

The central piece
that holds it all together





Dr. Vijay Mallya
Chairman

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Chairman's Statement



Dear Fellow Shareholders,

It is a pleasure to be with you at this 95th Annual General Meeting of the Company. During the year, the world progressed hesitantly down a path to regain economic stability as it emerged from the global meltdown of 2008. While the Western world experienced modest recovery, Asia led by India and China registered high levels of growth. Inflation has, however, now emerged as the new global economic challenge, manifested by a substantial rise in the prices of almost all commodities. In India, despite large scale tightening of monetary policy by the RBI and other steps taken by Government, inflation has become the major cause of concern. High international oil and food prices are some of the principal contributors which lie outside the country's direct control. A silver lining, is that Indian exports registered a record growth of 37.7% in 2010-11 over the previous year, marking a new high post independence.

In many ways, India stands at crossroads, with a unique potential to seize the moment and set upon an extended period of high growth. But, this will call for visionary statesmanship and long term leadership. The people of India are crying out for a transformational policy framework where accountability is placed in the centrepiece. The wholesale public support for the "Lokpal" campaign is but one sign of the changing times.

While one may question the methods adopted, I do believe that addressing the angst pro-actively will help to develop a transparent framework which is best suited to India, emerging from the shadows of half a century of closed-door socialism into a new "Indian Century" led by an empowered youth.

Even as policy tries to find its way in this exciting environment that challenges many preconceived notions, we in the UB Group make our own path towards serving all our constituents and stake holders with value creation, good governance and transparency.

It has been a remarkable year for all our companies. Both United Spirits & United Breweries have achieved landmarks with sales exceeding 100 million cases each. In the process, United Spirits has become the world's largest distiller in terms of volume and United Breweries has attained market share exceeding 50% in the highly competitive brewing space. Other businesses too have performed well and I shall cover each briefly.

United Spirits Limited (USL):

United Spirits Limited (USL), the flagship alcobev Company of the UB Group, achieved global leadership of the alcoholic spirits industry by volume, selling over 113 million cases in FY 11 - a 13% leap over the previous year. The Company's tally of "millionaire" brands (ie brands that record annual sales in excess of a million cases) rose to 21. This includes its premium grain based whisky McDowell's No 1 Platinum, which achieved this distinction in the first year of its launch. USL has become India's largest FMCG Company with retail value of sales exceeding ₹ 34,000 crores.

The Global No. 1 slot achieved by the Company is an outcome of visionary leadership and meticulous execution spanning a gigantic network of manufacturing units, sales locations, brands and pack sizes. Innovation continues to be the norm at USL, and every effort is made to create unique lifestyle experiences for consumers. As the nation captures the demographic dividend of a youthful population, USL too is in the forefront of the race for value.

During the year, the Company has expanded its global reach by entering a number of new markets. New brands have been launched and more are in the pipeline to ensure that USL's product offering always remains fresh and contemporary, meeting the aspirations of an evolving customer base.

This focus on the front end of the business has not come at the cost of the manufacturing and supply chain which are so essential to produce and move the enormous quantities of product. Significant investments have been made into primary distillation, both through acquisition as well as by expansions and greenfield facilities. These new facilities are all multi substrate distilleries and thus provide the Company with enhanced strategic ownership of key inputs as also a natural hedge to cyclical trends in input prices of raw materials such as molasses and grain. By capturing the distillation margin, the Company will also be able to structurally enhance future profitability. Other investments are planned in the future to, not only enhance share of distillation but also in the packaging area. These will ensure sustainable double digit growth.

United Breweries Limited (UBL):

United Breweries Limited (UBL) had an outstanding year, achieving majority market share for the first

Chairman's Statement (contd.)

time in a highly competitive beer market, where every bottle is a high pitched battle with all the world's leading brewers. It is testimony to the quality of the Kingfisher brand offering and the skills of the management team, that the Company has been able to increase share in such an environment.

While Kingfisher Strong continues to rule the roost as the nation's largest selling beer, the launch of the super premium Kingfisher Ultra has met with unprecedented success in each of the markets that it has been launched.

Ultra is priced at a premium to major international brands and features innovations such as an embossed bottle with a flip top crown. These never seen before in India features, have made the brand the favourite of the aspirant consumer.

