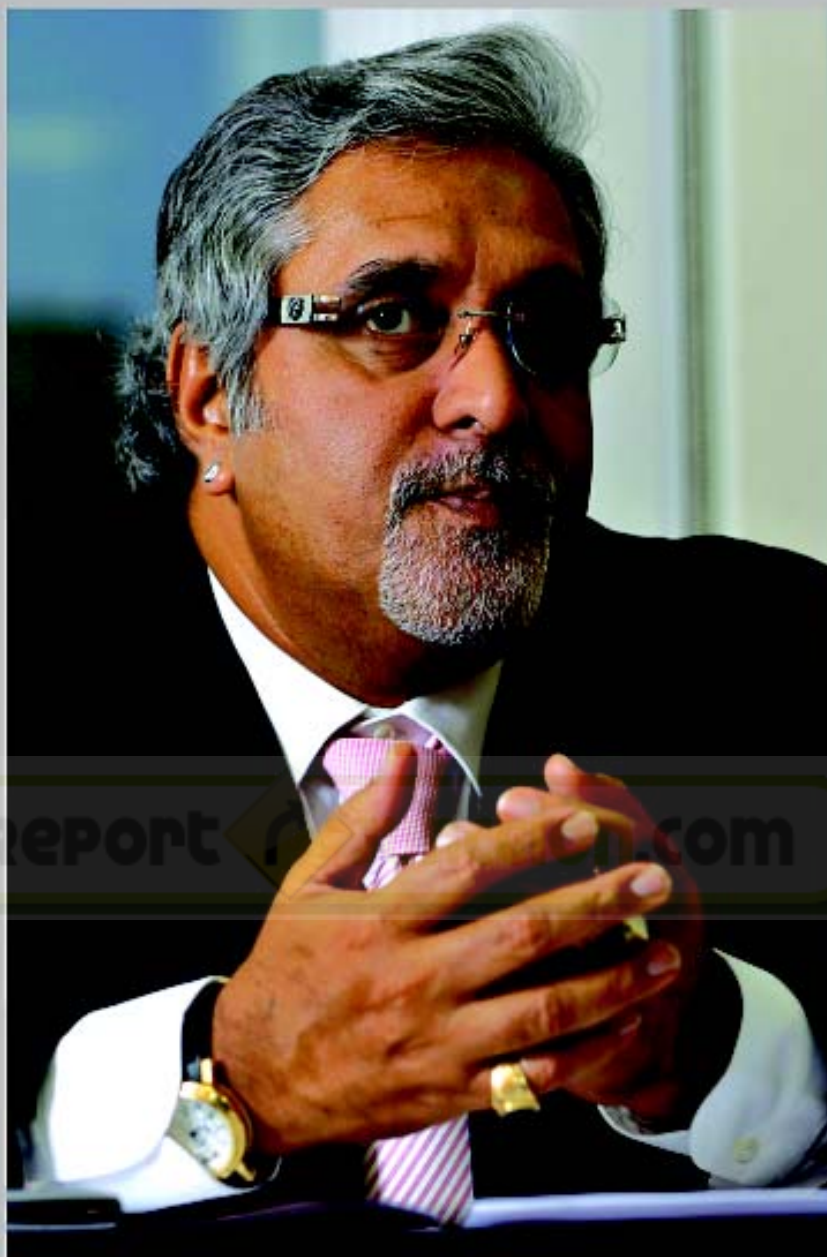


A beacon of growth



UNITED BREWERIES (HOLDINGS) LIMITED
ANNUAL REPORT 2008 - 2009



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Chairman's Statement

Dear Fellow Shareholders,

It gives me great pleasure to greet you all at this 93rd Annual General Meeting of the Company. Since we last met in the immediate aftermath of the global melt down, India has been, along with China, the first to emerge from the shadows of this global malaise. Even as the economies of the developed Western world struggle to cope with an aging population, breakdown of financial systems, steep fall in asset values and corresponding destruction of wealth and employment prospects, we are seeing yet another step in the inevitable shift of the global economy from Europe and America towards Asia.

Leading this seismic shift are the economic power houses of India and China, though both economies have different triggers. While China benefited from a unilateralist command economy, which enabled the Government to take economic steps without consultation, India, blessed with a vibrant democracy, must necessarily pay the price of this democracy in the form of consensus building. The pace of India's growth is more measured, but, for that reason is more assured. The other significant difference between the two Asian giants is the dependence of the Chinese economy on exports and Government spending, whereas our own country is powered by the natural entrepreneurial spirit of our people and growth in market demand fuelled by domestic consumption. If one billion people were used to stretching two billion palms for alms in the past, I now see 2 billion hands reaching out for a fair share of well being.

