

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, 2008.

FINANCIAL RESULTS

Your Company's financial performance for the year ended March 31, 2008 is summarised below:

(Rupees in Million)

Particulars	2007-2008	2006-2007
Net Turnover.....	13948.6	10748.7
Profit before Interest & Depreciation.....	1972.7	1615.1
Interest.....	428.2	279.8
Depreciation.....	612.3	385.4
Profit before non recurring items.....	932.1	949.9
Non recurring items.....	—	—
Profit before Taxation.....	932.1	949.9
Provision for Taxation.....	(307.4)	(299.0)
Profit after Tax available for appropriations.....	624.7	650.9
Appropriation		
Dividend on Equity Shares (including Taxes thereon)		
Interim dividend paid.....	—	36.9
Final dividend proposed.....	—	25.3
Dividend on preference shares paid (including Taxes thereon).....	86.7	84.5
Balance your Directors propose to carry to the Balance Sheet.....	538.1	434.2

DIVIDEND

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.

In order to utilise available Profits during the year under review for creating additional capacities and technology up-gradation, your Directors consider it prudent to skip Equity dividend for the year.

"RIGHTS" ISSUE OF EQUITY SHARES

In the recently concluded "Rights" issue, your Company offered 24004825 Equity Shares of Re.1 each at a price of Rs.177 aggregating to Rs. 4,248.85 million. The Issue received a satisfactory response from investors and was over subscribed by 7%. Your Directors appreciate the confidence reaffirmed by the investors in the Company.

CAPITAL

During the year under review, the Authorised Share Capital of the Company remained unchanged at Rs.2,800 million comprising of 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, 2008 stood at Rs.2,685 million comprising of Rs.216 million (Re.1 each) Equity Share Capital and Rs. 2,469 million Cumulative Redeemable Preference Shares.

Consequent upon issue of Equity Shares on "Rights" basis, the Issued, Subscribed and Paid-up Equity Share Capital of your Company stands increased to Rs.240 million comprising of 24004825 Equity Shares of Re.1 each effective June 13, 2008.

CHANGE IN CONTROL OVER SCOTTISH & NEWCASTLE PLC.

Upon the Scheme of Arrangement for acquisition of Scottish & Newcastle Plc. (S&N) by Sunrise Acquisitions Limited (SAL), a Company jointly owned by Carlsberg A/S and Heineken, becoming effective in accordance with its terms, the entire Equity Shares of S&N were acquired by SAL. Through Scottish & Newcastle India Limited, SAL now exercises control over 37.5% Equity stake in your Company.

Report of the Directors (contd.)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The Indian Beer Industry is estimated to be around 155 million cases this year growing at a Compound Annual Growth Rate (CAGR) of 19% (3 Year CAGR). Exceptionally, in 2006-2007 the Beer industry witnessed an unprecedented growth of 30%. During the year under review, the industry grew 12% on account of some policy reversals and increase in end consumer prices. The Strong Beer segment continues to dominate the market with a salience of 70%.

The growth of the Industry is driven by a progressive economy with favourable demographics, higher disposable incomes, increasing exposure to Western lifestyles and higher consumer spends. The social habits among people in India are undergoing a transformation with a relaxed attitude towards consumption of alcohol, especially beer. Canned Beer in social gatherings is becoming more popular. Also, liberalisation in some States, including deregulation and increased retailing opportunities through supermarkets, malls, etc. has increased access to beer and resulted in higher sales volumes. Despite impressive growth over past few years, the per capita consumption of Beer in India remains much lower when compared to other countries and provides a huge opportunity in coming years.

Each State has its own Excise & tax structures, levies, rules & regulations regarding licensing fees and labelling requirements. This restricts the manufacturers from free inter State trade with consequential higher cost of production and transportation. For instance, Tamil Nadu does not allow sale of alcoholic beverages manufactured in other states, while there is prohibition in various other States like Gujarat, Mizoram and Nagaland. Further, restrictions on advertising of alcoholic products, manufacturing capacities, distribution, retail and pricing make it a complex operating environment and a challenge to the industry.

Encouraged by high growth potential in the market and progressive liberalisation of policies by the Government of India, allowing 100% FDI in the activities relating to manufacturing of alcoholic beverages, a number of International Breweries have made substantial investments in the Indian Beer industry.

