report on Corporate Governance (contd.)

- # Ms. Kiran Mazumdar Shaw and Mr. Madhav Bhatkuly have been appointed as non-executive Directors in independent capacity with effect from October 26, 2009.
- * Mr. John Hunt and Mr. John Nicolson have resigned from the Board with effect from December 07, 2009 in view of reconstitution of the Board of Directors of the Company.
- ** Mr. Sijbe Hiemstra and Mr. Duco Reinout Hooft Graafland have been appointed as non-executive Directors on the Board of the Company with effect from December 07, 2009. Mr. Guido de Boer was appointed as Director & CFO with effect from December 07, 2009.
- @ Mr. Stephan Gerlich has been appointed as non-executive Director in independent capacity with effect from July 02, 2010.

MEMBERSHIP IN BOARDS AND BOARD COMMITTEES – OTHER THAN UNITED BREWERIES LIMITED (UBL)

| Names of the Directors | Membership in Boards other than UBL | Membership in Board Committees other than UBL | |
|----------------------------------|-------------------------------------|---|--|
| | | Prescribed for reckoning the limits under Clause 49 of the Listing Agreement ** | Other Committees not so prescribed *** |
| Dr. Vijay Mallya | 21 | NIL | 1 (Chairman of 1 Committee) |
| Mr. Kalyan Ganguly | 6 | 2 (Chairman of 2 Committees) | 2 (Chairman of 2 Committees) |
| Mr. A K Ravi Nedungadi | 9 | 5 (Chairman of 1 Committee) | 2 |
| Mr. Sijbe Hiemstra | 1 | NIL | NIL |
| Mr. Duco Reinout Hooft Graafland | 1 | NIL | NIL |
| Mr. Chugh Yoginder Pal | 4 | 4 (Chairman of 3 Committees) | 2 |
| Mr. Sunil Alagh | 4 | 1 (Chairman of 1 Committee) | 2 |
| Mr. Chhaganlal Jain | 7 | 4 (Chairman of 1 Committee) | 3 |
| Mr. Guido de Boer | NIL | NIL | NIL |
| Ms. Kiran Mazumdar Shaw | 8 | 1 | 1 |
| Mr. Madhav Bhatkuly | 3 | 1 | NIL |
| Mr. Stephan Gerlich | 2 | 1 | 2 (Chairman of 2 Committees) |

The above position is as on the date of this Report and in respect of their Directorships only in Indian Companies.

** Audit & Investors' Grievance Committees *** Remuneration, Share Transfer & Other Committees

NOTES:

- Out of 21 other Companies in India in which Dr. Vijay Mallya is a Director, 8 are Private Limited Companies and 2 are Section 25 Companies. Dr. Vijay Mallya is also on the Board of 36 Overseas Companies.
- Out of 6 other Companies in which Mr. Kalyan Ganguly is a Director, 1 is a Private Limited Company. Mr. Kalyan Ganguly is also on the Board of 1 Overseas Company.
- Out of 9 other Companies in which Mr. A K Ravi Nedungadi is a Director, 3 are Private Limited Companies and 1 is a Section 25 Company. Mr. A K Ravi Nedungadi is also on the Board of 9 Overseas Companies.
- Mr. Sijbe Hiemstra is a director in 1 Private Limited Company. Mr. Hiemstra is also on the Board of 22 Overseas Companies.
- Mr. Duco Reinout Hooft Graafland is a director in 1 Private Limited Company. Mr. Hooft Graafland is also on the Board of 1 Overseas Company.
- Out of 4 other Companies in which Mr. Chugh Yoginder Pal is a Director, 1 is a Private Limited Company.
- Out of 4 other Companies in which Mr. Sunil Alagh is a Director, 2 are Private Limited Companies.
- Out of 7 other Companies in which Mr. Chhaganlal Jain is a Director, 1 is a Private Limited Company.
- Out of 8 other Companies in which Ms. Kiran Mazumdar Shaw is a Director, 4 are Private Limited Companies. Ms. Mazumdar is also on the Board of 3 Overseas Companies.
- Out of 3 other Companies in which Mr. Madhav Bhatkuly is Director, 2 are Private Limited Companies. Mr. Bhatkuly is also on the Board of 2 Overseas Companies.

Report on Corporate Governance (contd.)

PROFILE OF NEW DIRECTORS

| Brief resume | Other Directorships & Committee Memberships in India |
|--|--|
| <p>Ms. Kiran Mazumdar Shaw</p> <p>Ms. Kiran Mazumdar Shaw, is a first generation entrepreneur with more than 32 years experience in the field of biotechnology. After graduating in B.Sc. (Zoology Hons.) from Bangalore University in 1973, she completed her post-graduate degree in malting and brewing from Ballarat College, Melbourne University in 1975. She has been awarded with several honorary degrees including Honorary Doctorate of Science from Ballarat University, in recognition of pre-eminent contribution to the field of Biotechnology, 2004, Doctor of Technology from the University of Abertay Dundee, 2007, Doctor of Science from the University of Glasgow, 2008 and Doctor of Science from the Heriot-Watt University, Edinburgh, 2008.</p> <p>She is a founder promoter and has led Biocon Limited since its inception in 1978. She is the recipient of several awards, the most noteworthy being the 'Padmabhushan' Award (one of the highest civilian awards in India) in 2005 conferred by the President of India, the Nikkei Asia Prize, 2009 for Regional Growth, Express Pharmaceutical Leadership Summit Award 2009 for Dynamic Entrepreneur, the Economic Times 'Businesswoman of the Year', the 'Veuve Clicquot Initiative for Economic Development For Asia', Ernst & Young's Entrepreneur of the Year Award for Life Sciences & Healthcare, 'Technology Pioneer' recognition by World Economic Forum and The Indian Chamber of Commerce Lifetime Achievement Award. She heads several biotechnology task forces including the Karnataka Vision Group on Biotechnology, an initiative by the Government of Karnataka and the National Taskforce on Biotechnology for the Confederation of Indian Industry (CII). She is a member of the Prime Minister's Council on Trade and Industry and also serves as a Member, Governing Body and general Body of the Indian Pharmacopoeia Commission, an Autonomous Body of the Government of India.</p> | <p>Other Boards</p> <p>Biocon Limited Syngene International Limited Clinigene International Limited Biocon Biopharmaceuticals Private Limited Biocon Research Limited Glenloch Properties Private Limited Narayana Institute For Advance Research Private Limited Narayana Hrudayalaya Private Limited</p> <p>Investors' Grievance Committee</p> <p>Biocon Limited</p> |
| <p>Mr. Madhav Bhatkuly</p> <p>Mr. Madhav Bhatkuly has a Masters Degree in Commerce from Sydenham College, Bombay and a Masters Degree in Economics from the London School of Economics. He is a recipient of the Foreign and Commonwealth Scholarship from the British Government. Mr Bhatkuly was a country partner of Arisaig Partners from 1999 to 2005. Prior to that, he was associated with SG Securities and ICICI Bank Limited. He partnered with Chris Hohn of The Children's Investment Fund, (UK) TCI to set up a dedicated India Fund. He is credited to have been amongst the first institutional investors in many small companies which have gone on to become some of India's leading names. He has been featured on several TV shows including "CNBC's wizards of Dalal Street", Indianomics, the Karan Thapar Show etc., and has been invited to speak at many business schools such as the Indian Institute of Management, and by many organizations such as the Confederation of India Industries (CII), Goldman Sachs etc.</p> | <p>Other Boards</p> <p>Motilal Oswal Financial Services Limited New Horizon Financial Research Private Limited New Horizon Wealth Management Private Limited</p> <p>Audit Committee</p> <p>Motilal Oswal Financial Services Limited</p> |
| <p>Mr. Duco Reinout Hooft Graafland</p> <p>Mr. Duco Reinout Hooft Graafland studied Business Administration at the Erasmus University in Rotterdam and finished the Post-Graduate study for Chartered Accountant. He started his career as a Management Trainee with Heineken Nederland in 1981, became brand manager for Vrumona, Heineken's soft drink company and continued as Area Export Manager for Central and West Africa. The experience with the African market prompted his move to Kinshasha, where he worked as Financial Director for Heineken's operations for three years from 1987-1989. Then Rene returned to the Netherlands as Marketing Director for Heineken Nederland. In 1993 he went to Indonesia as President Director of Multi Bintang. As of 1997 he continues his career at Heineken's Corporate Office as Director Corporate Marketing to become Director of Heineken Export Group in 2001. In 2002 he was appointed Member of the Executive Board and CFO Heineken N.V.</p> | <p>Other Boards</p> <p>Millennium Alcobev Private Limited</p> |

Report on Corporate Governance (contd.)

| | |
|--|---|
| <p>Mr. Sijbe Hiemstra</p> <p>Mr. Sijbe Hiemstra has Bachelor's degree in Business Administration at the School of Higher Economic Studies, Rotterdam and has attended various International Management programmes. Mr. Hiemstra joined Heineken in 1978. The first six years he worked with Gedistilleerd en Wijngroep Nederland. He started in various commercial and logistic projects, culminating in Product, Brand and Category Manager. In 1985 he was appointed Export Manager Softdrinks with Heineken Export Department/Vrumona. In 1989 Mr. Hiemstra started his overseas career as Country Manager of Heineken Export in Seoul, South Korea. This was followed by several years as Commercial Manager with South Pacific Holdings in Papua New Guinea and as General Manager of Brasseries de Bourbon in ILLe de La Reunion. In 1995 he returned to the Netherlands to take up the position of Deputy Director Central Africa for Heineken's Africa/Middle East Cluster. In 1998 he was appointed Regional Director SEA/Oceania with Asia Pacific Breweries Ltd in Singapore. In 2001 he became Director of Heineken Technical Services in Zoeterwoude. In October 2005 he was appointed Regional President.</p> | <p>Other Boards</p> <p>Millennium Alcobev Private Limited</p> |
| <p>Mr. Guido de Boer</p> <p>Mr. Guido de Boer has a Masters Degree in Economics and Business from Erasmus University Rotterdam. He has completed various Executive Development Programs at INSEAD-Fontainebleau and IMD-Lausanne. He started his career in investment banking, ultimately as Director at MeesPierson Corporate Finance & Capital Markets, advising corporations on M&A and Equity Capital Markets transactions in the Food & Beverages and Media Industries. In 2004, he joined Heineken's Group Business Development department where he was involved in acquisitions, business due diligence projects, and business development strategy. Mr. De Boer led the Heineken deal team in the public offer for Scottish & Newcastle, in consortium with Carlsberg, for an enterprise value in excess of EUR 15 bn. Having worked on acquisition and business due diligence projects in countries like Russia, Colombia, Nigeria and China, he brings the experience of a finance professional, possessing broad business skills, and an understanding of diverse emerging markets.</p> | <p>Other Boards</p> <p>Nil</p> |
| <p>Mr. Stephan Gerlich</p> <p>Mr. Stephan Gerlich is a Wirtschaftsassistent from Industrial Chambers of Commerce, Koeln Germany. He is Country Group Speaker for the Bayer Group in India and Vice Chairman and Managing Director of Bayer CropScience Limited and Chairman & Managing Director of Bayer MaterialScience Private Limited. Based at the headquarters in Mumbai, Mr. Gerlich has been responsible for the Bayer Group business activities in India since July 2003. Mr. Gerlich started his career with Bayer in 1978 and shortly afterwards moved to a subsidiary in France. After 3 years in France, he joined the Bayer operations in Mexico. In 1991, Mr. Gerlich returned to the Bayer Headquarters in Leverkusen, Germany as Regional Marketing Manager for Engineering Plastics Division and later designated as Global Marketing Manager in 1992. In 1994, Mr. Gerlich took over as Director Sales and Marketing and Key Account Manager in Bayer France and in 1995 he was made President / CEO of the Bayer / Hoechst Joint Venture, Dystar, in Mexico. In 2000, he became Vice President in charge of sale in USA & Canada for Dystar, based in North Carolina.</p> | <p>Other Boards</p> <p>Bayer CropScience Limited Bayer MaterialScience Private Limited</p> <p>Investors' Grievance Committee</p> <p>Bayer CropScience Limited</p> |

Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. A K Ravi Nedungadi retire at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Brief particulars of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. A K Ravi Nedungadi are mentioned below:

Report on Corporate Governance (contd.)

PROFILE OF DIRECTORS RETIRING BY ROTATION

| Brief resume | Other Directorships & Committee Memberships |
|--|---|
| <p>Mr. Chugh Yoginder Pal</p> <p>Mr. Chugh Yoginder Pal is a Graduate in Engineering with First Class (Distinction) from Delhi University. He started his career at TELCO in 1958 & was trained in Industrial Engineering after which he moved to Hindustan Lever Limited in 1960, where he held various positions starting as an Industrial Engineer & moving up quickly in the Management hierarchy in a variety of Production, Factory and General Management roles and was the head of Corporate Materials Management (1975-1977). He then joined Cadbury India Limited & held various positions as Technical Director (1977-1982), Managing Director (1983-1987), Chairman & Managing Director (1987-1994), Executive Chairman (1994-1997); He continues to be the Chairman (Non-Executive) at Cadbury India Limited.</p> <p>Mr. Pal brings with him great expertise & understanding of the Indian business environment. Mr. Pal is on the Board of UBL since April 29, 2005.</p> | <p>Other Boards</p> <p>Cadbury India Limited Aptech Limited Sriram Pistons & Rings Limited Renfro India Private Limited</p> <p>Audit Committee</p> <p>Cadbury India Limited (Chairman) Aptech Limited (Chairman) Sriram Pistons & Rings Limited</p> <p>Investors' Grievance Committee</p> <p>Cadbury India Limited (Chairman)</p> |
| <p>Mr. Sunil Alagh</p> <p>Mr. Sunil Alagh is Chairman of SKA Advisors, a Business Advisory / Consultancy firm with a focus on Marketing and Brand building strategies. He is a graduate in Economics (Hons.) with MBA from IIM Calcutta. He has worked with ITC Limited, Jagatjit Industries Limited and Britannia Industries Limited. He was Managing Director and CEO of Britannia Industries Limited from 1989 to 2003. During this tenure, Britannia figured in the Forbes Magazine list of 300 Best Small Companies in the world for 3 years. It also became the Number 1 Food Brand in India.</p> <p>He is a member of the Indian Advisory Board of Schindler and on the Governing Body of IIM Bangalore & Indore, National Institute of Design, Ahmedabad and the Indian Institute of Foreign Trade, Delhi. In addition, he is a member of the Round Table on Higher Education of the Ministry of HRD, Government of India.</p> <p>He was honoured with the 'Gold Medal Kashlkar Memorial Award 2000' for outstanding contribution to the food processing industry in India. He was a finalist for the Ernst and Young Entrepreneur of the Year Award, 2002.</p> <p>Mr. Alagh is on the Board of UBL since April 29, 2005.</p> | <p>Other Boards</p> <p>GATI Limited Indofil Organic Industries Limited Tamara Capital Advisors Private Limited SKA Advisors Private Limited</p> <p>Investors' Grievance Committee</p> <p>Indofil Organic Industries Limited</p> |
| <p>Mr. A K Ravi Nedungadi</p> <p>A trained Chartered Accountant, Mr. Nedungadi set early academic records by qualifying in the final of the Chartered Accountancy Exam at age 20. Early position at Macneill & Magor Ltd., a diversified conglomerate and Pentagon Fasteners Ltd. Delhi set the stage for an outstanding track record with current employer.</p> <p>He joined the UB Group in 1990 as the Corporate Treasurer. Within two years, he was transferred to London as Group Finance Director of the Group's international business managing the businesses of UB International, which included the paint giant Berger Jenson and Nicholson, spanning 27 countries. He was instrumental in listing the Berger group companies on London and Singapore bourses.</p> <p>Since his appointment as the President and Group CFO in 1998, the youngest to have been elevated to such a position in the Group, he led his way to sharpening the focus of the Group, which had a conglomerate approach, on areas of core competence and global reach. This saw the group focus on three verticals – Brewing, Distilling & Aviation, each area presenting clear leadership within India and global significance too. He was also responsible for opening up the beverage alcohol sector to Global Best Practices and Transparency, enabling the entry of institutional investors and re-rating of the industry itself.</p> | <p>Other Boards</p> <p>Aventis Pharma Limited Bayer CropScience Limited Kingfisher Airlines Limited Idea Streamz Consultants Private Limited Pie Education Limited Millenea Vision Advertising (P) Limited Millennium Alcobev Private Limited Shaw Wallace Breweries Limited</p> <p>Audit Committee</p> <p>Aventis Pharma Limited Bayer CropScience Limited Kingfisher Airlines Limited</p> <p>Investors' Grievance Committee</p> <p>Aventis Pharma Limited Bayer CropScience Limited (Chairman)</p> |

Report on Corporate Governance (contd.)

Under his leadership the market capitalization of the 3 principal Group Companies has crossed US\$ 7 billion, which bears testimony to the successful accomplishment of business restructuring, consolidation and enhanced shareholder value. As the principle leadership resource of UB Group, Mr. Nedungadi was key to concluding the acquisition of Shaw Wallace & Co. India, Bouvet Ladubay, France, Whyte & Mackay, Scotland, Air Deccan in India etc., each of which has contributed to the value creation for all stake holders.

Mr. Nedungadi is the recipient of many awards of excellence including the Udyog Ratan Award; CNBC TV 18's – CFO of the year – M&A (2006), the CNBC Award for India's best CFO in the FMCG & Retail Sector (2007), the IMA Award for CFO of the year (2007), etc. Memberships in esteemed organizations like Who's Who of Professionals only reinforce the above testimonials. Further, he is on the Board of Directors of several companies, both in India and overseas.

His interest in social work and the arts engage his free time. He is an active Rotarian and is a Trustee of India Foundation for Arts, a leading Grant making Art Philanthropy.

Mr. Nedungadi joined the Board on August 9, 2002.

NOTE: Committee Memberships of Directors mentioned above includes only those Committees prescribed for reckoning of limits under Clause 49 of the Listing Agreement.

None of the Directors are related inter-se.

COMMITTEES OF DIRECTORS

The Board has constituted Committees of Directors to deal with matters which need quick decisions and timely monitoring of the activities falling within their terms of reference. The Board Committees are as follows:

AUDIT COMMITTEE

The Audit Committee comprises of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. Chhaganlal Jain as members, all of whom are independent Directors. The Chairmanship of the Committee vests with Mr. Chugh Yoginder Pal.

The Committee oversees the financial reporting process, disclosure requirements and matters relating to Internal Control System. The Committee also reviews periodically the financial accounts, adequacy of internal audit function, compliance with accounting standards and other areas within its terms of reference, as under:

- i) Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of Audit fee;
- iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv) Reviewing, with the Management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors Responsibility Statement to be included in the Board's report in terms of Clause 2AA of Section 217 of the Companies Act, 1956;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by the Management;
 - Significant adjustments made in the financial statements arising out of Audit findings;
 - Compliance with listing and other legal requirements relating to financial statements ;
 - Disclosure of any related party transactions;
 - Qualifications in the draft audit report;
- v) Reviewing with the Management the quarterly financial statements before submission to the Board for approval;
- vi) Reviewing with the Management, performance of Statutory and Internal Auditors, adequacy of Internal Control Systems;
- vii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- viii) Discussing with Internal Auditors any significant findings and follow up there on;

Report on Corporate Governance (contd.)

- ix) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or failure of Internal Control Systems of a material nature and reporting the matter to the Board;
- x) Discussing with Statutory Auditors before the audit commences, about the nature and scope of Audit as well as post-audit discussion to ascertain any area of concern;
- xi) To look into the reasons for substantial defaults in the payment to Depositors, Shareholders (in case of non-payment of declared Dividends), Debenture-holders and Creditors;
- xii) To review the function of the Whistle Blower mechanism, in case the same is existing, and
- xiii) Carrying out any other function as may be mentioned in the terms of reference of the Audit Committee from time to time.

The Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial conditions and results of operations;
2. Statement of significant related party transactions submitted by the management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal audit reports relating to internal control weaknesses, and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor.

During the Year ended March 31, 2010, 4 Audit Committee Meetings were held on April 28, 2009, July 23, 2009, October 26, 2009 and January 22, 2010.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

| Names of the Directors | Category | Number of Audit Committee Meetings held | Number of Audit Committee Meetings attended |
|------------------------|----------|---|---|
| Mr. Chugh Yoginder Pal | CHAIRMAN | 4 | 4 |
| Mr. Sunil Alagh | MEMBER | 4 | 4 |
| Mr. Chhaganlal Jain | MEMBER | 4 | 4 |

The Company Secretary was present in all the Meetings of Audit Committee.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of Mr. A K Ravi Nedungadi and Mr. Kalyan Ganguly as Members. Mr. Nedungadi, a non-executive Director, is the Chairman of the Committee.

The Terms of reference are as under:

- To monitor Transfer, Transmission and Transposition of the Shares of the Company;
- Issue of Duplicate Share Certificates, in lieu of Certificates lost or misplaced;
- Issue of New Share Certificates in lieu of Certificates torn, mutilated, cages for transfer filled up etcetera;
- Consolidation and sub-division of Share Certificates;
- To oversee compliance of the norms laid down under the Depositories Act, 1996;
- To appoint/remove Registrar and Transfer Agent;
- To oversee compliance of the norms laid down under the Tripartite Agreement with National Securities Depository Limited /Central Depository Services (India) Limited, and
- Perform all such acts and deeds, matters and things as it may in its absolute discretion deem necessary, expedient, desirable, usual or proper and to settle any question, dispute, difficulty or doubt that may arise in regard to the matters arising out of the aforesaid acts.

In order to facilitate prompt and efficient service to the Shareholders all the transactions in connection with Transfer, Transmission, issue of Duplicate Certificates, etc., have been entrusted to Alpha Systems Private Limited, Registrar and Transfer Agent and the same are being processed and approved on fortnightly basis.

