

Report of the Directors

The Directors of **United Breweries Limited** have pleasure in presenting their Report with Audited Accounts of your Company for the year ended March 31, 2006.

COMPOSITE SCHEME OF ARRANGEMENT

Your directors are pleased to inform that the composite scheme of arrangement for the amalgamation of Mangalore Breweries & Distilleries Limited (MBDL) and de-merger of the brewing business of Associated Breweries & Distilleries Limited (ABDL) into your Company has been granted by the Hon'ble High Courts of Karnataka and Bombay respectively with effect from the appointed date i.e., April 1, 2005. This has ensured the creation of a larger entity and synergies in the businesses besides economies of scale. Combining all functions and operations has not only resulted in higher profitability but also has given benefits in the form of managerial & technical expertise, and financial resources thereby enhancing shareholder value.

FINANCIAL RESULTS

Your Company's performance for the financial year ended March 31, 2006 is summarised below. The figures for the current financial year include operations of the merged companies, ABDL and MBDL and are therefore not directly comparable with the previous year:

(Figures in Million)

| | 2005-2006 Rupees | 2004-2005 Rupees |
|---|---------------------|---------------------|
| Net Turnover..... | 6873.5 | 5153.8 |
| Profit before Interest & Depreciation | 1371.6 | 736.5 |
| Interest | 239.0 | 378.8 |
| Depreciation | 208.6 | 105.7 |
| Profit Before non recurring items..... | 924.0 | 252.1 |
| Non recurring items | 304.7 | - |
| Profit before Taxation | 619.3 | 252.1 |
| Provision for Taxation | (425.3) | (111.7) |
| Profit after Tax available for appropriations..... | 194.0 | 140.4 |
| Appropriations | | |
| Dividend on Equity Shares (including Taxes thereon) | | |
| Interim Dividend paid | 37.0 | - |
| Final Dividend proposed | 18.5 | - |
| Dividend on preference shares paid (including Taxes thereon)..... | 93.1 | 44.0 |
| Balance your Directors propose to carry to Balance Sheet | 10.6 | 96.4 |

DIVIDEND

Your directors declared an interim dividend on equity shares @ 15% in September 2005. In view of the outstanding performance, your directors take pleasure in declaring a final dividend of 7½% to make a total equity dividend distribution of 22½% for the year ended March 31, 2006.

Your Company paid a dividend on the cumulative redeemable preference shares at the rate of 3% under the terms of the issue of the 24.69 million CRPS held by Scottish & Newcastle. The dividend on the redeemable optionally convertible preference shares @ 5% was distributed prorata along with its redemption on April 30, 2005.

CAPITAL

During the year under review, the authorised capital of the Company stood at Rs.2800 million comprising of equity share capital of Rs.300 million and preference share capital of Rs.2500 million. The issued, subscribed and paid-up share capital as on March 31, 2006 stood at Rs.2685 million comprising of Rs.216 million equity share capital and Rs.2469 million cumulative redeemable preference share. The redeemable optionally convertible preference shares aggregating to Rs.2136.9 million allotted in November 2004 were redeemed on April 30, 2005 upon subscription of 3,779,522 fresh equity shares and 24,690,000 CRPS by Scottish & Newcastle India Limited.

A stock split of equity shares from a face value of Rs.10/- to a face value of Re.1/- in the month of May 2006 has ensured wider distribution of shares and increase in the shareholder base.

In view of the amalgamation of MBDL into your Company granted by the Hon'ble High Court on July 28, 2006, 42180 equity shares of Re.1/- each shall be allotted to the existing equity shareholders of MBDL. The paid up equity share capital base shall stand enhanced to this extent.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

India is the 10th largest economy in world with a GDP of \$518 per head and a population of over 1.1 billion. Out of the population, around 600 million are below the age of 25 years and 320 million live in urban areas. Despite a large economy, the per capita consumption per annum of beer in India still stands at a dismal 0.7 litres accounting for a mere 5% of the total alcoholic beverage market of India.

The primary reason for such lower consumption of beer is government regulation. Over-regulation in licensing, retail & wholesale distribution and price fixation are preventing the Indian beer industry from fulfilling its potential to expand greater than its current size. The Indian brewing industry remains highly regulated and is categorised with other alcoholic products for licensing and taxation purposes. Alcohol forms a part of the State subject and their policies are driven by "Socio-economic" conditions. An average levy of 42% comprising in Maximum Retail Price (MRP) is very high and it constitutes significant revenue for the exchequer.

In India, the southern region continues to lead the beer market with consumption of 47% of the total volume, western region consumes 27%, northern region 20% with the least consumption of 6% in the eastern region. In India there is one beer outlet per 20,000 people which is in stark contrast to those with other European countries. For example in the United Kingdom one beer outlet caters to only 350 people. Reform in retail licensing and duty would create a step change in growth and this is very much evident in the States where reforms have been implemented recently.

Given the levies, economic conditions of the consumer and 'kick for the buck' being the norm, mild beer stands little preference in the lower income segments.

Kingfisher Strong has witnessed remarkable growth during the last 6 years after its launch. Kingfisher Strong has crossed sales of 17 million cases growing by 36% compared to an industry growth rate of 16% in the strong beer segment. In this segment your Company is the market leader in 7 out of the 10 largest states of India and in the lager beer segment, your Company is the market leader in all the 10 largest states of the Country. Your Company commands a market share of around 40% with 67% of the market share in the mild beer segment and 27% in the strong beer segment. The sales of lager beer have been flat or mildly de-growing, whereas over the last 5 years the share of strong beer in the overall industry is over 65%.

It has been a constant effort of your Company to educate the Government about the difference between beer and spirits and several representations for change in the present system of taxation from ad valorem basis to tax incidence based on alcohol content have been made.

OPERATIONS

In view of the amalgamation of the brewing business of ABDL and MBDL, effective from April 01, 2005, the financial statements presented include the results for the brewing business' of ABDL and MBDL.

STRATEGIC ALLIANCE WITH SCOTTISH AND NEWCASTLE

Scottish & Newcastle (S&N) holds 37.5% equity share capital of the Company and cumulative redeemable preference shares aggregating to Rs.2469 million. The alliance has strengthened the ties between two major beer manufacturing groups and has brought about significant management, technical expertise and marketing benefits to your Company.

Following the S&N infusion, the operations of Millennium Alcobev Pvt. Limited (MAPL), the Joint Venture (JV) Company with S&N, were merged into UBL. Accordingly, your Company has taken the opportunity to review and rationalise the brand portfolio to provide a more complete offering to the consumer, in addition to delivering synergies from cost savings. This has also helped the Company optimise the utilisation of manufacturing capacities across the two companies. The companies continue to remain separate legal entities.

In March 2006, Accra Investments Pvt. Limited exited the JV and sold its equity holding in the JV to your Company and S&N in equal ratios. Your Company, along with its subsidiary, now holds a 50% stake in MAPL, which owns a network of breweries, strong regional brands and enjoys a market share of 10% further enhancing your Company's leadership position. The combined business commands a 50% market share in the Indian beer industry.