OPERATIONS

Despite structural changes in North Indian markets, price control in key Southern markets of Kerala and Andhra Pradesh, challenges in the form of increased input cost and increasing competition from foreign brands, all of which have impacted the industry, your company has managed to maintain both its dominant leadership position as well as profit margin.

Over the past 3 years your Company has grown at an average of about 18% (3 year CAGR) and in 2007-08 has grown in line with the industry. This growth has been largely driven by the Strong segment which grew at an average of 26% (3 Year CAGR) and 19% in 2007-08. The combined sales of all brands of your Company during 2007-2008 crossed over 75 million cases.

The flagship brands of the company, "Kingfisher Strong" recorded an excellent growth of 24% over previous year while "Kingfisher Lager" grew by 5%. Canned Beer continues to grow its popularity amongst consumers as the volumes grew 50% over the previous year.

Your company launched an innovative new product, Kingfisher Draught beer in 500 ml can in the key markets of the Country. The Kingfisher Draught 500 ml can has been well received by the consumers and is in much demand.

Innovative promotions continue in your Company's brand building effort. Your company partnered with NDTV to launch the NDTV Good times channel to reinforce the Lifestyle platform and leverage competitive advantage. Your Company also continues its association with sponsoring events like the Kingfisher Derby, Corporate Football, Hockey and Fashion shows.

Structural changes in Uttar Pradesh from an auction market to a Government regulated market has resulted in increase in consumer price and reduction in volumes. Both these factors i.e., fall in volumes and the need to pass on the effect of price increase with a significant portion of our existing margin to the State Government have impacted your Company's performance in this market.

SALES

Your Company continues its leadership of the Indian beer industry. Your Company and its Associates control around 48% share of the Indian beer market. Your Company and its Associates control over 64% of the Mild beer segment and over 40% of the Strong beer segment, thereby dominating both the segments in the country.

The sales volume of Kingfisher Strong beer exceeded 32 million cases and Kingfisher Premium Lager beer exceeded 25 million cases during the period under review. The stand alone sales volumes of your Company crossed 63 million Cases (75.4 million

Report of the Directors (contd.)

cases combined) recording a turnover of Rs.13,948.6 million as compared to a volume of 54.2 million Cases (66.1 million cases combined) and a turnover of Rs.10,748.7 million as on March 31, 2008 reflecting a growth of 30%.

Having regard to consumer choice and variety of products in demand your Company launched a new range of value added products in key performing markets. Kingfisher Draught 500 ml can was launched in Mumbai, Pune and Bangalore. Kingfisher Strong 330ml bottle Beer was launched in Bangalore.

MANUFACTURING EXPENSES

The manufacturing expenses during the period under review stood at 50.70% of the net sales as compared to 49.81% of the net sales in the previous year. The increase in prices of key input materials, in particular malt, which is the key raw material and bottles, which is a predominant packaging material have been contributing to the increase in manufacturing cost and have adversely affected the profit margin of your Company by 3% over the previous year. The shortage of hops is affecting Beer manufacturers worldwide. UBL has forward-contracted for the next 3 years a large proportion of its Hops requirement, to ensure that this does not affect production. In addition, an increase in the salience of strong Beer and Can SKUs has further added to the cost base. The impact of such increases in raw materials is expected to continue in the short term, due to high barley and furnace oil costs. Your Company is making efforts to contain the abnormal price rise of barley and bottles. Several breweries are also planning to install solid-fuel boilers to replace use of furnace oil. The endeavour of your Company is to minimise the manufacturing expenses thereby increasing the profitability and shareholders return. Increased input cost particularly in respect of barley, hops, glass and energy has been neutralised through improved manufacturing efficiencies and technology up-gradation such as change over from oil fired boilers to biomass boilers in six breweries.

PERSONNEL AND OTHER OPERATING EXPENSES

Personnel expenses of your Company stood at Rs.774 million as compared to Rs.668 million in the previous year. This constituted 5.55% of the net sales as against 6.21% of the net sales in the previous year. Other operating expenses amounted to Rs.1,019.23 million constituting 7.30% 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 23.2% of net sales on selling and brand promotion exercise when compared to 23.33% of net sales in the previous year. Innovative promotion has not only enhanced the Brand image, but has also ensured recall of your Company's brands. Kingfisher continues to remain the favoured brand among consumers.