During the year ended March 31, 2010 the Committee met 9 times on April 16, 2009, June 01, 2009, June 30, 2009, July 16, 2009, September 08, 2009, September 30, 2009, November 16, 2009, December 31, 2009, and January 22, 2010 for approving the transactions falling within the Terms of reference mentioned above.

Report on Corporate Governance (contd.)

The Board of Directors has, by a resolution by circulation passed on May 5, 2004, delegated the power to approve transfers / transmission etc., upto 5000 shares to the Managing Director and the Company Secretary, who can act severally in the above matter.

INVESTORS' GRIEVANCE COMMITTEE

The Investors' / Shareholders' Grievance Committee comprises of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. Chhaganlal Jain as Members. Mr. Chugh Yoginder Pal is the Chairman of the Committee.

The Terms of Reference for the Committee include inter alia specifically to look into the redressing of Shareholders' and Investors' complaints like non-receipt of Balance Sheet, non-receipt of declared Dividends, non-receipt of Share certificates, Demat Credit, etcetera, and operate in terms of the provisions of the Listing Agreement and/or the provisions as may be prescribed under the Companies Act, 1956 and other related Regulations from time to time..

The Compliance Officer is Mr. Govind Iyengar, Divisional Vice President – Legal and Company Secretary.

| | |
|---|---|
| Number of Shareholders' complaints received from 1-4-2009 to 31-3-2010 (These Complaints pertained mainly to non-receipt of Share Certificates upon transfer, non-receipt of Annual Report, non-receipt of Dividend etc.) | 34 |
| Number of complaints not solved to the satisfaction of the Shareholders | Nil |
| Number of pending Share transfers | Two transfer cases for 400 shares were kept pending as on 31.03.2010 as the process of transfer of shares was in progress. These shares were subsequently transferred after completion of due procedures. |

During the year ended March 31, 2010, 2 Investors' Grievance Committee Meetings were held on October 26, 2009 and January 22, 2010 which were attended by all the members.

REMUNERATION / COMPENSATION COMMITTEE (A NON MANDATORY REQUIREMENT)

The Remuneration Committee comprises of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. Chhaganlal Jain as Members. Mr. Sunil Alagh is the Chairman of the Committee.

The Committee is authorized inter alia:

- to deal with matters related to compensation by way of salary, perquisites, benefits, etc., to the Managing Director/Executive/ Wholtime Directors of the Company and set guidelines for the salary, performance, pay and perquisites to other Senior Employees, and
- to formulate and implement Employee Stock Option Scheme to employees/Directors in terms of prescribed Guidelines.

During the year ended March 31, 2010, 2 Meetings of Remuneration Committee were held on October 26, 2009 and December 07, 2009 which were attended by all the Members.

REMUNERATION POLICY

The Company carries out periodic reviews of comparable Companies and through commissioned survey ascertains the remuneration levels prevailing in these Companies. The Company's Remuneration Policy is designed to ensure that the remuneration applicable to Managers in the Company is comparable with multinational Companies operating in the Brewing or similar industry in India.

For the financial year ended March 31, 2010, Mr. Kalyan Ganguly, Managing Director and Mr. Guido de Boer, Director & CFO were paid remuneration as under:

(Rupees)

| | Salary & Allowance | Perquisites | Retiral Benefits |
|--------------------|--------------------|-------------|------------------|
| Mr. Kalyan Ganguly | 27,087,048 | 2,694,113 | 4,094,945 |
| Mr. Guido de Boer | 6,125,448 | 720,000 | 144,000 |

After his initial term of 5 years, as Managing Director, Mr. Kalyan Ganguly was re-appointed as Managing Director for a further period of 5 years effective August 09, 2007 till August 08, 2012. Mr. Guido de Boer was appointed as Director of the Company with effect from December 07, 2009 for a period of three years and his remuneration mentioned above reflects remuneration paid for part of the year only.

Report on Corporate Governance (contd.)

SITTING FEES PAID TO DIRECTORS DURING 2009-2010

(Rupees)

| Sl. No. | Name of the Director | Sitting Fees paid |
|--------------|----------------------------------|--------------------|
| 1. | Dr. Vijay Mallya | 100,000/- |
| 2. | Mr. A K Ravi Nedungadi | 180,000/- |
| 3. | Mr. Chugh Yoginder Pal | 230,000/- |
| 4. | Mr. Chhaganlal Jain | 250,000/- |
| 5. | Mr. Sunil Alagh | 250,000/- |
| 6. | Mr. John Hunt | 20,000/- |
| 7. | Mr. John Nicolson | 20,000/- |
| 8. | Mr. Sijbe Hiemstra | 20,000/- |
| 9. | Mr. Duco Reinout Hooft Graafland | 20,000/- |
| 10. | Ms. Kiran Mazumdar Shaw | 40,000/- |
| 11. | Mr. Madhav Bhatkuly | 40,000/- |
| Total | | 1,170,000/- |

Sitting fees are being paid @ Rs.20,000/- for attending Board and Audit Committee Meetings and Rs.10,000/- for attending other Committee Meetings. No stock options are granted to any of the Directors so far.

COMMISSION PAID TO DIRECTORS DURING 2009-2010

(Rupees)

| Sl. No. | Name of the Director | Commission |
|---------|------------------------|-------------|
| 1. | Dr. Vijay Mallya | 6,367,439/- |
| 2. | Mr. Chugh Yoginder Pal | 1,414,986/- |
| 3. | Mr. Chhaganlal Jain | 1,414,986/- |
| 4. | Mr. Sunil Alagh | 1,414,986/- |

OTHER COMMITTEE MEETINGS

A Meeting of the Special Committee (Selection Committee) comprising of Mr. Sunil Alagh, Mr. Chhaganlal Jain and Mr. Sheshagiri Hedge (Consultant & Expert) was held on July 23, 2009 to consider the re-appointment of Mr. Umesh Hingorani (a relative of the Chairman of the Company) as Divisional Vice President – Business Development, which was attended by all the members.

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

| Sl. No. | Name | Number of Equity Shares held | |
|---------|--------------------|------------------------------|----------------------|
| | | As on March 31, 2010 | As on March 31, 2009 |
| 1. | Dr. Vijay Mallya | 21353620 | 21353620 |
| 2. | Mr. Kalyan Ganguly | 14690 | 14690 |
| 3. | Mr. Sunil Alagh | 6800 | 6800 |

GENERAL BODY MEETINGS

The previous three Annual General Meetings of the Company were held on the dates, time and venue as given below:

| Date | Time | Venue | Special Resolutions Passed |
|--------------------|------------|--|----------------------------|
| September 10, 2009 | 11.00 a.m. | Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore-560 025. | One |
| September 10, 2008 | 11.00 a.m. | Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore-560 025. | Three |
| September 28, 2007 | 12.30 p.m. | Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore-560 025. | Three |

All the Resolutions set out in respective Notices including Special Resolutions were passed by the Members at the above Annual General Meetings.

Report on Corporate Governance (contd.)

DISCLOSURES

During the financial year ended March 31, 2010, there were no materially significant related party transactions with the Company's Directors or their relatives. Details of related party transaction form part of Notes on Accounts. In preparation of financial statements for the year under review, treatment as prescribed in Accounting Standards has been followed.

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

The Company did not suffer from any levies and there were no strictures on any Capital market related matters since incorporation. The Company has complied with the mandatory requirements of Clause 49, as on date of this report.

The Company has also constituted a Remuneration Committee which is a non-mandatory requirement.

In terms of Section 313 of the Companies Act, 1956, Mr. Duco Reinout Hooft Grafland has appointed Mr. Ernst Willem Arnold van de Weert as his alternate on the Board and Mr. Sijbe Hiemstra has appointed Mr. Kenneth Choo Tay Siam as his alternate on the Board.

MEANS OF COMMUNICATION

The Company has its own Web-site and all vital information relating to the Company and its performance involving quarterly results, official Press release and presentation to analysts are posted on the Company's Web-site "www.kingfisherworld.com". Apart from furnishing copies of Results to all the Stock Exchanges, the Quarterly, Half-yearly and Annual Results of the Company's performance are being published in The Financial Express and Kannada Prabha Newspapers.

In line with the requirement of clause 47 (f) of the Listing Agreement, the Company has designated an exclusive email ID viz, ublinvestor@ubmail.com for the purpose of registering complaints by the investors. The investors can post their grievances by sending a mail to the said email ID.

Management Discussion and Analysis form part of the Directors' Report.

GENERAL SHAREHOLDER INFORMATION

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

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

In terms of amendment to the Listing Agreements, the unaudited results of the Company are to be declared with 45 days of the end of the quarter.

ANNUAL GENERAL MEETING INFORMATION

| | |
|---|-------------------------------------|
| Board Meeting for Consideration of Accounts | July 21, 2010 |
| Posting of Annual Report | July 27, 2010 |
| Book Closure dates | August 19, 2010 and August 20, 2010 |
| Last date for receiving proxy | August 18, 2010 (12.15 p.m.) |
| Date of AGM | August 20, 2010 |

ANNUAL GENERAL MEETING ON

Friday, August 20, 2010

VENUE

Good Shepherd Auditorium,
Opp. St. Joseph's Pre-University College,
Residency Road, Bangalore 560 025.

TIME

12.15 p.m.

DATES OF BOOK CLOSURE

August 19, 2010 and August 20, 2010

Report on Corporate Governance (contd.)

LISTINGS AT

| STOCK EXCHANGE | SCRIP CODE |
|--|------------|
| BANGALORE STOCK EXCHANGE LIMITED | UNITEDBRED |
| BOMBAY STOCK EXCHANGE LIMITED | 532478 |
| NATIONAL STOCK EXCHANGE OF INDIA LIMITED | UBL |

The Company has voluntarily de-listed its Securities from the following Stock Exchanges:

| | |
|---------------------------------------|-------------------|
| Cochin Stock Exchange Limited | w.e.f. 23.05.2009 |
| Calcutta Stock Exchange Assn. Limited | w.e.f. 31.03.2009 |
| Ludhiana Stock Exchange Limited | w.e.f. 25.04.2009 |
| Ahmedabad Stock Exchange | w.e.f. 12.03.2009 |
| Madras Stock Exchange Limited | w.e.f. 21.12.2009 |
| Delhi Stock Exchange Limited | w.e.f. 07.09.2009 |

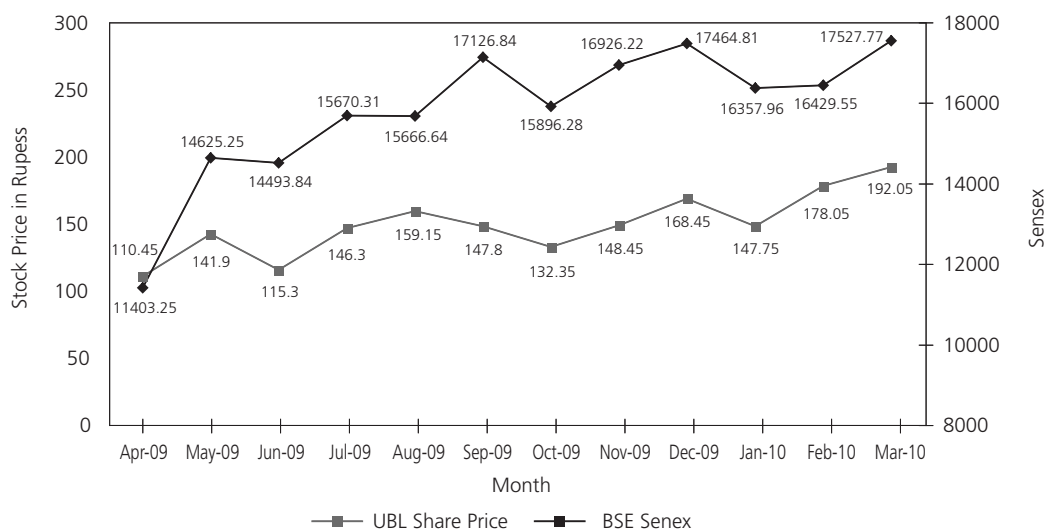
Market price data of the Company's Equity Shares traded on the Bombay Stock Exchange Limited, (BSE) during the period April 2009 to March 2010

| Month | High (Rs.) | Low (Rs.) | Close (Rs.) | BSE Sensex-Close |
|----------------|------------|-----------|-------------|------------------|
| April 2009 | 120.05 | 87.75 | 110.45 | 11403.25 |
| May 2009 | 156.40 | 105.00 | 141.90 | 14625.25 |
| June 2009 | 160.50 | 104.00 | 115.30 | 14493.84 |
| July 2009 | 162.40 | 108.35 | 146.30 | 15670.31 |
| August 2009 | 173.50 | 138.25 | 159.15 | 15666.64 |
| September 2009 | 166.00 | 139.00 | 147.80 | 17126.84 |
| October 2009 | 162.75 | 130.80 | 132.35 | 15896.28 |
| November 2009 | 159.50 | 122.00 | 148.45 | 16926.22 |
| December 2009 | 201.00 | 148.05 | 168.45 | 17464.81 |
| January 2010 | 178.00 | 144.00 | 147.75 | 16357.96 |
| February 2010 | 184.00 | 150.00 | 178.05 | 16429.55 |
| March 2010 | 199.00 | 176.15 | 192.05 | 17527.77 |

(Market Price data source: www.bseindia.com)

Graphical representation of the Company's Shares in comparison to broad-based indices i.e., BSE Sensex, is given below:

Comparison - UBL Stock Price Vs. BSE Sensex



Report on Corporate Governance (contd.)

SHARE TRANSFER SYSTEM

All matters pertaining to Share Transfer are being handled by Alpha Systems Private Limited, the Registrar and Share Transfer Agent of the Company. The Share Transfer requests received are processed by them and a Memorandum of Transfer is sent to the Company for approval by the Committee. The average time taken for processing Share Transfer requests including despatch of Share Certificates is 15 days, while it takes a minimum of 10-12 days for processing dematerialization requests. The Company regularly monitors and supervises the functioning of the system so as to ensure that there are no delays or lapses in the system.

The Company was offering the facility of transfer-cum-demat as per SEBI Guidelines. However, SEBI has vide its Circular No. SEBI/ MRD/Cir-10/2004 dated February 10, 2004, withdrawn transfer-cum-demat scheme. In line with the above, on receipt of transfer requests the Company has discontinued issuing of option letters to the shareholders.

The distribution of shareholding as on March 31, 2010 is furnished below:

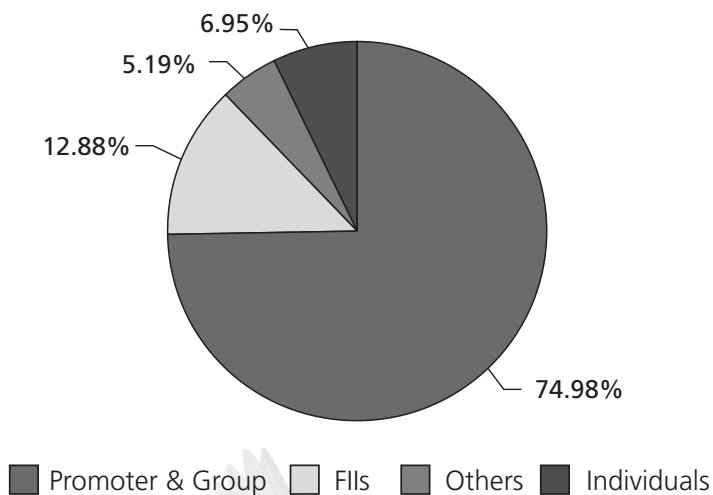
| Category (Rs.) | No. of Shareholders | % (Percentage) | No. of Shares held | % (Percentage) |
|-------------------|------------------------|-------------------|-----------------------|-------------------|
| Up to 5000 | 35878 | 98.88 | 11278189 | 4.70 |
| 5001 – 10000 | 170 | 0.47 | 1224526 | 0.51 |
| 10001 – 20000 | 89 | 0.25 | 1260491 | 0.53 |
| 20001 – 30000 | 46 | 0.13 | 1144328 | 0.48 |
| 30001 – 40000 | 19 | 0.05 | 684957 | 0.29 |
| 40001 – 50000 | 10 | 0.03 | 466824 | 0.19 |
| 50001 – 100000 | 15 | 0.04 | 1075748 | 0.45 |
| 100001 and Above | 56 | 0.15 | 222913192 | 92.86 |
| TOTAL | 36283 | 100.00 | 240048255 | 100.00 |

Shareholding Pattern as on March 31, 2010

| Category | No. of Shares held | Percentage of Shareholding |
|---------------------------------|--------------------|----------------------------|
| Promoters | | |
| Indian | 89994960 | 37.49 |
| Foreign | 89994960 | 37.49 |
| Institutional Investors | | |
| Mutual Funds/UTI | 3683929 | 1.53 |
| Banks Financial Institutions | 28380 | 0.01 |
| Central/State Governments | 660 | 0.00 |
| Insurance Companies | 1702757 | 0.71 |
| Foreign Institutional Investors | 30918545 | 12.88 |
| Others | | |
| Bodies Corporate | 6793788 | 2.83 |
| Individuals | 16681515 | 6.95 |
| Trust | 248761 | 0.10 |
| Total | 240048255 | 100.00 |

Report on Corporate Governance (contd.)

Shareholding Pattern as on March 31, 2010

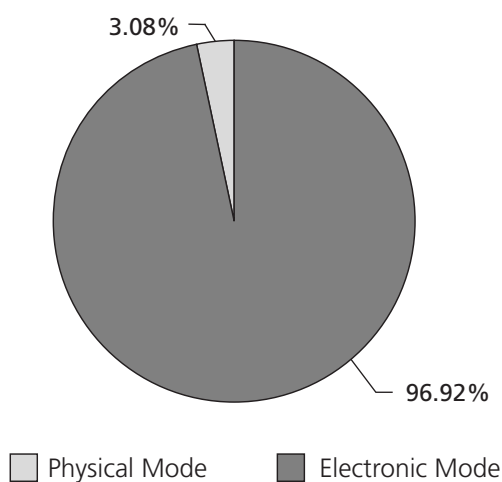


DEMATERIALIZATION OF SHARES

The Company has set up requisite facilities for dematerialization of its Equity Shares in accordance with the provisions of the Depositories Act, 1996 with National Securities Depository Limited and Central Depository Services (India) Limited. The Company has entered into agreements with both the Depositories for the benefit of Shareholders. The status of Dematerialization of the Company's Shares as on March 31, 2010 is as under:

| Mode | No. of Shares | % age | No. of Shareholders |
|-----------------|------------------|---------------|---------------------|
| Physical mode | 7385740 | 3.08 | 15347 |
| Electronic mode | 232662515 | 96.92 | 20936 |
| TOTAL | 240048255 | 100.00 | 36283 |

Shares held in physical & demat form as on March 31, 2010



Report on Corporate Governance (contd.)

For any assistance regarding Share Transfers, Transmissions, change of address, issue of duplicate / lost Share Certificates / exchange of Share Certificate / Dematerialization and other relevant matters, please write to the Registrar and Share Transfer Agent of the Company, at the address given below:

ALPHA SYSTEMS PRIVATE LIMITED
30, RAMANA RESIDENCY
4TH CROSS, SAMPIGE ROAD, MALLESWARAM
BANGALORE – 560 003.
Tel. No. : (080) 2346 0815 to 2346 0818 Fax No. : (080) 2346 0819
email: alfint@vsnl.com
Contact Persons: MR. VIJAYAGOPAL or MR. RAJARAMAN
Investors can also post their queries to 'ublinvestor@ubmail.com'

OWN MANUFACTURING NETWORK

| | |
|------------------------------------|-----------------------|
| ANDHRA PRADESH – MALLEPALLY | MAHARASHTRA – TALOJA |
| GOA – PONDA | PUNJAB – LUDHIANA |
| KERALA – CHERTHALA & PALAKKAD | WEST BENGAL – KALYANI |
| KARNATAKA – MANGALORE & NELSANGALA | RAJASTHAN – CHOPANKI |
| ORISSA – KHURDA | |

CONTRACT MANUFACTURING NETWORK

In addition, the Company also has Manufacturing facilities through Associate Companies/Contract Breweries at Dharuhera, Aurangabad, Kuthambakkam, Alwar, Lucknow, Ghaziabad, Daman, Thiruvallur, Bhopal, Indore, Srikakulam and Medak.

REGISTERED OFFICE
"UB TOWER", UB CITY, 24, VITTAL MALLYA ROAD,
BANGALORE - 560 001
Phone: (91-80) 39855000, 22272806 & 22272807
Fax No. (91-80) 22211964, 22229488
Cable: UBEEGEE

B. NON-MANDATORY REQUIREMENTS

a) Chairman of the Board:

The Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and allowed reimbursement of expenses incurred in performance of his duties.

b) Remuneration Committee:

The Company has set up a remuneration Committee.

c) Shareholder Rights:

The Company's half yearly results are published in English and Kannada Newspapers having wide circulation and are also displayed on the Company's website. Press Releases are also issued which are carried by a few newspapers and also displayed on the Company's website. Hence, same are not sent to the shareholders.

d) Audit Qualifications:

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification or explanation.

e) Training of Board Members:

Having regard to the seniority and expertise in their respective areas of specialization, their training is not considered necessary for the time being.

Report on Corporate Governance (contd.)

f) Mechanism for evaluating Non-Executive Directors:

The Board may at its discretion consider such requirement in future.

g) Whistle Blower Policy:

Though covered briefly in the code of conduct adopted by the Company, the Board may consider adopting a separate mechanism for Whistle Blower Policy in future.