Despite the impressive growth recorded by our economy in the last several years, in no mean measure due to deregulation and empowerment, we are indeed two economies (i) a middle class one comprising perhaps 300 million people, which is growing at double digits and powering demand led growth across categories and (ii) a much larger 800 million people strong economy that still survives from hand to mouth and sees only marginal growth. You will share my view that sustainable prosperity and double digit growth requires this section of our country to participate in the fruits of growth. Even as our metropolitan cities are creaking under the burden of unplanned growth, enterprise will need to relocate, or at the very minimum, cater to future growth in our smaller towns. These towns numbering in the several hundreds across the length and breadth of the country are by no means less prone to entrepreneurial spirit or consumer aspiration. We need, as a nation, to ensure that the green shoots of economic activity take root in our towns and villages.

Our country is fortunate that after a protracted period of highly fractured political mandates driven by narrow factionalism, the recent general elections have provided a reasonable mandate to a single secular party, even while

retaining the federal structure that has added so much to the vibrancy of our political process. Early indications are that the newly installed Government under the leadership of Prime Minister Man Mohan Singh, has recognized the need to drive reforms in an inclusive manner. Focus on rural employment, education and health, farm productivity, along with a much awaited overhaul of an archaic legal and taxation structure are all important steps along the path to sustained growth that touches all Indians and not just a small section. And, unlike the earlier torch bearers of a socialist India, the attempt now is to raise the standards of the poorest and make them active participants in the economic process rather than bringing down the affluent to the lowest common denominator.

As I visualize the UB Group and its prospects for the near and middle term, I am enthused by the backdrop which I have detailed above. The per capita consumption of almost any product or service in our trillion dollar economy is still below Sub Saharan African levels. The combination of higher incomes resulting from guaranteed employment, investment in social infrastructure and rising consumption, fuelled by the near global access to media in the country are all indicators of a nation that can continue to build on domestic consumption, while prospering at both individual and corporate levels.

We, the UB Group, have over the last several years attempted consciously to create a power house of branded consumer goods and services. United Breweries (Holdings) Limited (UBHL) as the parent, holds controlling stakes in market leading companies across extremely fast growing consumer sectors namely beer, spirits and civil aviation. These are our core businesses and all of them meet our exacting standards of domestic leadership and global relevance. We are justly proud of the fact that Kingfisher is widely acknowledged as the first global consumer brand of Indian origin. I am pleased to recall for your attention the fact that the McDowell range of products has become India's largest consumer brand calculated by value of retail sales, overtaking Amul during the course of last year. Similarly, Kingfisher Airlines (KFA) has raised the level of service to new heights and this has been acknowledged by KFA being voted, for the second consecutive year as the Best Airline in Asia Pacific and also its continued Five Star hospitality rating.

Friends, I have personally long believed in the value of branding and UB Group companies started investments in brands in an era when most Indian companies were traditionally in the commodities business, while brands were created by multinationals. If today our companies can stand proud as acknowledged leaders in their fields, not just in India but on a global footing, it is largely due to this decades old commitment.

Chairman's Statement (contd.)

Turning to each of our Businesses:

UNITED BREWERIES LIMITED (UBL):

UBL continues to rule the roost in the brewing industry. Widely acknowledged as being the last major growth market for beer in the world, India has been seeing the entry of all major brewers who have brought their flagship international brands to the Indian market. Such is the dominant presence of Kingfisher in this sector, that all these international brands are retailed at prices cross line with Kingfisher rather than at a significant premium. Despite the efforts of these international companies, with deep pockets and international brands, our unstinting commitment to understanding and fulfilling the needs of our Indian consumers has helped UBL to not just retain its leadership, but to garner market share, which in the first quarter of the financial year has for the first time ever crossed 50%.

As market leader, UBL is deeply conscious of the company's responsibility towards agriculturalists as well as communities in which it operates. UBL has been in the forefront of encouraging modern farming techniques for barley in Northern India. The company has also invested heavily in health care, primary education and water quality in all locations where the company has manufacturing facilities, in the process raising the standard of living of local communities.