As an innovative brand promotion initiative, your Company has entered into a relationship with NDTV. The "NDTV Good Times Channel" was launched in September last year and is already a top ranked Channel in its category. Your Company continues to build all its brands especially, brand Kingfisher, to strengthen its favoured position amongst the consumers.

Through a partnership with a world leading company that operates food & beverage outlets at airports around the world, your Company has opened an exclusive Kingfisher Sports Bar at the recently opened Bangalore International Airport. We are in advanced stage of discussions with another leading group that operates such outlets in India to open more Kingfisher Sports Bars across the country.

Your Company's association with sports continues. In addition to the Mumbai Marathon and the Delhi Half Marathon, Kingfisher was also associated with the inaugural Bangalore 10K Race. All these events were hugely popular and received tremendous media coverage and Kingfisher was able to extract substantial benefits.

Through our association with the inaugural Indian Premier League of cricket which caught the imagination of the entire nation, your Company has leveraged Kingfisher in a huge manner. Kingfisher was the only brand that had an exclusive relationship with five IPL teams, viz. Bangalore Royal Challengers, Delhi Dare Devils, Mumbai Indians, Deccan Chargers & Rajasthan Royals which was the eventual winner of the first edition of the Indian Premier League.

Kingfisher continues its association with music events which resonate with the youth of this country. Voice of Goa, Bangla Rock and Kerala Rocks are the leading talent hunt competitions that have been started by Kingfisher and over the years have grown from strength to strength. Your Company also organised the Great Indian Oktober Fest in Bangalore for the third consecutive year. This time, more than 40,000 people visited the venue.

This year's edition of the eagerly awaited Kingfisher Swimsuit Calendar did not disappoint either. As in the past, your Company received wide media coverage during the launch of the Swimsuit Calendar. Your Company recognises that the youth of this country spend more and more time on the internet and keeping this trend in mind, the Kingfisherworld.com web site has been completely redesigned to reflect the style, glamour and fun values of the Kingfisher brand.

Report of the Directors (contd.)

Moreover, your Company has significantly benefitted by its association with Kingfisher Airlines which has established itself as Indian's premier airline.

PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION (PBITD)

PBITD for the year under review stood at Rs.1,972 million as compared to Rs.1,615 million in the previous year reflecting an increase of 22.1%. This increase in PBITD is on account of increased volumes from creation of capacities in critical markets.

INTEREST AND DEPRECIATION

Interest paid during the year amounted to Rs. 428.2 million as against Rs.279.8 million in the previous year. Long term funding to support expansion programme over a period of 2 years has resulted in the increase in interest costs. Depreciation for the year was Rs.612.3 million as compared to Rs.385.4 million in the previous year, the increase due to the investment in new capacity at existing breweries, and the depreciation on amalgamation of Karnataka Breweries and Distilleries Private Limited (KBDL) and Greenfield Projects at Rajasthan and Orissa. Goodwill arising out of amalgamation of KBDL, London Pilsner Breweries Private Limited and London Draft Pubs Private Limited amounting Rs.623.9 million is amortised over a period of 5 years. The amortisation charge for the year is Rs.124.6 million which is included in this block.

PROFIT BEFORE AND AFTER TAXATION

The Profit Before Taxation for the year stood at Rs.932.1 million as compared to Rs.950 million in the previous year. Higher depreciation & amortisation, and increase in interest cost have resulted in lower profits. The Profit After Taxation stood at Rs.624.7 million as against Rs.650.9 million in the previous year.

PROSPECTS

The industry having crossed the 155 Million Cases mark, it is expected that the growth for 2008-2009 will be in line with the growth of the preceding years. The current dominance of Strong beer segment is expected to continue.

With the Global markets experiencing stagnation, the focus of Global majors is now on India which has attractive demographic landscape, sound economic growth with a consequent rise in GDP, and a young population with more liberal views towards alcohol.

Your Company sees bright prospects in low alcohol, flavoured Beer segment in addition to a balanced portfolio of Mild and Strong Beer. The demand for premium Beer is expected to increase on the back of further deregulation in terms of retailing and growth of super market where Beer is allowed to be sold.

Harmonisation of tax structure across States and change in the present system of taxation wherein tax incidences based on alcohol content rather than on the advalorem basis will go a long way in improving the Beer market.