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

In accordance with Clause 49 sub-clause (I) (D) (ii) of the Listing Agreement, it is hereby confirmed that during the year 2009-2010, all the members of the Board of Directors and Senior Managerial personnel have affirmed their Compliance with the Company's Code of Business Conduct and Ethics.

Place: Bangalore
Date: July 21, 2010

Kalyan Ganguly
Managing Director



Report on Corporate Governance (contd.)

COMPLIANCE CERTIFICATE

To the Members of
UNITED BREWERIES LIMITED

Certificate of Compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement

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

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, save and except the condition relating to number of independent Directors on the Board which stands complied as on the date of this report.

We state that in respect of investor grievances received during the year ended on March 31, 2010, no grievances are pending against the Company as per records maintained by the Company and presented to the Shareholders'/Investors' Grievance Committee.

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

M R Gopinath
Company Secretary (In practice)
Bangalore

Date: July 21, 2010

FCS 3812 CP 1030

Auditors' Report

To the Members of United Breweries Limited

1. We have audited the attached Balance Sheet of United Breweries Limited (the "Company") as at March 31, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 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. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) 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;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) 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 Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Price Waterhouse**
Firm Registration Number – 007568 S
Chartered Accountants

J. Majumdar
Partner
Membership Number – F51912

Place: Bangalore
Date: July 21, 2010

Annexure to Auditors' Report

[Referred to in Paragraph 3 of the Auditors' Report of even date to the members of United Breweries Limited on the financial statements for the year ended March 31, 2010]

- i. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year except for asset aggregating to Rs.701,796 (original cost in thousands) at one location of the Company, and no material discrepancies between the book records and the physical inventory have been noticed.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii. a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act and, therefore, paragraphs 3(b), 3(c) and 3(d) of the Order are not applicable.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act and, therefore, paragraphs 3(f) and 3(g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements 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 except for purchase of services aggregating to Rs.66,180 thousands as there are no comparable market prices, which, however, are considered to be of special nature as explained by the management of the Company.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2010 which have not been deposited on account of a dispute, are given in Appendix 1.
- x. The Company has no accumulated losses as at March 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- xvi. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for

Annexure to Auditors' Report (contd.)

the purposes for which they were obtained.

- xvii. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix. The Company has not issued debentures during the year and there are no debentures outstanding as at the year-end.
- xx. The Management has disclosed the end use of money raised by public issues (Refer Note 1 on Schedule 19) which has been verified by us.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Price Waterhouse**
 Firm Registration Number – 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership Number – F51912

Place: Bangalore
 Date: July 21, 2010

Appendix 1 to the Auditors' Report

Referred to in paragraph ix (b) of the Annexure to the Auditors' report of even date to the members of United Breweries Limited on the financial statements for the year ended March 31, 2010.

| Name of the statute | Rs. In Thousands | Forum where dispute is pending | Year to which amount relates |
|--|------------------|--|--|
| Customs Act, 1962 | 4,148 | Commissioner of Customs, Ludhiana | 1991–92 |
| | 2,033 | High Court of Bombay | 1991–92 |
| Central Excise Act, 1944/ State Excise Acts | 2,972 | High Court of Madras | 1998–99 |
| | 3,174 | Deputy Commissioner of Customs, Siliguri | 1998–99 |
| | 4,253 | High Court of Calcutta | 1998–99 |
| | 571 | High Court of Andhra Pradesh | 1992–98 |
| | 1,866 | High Court of Calcutta | 1981–82 & 1987–88 |
| | 8,076 | High Court of Karnataka | 2000–2001 to 2003–2004, 2005–06 |
| | 1,229 | High Court of Calcutta | 1981–82 |
| | 637 | High Court of Calcutta | 1988–89 |
| | 2,955 | High Court of Calcutta | 1998–99 |
| | 4,028 | Commissioner of Excise | 2000 to 2005 |
| | 490 | Commissioner (Appeals) Central Excise | 2005–2007 |
| | 277 | Commissioner (Appeals) Central Excise | 2007–2008 |
| | 401 | High Court of Andhra Pradesh | 1997–98 to 1998–99 |
| | 628 | High Court of Kerala | 1983–84 to 1986–87 |
| Sales Tax Acts | 38 | High Court of Kerala | 1990–91 |
| | 4,225 | High Court of Calcutta | 1997–98 |
| | 1,088 | Sales Tax Appellate Tribunal, Karnataka | 2002–03 |
| | 90 | Sales Tax Appellate Tribunal, Mumbai | 1990–91 |
| | 13 | Assistant Commissioner (Assessment) Special Circle | 2002–03 |
| | 5,404 | Sales Tax Appellate Tribunal / Deputy Commissioner (Appeals) | 1975–76 to 1998–99, 2000–01 to 2001–02 |
| | 69 | Deputy Commissioner of Commercial Taxes (Appeals) Kollam | 2001–02 |
| | 130 | Deputy Commissioner of Commercial Taxes (Appeals) Kollam | 2000–01 |
| | 107 | Deputy Commissioner Appeals | 1991–92 |
| | 124 | High Court of Kerala | 1988–89 |
| | 289 | High Court of Kerala | 1989–90 |
| | 498 | High Court of Kerala | 1990–91 |
| | 459 | Court of Civil Judge, (Senior Division) Gurgaon | 2001–02 |
| | 185 | Sales Tax Appellate Tribunal | 1997–98 |
| | 83 | Sales Tax Appellate Tribunal | 1998–99 |
| | 841 | Appellate Tribunal, Cherthala | 1975 to 1994 |
| | 61,340 | Commissioner of Income Tax (Appeals) | 2004–05 |
| | 10,726 | Commissioner of Income Tax (Appeals) | 1997–98 |
| | 2,968 | Commissioner of Income Tax (Appeals) | 1997–98 |
| | 1,375 | Commissioner of Income Tax (Appeals) | 2000–01 |
| Income Tax Act | 5,853 | Commissioner of Income Tax (Appeals) | 2000–01 |
| | 106,582 | Commissioner of Income Tax (Appeals) | 2006–07 |
| | 34,510 | Commissioner of Service Tax, Bangalore | 2008–09 |
| | 699 | Commissioner of Service Tax, Mangalore | 2005–06 (June'05) to 2009–10 (June'09) |
| | 193,905 | The Customs, Excise and Service Tax Appellate Tribunal | 2004–05 to 2007–08 |
| Employee State Insurance Act | 265 | High Court of Kerala | 1991–92 |

Balance Sheet as at March 31, 2010

Rs. in Thousands

| | Schedule | 2010 | 2009 |
|--|----------|------------|------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Capital | 1 | 2,709,048 | 2,709,048 |
| Reserves and Surplus | 2 | 8,888,712 | 11,597,760 |
| | | | 8,106,431 |
| | | | 10,815,479 |
| Loan Funds | | | |
| Secured Loans | 3 | 4,960,341 | 4,410,559 |
| Unsecured Loans | | 1,753,006 | 6,713,347 |
| | | | 1,753,006 |
| Deferred Tax Liability [Refer Schedule 19 Note 15] | | 216,306 | 173,122 |
| | | 18,527,413 | 17,152,166 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 4 | 10,966,546 | 9,272,547 |
| Less: Accumulated Depreciation and Amortisation | | 3,158,670 | 2,294,917 |
| Net Block | | 7,807,876 | 6,977,630 |
| Capital Work in Progress | | 575,331 | 8,383,207 |
| | | | 865,308 |
| | | | 7,842,938 |
| Investments | | | |
| | 5 | 1,530,699 | 1,940,957 |
| Current Assets, Loans and Advances | | | |
| Inventories | 6 | 1,960,165 | 1,630,376 |
| Sundry Debtors | 7 | 6,162,470 | 4,699,634 |
| Cash and Bank Balances | 8 | 833,169 | 417,733 |
| Other Current Assets | 9 | 354,491 | 140,769 |
| Loans and Advances | 10 | 2,769,404 | 2,728,788 |
| | | 12,079,699 | 9,617,300 |
| Less: Current Liabilities and Provisions | | | |
| Liabilities | 11 | 3,212,170 | 2,065,734 |
| Provisions | 12 | 254,022 | 183,295 |
| | | 3,466,192 | 2,249,029 |
| Net Current Assets | | 8,613,507 | 7,368,271 |
| | | 18,527,413 | 17,152,166 |
| Significant Accounting Policies | | | |
| Notes on Accounts | | | |
| | 18 | | |
| | 19 | | |

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

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

For **Price Waterhouse**
Firm Registration Number: 007568 S
Chartered Accountants

J. Majumdar
Partner
Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
Managing Director

Govind Iyengar
Company Secretary

Bangalore, July 21, 2010

Guido de Boer
Director & CFO

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

Rs. in Thousands

| | Schedule | 2010 | 2009 |
|---|----------|-------------------|------------|
| INCOME | | | |
| Sales and Service | 13 | 29,558,009 | 24,604,481 |
| Less: Excise Duty | | 9,583,515 | 7,621,772 |
| | | 19,974,494 | 16,982,709 |
| Other Income | 14 | 776,834 | 492,991 |
| | | 20,751,328 | 17,475,700 |
| EXPENDITURE | | | |
| Cost of Sales | 15 | 12,171,636 | 10,472,894 |
| Other Expenses | 16 | 5,630,706 | 4,327,570 |
| Interest and Finance Charges | 17 | 555,006 | 896,377 |
| Depreciation and Amortisation | | 882,692 | 762,150 |
| Profit before taxation | | 1,511,288 | 1,016,709 |
| Provision for Taxation [Refer Schedule 19 Note 15] | | | |
| - Current Tax | | (498,395) | (294,549) |
| - Fringe Benefit Tax | | — | (14,400) |
| - Deferred Tax (Charge)/Write back | | (43,184) | (82,820) |
| | | (541,579) | (391,769) |
| Profit after taxation | | 969,709 | 624,940 |
| Less: | | | |
| Dividends [Refer Schedule 19 Note 22] | | (187,428) | (170,912) |
| Transfer to General Reserve | | (100,000) | (65,000) |
| | | 682,281 | 389,028 |
| Earnings per share (Basic/Diluted) [Refer Schedule 19 Note 13] | | 3.68 | 2.29 |
| Significant Accounting Policies | 18 | | |
| Notes on Accounts | 19 | | |

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

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

For **Price Waterhouse**
 Firm Registration Number: 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
 Managing Director

Govind Iyengar
 Company Secretary

Bangalore, July 21, 2010

Guido de Boer
 Director & CFO

Cash Flow Statement for the year ended March 31, 2010

Rs. in Thousands

| | 2010 | 2009 |
|---|-------------|-------------|
| A Cash Flow from Operating Activities | | |
| Profit before taxation | 1,511,288 | 1,016,709 |
| Adjustments for: | | |
| Interest Income | (327,015) | (147,143) |
| Depreciation and Amortisation | 882,692 | 762,150 |
| Interest Expenses (Net) | 555,006 | 896,377 |
| Dividend Income | (3,861) | (48,954) |
| Profit on sale of Investments | (117,982) | — |
| Provision for Doubtful Debts | 1,184 | 2,710 |
| Provision for Doubtful Advances | — | 928 |
| Bad debts written off | — | 8,991 |
| Bad advances written off | 10,836 | 5,866 |
| Provision for Doubtful Debts no longer required written back | (117) | — |
| (Profit)/Loss on Sale of Assets | 3,426 | 1,004,169 |
| | 2,515,457 | 2,499,819 |
| Operating Profits before Working Capital changes | | |
| Adjustment for Working Capital Changes: | | |
| (Increase) / Decrease in Sundry Debtors | (1,463,903) | (1,489,798) |
| (Increase) / Decrease in Inventories | (329,789) | (461,209) |
| Increase / (Decrease) in Current Liabilities and Provisions | 1,158,519 | (208,833) |
| (Increase) / Decrease in Other Current Assets, Loans and Advances | (150,102) | (785,275) |
| | (785,275) | (1,556,589) |
| Cash Generated from Operations | 1,730,182 | (1,216,610) |
| Direct taxes (Income Tax and Fringe Benefit Tax) paid (including TDS) | (399,670) | (309,292) |
| Net Cash Generated from Operating Activities | 1,330,512 | (1,525,902) |
| B Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets (including acquisition on amalgamation) | (1,443,476) | (1,441,519) |
| Sale of Fixed Assets | 17,089 | 12,226 |
| (Purchase) / Sale of Investments | 528,240 | (900,248) |
| Interest Income | 113,293 | 9,547 |
| Dividend Income | 3,861 | 48,954 |
| Net Cash used in Investing Activities | (780,993) | (2,271,040) |

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

Rs. in Thousands

| | 2010 | 2009 |
|---|------------------|----------------|
| C Cash Flow from Financing Activities | | |
| (Repayment)/Proceeds from unsecured term loans (net) | — | 943,021 |
| (Repayment)/Proceeds from Bank Borrowings (net) | 552,053 | (267,215) |
| Proceeds from Rights Issue | — | 4,248,854 |
| Advance to subsidiary companies/others | (74) | (122) |
| Interest Paid | (557,277) | (756,990) |
| Dividend paid (including distribution tax) | (128,785) | (128,785) |
| Net Cash Generated from Financing Activities | (134,083) | 4,038,763 |
| Net Increase / (Decrease) in cash and cash equivalents | 415,436 | 241,821 |
| Opening cash and cash equivalents | | |
| Cash on hand including Remittances in Transit | 1,760 | 8,037 |
| Bank Balances including cheques on hand | 415,973 | 417,733 |
| Closing cash and cash equivalents | | |
| Cash on hand including Remittances in Transit | 2,838 | 1,760 |
| Bank Balances including cheques on hand | 830,331 | 833,169 |

Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2010 and the related Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard (AS) - 3 on Cash Flow Statements as notified under Companies (Accounting Standards) Rules, 2006 and the reallocations required for the purpose are as made by the Company.
3. Cash and cash equivalents include Rs.5,850 (2009: Rs.19,925) which are not available for use by the Company. [Refer Note in Schedule 8]
4. Previous year's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

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

For **Price Waterhouse**
 Firm Registration Number: 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
 Managing Director

Govind Iyengar
 Company Secretary

Bangalore, July 21, 2010

Guido de Boer
 Director & CFO

Schedules to Balance Sheet

Rs. in Thousands

| | 2010 | 2009 |
|--|------------------|------------------|
| SCHEDULE 1 | | |
| CAPITAL | | |
| Authorised | | |
| 300,000,000 (2009: 300,000,000) Equity shares of Re.1 each | 300,000 | 300,000 |
| 25,000,000 (2009: 25,000,000) Preference Shares of Rs. 100 each | 2,500,000 | 2,500,000 |
| | 2,800,000 | 2,800,000 |
| Issued, Subscribed and Paid-up | | |
| 240,048,255 (2009: 240,048,255) Equity shares of Re.1 each fully paid [Refer Schedule 19 Note 1] | 240,048 | 240,048 |
| 3%, 17,283,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series A [The above shares are redeemable at par at the earliest on March 31, 2011 and are extendable upto March 31, 2015 based on mutual agreement between the Company and Scottish and Newcastle India Limited (the preference shareholder)] | 1,728,300 | 1,728,300 |
| 3%, 7,407,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series B [The above shares are redeemable at par at the earliest on March 31, 2015] | 740,700 | 740,700 |
| | 2,709,048 | 2,709,048 |
| SCHEDULE 2 | | |
| RESERVES AND SURPLUS | | |
| Securities Premium Account | 6,521,774 | 2,296,925 |
| Add: Premium on Equity Shares issued [Refer Schedule 19 Note 1] | — | 4,224,849 |
| | 6,521,774 | 6,521,774 |
| General Reserve: | | |
| As per Last Balance Sheet | 170,000 | 105,000 |
| Transfer from Profit and Loss Account | 100,000 | 65,000 |
| | 270,000 | 170,000 |
| Profit and Loss Account balance | 1,414,657 | 1,025,629 |
| Add: Profit for the year | 682,281 | 389,028 |
| | 2,096,938 | 1,414,657 |
| | 8,888,712 | 8,106,431 |
| SCHEDULE 3 | | |
| SECURED LOANS [Refer Schedule 19 Note 2(a)] | | |
| Foreign Currency Loans | | |
| - Working Capital Loan from Banks | 576,170 | 650,329 |
| - External Commercial Borrowing from Banks | 936,587 | 1,404,069 |
| Term Loans from Banks | 1,055,651 | 1,470,034 |
| Other Loans | | |
| - Working Capital Loan / Cash Credit from Banks | 2,368,960 | 860,883 |
| Interest accrued and due | 22,973 | 25,244 |
| | 4,960,341 | 4,410,559 |
| UNSECURED LOANS [Refer Schedule 19 Note 2(b)] | | |
| Long Term Loan From Bank | 1,750,000 | 1,750,000 |
| Other Loan | 3,006 | 3,006 |
| | 1,753,006 | 1,753,006 |

Schedules to Balance Sheet (contd.)

SCHEDULE 4

FIXED ASSETS [Refer Schedule 19 Note 3]

Rs. in Thousands

| Net Value of Assets as at March 31, 2009 | Particulars | Gross Value of Assets as at March 31, 2009 | Cost | | Gross Value of Assets as at March 31, 2010 | Depreciation | | | | Net Value of Assets as at March 31, 2010 |
|--|---|--|------------------|-------------------------|--|----------------------|---------------|----------------|----------------------|--|
| | | | Additions | Deletions / Adjustments | | As at March 31, 2009 | on Deletions | for the year | As at March 31, 2010 | |
| | Intangible | | | | | | | | | |
| 249,205 | Goodwill | 623,924 | — | — | 623,924 | 374,719 | — | 124,604 | 499,323 | 124,601 |
| 320,037 | Licenses | 400,037 | — | — | 400,037 | 80,000 | — | 40,000 | 120,000 | 280,037 |
| | Tangible | | | | | | | | | |
| 1,105,394 | Land - Freehold | 1,105,394 | 155,955 | — | 1,261,349 | — | — | — | — | 1,261,349 |
| 253,479 | Land - Leasehold | 270,221 | — | — | 270,221 | 16,742 | — | 3,186 | 19,928 | 250,293 |
| 1,458,032 | Buildings | 1,616,677 | 337,715 | — | 1,954,392 | 158,645 | — | 53,846 | 212,491 | 1,741,901 |
| 4,057 | Leasehold Improvements | 6,407 | — | — | 6,407 | 2,350 | — | 2,350 | 4,700 | 1,707 |
| 3,299,742 | Plant and Machinery | 4,712,865 | 1,151,893 | 31,921 | 5,832,837 | 1,413,123 | 16,074 | 566,487 | 1,963,536 | 3,869,301 |
| 57,730 | Office Equipments | 105,307 | 5,015 | 265 | 110,057 | 47,577 | 184 | 10,906 | 58,299 | 51,758 |
| 154,126 | Furniture and Fittings | 329,674 | 67,398 | 585 | 396,487 | 175,548 | 170 | 70,853 | 246,231 | 150,256 |
| 38,557 | Laboratory Equipments | 47,262 | 12,912 | 352 | 59,822 | 8,705 | — | 5,265 | 13,970 | 45,852 |
| 37,271 | Vehicles | 54,779 | 2,565 | 6,331 | 51,013 | 17,508 | 2,511 | 5,195 | 20,192 | 30,821 |
| 6,977,630 | | 9,272,547 | 1,733,453 | 39,454 | 10,966,546 | 2,294,917 | 18,939 | 882,692 | 3,158,670 | 7,807,876 |
| | 2009 | 7,149,646 | 2,152,300 | 29,399 | 9,272,547 | 1,547,755 | 14,988 | 762,150 | 2,294,917 | |
| 865,308 | Capital work in Progress [including capital advances Rs. 476,733 (2009: Rs. 615,625)] | | | | | | | | | 575,331 |
| 7,842,938 | | | | | | | | | | 8,383,207 |

Schedules to Balance Sheet (contd.)

SCHEDULE 5

INVESTMENTS [Refer Schedule 19 Note 4]

Rs. in Thousands

| Particulars | 2010 | | | | 2009 | | |
|---|-----------------|------------------------|------------|-----------|------------------------|------------|-----------|
| | Class of Shares | Number of Shares/Units | Face Value | Cost | Number of Shares/Units | Face Value | Cost |
| CURRENT INVESTMENTS | | | | | | | |
| INVESTMENT IN MUTUAL FUNDS – UNQUOTED | | | | | | | |
| HDFC FMP 370D June 2008 VIII - Wholesale Plan Growth | | — | — | — | 20,000,000 | 200,000 | 200,000 |
| IDFC FMP Yearly Series 22 Plan B Growth | | — | — | — | 10,000,000 | 100,000 | 100,000 |
| I-Growth Capital Protection Portfolio | | — | — | — | 3,000 | 300,000 | 300,000 |
| Kotak FMP 12M Series 7 Institutional - Growth Plan | | — | — | — | 15,025,820 | 150,258 | 150,258 |
| Reliance Blended Debt Plus-Hybrid Option -Series XIV Plan | | — | — | — | 500,000 | 50,000 | 50,000 |
| Reliance Fixed Horizon Fund-IX - Series 2 - Institutional Growth Plan | | — | — | — | 10,000,000 | 100,000 | 100,000 |
| INVESTMENT IN MUTUAL FUNDS – QUOTED | | | | | | | |
| HDFC Cash Management Fund -Treasury Advantage Plan - Wholesale - Daily Dividend | | 48,846,135 | 10 | 490,000 | — | — | — |
| LONG TERM INVESTMENTS (UNQUOTED, LONG TERM) | | | | | | | |
| IN GOVERNMENT AND TRUSTEE SECURITIES – FULLY PAID | | | | | | | |
| National savings certificate | | — | 70 | 70 | — | 70 | 70 |
| IN SUBSIDIARY COMPANIES – FULLY PAID SHARES | | | | | | | |
| Associated Breweries & Distilleries Limited | Equity | 10,000 | 1,000 | 1,000 | 10,000 | 1,000 | 1,000 |
| Maltex Malsters Limited | Equity | 22,950 | 2,295 | 450,000 | 22,950 | 2,295 | 450,000 |
| NON TRADE: | | | | | | | |
| IN JOINT VENTURE | | | | | | | |
| Millennium Alcobev Private Limited | Equity | 6,140,000 | 61,400 | 256,277 | 6,140,000 | 61,400 | 256,277 |
| Millennium Alcobev Private Limited | Preference | 3,000,000 | 300,000 | 333,252 | 3,000,000 | 300,000 | 333,252 |
| IN ASSOCIATES: | | | | | | | |
| United East Bengal Football Team Private Limited | Equity | 4,999 | 50 | 50 | 4,999 | 50 | 50 |
| IN OTHERS: | | | | | | | |
| Zorastrian Co-operative Bank Limited* | Equity | 2,000 | 25 | 50 | 2,000 | 25 | 50 |
| TOTAL | | | | 1,530,699 | | | 1,940,957 |

*Acquired on amalgamation

Schedules to Balance Sheet (contd.)