SALES

During the year under report, your Company has achieved a volume growth of 18% over the volume last year. The industry has grown at a rate of 14% during the period. For the year ended March 31, 2006 the volume stood at 43.4 million cases as compared to 36.4 million cases as on March 31, 2005. Against an industry volume growth of 14% for the year, your Company has continued to outperform the market in both the strong and mild beer segments. While the mild beer segment witnessed a growth of 13% (against a market growth of 9.4%), and spectacular growth in strong beer of 36% (against a market growth of 16%) was witnessed. Kingfisher Strong has now achieved the number one position in the strong beer segment, followed by Kingfisher Premium which continues to remain a leading brand in the mild beer segment. Net sales for the year under review stood at Rs.6873.5 million as against Rs.5153.8 million in the previous year representing an increase of 33.3%

Your Company continues to lead the industry with overall market share of 40%, Kingfisher Premium Lager achieved sales in excess of 20 million cases representing a market share of 65% in the mild beer segment. Kingfisher Strong has become the No.1 Strong Beer in India selling over 17 million cases, and, commanding a market share of 19% in the strong beer segment. Kingfisher Strong crossed 2 million cases (sales) in 5 major markets, which is a record in itself.

Report of the Directors (Contd.)

Innovative launches of Kingfisher Stubby in Goa, launch of Kingfisher 650 ml in a innovative international carton pack in key markets, launch of London Pilsner 330 ml can pack in Mumbai and London No.1 Strong 330 ml bottle in Karnataka has provided further competitive advantage. Promotional events like Kingfisher Premium "Voice of Goa" and the "Great India Oktoberfest" coupled with various snack promotions have not only given a boost in volumes but also expanded the consumer base. UB Export Lager continues to deliver superior value to the consumer supported by its brand Ambassador Upendra.

Capacities created in Australia and New Zealand through contract agreements have further enhanced brand equity and retention.

Your management's undiluted focus on the consumer with an emphasis on delivering value has enhanced the perception of brands in the consumers mind.

MANUFACTURING EXPENSES

The manufacturing expenses stood at Rs.2986.1 million constituting 43.4% of the net sales in comparison to 51.14% in the previous year. Though manufacturing expenses commensurate with increased volumes and higher salience of strong beer in the product mix coupled with price increase in key markets, the manufacturing costs were reduced on a per case basis year on year. Such reduction in manufacturing cost was brought about due to a reduction in the cost of the bottles and other input cost.

PERSONNEL AND OTHER OPERATING EXPENSES

Personnel expenses of the company stood at Rs.472 million constituting 6.87% of net sales as against 6.56% in the previous year. Other operating expenses stood at Rs.646.9 million constituting 9.41% of net sales as against 12.96% of the net sales in the previous year. This is mainly on account of increased volumes during the year at higher productivity levels and change in contract agreements.

ADVERTISEMENT AND BRAND PROMOTION

Your Company spent Rs.1569 million on brand building and trade promotion activities constituting 22.83% of net sales in comparison to Rs.1102 million (21.38%) last year. The result of higher expenditure is evident from the increase in total sales.

Extending the cue of movie promotions, new movie promotions were launched in Bangalore, Mumbai, Delhi, Pune and Kolkata. These promotions have paved the way for future promotions and the creation of brand equity.

The Kingfisher Swim Suit Calendar, a showcase for the Indian fashion industry today, was once again awarded the prestigious Food And Beverage (FAB) Award. The fourth edition of Calendar continues to be a spectacular success from all quarters. For the second year in a row, – the calendar achieved this prestigious Award at the 8th International Food & Beverages Creative Excellence Awards 2005 held in London and proves that "KINGFISHER" has always been the "KING OF GOOD TIMES".

Your Company continues its association with Baichung Bhutia for Kingfisher, and Upendra for UB Export Lager.

PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION (PBIDT)

The PBIDT for the year under review was Rs.1372 million in comparison to Rs.737 million in the previous year. Increases in both volume, and realisations (in some states), in addition to stringent cost management, resulting in a cost per case reduction, have produced this impressive result. Further, operating margin has improved from 14% to 20%.

INTEREST AND DEPRECIATION

Interest paid during the year amounted to Rs.239 million against Rs.378.8 million during the previous year. The depreciation for the year was Rs.208.6 million compared to Rs.105.7 million in the previous year.

NON RECURRING EXPENSES

A sum of Rs.288.6 million was written off through non recurring expenses representing goodwill on amalgamation of ABDL and MBDL. Rs.16 million represents professional charges paid for the strategic alliance.

PROFIT BEFORE AND AFTER TAXATION

The excellent performance, described above, has resulted in a PBT of Rs.619.4 million and PAT of Rs.194 million as against Rs.252.1 million and Rs.140.4 million respectively, in the previous year. The merger of ABDL and MBDL will help the company to optimise its tax affairs.

PROSPECTS

With a rapid growth in GDP at 8%, higher disposable income, change in consumer behaviour, advent of, and exposure to, western influences, liberalisation in retail/distribution, the beer market in India is growing rapidly and is expected to grow at a rate of over 10% year on year. Growth in income for the young educated population, particularly in the service industry, gives cause to expect acceleration in demand for beer in the coming years.

The youth in India, being below the age of 34, constitutes a powerful argument for increase in the demand for beer. Low per capita consumption of beer in the country, coupled with changes to cultural attitudes towards the consumption of

Report of the Directors (contd.)

alcoholic products in recent times provide further compelling case for the industry. This growth can however, only be realised in a favourable regulatory environment. Your Company has been at the forefront in educating Governments on the need to differentiate the taxation and regulation of beer from taxation and regulation of spirits. Progress has been slow but steady, and there are imminent signs of a further, though gradual, deregulation in the industry.

Harmonisation of the tax structure across states and change in the present system of taxation wherein tax incidence based on alcohol content rather than advalorem basis will go a long way in improving the market for beer in India.

Significant changes in the dismantling of auction markets, such as in Punjab, Haryana and Chandigarh has brought relief for the Industry. This has resulted in beer becoming available to people at affordable prices.

In view of this growth, your Company is setting up greenfield brewery projects in the States of Orissa and Rajasthan with a capacity of 6 million and 1.25 million cases respectively. Both these breweries will be commissioned in early 2007. In addition, your Company has announced an investment of Rs.4000 million over the next three years to double the existing brewing capacity and upgrade plant. This will ensure the Company can continue to grow ahead of the market, and produce beer to the very highest International standards.

Innovative promotions and communication continue in your Company's brand building effort. Kingfisher signed an exclusive contract with International cricketing celebrities, Andrew Flintoff and Michael Vaughan as brand ambassadors. These cricketers really mirror Kingfisher brand values. Being the brand leader, the Company has led from the front in achieving its targets. Your Company also continued its sponsorship of appropriate events such as the Kingfisher Derby, Corporate Football, Hockey, Cricket and Fashion Shows.

ENVIRONMENT

Your Company has a major commitment to protecting, and where possible renewing the environment. It has undertaken a number of initiatives during the year which are being rolled out to other sites.

With regard to water management, the Goa and Hyderabad units of your Company have invested in developing a process of recycling water to achieve a specific consumption of water of less than 5 litres for each litre of beer produced. In Kerala, the Palakkad unit has implemented rain water harvesting.

Your Company has also invested in boilers which use alternate fuels. New boilers have been installed in the Ludhiana unit and further investment is being made currently in other units. Further energy saving initiatives have been implemented focusing on optimal work in process during the off season thereby saving energy.