The partnership with Heineken is going well, and the Company benefits from the technological inputs provided by Heineken. These, together with major initiatives such as a "patented" bottle have gone a long way in ensuring that the cost structure remains under control even in a trying global environment that sees constant increase in the price of agricultural raw materials as well as energy.

UBL has commenced brewing Heineken Lager at its brewery in Taloja, Maharashtra. Heineken will be positioned as a ultra premium lager targeted at the affluent and discerning consumer. Its world class packaging including many firsts in the Indian market and complements the great international taste that global consumers are used to.

The Company has initiated a number of corporate reorganizations, which are at various stages of regulatory or judicial approval. Once completed, United Breweries Limited will have fully integrated the various companies and breweries acquired in different States over the last several years.

UBL Benefit Trust has in July 2011 placed out treasury shares amounting to 2.36% of the paid up capital of UBL with a major global investment institution. The proceeds of ₹ 283.57 crores has been remitted to UBL to reduce the debt which now stands at a very comfortable 2.55 times equity. This will enable the Company to readily source funds for its expansion plans in the future.

Kingfisher Airlines Limited (KFA):

Kingfisher Airlines Limited (KFA) is the nation's largest domestic carrier, having served over 12 million passengers across 59 domestic and 8 international destinations, on about 366 daily flights, last year.

The Airline has set new standards of service and customer satisfaction as manifested in the numerous awards, both national and global, that KFA has won in its six years since inception.

The industry continued to benefit from strong growth in passenger traffic on the back of an improving economic environment. Capacity creation has lagged demand growth and this helped to stabilise yields.

Several initiatives covering both revenue enhancement and cost management have begun to take effect.

KFA recorded its first year of EBITDA profits despite the challenges occasioned by grounding of part of the fleet on account of issues with the engines (resolved before the end of the year, in cooperation with the engine manufacturer) and upward trend in fuel costs.

The grounding of 14 Airbus aircraft progressively through the year resulted in a loss of 10% of the domestic capacity. However, through increased aircraft usage and sharply improved productivity, domestic passenger traffic increased by 2.6%. Ten of the 14 grounded planes were re-inducted into service before the end of the year and the rest have also been commissioned since then.

The Kingfisher product is working well in the international markets that the Company serves and several new routes have been launched during the year.

Recognising the unparalleled network and service standards, KFA has become the only Indian airline to be invited to a global alliance. Becoming a member - elect of ONEWorld, the premier global alliance comprising leading names like BA, AA etc is a feather in KFA's cap and will help accelerate the Company's global footprint.

Following on the improved operating performance, the Company negotiated a debt recast with its

Chairman's Statement (contd.)

lenders under which, a part of the bank loans have been converted into Equity and Preference capital, the repayment of the balance loans extended to a nine year term and interest rates reduced. As a part of the whole package, our Company also converted loans extended to KFA into equity. Certain business associates who had advanced funds to KFA have also accepted Optionally Convertible Debentures in lieu of their loans.

Mangalore Chemicals & Fertilizers Limited (MCF):

The financial year 2010-2011 was yet another year of growth and improved performance for Mangalore Chemicals & Fertilizers Limited (MCF). The Company registered the highest ever turnover and Profit Before Tax, recording an increase of 21% and 33% respectively over the previous year. MCF also achieved a record sale of 1 Million metric tonnes of fertilizers for the second year in a row.

A state-of-the-art Sulphonated Naphthalene Formaldehyde (SNF) plant with an annual production capacity of 21,450 MTs of liquid SNF was commissioned in August 2010. SNF is predominantly used in the construction chemical industry for manufacture of super plasticizers. The demand for the product is expected to grow and the Company can ramp up the production capacity to meet the market needs.

Under its Integrated Nutrient Management (INM) program, the Company has been advocating adoption of a comprehensive approach for achieving improvement in soil fertility and productivity. Under this initiative the Company has been constantly engaged in educating farmers and channel partners on INM techniques that includes soil health management, water management, plant nutrition and plant protection.

As diversification and growth strategy, MCF introduced Plant Protection (PP) Chemicals of reputed pesticide manufactures through its channel partner network during July 2010 and registered a turnover of ₹12 crores during the first 9 months of operations. Going forward, the Company plans to also introduce its own brand of PP products for a few select molecules.

MCF continued to engage in various community development activities. During the year 2 specific schemes viz. "Mangala Akshara Mithra" for providing basic infrastructure to rural schools and "Project Eye care" for preventing/eradicating eye ailments in rural areas were launched which were highly appreciated.