A young country with more than half a billion people yet to reach the legal drinking age, I believe that the brewing industry is set to achieve stellar growth, which could be accelerated by a supportive regulatory framework. Our company continues to engage with Government in this regard.

Access to international brands and technology through Heineken, which is a joint shareholder in the company, will help UBL to garner additional strengths and capitalize on the inherent growth potential.

UNITED SPIRITS LIMITED (USL) :

With total sales approaching 90 million cases last year, growing in double digits, USL is well set to become the second largest spirits company in the world by the end of the current financial year. I have already remarked upon the rare distinction of McDowell's becoming India's largest consumer brand. We are continuing to foster other market leading brands across all flavours and price segments.

Over the last several years, the industry has witnessed steady growth coming from a combination of new entrants reaching legal drinking age, those who choose to upgrade from country liquor, (which has inherent health risks) to branded products offered by the IMFL industry. Additionally, aspiration and increased disposable income

has also accelerated growth. USL, as market leader, has been able to capitalize on these underlying trends and continuously grow both volumes and profits. The company runs one of the most complex manufacturing and distribution setups with over 74 manufacturing units spread across 24 states, with over 80 brands in 19 types of packs. The scale is humungous and it is a credit to the management team that we continue to wring efficiencies out of the system in order to sustain profit growth in double digits year after year.

The Indian consumer for beverages is becoming increasingly sophisticated and demanding in terms of international flavours and brands. In this context, USL's acquisition of Whyte & Mackay Ltd, the fourth largest Scotch distiller in the world was a very timely and strategically important decision. Worldwide demand for mature scotch is increasing rapidly due to emerging demand in Asia, with India slated to be the world's largest Scotch whisky market in a few years. This burgeoning new demand has led to a global shortage of liquid and a hardening of scotch whisky prices. As per recent evaluation by an independent expert, the value of Whyte & Mackay inventory has gone up significantly since the acquisition.

The Indian consumer is steadily showing a strong affinity to the consumption of wine and new categories of consumers are coming to the market who, exclusively franchise wines. USL has set up India's largest winery in the Baramati district of Maharashtra and introduced the "Four Seasons" and "Zinzi" range of wines to the delight of the consumers. The acquisition of the French winery Bouvet-Ladubay in the Loire valley of France has helped the company to not only offer a series of Bottled in Origin high quality French wines but also to assimilate viticulture technology at the new Baramati Winery.

KINGFISHER AIRLINES LIMITED (KFA):

We are proud to have redefined the flying experience for the benefit of the guests of KFA. In less than five years since inception, KFA has grown into not only Indian largest domestic carrier serving 10.7 million passengers last fiscal, through an average of 412 flights a day, connecting 67 cities; we are even more proud of the number of prestigious awards bagged by the company both for engineering excellence as well as on board service excellence. KFA is one of only six airlines globally (and the only domestic carrier) to be awarded the Five Star Hospitality rating by Sky Trax. KFA is also proud to have been accorded the Best Airline in Asia Pacific in a survey conducted by TNS on Asia Pacific's Top 1,000 Brands for 2008 for the second consecutive year displacing Singapore Airlines who had held this position for several years.

Although the aviation sector is going through a challenging period caused by unplanned capacity expansion and a

regulatory framework which imposes unreasonable costs on Indian airline companies, I am a strong believer in the future of this industry and KFA's position as market leader. Flying has long been viewed by the Government of India as something that only rich people indulged in and therefore not accorded it proper policy status. An independent authority – International Air Travel Association (IATA) has confirmed that the cost of running an airline in India is more than 60% higher than in other jurisdiction in the world.

In fact, with economic growth shifting rapidly to smaller towns and cities across India and the lack of alternate transport infrastructure such as modern railway or high speed road network, I feel it is inevitable that people will take increasingly to flying. In this process, civil aviation acts as a force multiplier for economic growth. In comparison to the potential of the industry, India has amongst the lowest penetration of air traffic in the world, with less than 3% of Indians having ever got on a plane. This is clearly not sustainable and I believe that with a little regulatory support the Indian aviation industry is set to witness boom times. On their part, the industry, led by KFA has rationalized capacity and cut costs, which are within its control, so as to be able to offer the flying public a competitive pricing option.

UB GLOBAL:

Despite difficult conditions in world markets caused by the financial meltdown and recession, UB Global has put up an impressive performance recording growth in both revenues as well as profits. This division continues to hedge itself by calibration of the product mix and markets that are served.