INTERNAL CONTROL SYSTEM

Your Company has in place an established system of internal controls to ensure 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 best International practices and to ensure total corporate governance, your company has implemented risk assessment, control self assessment and legal compliance management during the year under review which has enhanced the effectiveness of the process. During the year your Company has also implemented "NAVISION" an ERP package from Microsoft Business Solutions which has also strengthened the internal control processes.

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 time bound 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 are operating and monitoring practices are in place.

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

OPPORTUNITIES & THREATS

While the Indian beer market has grown at 14 % in the last year, your Company has recorded a much higher growth rate during the period under review. With further investment your Company has been able to upgrade and expand existing capacities and further strengthen its brands. Currently, the total Indian beer market is still small with annual sales of around 7 million hecto litres, but has been growing rapidly over the last one decade. This trend is continuing and your management is taking all initiatives to tap the growing demand. Climatic conditions in India are more suited to drinking beer, which could be seen as a healthier alternative, to other alcoholic beverages.

Strong Beer (alcohol by volume of 6% - 8%) accounts for over 65% of the total beer market and the key beer consuming States are Andhra Pradesh, Maharashtra, Tamil Nadu, Karnataka, Rajasthan and Uttar Pradesh, The per capita consumption of 0.7 litres is low, emphasising the significant growth potential in a country with a population in excess of one billion people. Key drivers of high growth include rising gross domestic product, favourable demographics, changing lifestyles, and the opportunity to grow per capita consumption together with potential deregulation of the Indian beer industry.

Report of the Directors (contd.)

Dismantling of the auction system in the major markets of Punjab, Haryana and Chandigarh has brought about enormous relief and benefits for the Industry. Beer has seen exponential growth in these markets and become more widely available to people at affordable prices.

In view of this growth, your Company is establishing new sites in Orissa and Rajasthan, in addition to investing in expanding the capacity of existing breweries and upgrading technology in order to deliver premium products to consumers.

Increasing entry of foreign competition in the Indian beer Industry could be a potential future threat though your Company is taking proactive steps to ensure its continued industry leadership.

RISKS & CONCERNS

Regulation and excessive taxation are key concerns. Given the similar nature of the duty structure, beer is more expensive than spirits per unit of alcohol. Government levies and taxation have a direct bearing on the profitability of the industry. Regulation over retail pricing in many States create an environment where the Company is unable to pass on the real escalation in input cost in vital areas such as packaging and other basic raw materials, which clearly impacts not just your Company's profitability, but the overall Industry profitability.

A reduction in the cultivable land for barley, and the increasing demand for malt is resulting in shortages of barley. Further, attractive prices paid to farmers to cultivate other crops and cereals is impacting barley availability. This situation is anticipated to worsen in coming years. Your Company is already taking active measures to invest in the upstream supply chain and ensure the Company continues to receive a sustainable supply of quality barley.

Your Company has explored a number of avenues to contain the risk of continued increase in the face of static selling prices.

Further deregulation is expected to continue. The brewing industry has been united in airing its views in this regard. As deregulation occurs, the taxation structure on beer is expected to be de-linked from liquor making beer available to the consumer at much lower rates.

The drivers of growth are in place. However, high taxation and extension of State monopoly in distribution and restriction in communication will have a bearing on the future results.

HUMAN RESOURCES

The Human Resources of your Company has been responsible for the spectacular results that the Company has achieved. The Company continues to focus on building competencies, commitment and culture to drive performance. The Balanced Scorecard initiative embarked on last year has become an integral part of the company's performance management system. This will ensure that the management not only focuses on the financial perspective but also focuses on the customer perspective, internal processes and the learning and growth perspective to achieve sustainable profitable market leadership.

Competency mapping has been conducted for all the senior management team and has identified a development plan that will be implemented to face the challenges of tomorrow. We are therefore investing in developing talent which will be the key differentiator between ourselves and the competition. The compensation policy is also being looked at in a contemporary manner so that people are rewarded based on results.

The industrial relations scenario at all the plants across the country was cordial and harmonious with an emphasis on productivity. The same has been reflected in improved productivity at all the breweries.

Your Company's human resource has played a vital role in achieving the improved results. The directors express their appreciation, to all 1,871 employees, for their commitment and dedication.

SUBSIDIARY COMPANIES

The Hon'ble High Courts of Bombay and Karnataka have granted the composite scheme of arrangement for de-merging the brewing business of Associated Breweries & Distilleries Limited and amalgamation of Mangalore Breweries & Distilleries Limited (MBDL) into your Company. These companies brewing businesses have now been merged with that of your Company to derive optimal synergy and cost benefits and creation of a larger entity. In view of the amalgamation of (MBDL) into your Company, MBDL ceases to be a subsidiary of your Company.

Your Company has acquired the de-merged brewing entity of Karnataka Breweries & Distilleries Private Limited (KBDL) which has augmented further control over capacities in Karnataka one of the most profitable markets in India. KBDL became a wholly owned subsidiary of your Company in May 2006. The consolidated results of KBDL shall form part of the next Annual Report.

Your Company has preferred an application to the Central Government exempting your Company from attaching the accounts etc. of its subsidiaries viz. Associated Breweries & Distilleries Limited, London Pilsner Breweries Pvt. Limited and London Draft Pubs Pvt. Limited, with the balance sheet of the parent Company. If, in terms of the approval so granted by the Central Government, the accounts, etc., of the above subsidiaries are not required to be attached with the balance sheet of parent Company, these accounts will be provided upon request to any member requiring to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

Statement pursuant to Section 212(1)(e) is attached.

CONSOLIDATION

As required under the Listing Agreement, Consolidated Accounts confirming to applicable Accounting Standards are attached to the Annual Report.

DEPOSITORY SYSTEM

Your Company has entered into agreements 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 directives issued by SEBI.

DIRECTORS

Consequent upon acquisition of 37.5% equity stake by Scottish & Newcastle India Limited, a subsidiary of Scottish & Newcastle Plc. the board of directors of your Company has been reconstituted in April 2005 and Mr. John Hunt, Mr. John Dunsmore, Mrs. Lesley Jackson, Mr. C Y Pal and Mr. Sunil Alagh were appointed as directors and the board has been broadbased to comprise of 9 directors.

Mr. John Hunt and Mr. John Dunsmore retire by rotation at the ensuing annual general meeting, and being eligible, offer themselves for reappointment.

AUDITORS

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

AUDITOR'S REPORT

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

Millennium Alcobev Pvt. Limited, a Joint Venture (JV) between UBL and S&N has already made significant inroads into the market by achieving a 10% market share within a period of four years. The said subsidiaries and the JV have their manufacturing locations in critical markets and meet almost 33% of the Company's capacity requirement. Considering these, the investments are strategic in nature and substantial benefits are expected to accrue to the Company in terms of market share and capacity utilisation. Therefore, the management is of the view that there is no permanent diminution in the value of investments and no provision therefore is considered necessary at this stage.

LISTING REQUIREMENTS

Your Company's equity shares are listed at Bangalore, Mumbai, Ahmedabad, New Delhi, Calcutta, Hyderabad, Cochin, Ludhiana and Chennai Stock Exchanges. The listing fees have been paid to all the Stock Exchanges for the year 2006 – 2007 and the Company has complied with all requirements of the Listing Agreements.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2006 is appended.