Having regard to the need for increased capacity commensurate with growth, your Company has embarked upon capacity expansion at 8 manufacturing locations. Capacity expansion across the country covering the key markets will enhance the capacity of these units by 14.75 lac HL beer per annum.

Your Company is also setting up two new Greenfield breweries, located at Mallepally in Andhra Pradesh and Nanjangud in Karnataka, the cost of which will be met out of the proceeds of the "Rights" Issue.

ENVIRONMENT & SOCIAL INITIATIVE

Community Development and Environmental Safety form an integral part of your Company's corporate philosophy. It has thus been included in the organisation's Balanced Scorecard. With this overall objective, your Company has identified Primary Health, Primary Education and Water as the focus areas as it believes these are the building blocks that will enable us to build a better tomorrow.

Your Company has undertaken the Green House Abatement Project at various locations under the Clean Development Mechanism. In the light of increased fuel oil prices your Company has been making investments in biomass boilers which use agricultural waste for fuel, in order to generate steam. In addition to reducing energy costs, this also reduces greenhouse emissions. Biomass boilers have been commissioned in six breweries, with six more planned for installation in 2008-09.

Rain water harvesting has been implemented at 2 more locations, Rajasthan and Mangalore. Your Company's Palakkad Unit has been awarded the first prize in "Environment Protection and Pollution control" by the Kerala State Pollution Control Board consecutively for the second year. The rain water harvesting project initiated by Palakkad Unit at a nearby village has addressed the perpetual problem of scarcity in drinking water to the farming community. This has ensured the open well is adequately recharged and addresses the drinking water needs of 50 families in the village.

Further, the waste water recycling system and R O Plants installed at Taloja and Hyderabad Units have reduced water consumption by 15%. The water consumption in process has reduced from 9 KL / KL of Beer to 7 KL / KL of Beer.

Report of the Directors (contd.)

All the Factory Heads of our Breweries liaise with the local authorities and communities where we operate and have initiated activities in the area of Community Development. The initiatives include adoption of primary schools in Ludhiana, Dharuhera and Kalyani, setting up of Primary health centre in Goa, weekly and fortnightly medical camps at Chopanki and Kalyani units as well as conducting eye camps across units. These activities have been conducted in order to address the primary healthcare and education needs of the villages in the vicinity of breweries. The Breweries have also provided drinking water facilities in Bangalore and Srikakulam.

Your Company's team regularly interact with the local communities to monitor the progress of the initiatives and also customise the initiatives to serve their needs better.

INTERNAL CONTROL SYSTEM

Your Company has in place an established system of internal controls to ensure that assets are safeguarded and transactions are appropriately authorised, recorded and correctly 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, as well as 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 practice and to ensure total corporate governance, your Company has implemented risk assessment, control self assessment and legal compliance management. These have been updated during the year under review.

The internal control system evaluates adequacy of segregation of duties, reliability of management information systems, including controls in the area of authorisation procedures and steps for safeguarding assets. Planned periodic reviews are carried out for identification of control deficiencies, if any, opportunities for bridging gaps with best practices and formalisation of action plans to minimise risk.

Your Company believes that the overall internal control system is dynamic, reflecting the current requirements at all times and hence it is ensured 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

The demographic opportunity in India having a population of over 1.2 billion people with a high proportion of youth provides a major attraction to Beer manufacturers. The Indian Beer market is very small with an annual per capita consumption of only 1 litre and is one of the most promising growth markets in the World.

Whilst the entry of new players and the subsequent investment in the Beer industry will help to sustain the growth of the Industry, and provide the consumer with more choice, their entry presents itself as a challenge to the indigenous players. Entry of internationally acclaimed Beer brands may pose a challenge before your Company to maintain its market share and also to increase its market share.

We remain confident that our flagship brand Kingfisher, can continue its market leadership position for years to come, and grow its brand equity with our continuing investment behind the brand. Further, the strong presence that your Company has in the industry through its brewing and distribution network and brand equity your Company enjoys will leverage in containing competition. The unique advantage of Brand Equity from Kingfisher Airlines and the lock on distribution along with United Spirits Limited with whom the Company shares network cannot be replicated.