UB Engineering Limited (UB ENGG):

With Government of India's continued focus on infrastructure and power as reflected in increased budgetary outlays, there is tremendous growth potential for the Company.

Despite intense competition in the domestic Transmission and Distribution business, the Company ended the year with a healthy order book of nearly ₹1200 crores as compared to ₹850 crores in the previous year recording an increase of 39.91%.

Considering the potential for pre-fabricated steel structures, the Company is in the process of setting up a fabrication unit at Chhattisgarh.

UB Infrastructure Limited, a wholly owned subsidiary of the Company is now poised to undertake projects for construction of roads, highways, bridges etc. This entity has already been awarded two road contracts.

The Company is also exploring avenues for overseas business ventures and has now established a Joint Venture Company UB OStan (India) Private Limited for manufacture of injection moulds, injection moulding components etc.

UB GLOBAL

UB Global attained the highest ever profits despite severe economic volatility in its key European markets. This was the result of rationalising customers, prudent foreign exchange management and a conscious climb in the value chain. Trading in wines from South Africa, widened the revenue stream.

On a consistent basis, UB Global has been picking up the best export performance award from APEDA in the Alcoholic Beverages category. For the year, it was

Chairman's Statement (contd.)

honored with the 'Golden Trophy'. Also, this year, the Federation of Karnataka Chambers of Commerce & Industry conferred on UB Global, the "Star Exporter Award" in Merchant Exporter category.

THE COLLECTION – UB CITY

The super luxury high end Mall – The Collection at UB CITY in Bangalore has transformed the luxury retail landscape in India, and increasingly affluent Indian consumers shop here for a dazzling array of exclusive products. Till the advent of this prestigious Mall, patrons of high-end fashion had not been offered the right setting and ambience in India. The Collection in UB CITY – the first of its kind in India, conceived and developed by the UB Group is spread over 1,25,000 square feet of sheer luxury, designed on the lines of a Venetian palazzo. It comprises more than 40 retail outlets, most of which are international high-end luxury brands as well as nine food and beverages outlets. White Italian marble decorates almost every surface of the mall, while the long corridors are dotted with recognizable designer names on either side.

The brand that symbolizes luxury globally, Louis Vuitton, was the first to open their doors to consumers in Bangalore. Others, like Ermenegildo Zegna, Salvatore Ferragamo, Canali, Etro, Jimmy Choo, Bottega Veneta, Kimaya, B & O, Corneliani, Paul Smith and Diesel occupy space at The Collection. Lifestyle brands such as Good Earth, Daum, Lladro and Rosenthal find numerous clients looking for sophisticated products to adorn their homes. Horologie is represented by names like Mont Blanc, Omega, Rolex and Tag Heuer. Estee Lauder, known for their premium quality cosmetics and skin care products has an exclusive store at this mall. Music concerts, art exhibitions, and many charitable events are hosted at its elegant and exclusive space.

KINGFISHER TOWERS – RESIDENCES AT UB CITY

Finally, Bangalore can boast of upscale residences that will vie with some of the premium addresses in the world. The UB Group's proposed super luxury residential project will come up soon on Vittal Mallya Road within the vicinity of the lush green Cubbon Park.

KINGFISHER TOWERS will, undoubtedly, be the most sought after and exclusive residential project to be

sold in Bangalore's real estate history. With over seven lakh square feet of saleable area, it will be as tall as UB Towers with over thirty floors, housing 75 flats, with two basements, rooftop helipad and four floors dedicated to parking over 500 cars ... the list of firsts is exhaustive.

This will be an exemplary piece of contemporary architecture which will add to the grandeur of UB CITY.

COMMUNITY SERVICE

As part of UB's commitment to society at large, we have consistently initiated steps to improve the lives of the local communities that we engage with by providing primary education, healthcare, conservation of water and energy and renewal of the water tables.

In conclusion, I wish to thank my colleagues on the Board and the Management team for their support and contribution during the year. Shareholders, suppliers, customers, the financial community and employees have all contributed to UB during the year and I thank them.