CORPORATE GOVERNANCE

A Report on corporate governance forms part of this report along with the certificate from the Company Secretary in Practice.

FIXED DEPOSITS

The Company has not invited any fixed deposits.

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

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

DIRECTORS RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and that the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

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

MUMBAI
August 24, 2006

Lesley Jackson
Director, CFO

By Authority of the Board,

Kalyan Ganguly
Managing Director

Annexure to Directors' Report (Contd.)

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 off season – reducing refrigeration load – savings on energy consumption.

Installed cyclic load energy savers in air compressors.

(b) **Fuel Oil Consumption:** Installed fuel effimax in Hyderabad & Mangalore units boilers for improvement of dissolved oxygen controls, auto blow down & steam to fuel ratio.

After successful implementation of alternate fuel boiler at Ludhiana – implementation plans for units in West Bengal, Andhra Pradesh, Maharashtra and Karnataka are in progress

(c) **Water Conservation:** Recycling of effluent treated water with programmable logic control operated reverse osmosis plant successfully commissioned at Hyderabad unit.

B. Technology Absorption

Latest technology for beer filling machine has been incorporated in the fillers installed at Palakkad. This replaces the mechanical filling valves by electro pneumatic filling valves, resulting in improved quality, reduced wastages and higher productivities on the line.

C. Research and Development

Company continues its Research & Development (R&D) programme in the area of development of two row malting variety of barley. The new "Winey Beer" a product of in-house R&D activity has been well accepted in the market.

D. Foreign Exchange Inflow and Outflow

Foreign Exchange earned : Rs.6.14 million
 Foreign Exchange used : Rs.339.77 million

STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED MARCH 31, 2006

| Sl. No. | Name | Age | Date of Joining | Total Remuneration | Designation | Educational qualification | Experience in years | Previous employment |
|---------|--------------------|-----|-----------------|--------------------|--|--|---------------------|--|
| 1 | Kalyan Ganguly | 55 | 09.08.2002 | 18913026 | Managing Director | B.A. (Hons.) PGDBM (XLRI) | 33 | EVP - Marketing & Sales; McDowell & Co. Ltd. |
| 2 | Shekhar Ramamurthy | 45 | 01.08.2001 | 6038753 | EVP – Sales & Marketing | B.Tech., IIT, PGDBM (IIM) | 19 | General Manager – Marketing; Herbertsons Ltd. |
| 3 | Joe Noronha | 51 | 01.08.2001 | 3599462 | SVP– HRD | B.Com., PGPMIR (XLRI) | 26 | Personnel Manager, The Oberoi Bogmalo Beach, Goa |
| 4 | D N Sapra | 59 | 01.08.2001 | 2973436 | SVP – Opreations | M.Sc. (Chem.), M.Sc. (Brwg. Sc.) | 35 | Asst. Production Manager, Jagatjit Industries Limited |
| 5 | Govind Tiwari | 55 | 01.08.2001 | 2655310 | DVP – UBL - Goa Unit | B.Sc., P.G.D.I.F.A.T., DBA, PGDM&IR | 36 | Asst. Brewer Indo Lowenbrau Breweries Ltd. |
| 6 | Alok Kumar Basu | 60 | 01.08.2001 | 2675497 | DVP – R&D | B.Sc., B.Tech. (Biochem Engg & Food Tech), PGD in Mfg. & Brwg. | 34 | First Employment |
| 7 | Kiran Kumar | 38 | 01.08.2001 | 2420292 | AVP – Marketing | B.Com., P.G.D.M.(IIM-A) | 15 | Herbertsons Ltd., Marketing Manager |
| 8 | Perry Goes | 41 | 14.06.2004 | 2555064 | AVP – Strategic Planning & Bus. Analysis | B.E.(Mech), PGDBM (Mrktg – Fin & HR) | 19 | Group Leader for Business Analytics, Honeywell Technologies Solutions Labs |
| 9 | Ravi Kaza | 43 | 04.01.2005 | 3866880 | SVP – Sales | B.A., M.B.A. | 21 | Head – Sales & Marketing, Millennium Alcobev Pvt. Ltd. |

Annexure to Directors' Report

Employed for part of the year

| Sl. No | Name | Age | Date of Joining | Total Remuneration | Designation | Educational qualification | Experience in years | Previous employment |
|--------|----------------|-----|-----------------|--------------------|--------------------------|---------------------------|---------------------|---|
| 10 | Lesley Jackson | 42 | 13.06.2005 | 3528086 | Director, C F O | B.A. (Hons) FCA, M.B.A | 21 | Scottish & Newcastle Plc. |
| 11 | P A Murali | 48 | 1.08.2001 | 2431945 | EVP – Finance & Accounts | B. Com., A C A | 25 | Sr. Vice President & CFO – Mendocino Brewing Co., Inc.- USA |
| 12 | N K Mittal ** | 57 | 1.08.2001 | 3722908 | EVP – Manufacturing | B.Tech., Mech.Engg | 34 | DVP - Mfg. North; McDowell & Co. Ltd. |

[** Rs.6527965/- paid as settlement dues to Mr. N. K. Mittal]

NOTES:

- Mr. Kalyan Ganguly was appointed as a Managing Director of the Company on August 9, 2002. Prior to the said date, Mr. Ganguly was holding the position of President – Breweries Division in erstwhile United Breweries Limited.
- Executives mentioned at Sl. Nos. 1 to 7 and Sl. Nos. 11 & 12 were transferred upon de-merger of brewing business of erstwhile United Breweries Limited into the Company.
- 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.

MUMBAI
August 24, 2006

Lesley Jackson
Director, CFO

By Authority of the Board,

Kalyan Ganguly
Managing Director



UNITED BREWERIES LIMITED

Report on Corporate Governance

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 composition of the board of directors meets with the requirement of Corporate Governance Code prescribed in the Listing Agreement. The board is comprised of requisite independent directors in terms of the corporate governance norms. Your Company's board consists of eminent persons with considerable professional expertise and experience.

In terms of the understanding with Scottish & Newcastle Plc., (S&N), the board of directors of the Company was reconstituted on April 29, 2005 to comprise of 9 directors including S&N nominee directors.

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 showcause notice and demands if any, minutes of Committee meetings, control self assessment, risk assessment and updates thereof are regularly placed before the board.

During the financial year ended on March 31, 2006, 9 board meetings were held on April 07, 2005, April 29, 2005, June 24, 2005, July 29, 2005, September 19, 2005, October 26, 2005, January 17, 2006, January 31, 2006 and March 28, 2006.

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 19.09.2005 |
|------------------------|--------------------|-------------------------------|-----------------------------------|---|
| Dr. Vijay Mallya | Chairman (NE) | 9 | 6 | YES |
| Mr. Kalyan Ganguly | Managing Director | 9 | 8 | YES |
| Mr. A K Ravi Nedungadi | Director (NE) | 9 | 9 | YES |
| Mr. John Hunt | Director (NE) | 9 | 6 | YES |
| Mr. John Dunsmore | Director (NE) | 9 | 2 | NO |
| Mrs. Lesley Jackson | Director (CFO) | 9 | 8 | YES |
| Mr. C Y Pal | Director (NE, Ind) | 9 | 8 | YES |
| Mr. Sunil Alagh | Director (NE, Ind) | 9 | 6 | YES |
| Mr. C L Jain | Director (NE, Ind) | 9 | 7 | NO |

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

Mr. S R Gupte, Mr. V K Rekhi, Mr. Atul Munim and Dr. Neville Bain resigned from the board with effect from April 29, 2005 in view of the reconstitution of the board of directors of the Company.