SCHEDULE 5

INVESTMENTS (contd.)

Details of Investments In Mutual Funds during the year

Rs. in Thousands

| Name of Mutual Fund | Balance as at April 1, 2009 | | Purchased during the year | | Sold during the year | | Balance as at March 31, 2010 | |
|---|--------------------------------|---------|------------------------------|---------|--------------------------|-----------|---------------------------------|---------|
| | No. of Units in '000s | Cost | No. of Units in '000s | Cost | No. of Units in '000s | Cost | No. of Units in '000s | Cost |
| HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend | — | — | 88,720 | 890,000 | 39,874 | 400,000 | 48,846 | 490,000 |
| HDFC FMP 370D June 2008 VIII - Wholesale Plan Growth | 20,000 | 200,000 | — | — | 20,000 | 200,000 | — | — |
| IDFC FMP Yearly Series 22 Plan B Growth | 10,000 | 100,000 | — | — | 10,000 | 100,000 | — | — |
| I-Growth Capital Protection Portfolio | 3 | 300,000 | — | — | 3 | 300,000 | — | — |
| Kotak FMP 12M Series 7 Institutional - Growth | 15,026 | 150,258 | — | — | 15,026 | 150,258 | — | — |
| Reliance Blended Debt Plus-Hybrid Option - Series XIV | 0.50 | 50,000 | — | — | 0.50 | 50,000 | — | — |
| Reliance Fixed Horizon Fund - IX - Series 2 - Institutional Growth Plan | 10,000 | 100,000 | — | — | 10,000 | 100,000 | — | — |
| Total | | 900,258 | | 890,000 | | 1,300,258 | | 490,000 |

Schedules to Balance Sheet (contd.)

Rs. in Thousands

| | 2010 | 2009 |
|--|------------------|------------------|
| SCHEDULE 6 | | |
| INVENTORIES | | |
| Raw Materials | 572,550 | 422,017 |
| Packing Materials, Stores and Spares [Net of provisions Rs.5,914 (2009: Rs. 36,536)] | 471,125 | 492,407 |
| Work in Progress / Finished Goods (including Traded Goods) | 856,550 | 677,309 |
| Goods in transit | 59,940 | 38,643 |
| | <u>1,960,165</u> | <u>1,630,376</u> |
| SCHEDULE 7 | | |
| SUNDRY DEBTORS | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Considered Good | | |
| - Over Six Months | 69,920 | 174,000 |
| - Others | 6,092,550 | 4,525,634 |
| Considered Doubtful | | |
| - Over Six Months | 56,738 | 55,671 |
| - Others | — | — |
| | <u>6,219,208</u> | <u>4,755,305</u> |
| | <u>(56,738)</u> | <u>(55,671)</u> |
| | <u>6,162,470</u> | <u>4,699,634</u> |
| Less: Provision for Doubtful Debts | | |
| SCHEDULE 8 | | |
| CASH AND BANK BALANCES | | |
| Cash on hand (including remittances in transit Rs.Nil (2009: Rs.Nil)) | 2,838 | 1,760 |
| Balances with Scheduled Banks: | | |
| - in Current Account (including cheques on hand Rs.Nil (2009: Rs.7,537) [Refer Note 1 below] | 818,484 | 396,131 |
| - in Deposit Account [Refer Note 2 below] | 11,847 | 19,842 |
| | <u>833,169</u> | <u>417,733</u> |
| Notes: | | |
| 1. Includes balance in Unclaimed Dividend Account Rs.1,470 (2009: Rs.880) | | |
| 2. Includes Rs.5,850 (2009: Rs.19,045) kept as margin against Letters of Credit and Bank Guarantees. | | |
| SCHEDULE 9 | | |
| OTHER CURRENT ASSETS | | |
| (Unsecured, considered good) | | |
| Income accrued on Investments and deposits | 354,491 | 140,769 |
| | <u>354,491</u> | <u>140,769</u> |

Schedules to Balance Sheet (contd.)

Rs. in Thousands

| | 2010 | 2009 |
|---|------------------|------------------|
| SCHEDULE 10 | | |
| LOANS AND ADVANCES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Advance towards Contract Brewing Rights [Refer Schedule 19 Note 26] | 1,550,000 | 1,550,000 |
| Advances recoverable in cash or in kind or for value to be received | | |
| - Considered Good* | 333,665 | 188,143 |
| - Considered Doubtful | 8,403 | 8,416 |
| | <u>1,892,068</u> | <u>1,746,559</u> |
| *[including: Rs.Nil (2009: Rs.36) due from Director of the Company – maximum amount due during the year Rs.36 (2009: Rs.62)] | | |
| Less: Provision for Doubtful Advances | (8,403) | (8,416) |
| | <u>1,883,665</u> | <u>1,738,143</u> |
| Advances to Subsidiary [Refer note below] | 83,865 | 83,791 |
| Balances with Excise Authorities | 224,236 | 147,932 |
| Other Deposits | 551,273 | 633,832 |
| Taxation [Net of Provisions] | 26,365 | 125,090 |
| | <u>2,769,404</u> | <u>2,728,788</u> |
| Note: Represents advances to Associated Breweries and Distilleries Limited [Maximum amount outstanding during the year Rs.83,873 (2009: Rs.83,791)] | | |
| SCHEDULE 11 | | |
| LIABILITIES | | |
| Acceptances | 10,441 | 63,986 |
| Sundry Creditors | | |
| - Due to Micro, Small and Medium Enterprises [Refer Schedule 19 Note 7] | 11,527 | 5,735 |
| - Others | 1,791,827 | 1,202,902 |
| Other Liabilities | 1,396,905 | 792,231 |
| Unclaimed Dividend | 1,470 | 880 |
| | <u>3,212,170</u> | <u>2,065,734</u> |
| SCHEDULE 12 | | |
| PROVISIONS | | |
| Dividend Payable [including dividend distribution tax Rs.26,941 (2009: Rs.18,708)] [Refer Schedule 19 Note 22] | 187,428 | 128,785 |
| Gratuity | 7,265 | 20,893 |
| Leave Entitlements | 59,329 | 33,617 |
| | <u>254,022</u> | <u>183,295</u> |

Schedules to Profit and Loss Account

Rs. in Thousands

| | 2010 | 2009 |
|---|-------------------|-------------------|
| SCHEDULE 13 | | |
| SALES AND SERVICE | | |
| Sales | 28,505,356 | 23,564,973 |
| Income from Brand Franchise and Technical fees | 1,052,653 | 1,039,508 |
| | 29,558,009 | 24,604,481 |
| SCHEDULE 14 | | |
| OTHER INCOME | | |
| Guarantee Commission | 21,322 | 21,300 |
| Liabilities no longer required written back | 54,725 | 51,059 |
| Dividend Income | 3,861 | 48,954 |
| Interest Received (Gross) [Tax deducted at source Rs.31,271 (2009: Rs.2,103)] | 327,015 | 147,143 |
| Profit on sale of Investments | 117,982 | — |
| Provision for Doubtful Debts no longer required written back | 117 | 1,304 |
| Provision for Doubtful Advances no longer required written back | 13 | 367 |
| Miscellaneous | 251,799 | 222,864 |
| | 776,834 | 492,991 |
| SCHEDULE 15 | | |
| COST OF SALES | | |
| Manufacturing Expenses | | |
| Consumption of Raw Materials | 2,521,576 | 2,141,148 |
| Consumption of Packing Material and Stores and spares | 5,115,279 | 3,951,047 |
| Purchases of Finished Goods | 2,006,411 | 2,087,358 |
| Power and Fuel | 491,102 | 575,268 |
| Personnel Expenses | | |
| Salaries, Wages and Bonus | 847,403 | 750,776 |
| Contribution to Provident and Other funds | 60,601 | 57,413 |
| Staff Welfare | 81,240 | 62,547 |
| Others | | |
| Rent (including asset rentals) [Refer Schedule 19 Note 11] | 82,608 | 80,307 |
| Insurance | 14,207 | 12,775 |
| Repairs Building* | 13,612 | 12,295 |
| Repairs to Machinery* | 126,671 | 99,318 |
| Repairs Others | 8,781 | 9,830 |
| Travel and Conveyance | 94,278 | 84,458 |
| Communication Expenses | 23,925 | 23,380 |
| Rates and taxes | 365,518 | 257,456 |
| Legal and Professional fees | 72,864 | 91,641 |
| Miscellaneous | 291,786 | 237,221 |

*Includes Materials consumed Rs.81,025 (2009: Rs.84,089)

Schedules to Profit and Loss Account (contd.)

Rs. in Thousands

| | 2010 | 2009 |
|------------------------------|-------------------|-------------------|
| Change in Inventory | | |
| Opening Stock | 677,309 | 529,462 |
| Closing Stock | (856,550) | (677,309) |
| Excise Duty on Opening Stock | (366,473) | (279,970) |
| Excise Duty on Closing Stock | 499,488 | 366,473 |
| | <u>12,171,636</u> | <u>10,472,894</u> |

SCHEDULE 16

OTHER EXPENSES

| | | |
|--|------------------|------------------|
| Selling and Promotion Expenses | 5,592,406 | 4,288,278 |
| Directors' Sitting fees | 15,666 | 11,772 |
| Auditor's Remuneration [Refer Schedule 19 Note 14] | 7,188 | 6,809 |
| Bad Debts Written Off | — | 8,991 |
| Bad Advances Written Off | 10,836 | 5,866 |
| Provision for Doubtful Debts | 1,184 | 2,710 |
| Provision for Idle Assets | — | 31 |
| Loss on sale of Assets (net) | 3,426 | 2,185 |
| Provision for Doubtful Advances | — | 928 |
| | <u>5,630,706</u> | <u>4,327,570</u> |

SCHEDULE 17

INTEREST AND FINANCE CHARGES

| | | |
|---|----------------|----------------|
| Interest on Loans for a fixed period | 458,673 | 394,522 |
| Interest – Others | 84,716 | 292,329 |
| [Including exchange (Gain) / Loss on Foreign Currency Loans Rs.(74,159) (2009: Rs.139,486)] | | |
| Other Finance Charges | 11,617 | 209,526 |
| | <u>555,006</u> | <u>896,377</u> |

Significant Accounting Policies for the year ended March 31, 2010

Rs. in Thousands

SCHEDULE 18

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and to relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

The preparation of the Financial Statements in conformity with Generally Accepted Accounting Policies (GAAP) in India requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Financial Statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

3. Revenue Recognition:

Revenue from sale of goods is recognised in accordance with the terms of sale, on dispatch from the Breweries/warehouses of the Company and is net of trade discount but includes Excise Duty. Income from brand franchise is recognised at contracted rates on sale/production of the branded products by the franchisees. Dividend Income is recognised when the Company's right to receive the payment is established. Royalty from foreign entities (net of tax), technical advisory and management fees is recognised as per the terms of agreement.

4. Borrowing Costs:

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is considered probable that they will result in future economic benefits to the Company while other borrowing costs are expensed in the period in which they are incurred.

5. Fixed Assets:

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

The cost of fixed assets acquired on amalgamation have been determined at fair values as on the respective dates of amalgamation and as per the related Schemes of Arrangement and include taxes / duties thereof.

6. Investments:

Long term investments are carried at cost less provision made to recognise any decline, other than temporary in the values of such investments. Current investments are carried at cost or net realisable value, whichever is lower.

7. Inventories:

Inventories are valued at lower of cost and net realisable value. Costs include freight, taxes, duties and appropriate production overheads and are generally ascertained on the First in First Out (FIFO) basis. Excise/Customs duty on stocks in bond is added to the cost. Due allowance is made for obsolete and slow moving items.

8. Foreign Currency Transactions:

- a) Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of such transactions. All monetary items of foreign currency liabilities/ assets are restated at the rates ruling at the year end and all exchange gains/ losses arising there from are adjusted to the Profit and Loss Account. Exchange difference on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.
- b) With retrospective effect from April 1, 2007 exchange differences on long term foreign currency monetary items (except for exchange differences on items forming part of the company's net investment in a non-integral foreign operation) are
 - i) adjusted to the cost of the asset in so far as they relate to the acquisition of a depreciable asset;
 - ii) accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the period of the related long term foreign currency monetary item but not beyond March 31, 2011.

9. Depreciation and Amortisation:

Depreciation on fixed assets is provided on Straight Line Method based on the rates prescribed under Schedule XIV to the Companies Act, 1956 except as indicated below:

Significant Accounting Policies for the year ended March 31, 2010 (contd.)

Rs. in Thousands



- a) Plant and Machinery are depreciated at the rate of 10.34%. Further, depreciation is provided at higher rates in respect of certain specific items of plant and machinery having lower useful life based on technical evaluation carried out by the management.
- b) Assets acquired on amalgamation (where original dates of acquisition are not readily available), are depreciated over the remaining useful life of the assets as certified by an expert.
Cost of Goodwill arising on amalgamation is amortised over a period of 5 years.
Cost of Leasehold Land is amortised over the period of lease.
Assets individually costing less than Rs.5 are depreciated fully in the year of purchase.

10. Employee Retirement benefits:

- (i) Defined-contribution plans:
Contributions to the Employees' Provident Fund, Superannuation Fund, Employees' State Insurance and Employees' Pension Scheme are as per statute and are recognised as expenses during the period in which the employees perform the services.
- (ii) Defined-benefit plans:
Liability towards gratuity is determined on actuarial valuation using the Projected Unit Credit Method at the balance sheet date. Actuarial Gains and Losses are recognised immediately in the Profit and Loss Account.
- (iii) Other long term employee benefits:
Liability towards leave encashment and compensated absences are recognised at the present value based on actuarial valuation at each balance sheet date.
- (iv) Short term employee benefits:
Undiscounted amount of liability towards earned leave, compensated absences, performance incentives etc. are recognised during the period when the employee renders the services.

11. Taxation:

Current tax is determined as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under Income Tax Act, 1961.

12. Earnings per share:

Annualised earnings/ (Loss) per equity share (basic and diluted) is arrived at based on ratio of profit/ (loss) attributable to equity shareholders to the weighted average number of equity shares.

13. Impairment of Assets:

At each Balance Sheet date, the Company assesses whether there is any indication that assets may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the accounts to the extent the carrying amount exceeds the recoverable amount.

14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

A disclosure for contingent liability is made where there is a possible obligation or present obligation that may probably not require an outflow of resources.

Notes on Accounts for the year ended March 31, 2010

Rs. in Thousands

SCHEDULE 19

Notes on Accounts

1. During the quarter ended June 30, 2008 the Company has raised Rs.4,248,854 through an issue of shares on rights basis (Rights Issue).The proceeds of the Rights Issue have been utilised in the following manner:
 - a) Rs.2,026,980 (2009: Rs.3,197,096) for repayment of cash credit/overdraft accounts and for additional working capital requirements.
 - b) Rs.1,731,874 (2009: Rs.501,500) for Capital Expenditure.
 - c) Pending utilisation the balance proceeds of Rs.490,000 (2009: Rs.550,258) have been invested in mutual funds.

2. Loan Funds:

| Particulars | | 2010 | 2009 |
|-------------|--|-------------------|------------|
| (a) | Secured Loans | | |
| | (i) Foreign Currency Loans [including interest accrued and due Rs.17,920 (2009: Rs.19,923)] Amount repayable within one year – Rs.886,570 (2009: Rs.960,729) Foreign Currency Loan consists of External Commercial Borrowing (ECB) from BNP Paribas and demand loan from Axis Bank. ECB from BNP Paribas is secured by first charge on all moveable and immovable properties of the Company except Taloja plant. Foreign currency demand loan from Axis Bank is secured by first charge on the current assets namely, stock of raw materials, work in progress and finished goods, stores and spares, bills receivable and book debts. | 1,530,677 | 2,074,321 |
| | (ii) Term Loan from Banks Secured by First Charge over all moveable and immovable assets. Amount repayable within one year – Rs.164,384 (2009: Rs.164,384) | 493,151 | 657,534 |
| | (iii) Term Loan from Banks Secured by Pari-passu charge on all moveable and immovable properties of the Company except Taloja plant. Amount repayable within one year – Rs.250,000 (2009: Rs.250,000) | 562,500 | 812,500 |
| | (iv) From Banks [including interest accrued and due Rs.5,053 (2009: Rs.5,321)] Amount repayable within one year – Rs.2,374,013 (2009: Rs.866,204) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company. | 2,374,013 | 866,204 |
| (b) | Unsecured Loans | | |
| | (i) Loans from Banks [including interest accrued and due Rs. Nil (2009: Rs.Nil)] Amount repayable within one year – Rs.Nil (2009: Rs.Nil) *Covered by personal guarantee of a director of the Company. | 1,750,000* | 1,750,000* |
| | (ii) From Others Amount repayable within one year – Rs.Nil (2009: Rs.Nil) | 3,006 | 3,006 |

3. Fixed Assets:

Buildings amounting to Rs.53,030 (2009: Rs.49,619) and Plant and Machinery amounting to Rs.502,517 (2009: Rs.473,319) are in premises not owned by the Company.

4. Investments:

The investments in Millennium Alcobev Private Limited and Maltex Malsters Limited are strategic in nature and the diminution in their respective book values is considered temporary. The Company has obtained an independent valuations which are in excess of the carrying costs of the respective investments, and hence, no provision for diminution in the value of the investments is considered necessary.

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

5. Upon expiry of earlier approval granted by the Central Government, fresh application under Section 314 of the Companies Act, 1956 for payment of remuneration for the period November 1, 2009 to March 31, 2010 aggregating to Rs.1,650 to an employee related to a Director of the Company is pending approval of the Central Government.

6. Investor Education and Protection Fund:

There are no overdue balances unremitted to the fund under section 205C of the Companies Act, 1956.

7. Disclosure of dues/ payments to micro and small enterprises to the extent such enterprises are identified by the Company.

| Sl.No. | Particulars | 2010 | 2009 |
|--------|--|-------|-------|
| (i) | The principal amount remaining unpaid as at year end. | 9,505 | 4,176 |
| (ii) | Interest due thereon remaining unpaid on year end. | 42 | 44 |
| (iii) | The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year. | — | — |
| (iv) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006. | — | — |
| (v) | The amount of interest accrued and remaining unpaid on year end. | 1,980 | 1,515 |
| (vi) | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | 2,022 | 1,559 |

The information given above and in Schedule 11 has been determined to the extent such parties have been identified by the Company, on the basis of information disclosed by the creditors, which has been relied upon by the auditors.

8. Segmental Reporting:

The Company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment. The Company operates only in India. Accordingly, primary and secondary reporting disclosures for business and geographical segment as envisaged in AS-17 are not applicable to the company.

9. Capital Commitments:

| Particulars | 2010 | 2009 |
|--|---------|---------|
| Estimated amount of Contracts remaining to be executed (net of capital advances) on capital account and not provided for | 257,321 | 689,134 |

10. Contingent Liabilities:

| Particulars | 2010 | 2009 |
|---|---------|---------|
| a) Sales Tax/other taxes demands under appeal* | 14,672 | 14,672 |
| b) Employees State Insurance Demand* | 265 | 265 |
| c) Demand towards Water charges under appeal* | — | 133,019 |
| d) Excise Duty/Customs Duty demands under appeal* | 36,709 | 36,709 |
| e) Income Tax demands under appeal* | 188,844 | 82,262 |
| f) Service Tax demands under appeal* | 229,114 | 377,708 |
| g) Claims against the Company not acknowledged as debt* | 30,568 | 27,377 |
| h) Letter of Credit outstanding | 78,926 | 33,230 |

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

| | | | |
|----|---|---|---|
| i) | Guarantees given by the company: – on behalf of Subsidiaries of Joint Venture to third parties Millennium Beer Industries Limited United Millennium Breweries Limited Empee Breweries Limited – to third parties | 800,000 600,000 730,000 19,060 | <i>800,000</i> <i>600,000</i> <i>730,000</i> <i>28,348</i> |
| j) | Letter of undertaking to distributors towards countervailing duty for imports from Nepal | 38,500 | <i>38,500</i> |

*In the opinion of the management, the above demands / claims are not sustainable in law and accordingly no provision has been made in the accounts.