Dr. Vijay Mallya
Chairman

August 25, 2011

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. Piyush G Mankad</p> <p>Mr. B S Patil</p> <p>Mr. M S Kapur</p> <p>Mr. R N Pillai <i>[upto August 2, 2011]</i></p> <p>Mr. V K Rekhi <i>[w.e.f. August 2, 2011]</i></p> <p>Mr. A Harish Bhat, <i>Managing Director</i></p>
Executive Vice Chairman The UB Group	Mr. S R Gupte
President & Chief Financial Officer The UB Group	Mr. Ravi Nedungadi
Company Secretary and Compliance Officer	Mr. Kaushik Majumder
Auditors	<p>M/s Vishnu Ram & Co., Chartered Accountants No.12, Margosa Road, Malleswaram, Bangalore – 560 003</p>
Registered Office	<p>UB Tower, Level 12, UB City, No.24, Vittal Mallya Road, Bangalore – 560 001</p>
Registrars and Transfer Agents	<p>Integrated Enterprises (India) Limited <i>(Alpha Systems is now Integrated)</i> No.30, Ramana Residency, 4th Cross, Malleswaram, Bangalore – 560 003</p>

Report of the Directors

Your Directors have pleasure in presenting the 95th Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2011.

FINANCIAL RESULTS

The summary of financial results of the Company for the financial year ended March 31, 2011 is as under:

(₹ in million)

	2010-2011	2009-2010
The working for the year resulted in		
• Profit from Operations	720.186	419.748
Less:		
• Depreciation	101.335	107.072
• Taxation	201.963	570.806
Add:		
• Exceptional Income	-	960.420
Profit after tax	416.888	702.290
Profit for the year	416.888	702.290
Your Directors have made the following appropriations:		
• Proposed Dividend	66.819	66.819
• Tax on Proposed Dividend	11.099	11.099
• Transfer to General Reserve	-	-
Surplus carried to the Balance Sheet	338.970	624.372

DIVIDEND

Taking into account the results for the year and the need for resources for meeting the business needs of the Company, your Directors have recommended a dividend of Re.1 per share (10%) for the year ended March 31, 2011 which is the same as in last year.

OPERATIONS

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

PROPERTY DEVELOPMENT

The Company executed a Joint Development Agreement with a Developer on April 26, 2010 for development of a luxury residential building named as "Kingfisher Towers – Residences at UB City" in the available land in UB City. The super built up area of the building would be 7,67,870 sq. ft. The super built up area falling to the share of the Company would be 4,18,388 sq. ft. The statutory approvals for construction of the building have been received and the construction has since begun. When built, this residential development will add yet another landmark to Bangalore's skyline besides augmenting revenues by sale of the residential units.

Arising from the global economic slow down, several Lessees of rental space both office and retail have re-negotiated the rentals. This has impacted the potential revenue of the Company. A re-negotiated rental package with the retail lessees is now in place.

SALE OF PROPERTY

During the year, the Company sold Commercial Space measuring 31,103.64 sq.ft. of saleable super built up commercial area in UB City.

EXPORT BUSINESS

In recognition of consistent export performance, through innovative marketing initiatives, and aggressive growth strategies in the Alcoholic Beverages category, UB Global, the Export Division of the Company was once again awarded the 'Golden Trophy' by APEDA. The Federation of Karnataka Chambers of Commerce & Industry also honoured UB Global with the "Star Exporter Award" in the Merchant category.

The Export Division registered its highest ever profits this year, even though economic volatility in key markets of Europe and currency swings remained a major concern. High levels of domestic inflation, resulting in input cost spikes, affected the revenues of the Division. However,

prudent management of foreign exchange and realigning of certain products stood the Division in good stead.

Shipment of beer soared above the million cases mark once again. Kingfisher Bohemia wines entered new markets and adds to our on-premise presence in 10 countries.

The apparel business has consistently expanded its customer base, unit realizations, volumes and profitability. During the year, a new facility in Bangalore, entirely funded out of internal accruals, commenced production of premium casual wear.

The Division continued to invest in improving production capacity in the Leather footwear manufacturing unit at Ambur, a leather industry hub in Tamil Nadu. This enabled them to undertake production of high end women's footwear aimed at European customers.