Report on Corporate Governance (contd.)

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

| Names of the Directors | Membership in Boards other than UBL | Membership in Board Committees other than UBL | |
|------------------------|-------------------------------------|---|--|
| | | Prescribed for reckoning the limits under Clause 49 of the Listing Agreement ** | Other Committees not so prescribed *** |
| Dr. Vijay Mallya | 21 | NIL | 1 (Chairman of 1 Committee) |
| Mr. Kalyan Ganguly | 8 | 4 | 4 |
| Mr. A K Ravi Nedungadi | 14 | 4 | 2 |
| Mr. John Hunt | 2 | 1 | NIL |
| Mr. John Dunsmore | 1 | 1 | 1 |
| Mrs. Lesley Jackson | 6 | 4 | 4 |
| Mr. C Y Pal | 4 | 4 (Chairman of 3 Committees) | 1 |
| Mr. Sunil Alagh | 5 | NIL | 1 |
| Mr. C L Jain | 14 | 8 (Chairman of 4 Committees) | 3 (Chairman of 1 Committee) |

The above position is as on the date of this Report. ** Audit & Investor Grievance Committees *** Remuneration & Share Transfer Committees

The above details are in respect of their directorships in Indian Companies only.

NOTES:

- Out of 21 other Companies in India in which Dr. Vijay Mallya is a Director, 7 are Private Limited Companies, and 2 are Section 25 Companies. Dr. Vijay Mallya is also on the board of 29 Overseas Companies.
- Out of 8 other Companies in which Mr. Kalyan Ganguly is a Director, 2 are Private Limited Companies. Mr. Kalyan Ganguly is also on the board of 2 Overseas Companies.
- Out of 14 other Companies in which Mr. A K Ravi Nedungadi is a Director, 4 are Private Limited Companies. Mr. A K Ravi Nedungadi is also on the board of 2 Overseas Companies.
- Mr. John Hunt is a Director in 2 Private Limited Companies.
- Mr. John Dunsmore is a Director in 1 Private Limited Company.
- Out of 6 other Companies in which Mrs. Lesley Jackson is a Director, 3 are Private Limited Companies.
- Out of 4 other Companies in which Mr. C Y Pal is a Director, 1 is a Private Limited Company.
- Out of 5 other Companies in which Mr. Sunil Alagh is a Director, 3 are Private Limited Companies.
- Out of 14 other Companies in which Mr. C L Jain is a Director, 1 is a Private Limited Company. He is also on board of 1 Overseas Company.

DIRECTORS RETIRING BY ROTATION

Mr. John Hunt and Mr. John Dunsmore retire at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

PARTICULARS OF DIRECTORS RETIRING BY ROTATION AND BEING RE-APPOINTED

| Brief resume | Other Directorships & Committee Memberships |
|---|---|
| <p>Mr. John Hunt</p> <p>Mr. John Hunt is an M.A.(Hons.) in Mech Engineering and a Post-Graduate in Production Engineering from Cambridge University. He is also an ACA & has completed Executive Development Programs at S&N's Senior Executive Program, IMD-Lausanne and Harvard Business School. He commenced his Professional career with KPMG as Audit Senior (1985-1989), then moved on to the Foster's Brewing Group in London where he was elevated from the role of Operational Audit Manager (1989-1991) to the level of Commercial Director (1993-1996) of Holsten UK, a Foster's JV in the UK. He then moved on as Finance & Airtime Sales Director (1996-1998) of a BBC/Pearson JV running BBC's World & Prime satellite TV channels in Europe. He then joined S&N in April 1998 as Corporate Development Manager where he was part of a small team that acquired the No.1 French & the No.2 Portuguese brewers & 1 billion Pub Company. Mr. John Hunt has held a few other positions in the S&N Group and is currently the Managing Director for Asia (since May 2004)– responsible for all S&N operations in Asia including listed brewing JV's in India & China. Total turnover of JV businesses is around \$ 500 million. He brings with him a very wide & international experience in the industry. Mr. John Hunt joined the board on April 29, 2005.</p> | <p>Other Boards</p> <p>Millennium Alcobev Private Limited Scottish & Newcastle (India) Private Limited</p> <p>Audit Committee</p> <p>Millennium Alcobev Private Limited</p> |

Report on Corporate Governance (contd.)

PARTICULARS OF DIRECTORS RETIRING BY ROTATION AND BEING RE-APPOINTED

| | |
|---|--|
| <p>Mr. John Dunsmore</p> <p>Mr. John Dunsmore started his career as a Graduate Trainee at Scottish & Newcastle Plc. (S&N) after completing his education at Magdalen College School Oxford and Manchester University, (English BA Hons, 2i). He then (1982) moved on to Grand Met as a Tenanted Sales Manager. Subsequent to this assignment he was with Rowe & Pitman as Drinks Analyst, then with Wood Mackenzie as International Brewing, Distilling & Leisure Analyst. He then joined Marston's as Brewing & Brands Director. Thereafter, he was with Natvest Securities as Head of UK Equities.</p> <p>In 1996, he rejoined S&N as the Director of Corporate Development and moved as the Head of S&N's on trade business in the UK from 1997-2002. In 2002, he took over the role of Managing Director of S&N UK. He is currently the Managing Director of S&N's business in the UK.</p> <p>Mr. John Dunsmore brings with him a very rich experience in the Beer industry. He is Chairman of The British Beer & Pub Association, a Trustee of the Portman Group and Scottish Community Foundation and a Director of the Caledonian Brewing Company.</p> <p>Mr. John Dunsmore joined the board on April 29, 2005.</p> | <p>Other Boards</p> <p>Millennium Alcobev Private Limited</p> <p>Audit Committee</p> <p>Millennium Alcobev Private Limited</p> |
|---|--|

NOTE: Committee memberships of directors mentioned above includes only those Committees prescribed for reckoning of limits under clause 49 of the Listing Agreement.

COMMITTEES OF DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee comprises of Mr. C Y Pal, Mr. Sunil Alagh and Mr. C L Jain as members. The Chairmanship of the Committee vests with Mr. C Y Pal.

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

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

Report on Corporate Governance (contd.)

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

The Audit Committee mandatorily reviews the following information:

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

During the year ended March 31, 2006, 4 Audit Committee meetings were held on June 24, 2005, July 27, 2005, October 26, 2005 and January 28, 2006.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

| Names of the Directors | Category | Number of Audit Committee Meetings held | Number of Audit Committee Meetings attended |
|------------------------|----------|---|---|
| Mr. C Y Pal | CHAIRMAN | 4 | 4 |
| Mr. S K Alagh | MEMBER | 4 | 2 |
| Mr. C L Jain | MEMBER | 4 | 4 |

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

SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of Mr. A K Ravi Nedungadi, Mr. Kalyan Ganguly and Mrs. Lesley Jackson as members. Mr. A K Ravi Nedungadi is the Chairman of the Committee.