UB Global received the APEDA Trophy for the tenth consecutive year for best performance and also the Silver Award for Merchant Exporters from the Federation of Karnataka Chamber of Commerce and Industry.

MANGALORE CHEMICALS & FERTILIZERS LIMITED (MCF):

MCF the only fertilizer company in the State of Karnataka, registered significant growth during the year with sales and other income recording an increase of 49% over the previous year and EBITDA increase by 28%.

Under its Integrated Nutrient Management (INM) program, MCF continued its efforts to develop awareness about the advantages of balanced use of fertilizers. As a result of the sustained focus of the company in this area over the last few years, the revenue from the INM business for the year under review doubled during the year.

MCF, through the wholly owned MCF International Limited, started an AGRI project initiative for the benefit of farmers in its operating territory. The project is aimed at

providing comprehensive services to farmers that include farm advisory, soil / water management and nutrition management, aimed at improving the yield, quality and consequently the returns to the farmer. The company sources the staples and vegetables from the farmers at market prices and supplies these to modern retailers and other bulk buyers.

Pilot projects have been started at Hassan and Chickamagalur and state-of-the-art processing and packaging facilities have been established at these centres as well as in Bangalore to process and pack vegetables and staples. The company has started test marketing of staples in select markets under the brand "Navodaya" and sale of vegetables at Bangalore and Mangalore to retail chains, hotels and industrial canteens.

UB CITY:

The completion of the UB City project has redefined not only the skyline of Bangalore but also become the throbbing heart of the citizens who meet here to work, shop, eat and play. The tenants at UB City include some of the top multi national and Indian companies, while the retail sector branded "The Collection" is home to the super luxury brands from around the world including Louis Vuitton, Canali, Todds, Daum, etc. Of course the general economic conditions have had some temporary negative impact on the yields from this real estate but values have continued to hold firm. I do believe that recovery in the economy which is now increasingly visible, will soon result in an upswing in fortunes.

Due to changes in zoning levels in Bangalore city, we will now be entitled to build approximately an additional half million sqft within the premises of UB City. We are currently evaluating a proposal to set up a high end high rise residential complex, though we would time the launch to coincide with the economic recovery.

Friends, in conclusion, I would state that I am optimistic about the future of our company and the various businesses that we have incubated. All of them are market leaders in their field and built upon the foundation of quality and value. These are abiding virtues, which will stand us in good stead inspite of the ups and downs.

I would like to thank all those who have made this possible, including our employees, suppliers, customers, bankers and of course my dear fellow shareholders, all of you for your consistent support.



Dr. Vijay Mallaya
Chairman



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UB

UBHL

UNITED BREWERIES [HOLDINGS] LIMITED

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

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the Annual Report of your Company and the Audited Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

The summary of financial results of the Company for the financial year ended March 31, 2009 are as under :

[Rs. in million]

	2008 – 2009	2007 – 2008
The working for the year resulted in		
• Profit before Depreciation and Taxation	595.443	825.217
Less:		
• Depreciation	80.799	39.004
• Taxation	106.769	138.329
Profit after tax	407.875	647.884
Profit available for appropriation	407.875	647.884
Your Directors have made the following appropriations:		
• Proposed Dividend	-	66.819
• Corporate Tax on Proposed Dividend	-	11.356
Balance Carried to the Balance Sheet	407.875	569.709

DIVIDEND

With a view to conserve resources for working capital, your Directors do not recommend any dividend for the year ended March 31, 2009.

OPERATIONS

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

PROPERTY DEVELOPMENT

Due to global economic slow down, most of the Lessees of rental space, both office and retail, are re-negotiating for discounted rentals which has impacted the potential rental revenue. It is expected that rentals would improve during the later part of next year with the revival of the economy.

SALE OF PROPERTY

Out of 556,503 sq. feet of super built-up area obtained in exchange for transfer of 137,844.13 sq. feet of undivided share in land in the UB CITY Project, the Company based on earlier agreement sold in the aggregate four floors

admeasuring 32,222.25 sq feet of super built up area and 9,505.56 sq. feet undivided share in land to Group Companies.

EXPORT DIVISION

UB Global (a division of the Company), recorded an increase of 6% in its turnover at Rs.2,050 mio. The depressed Indian Rupee did impart a fillip to both turnover and realisation. Consequent to the recessionary economic conditions in most of Europe and other western countries, where the division's buyers are domiciled, and consumer resistance to purchase of luxury items like branded leather goods, exotic foods and apparel, the sales volumes of leather shoes and fruit pulp registered a decline.