KINGFISHER AIRLINES LIMITED

Kingfisher Airlines Limited [KFA], a major subsidiary of the Company which is supported by your Company by way of guarantees and pledge of securities achieved a substantial turnaround in its fortunes towards the end of the year. It was helped in the process by agreeing a Master Debt Recast Agreement [MDRA] with its Bankers to which your Company is a signatory. The terms of the MDRA include inter-alia:

- a) Conversion of part the outstanding loan into Compulsorily Convertible Preference Shares [CCPS] and part into Cumulative Redeemable Preference Shares [CRPS] redeemable at par after twelve years.
- b) The remnant loans will be repayable over a nine year period including a two year moratorium and a graduated schedule over seven subsequent years.
- c) Interest for the period from July 2010 to March 2011 will be converted into a term loan repayable over five years.
- d) Interest rate on loans reduced to by over 300 bps.
- e) Sanction of additional loan of ₹ 768 crores.

The Company's existing guarantees and pledge of securities to secure the KFA debt have been appropriately extended.

Simultaneously the Company along with Kingfisher Finvest India Limited [KFIL] a wholly owned subsidiary has converted the existing loan and preference shares aggregating to ₹ 745 crores into Compulsorily Convertible

Preference Shares [CCPS] on January 3, 2011 which was subsequently converted into equity shares on March 31, 2011 at a conversion price of ₹ 64.48 per equity share as per the formula for pricing prescribed in the SEBI Regulations. Consequent to the above conversion, the percentage of holding of the Company along with KFIL in KFA stood reduced to 52.85% (shareholding along with other subsidiaries stood at 55.57%).

STRATEGIC INVESTMENT IN APB INDIA

During the year under review, your Company through its Wholly Owned Overseas Subsidiary has acquired strategic interest by way of acquisition of 50% of the issued and paid up capital of UB Ajanta Breweries Private Limited and UB Nizam Breweries Private Limited (collectively referred to as "APB India") from Heineken International B.V., Netherlands.

DIRECTORS

Mr. R N Pillai resigned as Director of the Company with effect from August 2, 2011. The Board placed on record the valuable services rendered by Mr. Pillai during his tenure as a Director of the Company.

Mr. V K Rekhi was appointed as Director of the Company in the casual vacancy caused by the resignation of Mr. R N Pillai with effect from August 2, 2011.

Mr. Piyush G Mankad and Mr. N Srinivasan Directors, retire by rotation and, being eligible, offer themselves for re-appointment, as Directors liable to retire by rotation.

A brief resume of the Directors proposed to be re-appointed is given in the Annexure to the Notice.

AUDITORS

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

With regard to observations in the Auditors' Report on the accounts for the year ended March 31, 2011, the relevant financial notes are self explanatory and do not require further elucidation.

LISTING OF SHARES OF THE COMPANY

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

Report of the Directors (contd.)

CORPORATE GOVERNANCE

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

SUBSIDIARIES

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. Kingfisher Goodtimes Private Limited
8. UB Electronic Instruments Limited
9. UB Infrastructure Projects Limited
10. UB International Trading Limited
11. UB Sports Limited
12. Vitae India Spirits Limited

B. Overseas Subsidiary Companies

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

A summary of performance of all the above mentioned subsidiaries including turnover, profit before and after taxation are available in the statement under the heading

Summarized Financials of Subsidiary Companies 2010-11 included in the Annual Report.

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011 has issued directions under Section 212(8) of the Companies Act, 1956 granting general exemption from applicability of the provisions of Section 212 of the Companies Act, 1956 in relation to the Subsidiary Companies, subject to fulfillment of the conditions specified in the said circular.

The Company has availed the benefit of general exemption provided by the aforesaid circular and accordingly, the documents mentioned in Section 212(a) to (d) of the Companies Act, 1956 relating to the Company's subsidiaries are not attached to the Accounts of the Company. In terms of the said circular, your Company shall fulfill the prescribed conditions, make the requisite disclosures and further undertake that the Annual Accounts of the Subsidiary Companies and the related detailed information shall be made available to Shareholders of the Company and its Subsidiary Companies seeking such information. These documents will also be available for inspection during business hours at the Registered Office of the Company and of the respective Subsidiary Companies concerned.

MANAGEMENT DISCUSSION AND ANALYSIS

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

FIXED DEPOSITS

The Fixed Deposits accepted from the Public and Shareholders stood at ₹1,343.843 million as on March 31, 2011 (including an amount of ₹62.355 million accepted during the year under review).

A sum of ₹0.631 million from Public and Shareholders remained unclaimed as at March 31 2011.

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 ₹0.367