The Terms of reference as under:

- To monitor transfer, transmission and transposition of the shares of the Company;
- Issue of duplicate share certificates, in lieu of certificates lost or misplaced;
- Issue of new share certificates in lieu of certificates torn, mutilated, cages for transfer filled up etc.;
- Consolidation and sub-division of share certificates;
- To oversee compliance of the norms laid down under the Depositories Act, 1996;
- To appoint/ remove Registrars and Transfer Agents;
- To oversee compliance of the norms laid down under the tripartite agreement with National Securities Depository Limited/ Central Depository Services (India) Limited;
- Perform all such acts and deeds, matters and things as it may in its absolute discretion deem necessary, expedient, desirable, usual or proper and to settle any question, dispute, difficulty or doubt that may arise in regard to the matters arising out of the aforesaid acts.

In order to facilitate prompt and efficient service to the shareholders all the transactions in connection with transfer, transmission, issue of duplicate certificates, etc., have been entrusted to Alpha Systems Private Limited, Registrars and Transfer Agents and the same are being processed and approved on fortnightly basis.

During the year ended March 31, 2006 the Committee met 12 times on April 22, 2005, May 31, 2005, June 30, 2005, August 2, 2005, August 31, 2005, September 30, 2005, October 31, 2005, November 30, 2005, December 31, 2005, January 31, 2006, February 28, 2006 and March 31, 2006 for approving the transactions falling within the terms of reference mentioned above.

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

Report on Corporate Governance (contd.)

INVESTORS' GRIEVANCE COMMITTEE

The Investors'/Shareholders' Grievance Committee comprises of Mr. C Y Pal, Mr. Sunil Alagh and Mr. C L Jain as members. Mr. C Y Pal is the Chairman of the Committee.

The terms of reference for the Committee include inter alia specifically to look into the redressing of shareholders' and investors' complaints such as the non-receipt of balance sheet, non-receipt of declared dividends, non receipt of share certificates upon transfer of shares, demat credit etc. The Committee is empowered to operate in terms of the provisions of the Listing Agreement and/or the provisions as prescribed under the Companies Act, 1956 and other related Regulations.

The Compliance Officer is Mr. Govind Iyengar, Company Secretary.

| | |
|--|---|
| Number of shareholders' complaints received from 1-4-2005 to 31-3-2006 (These complaints pertained mainly to non-receipt of share certificates upon transfer, non receipt of balance sheets, demat credit, etc.) | 114 |
| Number of complaints not solved to the satisfaction of the shareholders | NIL |
| Number of pending share transfers: | 18 transfers for 550 shares (intimation cases held as on 31-3-2006 subsequently transferred on expiry of the notice period) |

During the year ended March 31, 2006 Investors' Grievance Committee Meetings were held on June 24, 2005, October 26, 2005 and January 17, 2006 in which all the members of the Committee were present.

REMUNERATION /COMPENSATION COMMITTEE

The Remuneration Committee comprises of Mr. C Y Pal, Mr. Sunil Alagh and Mr. C L Jain as members. Mr. Sunil Alagh is the Chairman of the Committee.

The Committee is authorised inter alia:

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

During the year ended March 31, 2006, Remuneration Committee Meetings were held on June 24, 2005 and January 17, 2006 and all the members were present at these meetings.

REMUNERATION POLICY

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

For the financial year ended March 31, 2006, Mr. Kalyan Ganguly, Managing Director and Mrs. Lesley Jackson, Director, Chief Financial Officer (CFO) were paid remuneration as under:

| Name of Director | Salary | Perquisites | Retiral Benefits |
|---------------------|-------------------|-----------------|------------------|
| Mr. Kalyan Ganguly | Rs. 1,43,29,104/- | Rs. 20,95,116/- | Rs. 24,88,806/- |
| Mrs. Lesley Jackson | Rs. 16,80,000/- | Rs. 18,48,086/- | - |

Mr. Ganguly was appointed as a Managing Director effective August 9, 2002 for a period of five years. The terms of appointment has been approved by the members of the Company at its meeting held on September 30, 2002 and the appointment and remuneration payable to him has been approved by the Central Government also. The salary of Mr. Ganguly was revised with effect from July 01, 2005. Mrs. Lesley Jackson was appointed as CFO of the Company with effect from June 13, 2005 and her appointment and remuneration has been approved by the Central Government. No retrial benefits are being paid to Mrs. Lesley Jackson.

Report on Corporate Governance (contd.)

SITTING FEES PAID TO DIRECTORS

| Sl. No. | Name of Director | Sitting Fees paid |
|---------|------------------------|-------------------|
| 1. | Mr. A K Ravi Nedungadi | Rs.1,55,000/- |
| 2. | Mr. C Y Pal | Rs.1,50,000/- |
| 3. | Mr. C L Jain | Rs.1,35,000/- |
| 4. | Mr. S K Alagh | Rs.1,05,000/- |
| 5. | Mr. John Hunt | Rs. 41,640/-* |
| 6. | Mr. John Dunsmore | Rs. 13,880/-* |
| 7. | Mrs. Lesley Jackson | Rs. 6,940/-*# |

* (net of TDS).

Sitting fee was paid to Mrs. Lesley Jackson for attending the board Meeting of April 29, 2005. She was subsequently appointed as Director, CFO of the Company in wholetime capacity.

Sitting fees are being paid at the rate of Rs.10000/- for attending each board and audit committee meeting and Rs.5,000/- for attending other committee meetings.

GENERAL BODY MEETINGS

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

| DATE | TIME | VENUE |
|--------------------|------------|---|
| September 19, 2005 | 11.30 A.M. | Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052 |
| September 28, 2004 | 11.00 A.M. | Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052 |
| September 26, 2003 | 2.30 P.M. | Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052 |

All the resolutions set out in respective notices including special resolutions were passed by the members at the above Annual General Meetings.

POSTAL BALLOT

In view of issue of corporate guarantee to YES Bank Limited on behalf of Mangalore Breweries & Distilleries Limited, a subsidiary of the Company and as required under Section 192 A of the Companies Act, 1956, the Company had conducted the postal ballot exercise following the provisions and rules framed under the Act for conducting postal ballot.

The details/results of the postal ballot exercise so conducted are as under:

| Date of despatch of postal ballot | Date of scrutineer's report | Description | Result |
|-----------------------------------|-----------------------------|---|--|
| 16.12.2005 | 23.01.2006 | Special resolution under Section 372 A of the Companies Act, 1956 to provide corporate guarantee to YES Bank Limited on behalf of Mangalore Breweries & Distilleries Limited (MBDL), a subsidiary of the Company. | Carried with requisite majority with 16,976,040 shares/votes in favour |

The postal ballot exercise was conducted by Mr. M R Gopinath, a Company Secretary in practice, scrutineer appointed for the purpose and his report was filed with the office of the Registrar of Companies. MBDL was amalgamated with the Company effective, April 1, 2005, vide order of the Hon'ble High Court of Karnataka passed on July 28, 2006.

DISCLOSURES

During the financial year ended March 31, 2006, there were no materially significant related party transactions with the Company's directors or their relatives. Details of related party transaction form part of notes on accounts.