11. Operating Lease:

The Company has entered into leasing arrangements for vehicles, computers, equipments, office premises and residential premises that are renewable on a periodic basis, and cancellable/ non-cancellable in nature. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months, except in the case of certain leases where there is a lock-in period of 11 to 26 months.

| Particulars | 2010 | 2009 |
|--|---------------|---------------|
| Lease payments during the year including Minimum lease payments Rs. 4,999 (2009: Rs.4,999) on non-cancellable leases. | 82,608 | <i>80,307</i> |
| At the balance sheet date, future minimum lease rentals under non-cancellable operating leases are as under: | | |
| Not later than one year | 17,518 | <i>28,288</i> |
| One to five years | 15,374 | <i>12,887</i> |
| Total | 32,892 | <i>41,175</i> |

12. Related party disclosures:

A Name of the related parties:

(1) Subsidiary:

Associated Breweries & Distilleries Limited (ABDL)
Maltex Malsters Limited (MML)

(2) Associate:

United East Bengal Football Team Private Limited (UEBFTPL)

(3) Joint Venture:

Millennium Alcobev Private Limited (MAPL)

(4) Subsidiaries of the Joint Venture:

(a) Empee Breweries Limited (EBL)
(b) United Millennium Breweries Limited (UMBL)
(c) Millennium Beer Industries Limited (MBIL)

(5) Entity which has significant influence:

Scottish & Newcastle India Limited (SNIL)

(6) Others:

(a) Scottish & Newcastle Plc, (S & N), Holding Company of SNIL
(b) Scottish & Newcastle UK Limited (SNUK), Fellow Subsidiary of SNIL
(c) Scottish & Newcastle India Private Limited (SNIPL), Fellow Subsidiary of SNIL

(7) Key Management Personnel (KMP):

Mr. Kalyan Ganguly
Mr. Guido de Boer (Part of the year)

(8) Relative of Key Management Personnel:

Mrs. Suparna Bakshi Ganguly (Wife of Mr. Kalyan Ganguly)

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

B. (i) Transactions with related parties during the year:

| Particulars | MBIL | | MAPL | | UMBL | | EMPEE | | UEBFTPL | | KMP | | MML | |
|--|------------------------------|-----------|--------|--------|---------|---------|-----------|-----------|---------|--------|--------|--------|----------|----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Purchase of goods | 2,131,421 | 2,374,835 | — | — | 7,489 | 4,304 | 31,004 | 6,061 | — | — | — | — | — | — |
| Sale of goods (including sales taxes / VAT) | 186,164 | 187,471 | — | — | 94,181 | 86,994 | 82,898 | 76,336 | — | — | — | — | — | — |
| Receipts/(Payments) against rendering Services | 45,363 | 30,671 | — | — | 32,975 | 32,897 | 1,690 | — | — | — | — | — | — | — |
| Brand Fees paid | 25,398 | 18,021 | — | — | — | — | — | — | — | — | — | — | — | — |
| Technical, Advisory and Management Fee | — | 100,000 | — | — | 40,000 | 40,000 | 160,000 | 100,000 | — | — | — | — | — | — |
| Sponsorship and other payments | — | — | — | — | — | — | — | — | 52,042 | 56,767 | — | — | — | — |
| Guarantee Commission received | 8,022 | 8,000 | — | — | 6,000 | 6,000 | 7,300 | 7,300 | — | — | — | — | — | — |
| Purchase of Assets | 135 | 5,397 | — | — | 15,249 | 2,386 | — | 26 | — | — | — | — | — | — |
| Sale of Assets/Spares | 71 | — | — | — | 12,239 | 5,264 | — | 225 | — | — | — | — | — | — |
| Lease Rentals on Machinery | 3,223 | 2,798 | — | — | — | — | — | — | — | — | — | — | 5,682 | 5,901 |
| Interest Paid | — | — | — | — | — | — | — | — | — | — | — | — | 1,720 | 2,021 |
| Recovery of employees Salaries (on deputation) | 18,259 | 18,690 | — | — | 5,536 | 6,253 | 9,175 | 7,884 | — | — | — | — | — | — |
| Payments (For Supplies including loan in cash or kind) | 2,320,534 | 2,602,249 | 19,130 | 15,315 | 116,033 | 19,649 | (233,701) | (211,572) | 52,034 | 50,248 | — | — | 8,841 | 8,499 |
| Remuneration to Directors* | — | — | — | — | — | — | — | — | — | — | 41,035 | 34,354 | — | — |
| Guarantees and Collaterals | Refer Schedule 19 Note 10(i) | | | | | | | | | | | | | |
| Amount Due From/(To) | 1,163,240 | 745,006 | 65,469 | 46,339 | 731,685 | 447,458 | 102,358 | 106,001 | (26) | (18) | — | — | (10,697) | (12,136) |

* Kalyan Ganguly: Rs.34,266 (2009: Rs.34,354)

[Including payment to relative of KMP and a firm in which such relative is a partner – Rs.Nil (2009: Rs.2,883)]

Guido de Boer: Rs.6,769 (2009: Rs.Nil)

Figures in bracket indicate amounts received

(ii) Transactions with Subsidiaries:

Balance due from AB DL – Rs.83,865 (2009: Rs.83,791)

C. Transactions with S & N Group

1. Transaction with S & N

Management Fees

Rs. 45,000 (2009: Rs.Nil)

2. Transactions with SNUK

Interest on ECB

Rs. Nil (2009: Rs.17,852)

Purchase of Raw Material

Rs. 123 (2009: Rs.186)

3. Transactions with SNIL

Balance of Preference Share Capital

Rs. 2,469,000 (2009: Rs.2,469,000)

Dividend on above

Rs. 74,070 (2009: Rs.74,070)

Interim Dividend on Equity Shares

Rs. Nil (2009: Rs.13,499)

Final Dividend on Equity Shares

Rs. 13,499 (2009: Rs.Nil)

13. Earnings per Share:

| | Particulars | 2010 | 2009 |
|----|--|-------------|-------------|
| a) | Profit after taxation as per profit and loss account | 969,709 | 624,940 |
| b) | Less: Preference Dividend (including dividend distribution tax thereon) | 86,658 | 86,658 |
| c) | Net Profit attributable to equity shareholders | 883,051 | 538,282 |
| d) | Weighted average number of equity shares outstanding (Face value of Re.1 per share) | 240,048,255 | 234,589,624 |
| e) | Earnings per share (Basic/Diluted) | 3.68 | 2.29 |

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

14. Remuneration to Auditors:

| Particulars | 2010 | 2009 |
|------------------------|--------------|--------------|
| Fees | 3,900 | 3,900 |
| Tax Audit | 560 | 560 |
| Out of Pocket Expenses | 167 | 287 |
| Other Services | 1,890 | 1,320 |
| Service Tax | 671 | 742 |
| Total | 7,188 | 6,809 |

15. Accounting for Taxes on Income:

Deferred Tax - The net deferred tax liability amounting to Rs. 216,306 (2009: Rs. 173,122) has been arrived as follows:

| Particulars | 2010 | 2009 |
|---|----------------|----------------|
| Deferred Tax Liability arising from: | | |
| Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return | 263,947 | 213,433 |
| Less: Deferred tax asset arising from: | | |
| Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act, 1961 | 25,500 | 18,528 |
| Provision for Doubtful Debts | 22,141 | 21,783 |
| Net deferred tax liability | 216,306 | 173,122 |
| Movement during the year | (43,184) | (82,820) |
| Net Deferred tax charged off / (written back) in the profit and loss account | (43,184) | (82,820) |

The tax impact for the above purpose has been arrived by applying a tax rate of 33.22% (2009: 33.99%) being the substantively enacted tax rate for Indian Companies under the Income Tax Act, 1961.

16. Remuneration/Commission to Directors:

a) Remuneration to Executive Directors

| Particulars | 2010 | 2009 |
|---|---------------|---------------|
| Salary and Allowances | 32,480 | 23,762 |
| Contribution to Provident and Other Funds | 4,235 | 3,622 |
| Perquisites | 4,320 | 4,087 |
| Total | 41,035 | 31,471 |

Provision for contribution to employee retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis are excluded from the above disclosure.

b) Commission to Non Executive Directors – Rs.14,511 (2009: Rs. 10,612)

c) Computation of net profits in accordance with Section 198 of the Companies Act, 1956:

| Particulars | 2010 | 2009 |
|--|------------------|------------------|
| Net Profit after taxation | 969,709 | 624,940 |
| Add: | | |
| Depreciation and Amortisation (as per accounts) | 882,692 | 762,150 |
| Executive Directors' Remuneration | 41,035 | 31,471 |
| Directors' Fees | 1,155 | 1,160 |
| Commission to Non Executive Directors | 14,511 | 10,612 |
| Provision/(Write back) for doubtful debts and advances (net) | 1,067 | 1,998 |
| Book deficit/(surplus) on fixed assets sold, scrapped, etc. (net) | 3,426 | 2,185 |
| Taxation for the year | 541,579 | 391,769 |
| | 2,455,174 | 1,826,285 |
| Less: | | |
| Depreciation as per Section 350 | 882,692 | 762,150 |
| Deficit / (Surplus) on disposal of fixed assets (net) as per Section 349 | 3,426 | 2,185 |
| Profit on sale of Investment | 117,982 | — |
| Net Profit for Section 198 of the Companies Act, 1956 | 1,451,074 | 1,061,950 |

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

| | | | | |
|---|--|---------|--|--------|
| Remuneration Limit to Executive Directors – 10% (2009: 5%) of Net Profit as computed above. | | 145,107 | | 53,595 |
| Commission to Non Executive Directors – 1% of Net Profit as computed above. | | 14,511 | | 10,620 |
| Remuneration Paid: | | | | |
| Executive Directors | | 41,035 | | 31,471 |
| Non Executive Directors | | 14,511 | | 10,612 |

17. Quantitative Details:

A. Quantitative Particulars

| Particulars | 2010 | | 2009 | |
|--------------------------------------|----------------------|--------------|----------------------|--------------|
| | Beer in Hecto Litres | Value in Rs. | Beer in Hecto Litres | Value in Rs. |
| Licensed Capacity* | 8,585,000 | | 5,995,000 | |
| Installed Capacity per annum* | 7,030,000 | | 6,110,000 | |
| Actual Production for the year | 4,340,391 | | 3,683,651 | |
| Sales – during the year | 4,324,612 | 24,201,951 | 3,676,610 | 19,704,934 |
| Malt Sales in Tonnes during the year | 25,632 | 437,518 | 19,966 | 383,195 |
| Opening Stock – Finished Goods | 64,292 | 141,002 | 57,251 | 183,385 |
| Closing Stock – Finished Goods | 80,071 | 175,600 | 64,292 | 141,002 |

*Note: Licensing of products of the Company under the Industries (Development and Regulation) Act, 1951 is discontinued and consequently the reported capacities are as per permissions obtained from the respective regulatory authorities on a yearly basis. As regards installed capacity, the same has been certified by the Management and relied upon by the Auditors, being a technical matter.

B. Particulars of Goods Traded by the Company

| Particulars | 2010 | | 2009 | |
|---------------------------|--------------------------|--------------|--------------------------|--------------|
| | Quantity in Hecto Litres | Value in Rs. | Quantity in Hecto Litres | Value in Rs. |
| Opening Stock | 1,248 | 3,707 | 1 | 6 |
| Purchases during the year | 481,607 | 2,006,411 | 450,203 | 2,087,358 |
| Sales during the year | 477,012 | 3,865,887 | 448,956 | 3,476,844 |
| Closing Stock | 5,843 | 19,949 | 1,248 | 3,707 |

C. Consumption of Raw Materials

| Particulars | 2010 | | 2009 | |
|-------------------|--------------------|------------------|--------------------|------------------|
| | Quantity in Tonnes | Value in Rs. | Quantity in Tonnes | Value in Rs. |
| Malt | 53,880 | 1,205,383 | 45,660 | 1,082,006 |
| Brewing Materials | 36,274 | 1,145,253 | 30,302 | 910,637 |
| Other Materials* | | 170,940 | | 148,505 |
| Total | | 2,521,576 | | 2,141,148 |

* In view of the large number of items, individually comprising less than 10% of the total consumption, quantitative details are not given.

18. Value of Imports during the year calculated on CIF basis:

| Particulars | 2010 | 2009 |
|-----------------------|---------|---------|
| Raw Materials | 366,030 | 208,882 |
| Components and Spares | 20,834 | 656,877 |
| Capital Goods | 31,294 | 97,196 |

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

19. Consumption:

| Particulars | 2010 | | 2009 | |
|--|-----------|---------------------------------|-----------|---------------------------------|
| | Value | Percentage to total Consumption | Value | Percentage to total Consumption |
| Value of Imported Raw Materials Consumed | 153,898 | 6 | 133,622 | 6 |
| Value of indigenous Raw Materials Consumed | 2,367,678 | 94 | 2,007,526 | 94 |
| Value of Imported Packing materials and stores and Spares Consumed | 360,763 | 7 | 854,216 | 21 |
| Value of indigenous Packing materials and stores and Spares Consumed | 4,835,541 | 93 | 3,180,920 | 79 |

20. Expenditure in Foreign Currency:

| Particulars | 2010 | 2009 |
|---|---------|---------|
| Foreign Travel expenses of employees and others (net of recoveries) | 11,717 | 9,152 |
| Management Fees | 45,000 | — |
| Selling and Distribution expenses | 117,617 | 169,725 |
| Interest and Finance charges | 54,028 | 167,181 |
| Others | 4,214 | 1,028 |

21. Earnings in Foreign Exchange:

| Particulars | 2010 | 2009 |
|--------------------|-------|--------|
| Services – Royalty | 9,422 | 10,043 |

22. Details of Dividend:

| Particulars | 2010 | 2009 |
|--|----------------|----------------|
| Dividend payable on Preference Share Capital @3% | 74,070 | 74,070 |
| Dividend Distribution tax payable on above | 12,588 | 12,588 |
| Interim Dividend paid on Equity Shares @15% | — | 36,007 |
| Dividend Distribution tax paid on above | — | 6,120 |
| Final Dividend payable on Equity Shares @36% (2009: 15%) | 86,417 | 36,007 |
| Dividend Distribution tax payable on above | 14,353 | 6,120 |
| Total | 187,428 | 170,912 |

23. Details of Dividend paid in Foreign Currency:

| Particulars | 2010 | 2009 |
|---|------------|------------|
| Number of non-resident shareholders | 1 | 1 |
| Number of Equity Shares held on which dividend was due | 89,994,960 | 89,994,960 |
| Amount remitted | 13,499 | 13,499 |
| Number of Preference Share held on which dividend was due | 24,690,000 | 24,690,000 |
| Amount remitted | 74,070 | 74,070 |

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

24. (i) Disclosures envisaged in AS 15 in respect of gratuity are given below:

| Particulars | 2010 | 2009 | 2008 |
|---|----------------|-----------------|----------------|
| A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation: | | | |
| Obligations at period beginning | 153,948 | 142,593 | 116,056 |
| Service Cost | 8,369 | 13,052 | 43,502 |
| Interest cost | 11,818 | 9,601 | 9,284 |
| Benefits settled | (12,456) | (10,881) | (25,964) |
| Actuarial (gain)/loss | (250) | (417) | (285) |
| Obligations at period end | 161,429 | 153,948 | 142,593 |
| B) Change in plan assets | | | |
| Plan assets at period beginning, at fair value | 133,055 | 136,455 | 116,056 |
| Expected return on plan assets | 10,155 | 10,657 | 9,284 |
| Actuarial gain/(loss) | (1,698) | (7,569) | 10,799 |
| Contributions | 25,109 | 4,393 | 26,280 |
| Benefits settled | (12,456) | (10,881) | (25,964) |
| Plan assets at period end, at fair value | 154,165 | 133,055 | 136,455 |
| C) 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 | 154,165 | 133,055 | 136,455 |
| Present value of the defined benefit obligations at the end of the period | 161,429 | 153,948 | 142,593 |
| Liability recognised in the balance sheet | (7,265) | (20,893) | (6,138) |
| D) Details of Gratuity cost | | | |
| Service cost | 8,369 | 13,052 | 43,502 |
| Interest cost | 11,818 | 9,601 | 9,284 |
| Expected return on plan assets | (10,155) | (10,657) | (9,284) |
| Prior Period Adjustment | — | — | (23,739) |
| Actuarial (gain)/loss | 1,447 | 6,243 | 6,243 |
| Net gratuity / cost | 11,479 | 18,239 | 26,006 |
| E) 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 (Value) | 12,371 | 7,001 | 23,997 |
| Actual return on plan assets | 8,457 | 3,087 | 20,083 |
| F) Assumptions | | | |
| Interest rate | 8.00% | 7.00% | 8.00% |
| Discount factor | 8.00% | 7.00% | 8.00% |
| Estimated rate of return on plan assets | 8.00% | 8.00% | 8.00% |
| Salary Increase | 5.00% | 5.00% | 5.00% |
| Attrition rate | 1.00% | 1.00% | 1.00% |
| Retirement age | 58 | 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.

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

- (ii) Contribution to Provident and Other Funds under Manufacturing and Other Expenses (Schedule 15) includes Rs.49,122 (2009: Rs.39,174) being expenses debited under the following defined contribution plans:

| Particulars | 2010 | 2009 | 2008 |
|----------------|--------|--------|--------|
| Provident Fund | 36,034 | 28,225 | 28,815 |
| Superannuation | 13,088 | 10,949 | 9,352 |

25. Disclosure Under Accounting Standard 21 and 27

- a. The disclosure required with respect to the holdings in subsidiaries are given below:

| Name | Country of Incorporation | Percentage of ownership interest at March 31, 2010 | Percentage of ownership interest at March 31, 2009 |
|--|--------------------------|--|--|
| Associated Breweries & Distilleries Limited (ABDL) | India | 100 | 100 |
| Maltex Malsters Limited (MML) | India | 51 | 51 |

The reporting date of the subsidiaries and the accounting policies of the subsidiaries are same as those of the holding company.

- b. The disclosure required with respect to the holdings in associates are given below:

| Name | Country of Incorporation | Percentage of ownership interest at March 31, 2010 | Percentage of ownership interest at March 31, 2009 |
|--|--------------------------|--|--|
| United East Bengal Football Team Private Limited (UEBFTPL) | India | 50 | 50 |

- c. The Company's interests, as a venturer, in jointly controlled entity (Incorporated Joint Venture) are:

| Name | Country of Incorporation | Percentage of ownership interest at March 31, 2010 | Percentage of ownership interest at March 31, 2009 |
|------------------------------------|--------------------------|--|--|
| Millennium Alcobev Private Limited | India | 50* | 50* |

* of the 50% of ownership interest, 10% represents control exercised through the subsidiary Associated Breweries & Distilleries Limited (ABDL)

The aggregate amounts of each of the assets, liabilities, income and expenses related to the Company's interests in the jointly controlled entity is as follows:

| Particulars | 2010 | 2009 |
|---|-----------|-----------|
| Assets | | |
| Fixed Assets | 887,322 | 955,019 |
| Current Assets, Loans and Advances | | |
| Inventories | 243,453 | 158,103 |
| Sundry Debtors | 532,311 | 294,630 |
| Cash and Bank Balances | 93,187 | 93,352 |
| Loans and Advances | 78,258 | 83,168 |
| Liabilities | | |
| Secured Loans | 1,018,398 | 1,248,766 |
| Unsecured Loans | 223,489 | 223,489 |
| Current Liabilities and Provisions | | |
| Liabilities | 1,601,224 | 1,093,005 |
| Provisions | 2,717 | 2,111 |

Notes on Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

| Particulars | 2010 | 2009 |
|--|------------------|-----------|
| Income | | |
| Sales less excise duty | 2,780,518 | 2,311,864 |
| Other Income | 54,729 | 42,826 |
| Expenditure | | |
| Cost of Sales | 1,882,475 | 1,563,138 |
| Other Expenses | 731,623 | 665,402 |
| Interest and Finance Charges | 111,888 | 159,637 |
| Depreciation and Amortisation | 154,057 | 129,402 |
| Other Matters | | |
| Capital Commitments | | |
| - Estimated amount of Contracts remaining to be executed on capital account and not provided for | 8,896 | 46,348 |
| Contingent Liabilities | | |
| - Sales Tax/other taxes demands under appeal | 3,774 | 3,281 |
| - ESIC / PF demands under appeal | 845 | 898 |
| - Bank Guarantee given to Commissioner of Excise for Export of Beer | 10,155 | 5,855 |
| - Demand towards Water charges under appeal | — | 26,250 |
| - Interest for delayed payment of Interest Free Loans | 1,169 | 4,829 |
| - Dividend on 1% Non Convertible Cumulative Redeemable Preference Shares | 27,750 | 18,500 |
| - Income Tax* | 5,055 | 22,028 |
| Claims against the Company not acknowledged as debt | 5,877 | 6,107 |

*Net of Deposit under appeal – Rs.3,789 (2009: Rs. 1,018)

26. The Company does not own any brewing facility in Tamil Nadu, which is one of the major markets in India contributing about 18% of the Company's business. With an intention of ensuring supplies from Balaji Distilleries Limited (BDL), having brewing facilities in Tamil Nadu, the Company has entered into an agreement with the promoters of BDL to secure to the Company perpetual usage of the brewery owned by BDL, and has advanced an amount of Rs.1,550,000 to one of the Promoter Companies of BDL, acting for and on behalf of the other Promoters also.

Subsequently, the Boards of Directors of BDL and United Spirits Limited (USL) have considered and approved a proposal for merger of BDL into USL, which is subject to obtaining of the necessary regulatory approvals by both the Companies. The Company has obtained a commitment from USL that the arrangement with Promoters will be adhered to on completion of the proposed merger. The advance will be repaid upon the completion of the merger or in accordance with the terms of the related Agreement, whichever is earlier.

In June 2009, BDL has allotted 90,000 Equity Shares upon conversion of warrants to certain parties. These parties have entered into a supplemental agreement with the Company to the effect that they will be bound by the terms and conditions of the earlier agreement between the Company and the promoters of BDL.

27. As the Company does not have any long term monetary item since April 1, 2007 till date, the change in the accounting policy referred to in Schedule 18 note 8 (b) has no impact on the profit for the year.