Your company has launched Wine under the brand "Kingfisher Bohemia" in the current year. With a per capita Wine consumption of 9 ml. only there is enormous potential in this segment to be tapped and we have introduced the brand timely. We also have in pipeline innovative new products to be launched during the current financial year. This will ensure we continue to provide the consumer with exciting product variants.

In order to ensure sustainable growth in line with Industry growth continuous Capital investment is being made in a phased manner to expand our manufacturing facilities, modernise, improve efficiencies and introduce new technologies to ensure our products are of the highest international standard.

RISKS AND CONCERNS

Though some markets are opening up, excessive regulation in licensing, extensions of Government intervention in the areas of distribution, price restriction and stringent rules of advertising remain. A significant change in the Government liberalisation and deregulation policies could affect business and economic conditions in India and the business of your company in particular.

Report of the Directors (contd.)

Beer continues to be taxed at higher levels than comparable forms of alcohol, which is irrational. In most parts of the World, levy on spirits is higher but the reverse is true in India. Alcohol specific taxes constitute about 50% of the end consumer price which is among the highest in the World. This continues to be a key concern for the industry.

Higher prices of key raw materials like Malt, Hops and Barley and short supply of the materials have a significant impact on the profitability. Your Company has been containing this risk of increase in raw material cost by entering into long term arrangements for sourcing of vital inputs. There has been a continuing review of the long term strategy for the supply of barley, and your Company has extended its own contract farming initiatives in the State of Punjab, in addition to entering into a long term agreement with a few Companies. As a step towards backward integration, your Company has acquired 51% Equity stake in Maltex Malsters Limited, which is engaged in manufacture of Malt.

Distribution infrastructure is inadequate in India which is another cause of concern.

With multinational Beer majors introducing their brands in the market, competition is increasing. This coupled with the value eroding posture of new players by way of heavy discounts, etc., have reduced the profitability of the overall industry. Your Company has a dynamic marketing strategy to continue to enhance brand equity and sustain leadership.

HUMAN RESOURCES

Your Company's Human Resource Strategy is centered on the belief that it is the people who are the core of the organisation and provide the competitive strength required to maintain its market leadership. Your Company is committed to build an organisation that is proactive, customer centric and market driven and its endeavour has been to attract, develop and retain the best talent available. The human resources systems and processes are aligned to meet this objective. Over the years the organisation has been able to build an open, transparent and supportive culture that motivates employees to deliver superior level of performance. Compensation surveys and competency assessment exercises have been undertaken in order to mitigate people-related risks. As a result of these initiatives, the compensation levels have now been benchmarked with comparable organisations in the industry and the competency assessment has enabled us to promote people from within to take on higher responsibilities. Training and Development continues to be an important area of focus for increasing the competency levels in the organisation to strengthen its functional and leadership foundations.

The Industrial Relations climate remained cordial during the year and this has resulted in higher productivity and better quality. Your Company is committed to maintaining harmonious relations through collaboration and partnership.

Your Company employee strength stands at 2006 permanent employees. Your Directors record their sincere appreciation for their commitment, dedication and efforts.

SUBSIDIARY COMPANIES

During the year under review, your Company has acquired 51% shareholding in Maltex Malsters Limited and consequently Maltex Malsters Limited became a Subsidiary of your Company.

Associated Breweries & Distilleries Limited remains a wholly owned Subsidiary of your Company.

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account, Report of the Directors and Auditors are attached.

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.

DIRECTORS

There has been no change in the Directors of your Company during the year under review. Mr. A K Ravi Nedungadi and Mr. C L Jain retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mrs. Lesley Jackson resigned from the Board effective June 22, 2008.

Report of the Directors (contd.)

AUDITORS

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

AUDITORS' REPORT

With respect to the observations made by the Auditors in the Audit Report, your Directors state as under:

The investment in Millennium Alcobev Private Limited, the Joint Venture is strategic in nature and its diminution in value is temporary in nature.

LISTING REQUIREMENTS

Your Company's Equity Shares are listed at Bangalore, Mumbai, Ahmedabad, Cochin, Hyderabad, Kolkata, Ludhiana, Madras and New Delhi Stock Exchanges. The listing fees have been paid to all the Stock Exchanges for the year 2008-2009. The enhanced Capital arising out of the "Rights" Issue is also listed and the Company has complied with all requirements of the Listing Agreements. For trading convenience of investors, your Company has got its Equity Shares listed at the National Stock Exchange of India Limited (NSE) also.