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

The Company did not suffer from any levies and there were no strictures on any capital market related matters since incorporation.

MEANS OF COMMUNICATION

The Company has its own Web-site and all vital information relating to the Company and its performance involving quarterly results, official press release and presentation to analysts are posted on the Company's Web-site **Kingfisherworld.com**. Apart from furnishing copies of results to all the stock exchanges, the quarterly, unaudited and annual audited results as the case may be, of the Company's performance are being published in The Asian Age and in Kannada Prabha Newspapers. As prescribed by SEBI, requisite information is also regularly being posted on the EDIFAR website maintained by National Informatics Centre (NIC).

Report on Corporate Governance (contd.)

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

GENERAL SHAREHOLDER INFORMATION

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

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

ANNUAL GENERAL MEETING INFORMATION

| | |
|---|---|
| Board Meeting for consideration of Accounts | August 24, 2006 |
| Posting of Annual Report | August 26, 2006 |
| Book Closure dates | September 18, 2006 and September 19, 2006 |
| Last date for receiving proxy | September 17, 2006 |
| Date of AGM | September 19, 2006 |

ANNUAL GENERAL MEETING ON

September 19, 2006

VENUE

Dr. B R Ambedkar Bhavana, Miller's Road,
Vasanthanagar, Bangalore - 560 052

TIME

12.00 Noon

DATES OF BOOK CLOSURE: September 18, 2006 and September 19, 2006

LISTINGS AT

| Stock Exchange | Scrip Code |
|---|------------|
| Bangalore Stock Exchange Limited | Unitedbred |
| Cochin Stock Exchange Limited | UBW |
| Calcutta Stock Exchange Assn. Limited | 31195 |
| Madras Stock Exchange Limited | Unitedbrew |
| The Ludhiana Stock Exchange Assn. Limited | - |
| The Stock Exchange – Ahmedabad | 62379 |
| The Stock Exchange – Mumbai | 532478 |
| Hyderabad Stock Exchange Limited | 6498 |
| The Delhi Stock Exchange Assn. Limited | 121113 |

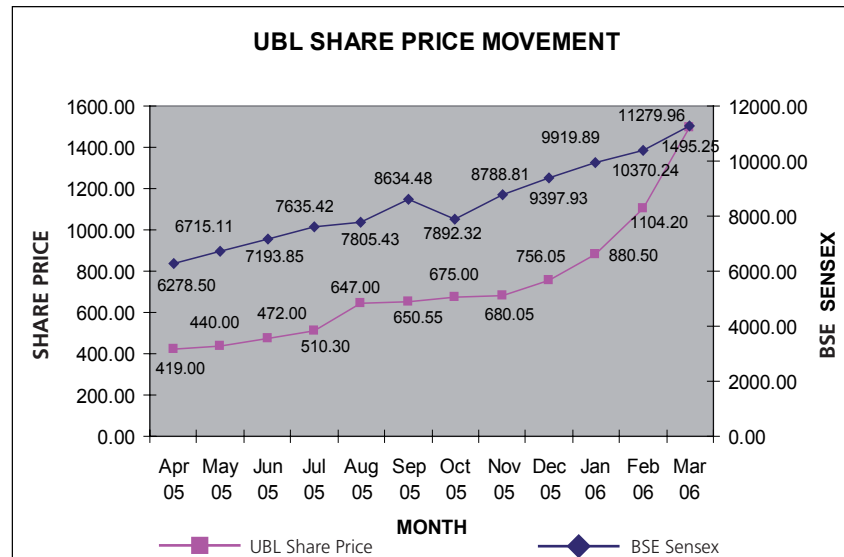
Market price data of the Company's equity shares traded on The Stock Exchange, Mumbai (BSE) during the period April 2005 to March 2006:

| Month | High | Low | Close | BSE Sensex-close |
|----------------|---------|---------|---------|------------------|
| April 2005 | 468.00 | 330.00 | 419.00 | 6278.50 |
| May 2005 | 447.00 | 405.00 | 440.00 | 6715.11 |
| June 2005 | 520.00 | 420.00 | 472.00 | 7193.85 |
| July 2005 | 525.00 | 449.00 | 510.30 | 7635.42 |
| August 2005 | 690.00 | 510.00 | 647.00 | 7805.43 |
| September 2005 | 774.80 | 575.00 | 650.55 | 8634.48 |
| October 2005 | 749.00 | 622.50 | 675.00 | 7892.32 |
| November 2005 | 709.00 | 616.60 | 680.05 | 8788.81 |
| December 2005 | 780.00 | 660.00 | 756.05 | 9397.93 |
| January 2006 | 930.00 | 712.00 | 880.50 | 9919.89 |
| February 2006 | 1255.00 | 850.00 | 1104.20 | 10370.24 |
| March 2006 | 1518.90 | 1053.00 | 1495.25 | 11279.96 |

No trading of the company's shares had taken place on the Ahmedabad, Bangalore, Chennai, Cochin, Calcutta, Delhi, Hyderabad and Ludhiana stock exchanges during the aforesaid period.

Report on Corporate Governance (contd.)

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



SHARE TRANSFER SYSTEM

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

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

The distribution of shareholding as on March 31, 2006 is furnished below:

| CATEGORY (Rupees) | No. of Shareholders | % (Percentage) | No. of Shares held | % (Percentage) |
|-------------------|---------------------|----------------|--------------------|----------------|
| Up to 5000 | 31742 | 99.05 | 1132453 | 5.24 |
| 5001 -- 10000 | 133 | 0.42 | 94977 | 0.44 |
| 10001 – 20000 | 65 | 0.20 | 95196 | 0.44 |
| 20001 – 30000 | 27 | 0.08 | 68563 | 0.32 |
| 30001 – 40000 | 9 | 0.03 | 31736 | 0.15 |
| 40001 – 50000 | 8 | 0.02 | 35442 | 0.16 |
| 50001 – 100000 | 17 | 0.05 | 124449 | 0.58 |
| 100001 and Above | 44 | 0.14 | 20017309 | 92.67 |
| TOTAL | 32045 | 100.00 | 21600125 | 100.00 |

At the Extraordinary General Meeting of the members held on May 24, 2006, the members unanimously approved sub-division of equity shares of the Company from a face value of Rs.10/- to a face value of Re.1/- each. Consequently, the paid up equity share capital stands at 216001250 equity shares of Re.1/- each.

21369077 redeemable optionally convertible preference shares of Rs.100/- each allotted on rights basis in November 2004 were redeemed on April 30, 2005 upon subscription of 3779522 equity shares and 24690000 cumulative redeemable preference shares (CRPS) of Rs.100/- each by Scottish & Newcastle India Limited (SNIL). Upon such preferential allotment to SNIL, the paid up equity share capital of the Company now comprises of 216001250 equity shares and 24690000 CRPS.

Report on Corporate Governance (contd.)