28. All amounts disclosed in Notes to Account and other Schedules are in Rs. 000 except for:

- Number of Shares / units in Notes on Schedule 1, Schedule 5, Note 13, Note 23, and Note 26.
- Basic and Diluted EPS in the Profit and Loss Account and in Note 13.
- Quantitative data in Note 17.

29. The previous year's figures have been regrouped to conform to current year's classification.

For **Price Waterhouse**
 Firm Registration Number: 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership No. F51912

Bangalore, July 21, 2010.

Kalyan Ganguly
 Managing Director

Govind Iyengar
 Company Secretary

Bangalore, July 21, 2010.

Guido de Boer
 Director & CFO

Notes on Accounts for the year ended March 31, 2010 (contd.)

STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2010

Rs. in Thousands

| Sl. No. | Name of the Subsidiary | a) No. of Equity Shares at the end of the financial year of the Subsidiary | | b) Extent of Holdings | | Net aggregate Profit/(Loss) of the subsidiary so far as it concerns the Members of the Company | | | |
|---------|--|--|----------------------------|--------------------------|----------------------------|--|---|---|---|
| | | | | | | Not dealt with in the Accounts of the Company | | Dealt with in the Accounts of the Company | |
| | | | | | | (i) | (ii) | (i) | (ii) |
| | | United Breweries Limited | Other Subsidiary Companies | United Breweries Limited | Other Subsidiary Companies | For Subsidiary's Financial Year ended 31.3.2010 | For previous Financial Years of Subsidiary since it became a Subsidiary | For the Subsidiary's Financial Year ended 31.3.2010 | For previous Financial Years of the Subsidiary since it became a Subsidiary |
| 1. | Associated Breweries & Distilleries Ltd. | 10,000 | — | 100% | — | (145) | (1,418) | — | — |
| 2 | Maltex Malsters Limited | 22,950 | — | 51% | — | 1,967 | (972) | — | — |

DISCLOSURE UNDER CLAUSE 32 OF THE LISTING AGREEMENT

Name of the listed Company: United Breweries Limited

Rs. in Thousands

| Name of the Company | Amount outstanding as at March 31, 2010 | Value of investments as at March 31, 2010 | Terms |
|---|---|---|---|
| Subsidiaries: | | | |
| Associated Breweries & Distilleries Ltd. (ABDL) | 83,865 | 1,000 | No stipulation towards repayment and interest |
| Maltex Malsters Limited | (10,983) | 450,000 | — |
| Joint Venture: | | | |
| Millennium Alcobev Pvt. Ltd. | 65,469 | 589,529 | No stipulation towards repayment and interest |
| Associates: | | | |
| United East Bengal Football Team Pvt. Ltd. | — | 50 | — |

Balance Sheet Abstract

COMPANY'S GENERAL BUSINESS PROFILE

Rs. in Thousands

I. Registration Details

| | | |
|--------------------|---|------------|
| Registration No. | : | 25195 |
| State Code | : | 08 |
| Balance Sheet Date | : | 31.03.2010 |

II. Capital Raised during the year

| | | |
|-------------------|---|-----|
| Public Issue | : | NIL |
| Right Issue | : | NIL |
| Bonus Issue | : | NIL |
| Private Placement | : | NIL |

III. Position of Mobilisation and Deployment of Funds

| | | | |
|--------------------------|-------------------|-----------------------------|-------------------|
| Total Liabilities | 18,527,413 | Total Assets | 18,527,413 |
| Sources of Funds | | Application of Funds | |
| Paid up Capital | 2,709,048 | Net Fixed Assets | 8,383,207 |
| Reserves & Surplus | 8,888,712 | Investments | 1,530,699 |
| Secured Loans | 4,960,341 | Net Current Assets | 8,613,507 |
| Unsecured Loans | 1,753,006 | Deferred Tax Assets | NIL |
| Deferred Credit | NIL | Miscellaneous Expenditure | NIL |
| Deferred Tax Liability | 216,306 | | |

IV. Performance of Company

| | | | |
|--------------------|------------|---|------------|
| Turnover | 20,751,328 | Total Expenditure (Includes non-recurring items) | 19,240,040 |
| Profit Before Tax | 1,511,288 | Profit After Tax | 969,709 |
| Earnings per Share | 3.68 | Dividend Rate | 36% |

V. Generic Names of three Principal Products/Services of the Company

| | |
|----------------------|---------------------|
| Item Code – ITC Code | 22030000 |
| Product Description | Beer made from Malt |

**SUMMERISED FINANCIALS OF SUBSIDIARY COMPANY AS REQUIRED IN TERMS OF APPROVAL
UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, GRANTED BY THE GOVERNMENT OF INDIA,
MINISTRY OF CORPORATE AFFAIRS, VIDE LETTER DATED 15.06.2010**

Rs. in Thousands

| Sl. No. | Name of the Subsidiary | Issued & Subscribed Share Capital | Reserves & Surplus | Total Assets | Total Liabilities | Investments | Profit & Loss Account Debit Balance | Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend |
|---------|---|-----------------------------------|--------------------|--------------|-------------------|-------------|-------------------------------------|----------|------------------------|------------------------|-----------------------|-------------------|
| 1. | Associated Breweries & Distilleries Limited | 1,000 | — | 84,865 | 84,865 | 83,380 | 1,563 | 22 | (145) | — | (145) | — |
| 2 | Maltex Malsters Limited | 4,500 | 20,763 | 31,534 | 31,534 | — | — | 6,948 | 2,129 | (162) | 1,967 | — |

Note:

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 Companies.

Auditors' Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF UNITED BREWERIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of United Breweries Limited (the "Company") and its subsidiaries and joint venture hereinafter referred to as the "Group" (refer Note 1 on Schedule 19 to the attached consolidated financial statements) as at March 31, 2010, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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 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. We did not audit the financial statements of (i) two subsidiaries and included in the consolidated financial statements, which constitute total assets of Rs.109,699 thousands and net assets of Rs.15,279 thousands as at March 31, 2010, total revenue of Rs.37 thousands, net loss of Rs.4,948 thousands and net cash outflows amounting to Rs.7,608 for the year then ended; and (ii) one associate company which constitute net results of Rs. Nil 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 on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. 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 of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the 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 Group as at March 31, 2010;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Price Waterhouse**
Firm Registration Number – 007568 S
Chartered Accountants

J. Majumdar
Partner
Membership Number – F51912

Place: Bangalore
Date: July 21, 2010

Consolidated Balance Sheet as at March 31, 2010

Rs. in Thousands

| | Schedule | 2010 | 2009 |
|---|----------|------------|------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Capital | 1 | 2,709,048 | 3,176,048 |
| Reserves and Surplus | 2 | 8,888,908 | 11,443,456 |
| Loan Funds | | | |
| Secured Loans | 3 | 4,965,912 | 5,671,620 |
| Unsecured Loans | | 1,753,706 | 1,977,195 |
| Minority Interest [Refer Schedule 19 Note 5] | | 11,517 | 11,517 |
| Deferred Tax Liability (Net) | | 215,804 | 175,963 |
| [Refer Schedule 19 Note 12] | | 18,544,895 | 19,279,751 |
| APPLICATION OF FUNDS | | | |
| Goodwill [Refer Schedule 19 Note 4] | | 438,062 | 1,866,525 |
| Fixed Assets | | | |
| Gross Block | 4 | 10,991,199 | 10,848,524 |
| Less: Accumulated Depreciation and Amortisation | | 3,167,124 | 3,003,529 |
| Net Block | | 7,824,075 | 7,844,995 |
| Capital Work in Progress | | 575,331 | 972,151 |
| Investments | 5 | 1,163,029 | 900,437 |
| Foreign Currency Monetary Item Translation Difference Account [Refer Schedule 19 Note 18] | | — | 40,792 |
| Current Assets, Loans and Advances | | | |
| Inventories | 6 | 1,960,165 | 1,788,479 |
| Sundry Debtors | 7 | 6,162,487 | 5,005,981 |
| Cash and Bank Balances | 8 | 833,400 | 511,257 |
| Other Current Assets | 9 | 354,491 | 141,601 |
| Loans and Advances | 10 | 2,694,910 | 2,739,532 |
| | | 12,005,453 | 10,186,850 |
| Less: Current Liabilities and Provisions | | | |
| Liabilities | 11 | 3,207,033 | 3,166,314 |
| Provisions | 12 | 254,022 | 185,271 |
| | | 3,461,055 | 3,351,585 |
| Net Current Assets | | 8,544,398 | 6,835,265 |
| Profit and Loss Account | | — | 819,586 |
| | | 18,544,895 | 19,279,751 |
| Significant Accounting Policies | | | |
| Notes on Accounts | | | |

The Schedules referred to above and the notes thereon form an integral part of the consolidated financial statements.

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

For **Price Waterhouse**
Firm Registration Number: 007568 S
Chartered Accountants

J. Majumdar
Partner
Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
Managing Director

Guido de Boer
Director & CFO

Govind Iyengar
Company Secretary

Bangalore, July 21, 2010

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

Rs. in Thousands

| | Schedule | 2010 | Joint Venture | Total | 2010 | 2009 |
|---|----------|------------|---------------|------------|------------|------------|
| INCOME | | | | | | |
| Sales and Service | 13 | 29,558,009 | 3,923,936 | 33,481,945 | | 27,853,325 |
| Less: Excise Duty | | 9,583,515 | 1,143,418 | 10,726,933 | | 8,558,750 |
| | | 19,974,494 | 2,780,518 | 22,755,012 | | 19,294,575 |
| Other Income | 14 | 776,871 | 20,751,365 | 54,729 | 2,835,247 | 831,600 |
| | | | | | 23,586,612 | 535,816 |
| | | | | | | 19,830,391 |
| EXPENDITURE | | | | | | |
| Cost of Sales | 15 | 12,167,650 | 1,882,473 | 14,050,123 | | 12,030,743 |
| Other Expenses | 16 | 5,630,767 | 731,623 | 6,362,390 | | 4,993,021 |
| Interest and Finance Charges | 17 | 553,319 | 111,888 | 665,207 | | 1,054,338 |
| Depreciation and Amortisation | | 886,357 | 19,238,093 | 154,057 | 2,880,041 | 1,040,414 |
| | | | | | 22,118,134 | 896,347 |
| | | | | | | 18,974,449 |
| Profit / (Loss) before taxation | | 1,513,272 | (44,794) | | 1,468,478 | 855,942 |
| Provision for Taxation | | | | | | |
| - Current tax | | (498,614) | (13,337) | (511,951) | | (296,072) |
| - Fringe Benefit Tax | | — | — | — | | (15,830) |
| - Deferred Tax (Charge)/Write back | | (43,127) | (541,741) | (17,024) | (30,361) | (60,151) |
| | | | | | (572,102) | (88,248) |
| | | | | | | (400,150) |
| Profit / (Loss) after taxation | | 971,531 | (75,155) | | 896,376 | 455,792 |
| Profit / (Loss) brought forward from previous year | | 1,413,031 | (819,586) | | 593,445 | 368,485 |
| Adjustment on account of adoption of Accounting Standard 11 on 'Foreign exchange fluctuation' | | — | — | — | — | 5,080 |
| | | 2,384,562 | (894,741) | | 1,489,821 | 829,357 |
| Less: Appropriations | | | | | | |
| Transfer to General Reserve | | (100,000) | — | (100,000) | | (65,000) |
| Dividend [Refer Schedule 19 Note 15] | | (187,428) | — | (187,428) | | (170,912) |
| Balance carried to Balance Sheet | | 2,097,134 | (894,741) | | 1,202,393 | 593,445 |
| Earnings per share (Basic/Diluted) [Refer Schedule 19 Note 14] | | | | | 3.37 | 1.57 |
| Significant Accounting Policies | 18 | | | | | |
| Notes to Accounts | 19 | | | | | |

The Schedules referred to above and the notes thereon form an integral part of the consolidated financial statements.

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

 For **Price Waterhouse**
 Firm Registration Number: 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
 Managing Director

Govind Iyengar
 Company Secretary

Bangalore, July 21, 2010

Guido de Boer
 Director & CFO

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

Rs. in Thousands

| | 2010 | 2009 |
|---|------------------|--------------------|
| A Cash Flow from Operating Activities | | |
| Profit before taxation and non-recurring items | 1,468,478 | 855,942 |
| Adjustments for: | | |
| Dividend Income | (3,868) | (48,954) |
| Interest Income | (328,516) | (150,541) |
| Depreciation and Amortisation | 1,040,414 | 896,347 |
| (Profit)/Loss on Sale of Assets | 3,354 | 2,159 |
| (Profit)/Loss on Sale of Investments | (117,982) | (2) |
| Bad Debts Written Off | — | 9,699 |
| Bad Advances written off | 10,947 | 5,866 |
| Provision for Doubtful Debts | 3,005 | 2,716 |
| Provision for Doubtful advances | 399 | 1,000 |
| Interest Expenses (Net) | 665,207 | 1,054,338 |
| Liability no longer required written back | (62,173) | (56,594) |
| Provision for Doubtful Debts no longer required written back | (172) | (1,880) |
| Provision for Doubtful Advances no longer required written back | (23) | (367) |
| Investment written off | 4 | — |
| Provision for Idle assets / Fixed Assets written off | — | 31 |
| Inventory written off including provisions | 1,289 | 622 |
| Operating profits before Working Capital changes | 2,680,363 | 2,570,382 |
| Adjustment for working capital changes: | | |
| (Increase) / Decrease in Sundry Debtors | (1,691,650) | (1,453,005) |
| (Increase) / Decrease in Inventories | (416,428) | (481,911) |
| Increase / (Decrease) in Current Liabilities and Provisions | 1,654,768 | 264,143 |
| (Increase) / Decrease in Other Current Assets, Loans and Advances | (77,848) | (1,561,786) |
| Cash Generated from Operations | 2,149,205 | (662,177) |
| Direct Taxes paid (including TDS) | (416,157) | (301,363) |
| Net Cash Generated / (used in) from Operating Activities | 1,733,048 | (963,540) |
| B Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (1,530,753) | (1,688,872) |
| Interest Income | 114,897 | 11,335 |
| Dividend Income | 3,868 | 48,954 |
| Sale of Fixed Assets | 17,404 | 18,332 |
| Sale /(Purchase) of Investments (Net) | 528,240 | (900,243) |
| Net cash used in Investing Activities | (866,344) | (2,510,494) |

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

Rs. in Thousands

| | 2010 | 2009 |
|---|------------------|------------------|
| C Cash Flow from Financing Activities | | |
| (Repayments)/Proceeds of Unsecured loans (net) | — | 907,309 |
| (Repayments) / Proceeds from Bank borrowings (net) | 346,221 | (158,797) |
| Rights Issue Proceeds | — | 4,248,854 |
| Interest Paid | (668,810) | (1,092,787) |
| Dividend paid | (128,785) | (128,785) |
| Net Cash Generated from / (used in) Financing Activities | (451,374) | 3,775,794 |
| Net Increase / (Decrease) in cash and cash equivalents | 415,330 | 301,760 |
| Opening Cash and Cash equivalents | | |
| Cash and Cheques on hand including Remittances in Transit | 4,620 | 8,404 |
| Bank Balances | 506,637 | 511,257 |
| | 511,257 | 201,093 |
| | | 209,497 |
| Closing Cash and Cash equivalents | | |
| Cash and Cheques on hand including Remittances in Transit | 3,230 | 4,620 |
| Bank Balances | 923,357 | 926,587 |
| | | 506,637 |
| | | 511,257 |

Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2010 and the related Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard (AS)-3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocation required for this purpose are as made by the Company.
3. Cash and cash equivalents include Rs.10,350 (2009: Rs.19,820) which are not available for use by the Company. [Refer Note on Schedule 8]
4. Previous year's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

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

For **Price Waterhouse**
 Firm Registration Number: 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
 Managing Director

Govind Iyengar
 Company Secretary

Bangalore, July 21, 2010

Guido de Boer
 Director & CFO

Schedules to Consolidated Balance Sheet

Rs. in Thousands

| | 2010 | Joint Venture | Total 2010 | 2009 |
|---|------------------|------------------|------------------|------------------|
| SCHEDULE 1 | | | | |
| Capital | | | | |
| Authorised | | | | |
| 300,000,000 (2009: 300,000,000) Equity shares of Re.1 each | 300,000 | — | 300,000 | 300,000 |
| 25,000,000 (2009: 25,000,000) Preference Shares of Rs.100 each | 2,500,000 | — | 2,500,000 | 2,500,000 |
| | 2,800,000 | — | 2,800,000 | 2,800,000 |
| Issued, Subscribed and Paid-up | | | | |
| 240,048,255 (2009: 240,048,255) Equity shares of Re.1 each fully paid | 240,048 | — | 240,048 | 240,048 |
| 3%, 17,283,000 (2009: 17,283,000) Cumulative Redeemable Preference Shares of Rs.100 each - Series A | 1,728,300 | — | 1,728,300 | 1,728,300 |
| [The above shares are redeemable at par at the earliest on March 31, 2011 and are 'extendable upto March 31, 2015' based on mutual agreement between the company and 'Scottish and Newcastle India Limited' (the preference shareholder)] | | | | |
| 3%, 7,407,000 (2009: 7,407,000) Cumulative Redeemable Preference Shares of Rs.100 each - Series B | 740,700 | — | 740,700 | 740,700 |
| [The above shares are redeemable at par at the earliest on March 31, 2015] | | | | |
| Convertible Redemable Preference Shares | — | 467,000 | 467,000 | 467,000 |
| | 2,709,048 | 467,000 | 3,176,048 | 3,176,048 |
| SCHEDULE 2 | | | | |
| Reserves and Surplus | | | | |
| Capital Reserve | — | 1,204 | 1,204 | 1,204 |
| Securities Premium Account | 6,521,774 | 161,399 | 6,683,173 | 2,458,324 |
| Premium received during the year | — | — | — | 4,224,849 |
| General Reserve: | | | | |
| As per last Balance Sheet | 170,000 | — | 170,000 | 105,000 |
| Transfer from Profit and Loss Account | 100,000 | — | 100,000 | 65,000 |
| Profit and Loss Account balance | 2,097,134 | — | 2,097,134 | 1,413,031 |
| | 8,888,908 | 162,603 | 9,051,511 | 8,267,408 |
| SCHEDULE 3 | | | | |
| Secured Loans [Refer Schedule 19 Note 6] | | | | |
| Foreign Currency Loans | | | | |
| – Working Capital Loan from Bank | 576,170 | — | 576,170 | 650,329 |
| – Term Loan from Bank | — | 148,116 | 148,116 | 262,711 |
| External Commercial Borrowings – From Banks | 936,587 | — | 936,587 | 1,404,069 |
| Term Loans from Banks | 1,061,222 | 140,375 | 1,201,597 | 1,706,955 |
| Other Loans | | | | |
| – Working Capital Loan / Cash Credit from Banks | 2,368,960 | — | 2,368,960 | 860,883 |
| Interest accrued and due | 22,973 | 1,644 | 24,617 | 28,220 |
| From Others | — | 605,108 | 605,108 | 564,924 |
| From Rabo Finance India Private Limited | — | 123,155 | 123,155 | 193,529 |
| | 4,965,912 | 1,018,398 | 5,984,310 | 5,671,620 |
| Unsecured Loans | | | | |
| [Refer Schedule 19 Note 6] | | | | |
| Long Term Loans from Banks | 1,750,000 | — | 1,750,000 | 1,750,000 |
| Others Loans | 3,706 | — | 3,706 | 3,706 |
| Deferred Sales Tax Loan | — | 223,489 | 223,489 | 223,489 |
| | 1,753,706 | 223,489 | 1,977,195 | 1,977,195 |

SCHEDULE 4 Consolidated Fixed Assets (Refer Schedule 19 Note 7)

Rs. in Thousands

Schedules to Consolidated Balance Sheet (contd.)

| Net Value of Assets as at March 31, 2009 | Particulars | Gross Value of Assets as at March 31, 2009 | Cost | | Gross Value of Assets as at March 31, 2010 | Depreciation / Amortisation | | | | Net Value of Assets as at March 31, 2010 |
|--|---|--|------------------|-------------------------|--|-----------------------------|---------------|------------------|----------------------|--|
| | | | Additions | Deletions / Adjustments | | As at March 31, 2009 | on Deletions | for the year | As at March 31, 2010 | |
| | Intangible | | | | | | | | | |
| 249,205 | Goodwill | 623,924 | — | — | 623,924 | 374,719 | — | 124,604 | 499,323 | 124,601 |
| 320,037 | Licenses | 400,037 | — | — | 400,037 | 80,000 | — | 40,000 | 120,000 | 280,037 |
| | Tangible | | | | | | | | | |
| 1,105,503 | Land - Freehold | 1,105,503 | 155,955 | — | 1,261,458 | — | — | — | — | 1,261,458 |
| 253,479 | Land - Leasehold | 270,221 | — | — | 270,221 | 16,742 | — | 3,186 | 19,928 | 250,293 |
| 1,463,787 | Buildings | 1,622,971 | 337,715 | — | 1,960,686 | 159,184 | — | 54,336 | 213,520 | 1,747,166 |
| 4,057 | Leasehold - Improvements | 6,407 | — | — | 6,407 | 2,350 | — | 2,350 | 4,700 | 1,707 |
| 3,312,750 | Plant and Machinery | 4,730,047 | 1,152,562 | 31,921 | 5,850,688 | 1,417,297 | 16,080 | 569,579 | 1,970,796 | 3,879,892 |
| 57,765 | Office Equipments | 105,348 | 5,015 | 265 | 110,098 | 47,583 | 184 | 10,911 | 58,310 | 51,788 |
| 154,141 | Furniture and Fittings | 329,691 | 67,398 | 585 | 396,504 | 175,550 | 170 | 70,855 | 246,235 | 150,269 |
| 38,556 | Laboratory Equipments | 47,261 | 12,912 | 352 | 59,821 | 8,705 | — | 5,265 | 13,970 | 45,851 |
| 37,539 | Vehicles | 55,121 | 2,565 | 6,331 | 51,355 | 17,582 | 2,511 | 5,271 | 20,342 | 31,013 |
| 6,996,819 | | 9,296,531 | 1,734,122 | 39,454 | 10,991,199 | 2,299,712 | 18,945 | 886,357 | 3,167,124 | 7,824,075 |
| 848,176 | Share of Joint Venture | 1,551,993 | 164,414 | 3,355 | 1,713,052 | 703,817 | 3,106 | 154,057 | 854,768 | 858,284 |
| 7,844,995 | | 10,848,524 | 1,898,536 | 42,809 | 12,704,251 | 3,003,529 | 22,051 | 1,040,414 | 4,021,892 | 8,682,359 |
| | 2009 | 8,568,202 | 2,403,231 | 122,909 | 10,848,524 | 2,211,759 | 104,577 | 896,347 | 3,003,529 | |
| 865,308 | Capital work in Progress [including capital advances Rs.476,733 (2009: Rs.615,625)] | | | | | | | | | 575,331 |
| 106,843 | Share of Joint Venture [including capital advances Rs.1,252 (2009: Rs.118)] | | | | | | | | | 29,038 |
| 8,817,146 | | | | | | | | | | 9,286,728 |

Schedules to Consolidated Balance Sheet (contd.)