UB Global received the coveted APEDA Trophy for the 10th consecutive year for the best performance, apart from the Silver Award for the 'best merchant exporter' category from the Federation of Karnataka Chamber of Commerce and Industry.

Exports of textile apparel, which was the newest constituent of the UB Global's diversified business products, recorded operating profits in its second full year of operations.

EQUITY WARRANTS AND FORFEITURE OF INITIAL AMOUNT

The Company had in December 2007 issued and allotted 63,87,117 Convertible Equity Warrants on preferential basis to a Non Resident Promoter Group Company which were convertible into shares within a period of 18 months from the date of allotment i.e. on or before June 12, 2009. The Non Resident Promoter Group Company did not exercise its right to convert the balance 4,415,899 Warrants. Accordingly an amount of Rs.49,01,64,789 representing the initial amount paid on the allotment of such warrants has been forfeited and credited to Capital Reserve during quarter ended June, 2009.

The Company has made an application to Foreign Investment Promotion Board [FIPB] under the Ministry of Finance, Government of India, for post-facto approval for having issued 63,87,117 Convertible Equity Warrants in December 2007 to the above Non Resident Promoter Group Company and allotment of 19,71,218 Equity Shares on conversion of a portion of the above Warrants in January 2008 and such approval is awaited.

DIRECTORS

Mr. N. Srinivasan, and Mr. Sidhartha V Mallya, Directors, retire by rotation and, being eligible, offer themselves for re-appointment.

Brief resume of the Directors offering themselves for re-appointment is appended and forms part of the Report on Corporate Governance.

AUDITORS

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

Regarding the observations in the Auditor's Report on recovery of unsecured advances and Company's exposure on Guarantees the relevant financial notes are self-explanatory.

LISTING OF SHARES OF THE COMPANY

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

The listing fees for the year 2009-2010 have been paid to all the Stock Exchanges.

CORPORATE GOVERNANCE

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

SUBSIDIARIES

The demerger consequent to the sanction of Composite Scheme of Arrangement between Deccan Aviation Limited (since renamed Kingfisher Airlines Limited), Deccan Charters Limited and Kingfisher Airlines Limited (since renamed Kingfisher Training and Aviation Services Limited) by the Hon'ble High Court of Karnataka at Bangalore vide Order dated June 16, 2008 have been completed and the shares in the demerged company, as per the swap ratio sanctioned by the Court, have been received by the Company.

During the year Deccan Charters Limited ceased to be a subsidiary of the Company and DCL Holdings Private Limited became an Associate.

The performance of certain significant subsidiary companies has been covered in the Chairman's Statement, which forms part of the Annual Report.

The following are the Subsidiaries of the Company:

A. Indian Subsidiary Companies

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

B. Overseas Subsidiary Companies

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

REPORT OF THE DIRECTORS (contd.)

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

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

The Consolidated Financial Statements prepared in terms of Accounting Standards and Listing Agreements include financial information of the Subsidiary Companies also.

MANAGEMENT DISCUSSION AND ANALYSIS

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

FIXED DEPOSITS

A sum of Rs.0.601 million from Public and Shareholders remained unclaimed as at March 31, 2009. With a view to augmenting resources for deployment in the business, your Directors have now decided to accept fresh deposits during the current year at attractive rates of interest.

There have been no defaults in the repayment of fixed deposits during the year.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A[5] and 205C of the Companies Act, 1956, an amount of Rs 1.129 million [Previous Year Rs. 1.198 million] being the aggregate of the Unclaimed Dividend and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

PARTICULARS OF EMPLOYEES

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

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

Particulars of Conservation of Energy, Technology Absorption:

The Provisions of Section 217[1][e] of the Act relating to conservation of energy and technology absorption

do not apply to this Company since it is not engaged in manufacturing activities.

Foreign Exchange Earnings and outgo

The particulars are as under:

[Rs. in million]

Description	Year ended	
	March 31, 2009	March 31, 2008
Foreign exchange earnings	1947.960	1,853.230
Foreign exchange outgo	101.976	337.792

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

ACKNOWLEDGEMENT

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

By Order of the Board

Bangalore
August 11, 2009

N Srinivasan
R N Pillai
Directors