In view of negligible / no trading on other Exchanges where listed and availability of nation wide trading through terminals of Bombay Stock Exchange Limited & NSE, your Company has decided to opt out of all Exchanges except Bombay, Bangalore and NSE subject to regulatory compliance.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2008 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, risk assessment partners 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 25, 2008

A K Ravi Nedungadi
Director

Kalyan Ganguly
Managing Director

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:

(a) Electrical Energy:

Focus on optimal work in process during the off season has reduced refrigeration load and consequently saved on energy consumption.

The Company has installed and successfully commissioned Vapor Absorption machines at Kalyani, and Ludhiana units of the Company which will ensure savings of 7 to 8 units of power per KL of beer production.

Reynolds two stage chilling system commissioned in Mangalore has ensured further reduction in refrigeration load.

Soft starters for all new purchases of over 100 HP motors & compressors in refrigeration in Mangalore, Goa, Nelamangala, Palakkad and Mumbai units has reduced the peak demand load in the brewery.

(b) Fuel Oil Consumption:

The Company has installed Hot water generator from ETP gas at Mangalore to supply hot feed water to Boiler.

After successful implementation of alternate fuel boiler at Ludhiana, West Bengal and Andhra Pradesh – alternate fuel boilers installation are under progress at Palakkad, Mangalore, Khurda, Nelamangala, Chennai and Mumbai units.

(c) Water Conservation:

Recycling of effluent treated water with programmable logic control operated reverse osmosis plant successfully commissioned at Hyderabad unit. Similar equipment is being installed at Nelamangala unit to ensure water conservation.

Washing machine water recycling has also been successfully commissioned in our Taloja, Chopanki, Chennai, Nelamangala and Mangalore units and shall be implemented in due course at other units.

Rainwater harvesting initiative is being undertaken at other units in a phased manner to save the natural resource water and enhance ground water table.

B. Technology Absorption

Latest technology in fillers for beer filling has been implemented at Palakkad unit. This replaces the mechanical filling valves by electro pneumatic filling valves resulting in improved quality, reduced wastages and higher productivities on the line. Such filler is also being installed at Taloja unit.

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 will also be launching shortly a flavoured beer in the market by utilising the technology developed by our R&D department.

D. Foreign Exchange Inflow and Outflow

Foreign Exchange earned : Rs. 5.53 million

Foreign Exchange used : Rs. 771.78 million

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	Kalyan Ganguly	57	1-Feb-79	23861911	Managing Director	B.A. (Hons.) PGDBM(XLRI)	35	EVP - Marketing & Sales McDowell & Co., Ltd.,
2	Shekhar Ramamurthy	47	15-May-89	11537513	Dy. President	B. Tech. (Civil); PGDM (IIM - Kolkata)	21	General Manager – Marketing, Herbertsons Ltd., Mumbai
3	Cedric Vaz	50	15-May-06	6629305	EVP – Manufacturing	B.Tech. (Mech) (IIT - KANPUR)	26	General Manager – Operations, Cadbury India Ltd
4	Lesley Jackson*	44	13-Jun-05	5641590	C F O	BA (Hons) ACA, MBA, FCA	23	Finance Director & Systems Director Scottish & New Castle PLC (UK Business)

Annexure to Directors' Report (contd.)