Rs. in Thousands

SCHEDULE 5 Investments

| Particulars | Class of Shares | 2010 | | | 2009 | | |
|--|-----------------|--------------------------|------------|---------|--------------------------|------------|---------|
| | | Number of Shares / Units | Face Value | Cost | Number of Shares / Units | Face Value | Cost |
| CURRENT INVESTMENTS | | | | | | | |
| Investment in Mutual Funds - Unquoted, Non Trade | | | | | | | |
| HDFC FMP 370D June 2008 VIII - Wholesale Plan Growth | | — | — | — | 20,000,000 | 200,000 | 200,000 |
| IDFC FMP Yearly Series 22 Plan B Growth | | — | — | — | 10,000,000 | 100,000 | 100,000 |
| I-Growth Capital Protection Portfolio | | — | — | — | 3,000 | 300,000 | 300,000 |
| Kotak FMP 12M Series 7 Institutional - Growth Plan | | — | — | — | 15,025,820 | 150,258 | 150,258 |
| Reliance Blended Debt Plus-Hybrid Option -Series XIV Plan | | — | — | — | 500,000 | 50,000 | 50,000 |
| Reliance Fixed Horizon Fund- IX - Series 2 - Institutional Growth Plan | | — | — | — | 10,000,000 | 100,000 | 100,000 |
| Investment in Mutual Funds - Quoted, Non Trade | | | | | | | |
| HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend | | 48,846,135 | 10 | 490,000 | — | — | — |
| LONG TERM INVESTMENTS (unquoted, long term) | | | | | | | |
| In government and trustee securities - Fully paid | | | | | | | |
| National savings certificate | | — | 70 | 70 | — | 70 | 70 |
| Non trade: | | | | | | | |
| In Associates | | | | | | | |
| United East Bengal Football Team Private Limited | Equity | 4,999 | 50 | — | 4,999 | 50 | — |
| In Others | | | | | | | |
| Zorastran Co-operative Bank Limited* | Equity | 4,000 | 25 | 100 | 4,000 | 25 | 100 |
| Sub total | | | | 490,170 | | | 900,428 |
| Share in Joint Venture Investments | | | 5 | 5 | | 9 | 9 |
| TOTAL | | | | 490,175 | | | 900,437 |

* Acquired on Amalgamation

Details of Investments In Mutual Funds during the year

| Name of Mutual Fund | Balance as at April 1, 2009 | | Purchased during the year | | Sold during the year | | Balance as at March 31, 2010 | |
|--|-----------------------------|---------|---------------------------|---------|-----------------------|-----------|------------------------------|---------|
| | No. of Units in '000s | Cost | No. of Units in '000s | Cost | No. of Units in '000s | Cost | No. of Units in '000s | Cost |
| HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend | — | — | 88,720 | 890,000 | 39,874 | 400,000 | 48,846 | 490,000 |
| HDFC FMP 370D June 2008 VIII - Wholesale Plan Growth | 20,000 | 200,000 | — | — | 20,000 | 200,000 | — | — |
| IDFC FMP Yearly Series 22 Plan B Growth | 10,000 | 100,000 | — | — | 10,000 | 100,000 | — | — |
| I-Growth Capital Protection Portfolio | 3 | 300,000 | — | — | 3 | 300,000 | — | — |
| Kotak FMP 12M Series 7 Institutional - Growth | 15,026 | 150,258 | — | — | 15,026 | 150,258 | — | — |
| Reliance Blended Debt Plus-Hybrid Option - Series XIV | 0.50 | 50,000 | — | — | 0.50 | 50,000 | — | — |
| Reliance Fixed Horizon Fund - IX - Series 2 - Institutional Growth Plan | 10,000 | 100,000 | — | — | 10,000 | 100,000 | — | — |
| Total | | 900,258 | | 890,000 | | 1,300,258 | | 490,000 |

Schedules to Consolidated Balance Sheet (contd.)

Rs. in Thousands

| | 2010 | Joint Venture | Total 2010 | 2009 |
|--|------------------|-----------------|------------------|------------------|
| SCHEDULE 6 | | | | |
| Inventories | | | | |
| Raw Materials | 572,550 | 23,601 | 596,151 | 456,556 |
| Packing Material, Stores and Spares [Net of provision Rs.7,656 (2009: Rs.38,640)] | 471,125 | 83,825 | 554,950 | 539,818 |
| Work In Progress / Finished Goods (including Traded Goods) [Net of provision Rs.Nil (2009: Rs.63)] | 856,550 | 120,663 | 977,213 | 741,839 |
| Goods in transit | 59,940 | 15,364 | 75,304 | 50,266 |
| | <u>1,960,165</u> | <u>243,453</u> | <u>2,203,618</u> | <u>1,788,479</u> |
| SCHEDULE 7 | | | | |
| Sundry Debtors (Unsecured, Considered good unless stated otherwise) | | | | |
| Considered Good | | | | |
| - Over Six Months | 69,920 | 23,415 | 93,335 | 185,434 |
| - Others | 6,092,567 | 508,896 | 6,601,463 | 4,820,547 |
| Considered Doubtful | | | | |
| - Over Six Months | 56,738 | 35,039 | 91,777 | 88,944 |
| - Others | — | — | — | — |
| | <u>6,219,225</u> | <u>567,350</u> | <u>6,786,575</u> | <u>5,094,925</u> |
| Less: Provision for Doubtful Debts | <u>(56,738)</u> | <u>(35,039)</u> | <u>(91,777)</u> | <u>(88,944)</u> |
| | <u>6,162,487</u> | <u>532,311</u> | <u>6,694,798</u> | <u>5,005,981</u> |
| SCHEDULE 8 | | | | |
| Cash and Bank Balances | | | | |
| Cash on hand [including Remittances - in Transit Rs.Nil (2009: Rs.Nil)] | 2,848 | 382 | 3,230 | 4,620 |
| Balances with Scheduled Banks: | | | | |
| - in Current Account [including cheques on hand Rs.1,566 (2009: Rs.10,125)] | 818,705 | 80,502 | 899,207 | 474,055 |
| - in Deposit account [Refer notes below] | 11,847 | 12,303 | 24,150 | 32,582 |
| | <u>833,400</u> | <u>93,187</u> | <u>926,587</u> | <u>511,257</u> |
| Note: 1. Includes Rs.10,350 (2009: Rs.19,820) kept as margin against letter of credit and bank guarantees. | | | | |
| 2. Includes balance in Unclaimed dividend Account Rs.1,470 (2009: Rs.880) | | | | |
| SCHEDULE 9 | | | | |
| Other Current Assets | | | | |
| Income accrued on Investments and deposits | 354,491 | 729 | 355,220 | 141,601 |
| | <u>354,491</u> | <u>729</u> | <u>355,220</u> | <u>141,601</u> |

Schedules to Consolidated Balance Sheet (contd.)

Rs. in Thousands

| | 2010 | Joint Venture | Total 2010 | 2009 |
|---|-----------|---------------|------------|-----------|
| SCHEDULE 10 | | | | |
| Loans and Advances | | | | |
| (Unsecured, Considered good unless otherwise stated) | | | | |
| Advance towards Contract Brewing unit [Refer Schedule 19 Note 8] | 1,550,000 | — | 1,550,000 | 1,550,000 |
| Advances recoverable in cash or in kind or for value to be received* | 334,206 | 25,407 | 359,613 | 224,048 |
| Considered Doubtful | 8,403 | 43,647 | 52,050 | 51,674 |
| | 1,892,609 | 69,054 | 1,961,663 | 1,825,722 |
| Less: Provision for Doubtful Advances | (8,403) | (43,647) | (52,050) | (51,674) |
| | 1,884,206 | 25,407 | 1,909,613 | 1,774,048 |
| *[including: Rs.Nil (2009: Rs.36) due from Director of the Company, maximum amount due during the year Rs.36 (2009: Rs.62)] | | | | |
| Balances with Excise Authorities | 224,308 | 20,818 | 245,126 | 163,930 |
| Other Deposits | 552,884 | 12,597 | 565,481 | 653,545 |
| Advance Tax / Tax Deducted at Source (net) | 33,512 | 18,703 | 52,215 | 148,009 |
| | 2,694,910 | 77,525 | 2,772,435 | 2,739,532 |
| SCHEDULE 11 | | | | |
| Liabilities | | | | |
| Sundry Creditors | | | | |
| - Due to Micro, Small and Medium Enterprises | 11,527 | 3,096 | 14,623 | 8,113 |
| - Others | 1,797,552 | 270,932 | 2,068,484 | 1,421,170 |
| - Other Liabilities | 1,386,043 | 1,324,811 | 2,710,854 | 1,669,780 |
| Interest accrued but not due | — | 2,385 | 2,385 | 2,385 |
| Unclaimed Dividend | 1,470 | — | 1,470 | 880 |
| Acceptances | 10,441 | — | 10,441 | 63,986 |
| | 3,207,033 | 1,601,224 | 4,808,257 | 3,166,314 |
| SCHEDULE 12 | | | | |
| Provisions | | | | |
| Dividend payable [Refer Schedule 19 Note 15] | 187,428 | — | 187,428 | 128,785 |
| Gratuity | 7,265 | 1,872 | 9,137 | 22,098 |
| Leave Entitlements | 59,329 | 845 | 60,174 | 34,388 |
| | 254,022 | 2,717 | 256,739 | 185,271 |

UNITED BREWERIES LIMITED

Schedules to Consolidated Profit and Loss Account

Rs. in Thousands

| | 2010 | Joint Venture | Total 2010 | 2009 |
|---|-------------------|------------------|-------------------|-------------------|
| SCHEDULE 13 | | | | |
| Sales and Service | | | | |
| Sales | 28,505,356 | 3,884,431 | 32,389,787 | 26,789,900 |
| Income from Brand Franchise and Technical Fees | 1,052,653 | 39,505 | 1,092,158 | 1,063,425 |
| | <u>29,558,009</u> | <u>3,923,936</u> | <u>33,481,945</u> | <u>27,853,325</u> |
| SCHEDULE 14 | | | | |
| Other Income | | | | |
| Guarantee Commission | 21,322 | — | 21,322 | 21,300 |
| Liability no longer required written back | 54,740 | 7,433 | 62,173 | 56,594 |
| Profit on sale of Assets | — | 220 | 220 | 26 |
| Profit on sale of Investment (net) | 117,982 | — | 117,982 | 2 |
| Dividend Income | 3,868 | — | 3,868 | 48,954 |
| Interest Received [Gross] | 327,015 | 1,501 | 328,516 | 150,541 |
| {Tax deducted at source Rs.31,367 (2009: Rs.2,379)} | | | | |
| Provision for Doubtful Debts no longer required written back | 117 | 55 | 172 | 1,880 |
| Provision for Doubtful Advances no longer required written back | 13 | 10 | 23 | 367 |
| Miscellaneous Income | 251,814 | 45,510 | 297,324 | 256,152 |
| | <u>776,871</u> | <u>54,729</u> | <u>831,600</u> | <u>535,816</u> |
| SCHEDULE 15 | | | | |
| Cost of Sales | | | | |
| Manufacturing Expenses | | | | |
| Consumption of Raw Materials | 2,521,576 | 514,378 | 3,035,954 | 2,573,527 |
| Consumption of Packing material and Stores and spares | 5,115,279 | 1,025,969 | 6,141,248 | 4,772,552 |
| Purchases of finished goods | 2,006,411 | 4,003 | 2,010,414 | 2,089,746 |
| Power and Fuel | 491,102 | 123,062 | 614,164 | 701,397 |
| Personnel Expenses | | | | |
| Salaries, Wages and Bonus | 847,439 | 72,302 | 919,741 | 813,100 |
| Contribution to Provident and Other funds | 60,601 | 3,528 | 64,129 | 61,211 |
| Welfare Expenses | 81,265 | 6,315 | 87,580 | 66,254 |
| Others | | | | |
| Rent including Lease rent | 77,520 | 2,074 | 79,594 | 75,134 |
| Insurance | 14,207 | 1,689 | 15,896 | 14,238 |
| Repairs Building | 13,617 | 7,850 | 21,467 | 14,453 |
| Repairs to Machinery | 126,671 | 38,462 | 165,133 | 127,915 |
| Repairs - Others | 8,781 | 1,556 | 10,337 | 10,955 |
| Travel and Conveyance | 94,682 | 4,513 | 99,195 | 89,461 |
| Communication Expenses | 23,975 | 750 | 24,725 | 24,161 |
| Rates and taxes | 365,529 | 49,749 | 415,278 | 303,766 |
| Legal and Professional fees | 73,013 | 7,819 | 80,832 | 97,718 |
| Miscellaneous expenses | 292,208 | 27,111 | 319,319 | 260,540 |
| [includes material consumed Rs.107,894 (2009: Rs.107,781)] | | | | |
| Change in Inventory | | | | |
| Opening Stock | 677,309 | 64,530 | 741,839 | 585,671 |
| Closing Stock | (856,550) | (120,289) | (976,839) | (741,839) |
| Excise Duty on Opening Stock | (366,473) | (25,010) | (391,483) | (300,700) |
| Excise Duty on Closing Stock | 499,488 | 72,112 | 571,600 | 391,483 |
| | <u>12,167,650</u> | <u>1,882,473</u> | <u>14,050,123</u> | <u>12,030,743</u> |

Schedules to Consolidated Profit and Loss Account (contd.)

Rs. in Thousands

| | 2010 | Joint Venture | Total 2010 | 2009 |
|--|------------------|----------------|------------------|------------------|
| SCHEDULE 16 | | | | |
| Other Expenses | | | | |
| Selling and Promotion Expenses | 5,592,417 | 625,977 | 6,218,394 | 4,830,355 |
| Technical Management Fee | — | 100,000 | 100,000 | 120,000 |
| Directors Sitting fees | 15,681 | 293 | 15,974 | 12,123 |
| Auditors Remuneration | 7,223 | 1,581 | 8,804 | 8,424 |
| Bad debts written off | — | — | — | 9,699 |
| Bad Advances written off | 10,836 | 111 | 10,947 | 5,866 |
| Provision for Doubtful Debts | 1,184 | 1,821 | 3,005 | 2,716 |
| Provision for Idle Assets / Fixed Assets written off | — | — | — | 31 |
| Investment written off | — | 4 | 4 | — |
| Inventory written off including provisions | — | 1,289 | 1,289 | 622 |
| Loss on sale of Assets | 3,426 | 148 | 3,574 | 2,185 |
| Provision for Doubtful advances | — | 399 | 399 | 1,000 |
| | 5,630,767 | 731,623 | 6,362,390 | 4,993,021 |

SCHEDULE 17

Interest and Finance Charges

| | | | | |
|--|----------------|----------------|----------------|------------------|
| Interest on Loans for a fixed period | 458,766 | 96,992 | 555,758 | 507,306 |
| Interest Others | 82,936 | 4,055 | 86,991 | 326,663 |
| [Including exchange (gain)/loss on foreign currency loans Rs.(74,159) (2009: Rs.139,486)] | | | | |
| Finance Charges | 11,617 | 10,841 | 22,458 | 220,369 |
| | 553,319 | 111,888 | 665,207 | 1,054,338 |

Significant Accounting Policies for the year ended March 31, 2010

Rs. in Thousands

SCHEDULE 18

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and to relevant provisions of the Companies Act, 1956.

Basis of Consolidation:

The Financial Statements of the Subsidiaries and the Joint Venture (JV) used in the consolidation are drawn up to the same reporting date as that of the parent company, i.e., year ended March 31, 2010.

Estimates:

The preparation of the Financial Statements in conformity with Generally Accepted Accounting Policies (GAAP) in India requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Financial Statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

2. Principles of Consolidation:

- i) The financial statement 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 expenditure after eliminating intra group balances and intra group transactions.
- ii) The financial statements of the parent company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events.
- iii) The financial statement of the Joint Venture has been consolidated using proportionate consolidation on the basis of control exercised in the Joint Venture.
- iv) Goodwill represents the difference between the company's share in the networth and the cost of acquisition of subsidiary and Joint Venture at each stage of acquisition of investment. Goodwill arising on consolidation is not amortised. Negative goodwill is recognised as capital reserve on consolidation.

3. Revenue Recognition:

Revenue from sale of goods is recognised in accordance with the terms of sale, on dispatch from the Breweries/warehouses of the Company and is net of trade discount but includes Excise Duty. Income from brand franchise is recognised at contracted rates on sale/production of the branded products by the franchisees. Dividend Income is recognised when the Company's right to receive the payment is established. Royalty from foreign entities (net of tax), technical advisory and management fees is recognised as per the terms of agreement.

4. Borrowing Costs:

Borrowing costs incurred for the acquisition of qualifying assets are recognised as a part of cost of such assets when it is considered probable that they will result in future economic benefits to the Company while other borrowing costs are expensed in the period in which they are incurred.

5. Fixed Assets:

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

The cost of fixed assets acquired on amalgamation have been determined at fair values as on the respective dates of amalgamation and as per the related Schemes of Arrangement and include taxes / duties thereof.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable value.

6. Investments:

Long term investments are carried at cost less provision made to recognise any decline, other than temporary, in the values of such investments. Current investments are carried at cost or net realisable value, whichever is lower.

7. Inventories:

Inventories are valued at lower of cost and net realisable value. Costs include freight, taxes, duties and appropriate production overheads and are generally ascertained on the First in First Out (FIFO) basis. Excise/Customs duty on stocks in bond is added to the cost. Due allowance is made for obsolete and slow moving items.

8. Foreign Currency Transactions:

- a) Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of such transactions.

All monetary items of foreign currency liabilities/ assets are restated at the rates ruling at the year end and all exchange gains/ losses arising therefrom are adjusted to the Profit and Loss Account.

Exchange difference on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

Significant Accounting Policies for the year ended March 31, 2010 (contd.)

Rs. in Thousands

- b) With retrospective effect from April 1, 2007 exchange differences on long term foreign currency monetary items (except for exchange differences on items forming part of the company's net investment in a non-integral foreign operation), are
 - (i) adjusted to the cost of the asset in so far as they relate to the acquisition of a depreciable asset;
 - (ii) accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the period of the related long term foreign currency monetary item but not beyond March 31, 2011.

9. Depreciation and amortisation:

Depreciation on fixed assets is provided on Straight Line Method based on the rates prescribed under Schedule XIV to the Companies Act, 1956 except as indicated below:

- a) Plant and Machinery are depreciated at the rate of 10.34%. Further, depreciation is provided at higher rates in respect of certain specific items of plant and machinery having lower useful life based on technical evaluation carried out by the management.
- b) Assets acquired on amalgamation (where original dates of acquisition are not readily available), are depreciated over the remaining useful life of the assets as certified by an expert.
Cost of Goodwill arising on amalgamation is amortised over a period of 5 years.
Cost of Leasehold Land is amortised over the period of lease.
Assets individually costing less than Rs.5 are depreciated fully in the year of purchase.

10. Employee Retirement benefits:

- (i) Defined-contribution plans:
Contributions to the Employees' Provident Fund, Superannuation Fund, Employees' State Insurance and Employees' Pension Scheme are as per statute and are recognised as expenses during the period in which the employees perform the services.
- (ii) Defined-benefit plans:
Liability towards gratuity is determined on actuarial valuation using the Projected Unit Credit Method at the balance sheet date. Actuarial Gains and Losses are recognised immediately in the Profit and Loss Account.
- (iii) Other long term employee benefits:
Liability towards leave encashment and compensated absences are recognised at the present value based on actuarial valuation at each balance sheet date.
- (iv) Short term employee benefits:
Undiscounted amount of liability towards earned leave, compensated absences, performance incentives etc. are recognised during the period when the employee renders the services.

11. Taxation:

Current tax is determined as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under Income Tax Act, 1961.

12. Earnings per share:

Annualised earnings/ (loss) per equity share (basic and diluted) is arrived at based on ratio of profit/ (loss) attributable to equity shareholders to the weighted average number of equity shares.

13. Impairment of Assets:

At each Balance Sheet date, the Company assesses whether there is any indication that assets may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognised in the accounts to the extent the carrying amount exceeds the recoverable amount.

14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

A disclosure for contingent liability is made where there is a possible obligation or present obligation that may probably not require an outflow of resources.