Sl. No.	Name	Age	Date of Joining	Total Remuneration	Designation	Educational Qualifications	Experience in Years	Previous Employment
5	J Noronha	53	15-Jul-91	5670021	SVP – Human Resources Development	B.Com. (Hons.); PGDPM & IR (XLRI)	28	Personnel Manager - The Oberoi Bogmalo Beach, Goa
6	Perry Goes	43	14-Jun-04	5088632	DVP – Strategic Planning & Business Analysis	B.E. (Mech), PGDBM (Marktg-Fin & HR) (Goa Inst. of Mgmt.)	21	Group Leader for Business Analytics - Honeywell Technologies Solutions Labs
7	Sudhir Jain	48	15-Jan-04	2996303	DVP – Operations – South & West	B.E. (Mech)-(University of Roorkee)	22	G M Plant Operations – Pepsico India Holdings P Ltd
8	Kiran Kumar	40	28-Apr-97	4778744	DVP – Sales	B.Com.; PGDM (IIM-Ahmedabad)	17	Marketing Manager – Herbertsons Limited
9	Ravikant Sabnavis	39	12-Mar-07	3631415	DVP – Marketing	B.E. (Computer Science), MMS (SP Jain Inst. of Mgmt.)	16	Marketing Manager, Heinz India Pvt Ltd.,
10	Umesh Hingorani	39	2-Feb-93	2878165	DVP – Business Development	BBA (University of Southern California)	15	Marketing Manager – Castle Breweries Limited
11	R K Jindal	47	19-Mar-85	3443264	DVP – Operations North & East and Malting	B. Com., CA	23	First Employment
12	Govind Iyengar	41	5-Feb-01	2816515	Company Secretary	B. Com., L.L.B (Gujarat University); ACS (ICSI)	18	Company Secretary – Citurgia Biochemicals Ltd.,
13	Govind Tiwari	57	12-Feb-75	3648321	DVP – UBL – Goa & Contract Units	B.Sc.; P.G.D.I.F.A.T.; DBA, PGDM&IR	38	Asst. Brewer – Indo Lowenbrau Breweries Limited, Faridabad
14	Sharad Dalmia	43	1-Feb-01	2670772	AVP – UBL – Mumbai	B.E. (Mech); P G D M (Mech & Elec Engg) (Jamshedpur Tech. Inst.)	21	General Manager – McDowell & Co., Ltd.,
15	George Paul	44	6-Jan-03	2900126	AVP – UBL – Rajasthan & Winsome Breweries Ltd.	B. Tech (Mech); M B M (Asian Inst. of Mgmt.)	20	General Manager – A W Faber Castel (I) Pvt. Ltd.,
16	R Santosh Kumar	43	1-Jul-98	3062494	AVP - Commercial	B E., PGDCA	20	Manufacturing Manager – Pepsico India Holdings
17	Samrat Chadha	35	2-May-97	2634745	General Sales Manager - West	B.Sc.; P.G.D.M (T.A. Pai Mgmt. Inst.)	11	First Employment
18	Gurpreet Singh	33	20-Apr-98	2478865	General Marketing Manager	B.Com; P.G.D.M (T.A. Pai Mgmt.Inst.)	10	First Employment
19	M R Srinivasan	57	15-Jul-89	2504004	General Manager	B.Sc., M S W (University of Mysore)	34	Personnel Executive – Indl Relations & Welfare, Cipla 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.

*Mrs. Lesley Jackson has resigned with effect from June 22, 2008.

Employed for part of the year and in receipt of remuneration in aggregate of not less than the prescribed limit: Nil

NOTES:

- Remuneration shown above includes salary, allowance, medical, leave travel expenses and monetary value of perquisites as per Income Tax Rules.
- None of the employees mentioned above is a relative of any Director of the Company.
- None of the above mentioned employees holds more than 2% of the paid-up equity capital in the Company.
- The above list includes employees transferred upon demerger of brewing business of erstwhile United Breweries Limited into this Company, effective August 1, 2001.

By Authority of the Board,

Bangalore
July 25, 2008

A K Ravi Nedungadi
Director

Kalyan Ganguly
Managing Director

Report on Corporate Governance

A. MANDATORY REQUIREMENTS

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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 towards 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. 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 UB Group Internal Audit team and S & N Internal Audit team commensurate with the size of the organisation. There are 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 showcase 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, 2008, 7 Board Meetings were held on June 22, 2007, July 20, 2007, September 28, 2007, October 31, 2007, December 19, 2007 January 22, 2008 and March 26, 2008

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 28.09.2007
Dr. Vijay Mallya	Chairman (NE)	7	6	YES
Mr. Kalyan Ganguly	Managing Director	7	7	YES
Mr. A K Ravi Nedungadi	Director (NE)	7	7	YES
Mr. John Hunt	Director (NE)	7	6	YES
Mr. John Nicolson	Director (NE)	7	3	NO
Mrs. Lesley Jackson*	Director (CFO)	7	7	YES
Mr. Chugh Yoginder Pal	Director (NE, Ind)	7	7	YES
Mr. Sunil Alagh	Director (NE, Ind)	7	6	YES
Mr. Chhaganlal Jain	Director (NE, Ind)	7	7	YES

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

* Mrs. Lesley Jackson has resigned from the Board with effect from June 22, 2008