Notes on Consolidated Accounts for the year ended March 31, 2010

Rs. in Thousands

SCHEDULE 19

- The Consolidated Financial Statement (CFS) presents the consolidated accounts of United Breweries Limited (the Company) with its following Subsidiaries, Associates and Joint Venture ('UBL Group' or 'Group').

| Particulars | Ownership Percentage | | Country of Incorporation |
|--|----------------------|------|--------------------------|
| | 2010 | 2009 | |
| Name of the Subsidiary | | | |
| Associated Breweries & Distilleries Limited (ABDL) | 100 | 100 | India |
| Maltex Malsters Limited (MML) | 51 | 51 | India |
| Name of the Associate | | | |
| United East Bengal Football Team Private Limited (UEBFTPL) | 50 | 50 | India |
| Name of the Joint Venture (JV) | | | |
| Millennium Alcobev Private Limited (MAPL) | 50* | 50* | India |

*Of which 10% represents control exercised through the subsidiary ABDL.

- During the quarter ended June 30, 2008 the Company has raised Rs.4,248,854 through an issue of shares on rights basis (Rights Issue). The proceeds of the rights issue have been utilised in the following manner:
 - Rs.2,026,980 (2009: Rs.3,197,096) for repayment of cash credit/overdraft accounts and for additional working capital requirements.
 - Rs.1,731,874 (2009: Rs.501,500) for Capital Expenditure.
 - Pending utilisation the balance proceeds of Rs.490,000 (2009: Rs.550,258) have been invested in mutual funds.
- The Consolidated Financial Statements of Millennium Alcobev Private Limited (MAPL), represents consolidation of MAPL and its subsidiaries Empee Breweries Limited (EBL), United Millennium Breweries Limited (UMBL) and Millennium Beer Industries Limited (MBIL) as per Accounting Standard (AS) – 21.
- The group evaluates the carrying value of its Goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired for diminution, other than temporary. The group has currently reassessed the circumstances that could indicate the carrying amount of Goodwill may be impaired. As a consequence of such reassessment, the management believes that the expected revenues and earnings of the acquired entities are sustainable in the foreseeable future, and hence goodwill is not impaired.
- Acquisition of Maltex Malsters Limited:**

During the financial year ended March 31, 2008 the Company has acquired 22,950 equity shares of Rs.100 each in Maltex Malsters Limited for a consideration of Rs.450,000 which is based on an independent valuation, resulting in a goodwill of Rs.438,012 as detailed below.

| Particulars | Rs. | Rs. |
|--|--------|--------|
| Fixed Assets (Net book value) | | 23,983 |
| Deferred Tax Assets | | 2,587 |
| Current Assets | | |
| Sundry Debtors | 13,187 | |
| Cash & Bank Balances | 94 | |
| Loans & Advances | 11,567 | |
| | 24,848 | |
| Current Liabilities and Provision | | |
| Current Liabilities | 8,072 | |
| Provisions | 209 | |
| | 8,281 | |
| Net Current Asset | | 16,567 |
| Loans | | |
| Secured Loans | 18,932 | |
| Unsecured Loans | 700 | 19,632 |

Notes on Consolidated Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

| Particulars | Rs. | Rs. |
|---------------------------------------|-----|----------------|
| Net Worth as on March 31, 2008 | | 23,505 |
| UBL's Share - 51% | | 11,988 |
| Purchase Consideration | | 450,000 |
| Goodwill | | 438,012 |
| Minority Interest | | 11,517 |

6. Loan Funds:

| Particulars | 2010 | 2009 |
|---|-------------------|------------|
| Secured Loans | | |
| (a) Foreign Currency Loans Including Interest Accrued and due Rs.18,848 (2009: Rs.21,839) Loans repayable within one year – Rs.871,207 (2009: Rs.1,056,260) Foreign Currency Loans consist of External Commercial Borrowing (ECB) from BNP Paribas and Foreign Currency Loan from Axis Bank. ECB from BNP Paribas is secured by first charge on all moveable and immovable properties of the Company except Taloja plant. Foreign currency loan from Axis bank includes demand loan and term loan which are secured by first Charge on the Fixed Assets of a subsidiary of joint venture and current assets namely, Stock of Raw Material, Work In Progress & Finished Goods, Stores & Spares, Bills Receivable and Book Debts of the Company and covered by corporate guarantee issued by the Company. | 1,679,721 | 2,338,948 |
| (b) Term Loan from Bank [including interest accrued and due Rs.716 (2009: Rs.1,060)] Loan repayable within one year – Rs.84,250 (2009: Rs.84,250) Secured against charge on all movable and immovable fixed assets of Empee Breweries Limited and covered by a corporate guarantee issued by the Company. | 141,091 | 225,685 |
| Term Loan from Bank Secured by way of hypothecation of all plant and machineries lying at factory or elsewhere both present and future of MML, a subsidiary of the Company. | 5,571 | 12,296 |
| Term Loan from Bank Loan repayable within one year – Rs. 164,384 (2009: Rs.164,384) Secured by first charge on all moveable and immovable assets. | 493,151 | 657,534 |
| Term Loan from Bank Loan repayable within one year – Rs. 250,000 (2009: Rs.250,000) Secured by Pari-Passu charge on all moveable and immovable properties of the Company except Taloja plant. | 562,500 | 812,500 |
| (c) From Banks [including interest accrued and due Rs.5,053 (2009: Rs.5,321)] Amount repayable within one year – Rs.2,374,013 (2009: Rs.866,204) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company. | 2,374,013 | 866,204 |
| (d) From Others [including interest accrued and due Rs.Nil (2009: Rs.68,824)] | 605,108 | 564,924 |
| (e) From Rabo Finance India Private Limited Amounts repayable within one year – Rs.70,374 (2009: Rs.70,431) Secured by charge on all movable and immovable properties and current assets, both present and future of the MBIL (a subsidiary of the Joint Venture) and covered by a corporate guarantee issued by the Company. | 123,155 | 193,529 |
| Unsecured Loans | | |
| (i) Loans from Banks [including interest accrued and due Rs.Nil (2009: Rs. Nil)] Amount repayable within one year – Rs.Nil (2009: Rs.Nil) *Covered by personal guarantee of a Director of the Company. | 1,750,000* | 1,750,000* |
| (ii) From Others Amount repayable within one year – Rs. Nil (2009: Rs.Nil) | 227,195 | 227,195 |

Notes on Consolidated Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

7. Fixed Assets:

Buildings amounting to Rs.53,030 (2009: Rs.49,619) and Plant and Machinery amounting to Rs.502,517 (2009: Rs.473,319) are in premises not owned by the Group.

8. The Company does not own any brewing facility in Tamil Nadu, which is one of the major markets in India contributing about 18% of the Company's business. With an intention of ensuring supplies from Balaji Distilleries Limited (BDL), having brewing facilities in Tamil Nadu, the Company has entered into an agreement with the promoters of BDL to secure to the Company perpetual usage of the brewery owned by BDL, and has advanced an amount of Rs.1,550,000 to one of the Promoter Companies of BDL, acting for and on behalf of the other Promoters also.

Subsequently, the Boards of Directors of BDL and United Spirits Limited (USL) have considered and approved a proposal for merger of BDL into USL, which is subject to obtaining of the necessary regulatory approvals by both the Companies. The Company has obtained a commitment from USL that the arrangement with Promoters will be adhered to on completion of the proposed merger. The advance will be repaid upon the completion of the merger or in accordance with the terms of the related Agreement, whichever is earlier.

In June 2009, BDL has allotted 90,000 Equity Shares upon conversion of warrants to certain parties. These parties have entered into a supplemental agreement with the Company to the effect that they will be bound by the terms and conditions of the earlier agreement between the Company and the promoters of BDL.

9. Capital Commitments:

| Particulars | 2010 | 2009 |
|---|---------|---------|
| Estimated amount of Contracts remaining to be executed on capital account and not provided for. | 257,321 | 689,134 |

Share of joint venture:

| Particulars | 2010 | 2009 |
|---|-------|--------|
| Estimated amount of Contracts remaining to be executed on capital account and not provided for. | 8,896 | 46,348 |

10. Contingent Liabilities:

| Particulars | 2010 | 2009 |
|---|---------|---------|
| a) Sales Tax/other taxes demands under appeal* | 14,672 | 14,672 |
| b) Employee State Insurance Demand* | 265 | 265 |
| c) Demand towards Water charges under appeal* | — | 133,019 |
| d) Excise Duty/Customs Duty demands under appeal* | 36,709 | 36,709 |
| e) Income Tax demands under appeal | 188,844 | 82,262 |
| f) Service Tax demands under appeal* | 229,114 | 377,708 |
| g) Claims against the Company not acknowledged as debt* | 30,568 | 27,377 |
| h) Letter of Credit outstanding | 78,926 | 33,230 |
| i) Guarantees given by the company: | | |
| - on behalf of Subsidiaries of Joint Venture to third parties | | |
| Millennium Beer Industries Limited | 800,000 | 800,000 |
| United Millennium Breweries Limited | 600,000 | 600,000 |
| Empee Breweries Limited | 730,000 | 730,000 |
| - to third parties | 19,060 | 28,348 |
| j) Letter of undertaking to distributors towards countervailing duty for imports from Nepal | 38,500 | 38,500 |

Share of joint venture:

| Particulars | 2010 | 2009 |
|---|--------|--------|
| a) Sales Tax/other taxes demands under appeal [Amount paid under dispute Rs.223 (2009: Rs.22) and disclosed in loans and advances in Schedule 10] | 3,774 | 3,281 |
| b) ESIC / PF demands under appeal [Amount paid under dispute Rs.Nil (2009: Rs.53) and disclosed in loans and advances in Schedule 10] | 845 | 898 |
| c) Bank Guarantees given* | 10,155 | 5,855 |
| d) Demand towards Water charges under appeal* | — | 26,250 |

Notes on Consolidated Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

| | | | |
|----|--|--------|--------|
| e) | Interest for delayed payment of Interest Free Loans* | 1,169 | 4,829 |
| f) | Dividend on 1% Non Convertible Cumulative Redeemable Preference Shares | 27,750 | 18,500 |
| g) | Income Tax [#] | 5,055 | 22,028 |
| h) | Claims against the subsidiaries of the joint venture not acknowledged as debt [Amount paid under dispute Rs.78 (2009: Rs.78) and disclosed in loans and advances in Schedule 10] | 5,877 | 6,107 |

[#] Net of deposit under appeal – Rs.3,789 (2009: Rs.1,018)

* In the opinion of the management, the above demands / claims are not sustainable in law and accordingly no provision has been made in the accounts.

11. Operating Lease:

The Group has entered into leasing arrangements for vehicles, computer, equipments, office premises and residential premises that are renewable on a periodic basis, and cancelable/non-cancelable in nature. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months, except in the case of certain leases where there is a lock-in period of 11 to 26 months.

| Particulars | 2010 | 2009 |
|---|---------------|---------------|
| Lease payments during the year including Minimum lease payments Rs. 4,999 (2009: Rs.4,999) on non-cancellable leases. | 79,594 | 75,134 |
| At the balance sheet date, future minimum lease rentals under non-cancellable operating leases are as under: | | |
| Not later than one year | 17,518 | 28,288 |
| One to five years | 15,374 | 12,887 |
| Total | 32,892 | 41,175 |

12. Accounting for Taxes on Income:

Deferred Tax - The net deferred tax liability amounting to Rs. 236,114 (2009: Rs.175,963) has been arrived as follows:

| Particulars | 2010 | 2009 |
|---|----------------|----------------|
| Deferred Tax Liability arising from: | | |
| Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return | 263,445 | 212,987 |
| Less: | | |
| Deferred tax asset arising from: | | |
| Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act, 1961 | 25,500 | 18,528 |
| Provision for Doubtful Debts | 22,141 | 21,783 |
| | 215,804 | 172,676 |
| Share of Joint venture | 20,310 | 3,287 |
| Net deferred tax liability | 236,114 | 175,963 |
| Movement during the year | (60,151) | (88,248) |
| Net Deferred tax (charged off) / written back in the profit and loss account | (60,151) | (88,248) |

The tax impact for the above purpose has been arrived by applying a tax rate of 33.22% (2009: 33.99%) being the substantively enacted tax rate for Indian Companies under the Income Tax Act, 1961.

No deferred tax asset has been recognised, in case of loss making Joint Venture / subsidiaries, in the absence of virtual certainty of future profits as per the explanation provided in Accounting Standard 22 notified under the Companies (Accounting Standards) Rules, 2006.

13. Related Party Disclosures:

A. Name of the related parties:

(1) In Associates

United East Bengal Football Team Private Limited (UEBFTPL)

(2) Entity which has significant influence

Scottish & Newcastle India Limited (SNIL)

Notes on Consolidated Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

- (3) **Others:**
- (a) Scottish & Newcastle Plc, (S & N), Holding Company of SNIL
 - (b) Scottish & Newcastle UK Limited (SNUK), Fellow Subsidiary of SNIL
 - (c) Scottish & Newcastle India Private Limited (SNIPL), Fellow Subsidiary of SNIL
- (4) **Key Management Personnel (KMP):**
- Mr. Kalyan Ganguly
 - Mr. Guido de Boer (Part of the year)
- (5) **Relative of Key Management Personnel:**
- Mrs. Suparna Bakshi Ganguly (Wife of Mr. Kalyan Ganguly)

B. Transactions with related parties during the year:

| Particulars | UEBFTPL | | KMP | |
|---|---------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Sponsorships and Other Payments | 52,042 | 56,767 | — | — |
| Finance(including loan in cash or kind) | 52,034 | 50,248 | — | — |
| Remuneration to Directors* | — | — | 41,035 | 34,354 |
| Amount Due From/(To) | (26) | (18) | — | — |

* Kalyan Ganguly: Rs.34,266 (2009: Rs.34,354) [Including payment to relative of KMP and a firm in which such relative is a partner - Rs.Nil (2009: Rs.2,883)].

Guido de Boer: Rs.6,769 (2009: Rs.Nil)

Figures in bracket indicate amounts received.

C. Transactions with S & N Group

i. Transaction with S & N

Management Fees

Rs.45,000 (2009: Rs.Nil)

ii. Transactions with SNUK

Interest on ECB

Rs.Nil (2009: Rs.17,852)

Purchase of Raw Material

Rs.123 (2009: Rs.186)

iii. Transactions with SNIL

Balance of Preference Share Capital

Rs.2,469,000 (2009: Rs.2,469,000)

Dividend on above

Rs.74,070 (2009: Rs.74,070)

Interim Dividend on Equity Shares

Rs.Nil (2009: Rs.13,499)

Final Dividend on Equity Shares

Rs.13,499 (2009: Rs.Nil)

14. Earnings Per Share:

| Particulars | 2010 | 2009 |
|--|-------------|-------------|
| a) Profit after taxation as per profit and loss account | 896,376 | 455,792 |
| b) Less: Preference Dividend (including dividend distribution tax thereon) | 86,658 | 86,658 |
| c) Net Profit attributable to equity shareholders | 809,718 | 369,134 |
| d) Weighted average number of equity shares outstanding (Face value of Re.1 per share) | 240,048,255 | 234,589,624 |
| e) Earnings per share (Basic / Diluted) | 3.37 | 1.57 |

15. Details of Dividend:

| Particulars | 2010 | 2009 |
|--|----------------|----------------|
| Dividend payable on Preference Share Capital @3% | 74,070 | 74,070 |
| Dividend Distribution tax payable on above | 12,588 | 12,588 |
| Interim Dividend paid on Equity Shares @15% | — | 36,007 |
| Dividend Distribution tax paid on above | — | 6,120 |
| Final Dividend payable on Equity Shares @36% (2009: 15%) | 86,417 | 36,007 |
| Dividend Distribution tax payable on above | 14,353 | 6,120 |
| Total | 187,428 | 170,912 |

Notes on Consolidated Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

16. Segmental Reporting:

The Group is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment. The Group operates only in India. Accordingly, primary and secondary reporting disclosures for business and geographical segment as envisaged in AS-17 are not applicable to the Group.

17. (i) Disclosures envisaged in AS 15 in respect of gratuity are given below:

| | Particulars | 2010 | 2009 | 2008 |
|-----------|--|----------------------|----------------|----------------|
| A) | Reconciliation of opening and closing balances of the present value of the defined benefit obligation | | | |
| | Obligations at the beginning of the year | 157,316 | 144,890 | 118,048 |
| | Add: Transitional Obligation | — | — | 101 |
| | Add: Current Service cost | 9,902 | 14,268 | 43,745 |
| | Add: Interest cost | 11,985 | 9,691 | 9,349 |
| | Add: Actuarial (gains)/losses | (500) | (696) | (333) |
| | (Less): Benefits paid during the year | (12,646) | (10,837) | (26,020) |
| | Obligations at the end of the year | 166,057 | 157,316 | 144,890 |
| B) | Reconciliation of opening and closing balances of the fair value of plan assets | | | |
| | Fair Value of Plan assets at the beginning of the year | 135,218 | 138,650 | 117,753 |
| | Add: Expected Return on Plan Assets | 10,337 | 10,824 | 9,425 |
| | Add: Actuarial Gain | (1,490) | (7,776) | 10,738 |
| | Add: Contributions | 25,501 | 4,683 | 26,754 |
| | (Less): Benefits Paid | (12,646) | (11,163) | (26,020) |
| | Fair Value of Plan assets at the end of the year | 156,920 | 135,218 | 138,650 |
| C) | Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the balance sheet: | | | |
| | Present Value of Obligation as at March 31, 2010 | 166,057 | 157,316 | 144,890 |
| | (Less): Fair Value of Plan Assets as at March 31, 2010 | 156,920 | 135,218 | 138,650 |
| | Amount recognised in the Balance Sheet | 9,137 | 22,098 | 6,240 |
| D) | Expenses recognised in Profit and Loss account under "Employee Cost" in Schedule 15 | | | |
| | Current service cost | 9,902 | 14,268 | 43,745 |
| | Add: Interest cost | 11,985 | 9,691 | 9,349 |
| | (Less): Expected Return on Plan Assets | (10,337) | (10,824) | (9,425) |
| | Prior period adjustment | — | — | (23,739) |
| | Add: Actuarial (gains) / losses | 990 | 6,493 | 6,256 |
| | Net Gratuity Cost | 12,540 | 19,628 | 26,186 |
| E) | Investment details of plan assets | | | |
| | Plan assets are invested in Government Securities, Private Sector Bonds, Managed Funds and others. | | | |
| | Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the return. | | | |
| F) | Actual return on plan assets | 12,760 | 7,269 | 24,077 |
| G) | Assumptions | | | |
| | Discount rate per annum | 8.00% | 7.00% | 8.00% |
| | Interest rate per annum | 8.00% | 7.00% | 8.00% |
| | Expected return on plan assets | 8.00% | 7.00 to 8.00% | 8.00% |
| | Expected salary increase per annum | 5.00 to 6.00% | 5.00 to 6.00 % | 5.00% |
| | Attrition Rate | 1.00% | 1.00% | 1.00% |
| | Retirement Age | 58 | 58 | 58 |
| | Mortality rate - LIC (94-96) Ultimate Mortality Table | | | |
| | The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. | | | |

Notes on Consolidated Accounts for the year ended March 31, 2010 (contd.)

Rs. in Thousands

| | Particulars | 2010 | 2009 | 2008 |
|------|---|---------------|--------|--------|
| (ii) | Contribution to Provident and Other Funds under Manufacturing and Other Expenses (Schedule 15) includes Rs.51,589 (2009: Rs.41,583) being expenses debited under the following defined contribution plans: | | | |
| | Provident Fund | 38,671 | 30,370 | 29,737 |
| | Superannuation | 12,918 | 11,213 | 21,111 |

18. (i) Pursuant to notification dated March 31, 2009 issued by the Ministry of Corporate Affairs, the Group, with retrospective effect from April 1, 2007 changed its accounting policy in respect of exchange differences on long term foreign currency monetary items, with the exception of exchange differences on items forming part of the Group's net investment in a non-integral foreign operation. Consequently, the Group has accounted for unrealised exchange losses as given below:
- (a) Unrealised foreign exchange loss amounting to Rs.5,080 (2008: Rs.Nil) recognised in the profit and loss account during the year ended March 31, 2008 has been transferred to the Foreign Currency Monetary Item Translation Difference Account (FCMITDA) by adjusting the opening balance of the profit and loss account. Rs.10,864 (2009: Rs.2,032) being charge for the current year is recognised in the profit and loss account under Interest and Finance Charges (Schedule 17). Balance amount of Rs.10,864 (2008: Rs. 3,048) is retained in the FCMITDA as at the year end.
- (b) Unrealised foreign exchange gain/(losses) as of March 31, 2010 amounting to Rs.19,064 [2009: Rs.(56,616)] is transferred to FCMITDA. Rs.9,532 [2009: Rs.(20,904)] being gain for the current year is recognised in the profit and loss account under Interest and Finance Charges (Schedule 17). Balance amount of Rs.9,532 [2009: Rs.(37,744)] is retained in the FCMITDA as at the year end.
- (ii) Had the Group not opted to apply the aforesaid notification, consolidate profit for the year would have been higher by Rs. 9,532 [2009: Rs.(37,744)], having consequential impact on the net worth of the Group.
19. All amounts disclosed in Notes to Account and other Schedules are in Rs. 000 except for:
- i) Number of Shares in Notes on Schedule 1, and in Note 14.
- ii) Basic and Diluted EPS in the Profit and Loss Account and in Note 14.
20. The previous year's figures have been regrouped to conform to current year's classification.

For **Price Waterhouse**
 Firm Registration Number: 007568 S
 Chartered Accountants

J. Majumdar
 Partner
 Membership No. F51912

Bangalore, July 21, 2010

Kalyan Ganguly
 Managing Director

Govind Iyengar
 Company Secretary

Bangalore, July 21, 2010

Guido de Boer
 Director & CFO



UNITED BREWERIES LIMITED