DEMATERIALISATION OF SHARES

The Company has set up requisite facilities for dematerialisation of its equity shares in accordance with the provisions of the Depositories Act, 1996 with National Securities Depository Limited and Central Depository Services (India) Limited. The Company has entered into agreements with both the Depositories for the benefit of shareholders. The status of dematerialisation of the Company's shares as on March 31, 2006 is as under:

| Mode | Shares | % age | No. of Shareholders |
|-----------------|-----------------|---------------|---------------------|
| Physical mode | 5240583 | 24.26 | 20315 |
| Electronic mode | 16359542 | 75.74 | 11730 |
| TOTAL | 21600125 | 100.00 | 32045 |

For any assistance regarding share transfers, transmissions, change of address, issue of duplicate / lost share certificates / exchange of share certificate / dematerialisation and other relevant matters, please write to the Registrar and Share Transfer Agent of the Company, at the address given below:

| |
|---|
| <p>ALPHA SYSTEMS PRIVATE LIMITED 30, RAMANA RESIDENCY 4TH CROSS, SAMPIGE ROAD, MALLESWARAM, BANGALORE – 560 003. Tel. No.: (080) 2346 0815 to 2346 0818. Fax No.: (080) 2346 0819 e.mail: alfint@vsnl.com. Contact Persons: Mr. G. SUBRAMANI or Mr. RAJARAMAN</p> |
|---|

The Company has constituted a Remuneration/Compensation Committee. The Company's quarterly/half yearly results are published in English and Kannada Newspapers. Hence the same are not sent to Shareholders. The Company has transacted business through postal ballot results of which are mentioned in this report. The Company shall comply with the provisions of the postal ballot during the year for businesses requiring such exercise.

The Company has adopted a Code of Conduct for Directors and Senior Management.

OWN MANUFACTURING NETWORK

| | |
|------------------------------|------------------------------|
| Andhra Pradesh – Hyderabad | Maharashtra – Taloja & Nerul |
| Goa – Ponda | Punjab – Ludhiana |
| Kerala – Chertala & Palakkad | West Bengal – Kalyani |
| Karnataka - Mangalore | |

CONTRACT MANUFACTURING NETWORK

In addition, the Company also has Manufacturing facilities through Subsidiary/Associate Companies/Contract Breweries at Bangalore, Daman, Srikakulam, Faridabad, Lucknow, Aurangabad, Madhopur, Dharuhera, Morena, Raisen, Kuthambakkam, Alwar, Thiruvallur, Behrur, Ponda Sahib and Ghaziabad.

| |
|---|
| <p>REGISTERED OFFICE "UB ANCHORAGE", NO.100/1, RICHMOND ROAD, BANGALORE - 560 025 Phone: (91-80) 22272806 to 22272808 Fax No. (91-80) 22127212 - 22229488 Cable: UBEEGEE</p> |
|---|

Certificate on Corporate Governance

The Members,
of **United Breweries Limited**

We have examined the compliance of conditions of Corporate Governance by **United Breweries Limited**, for the year ended on March 31, 2006, as stipulated in Clause 49 of the Listing Agreement, as amended with effect from December 31, 2005, of the said company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended on March 31, 2006, no grievances are pending against the company as per records maintained by the company and presented to the Shareholders'/Investors' Grievance Committee.

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

Bangalore, August 24, 2006

M R GOPINATH
COMPANY SECRETARY
(In practice)

FCS 3812 CP 1030



Auditors' Report

Auditors' Report to the Members of United Breweries Limited

1. We have audited the attached Balance Sheet of **United Breweries Limited** as at March 31, 2006, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the 'Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Further to our comments in para 3 above*

Provision has not been made in the accounts for possible loss arising on account of diminution in the value of long term investments in joint venture [having a carrying value of Rs.589,529 thousands] which the management has considered temporary in nature, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.

5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - (v) On the basis of written representations received from the directors of the company, as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act *and subject to our remarks in paragraph 4 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2006;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (b) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Mumbai, August 24, 2006

J.Majumdar
Partner,
Membership Number – F51912
For and on behalf of
Price Waterhouse
Chartered Accountants

Annexure to Auditors' Report

[Referred to in Paragraph 3 of the Auditors' Report of even date to the members of United Breweries Limited on the financial statements for the year ended March 31, 2006]

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The fixed assets of the company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to such programme, a portion of the fixed assets has been physically verified by the management during the year and this revealed no material discrepancies.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- ii. a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
- iii. a) The company has granted a secured advance to a company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year-end balance of such advance amounts to Rs.1,599,865 (2005: Rs.1,599,865) and Rs.797,465 (2005: Rs.1,599,865) respectively.
- b) In our opinion, the terms and conditions of such advance granted are not prima facie prejudicial to the interest of the company.
- c) In respect of the aforesaid advance, there was no stipulation for payment of interest and principal amount during the year.
- d) There is no overdue amount in respect of above advance.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system, commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. a) In our opinion and based on the examination of the records of the company, the particulars of the contracts / arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) Section 209 of the Act for any of the products of the Company.
- ix. a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities and no undisputed amounts payable were outstanding as at March 31, 2006 for a period of more than six months from the date they became payable.

Annexure to Auditors' Report (contd.)

- b) According to the information and explanations given to us and the records of the company examined by us, the particulars of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2006 which have not been deposited on account of a dispute are as follows:

| Name of the statute | Rs. | Forum where dispute is pending | Year to which amount relates |
|----------------------|------------|---|--|
| Customs Act, 1962 | 2,233,000 | High Court of Bombay | 1991-92 |
| State Excise Acts | 2,955,367 | High Court of Calcutta | 1999-00 |
| | 2,886,206 | High Court of Andhra Pradesh | 1981-82 |
| | 149,560 | Commissioner Excise | 2004-05 |
| Central Excise Act | 159,158 | Commissioner Excise | 2002-03 |
| State Sales Tax Acts | 1,717,438 | High Courts | Various years |
| | 668,215 | Sales Tax Appellate Tribunal, Hyderabad | 2002-03,2004-05 |
| | 2,683,803 | Sales Tax Appellate Tribunal, Chertala | 1988-89, 1999-00, 1996-97,1997-98, 2001-02 |
| | 38,064 | Sales Tax Appellate Tribunal, Palghat | 1997-98 |
| | 212,395 | Revisional Authority | 2000-01,2001-02, 2002-03 |
| | 496,774 | Commissioner Sales Tax | 2001-02 |
| | 4,027,358 | Deputy Commissioner of Sales Tax, | 1996-97,1997-98 |
| | 18,227,338 | | |

- x. The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. In our opinion, the Company has maintained adequate documents and records in the cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
- xiv. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment.
- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix. The company has not issued debentures during the year.
- xx. The management has disclosed the end use of money raised by public issues (refer Note 23 on Schedule 19) and the same has been verified by us.
- xxi. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

J.Majumdar

Partner

Membership Number – F51912

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, August 24, 2006

Balance Sheet as at March 31, 2006

| SOURCES OF FUNDS | Schedule | 2006 | | 2005 | |
|---|----------|-----------|------------------|-----------|------------------|
| | | Rs. | Rs. | Rs. | Rs. |
| Shareholders' Funds | | | | | |
| Share Capital | 1 | 2,685,043 | | 2,315,114 | |
| Reserves and Surplus | 2 | 2,387,081 | 5,072,124 | 206,099 | 2,521,213 |
| Loan Funds | 3 | | | | |
| Secured Loans | | 2,504,302 | | 1,809,936 | |
| Unsecured Loans | | 3,006 | 2,507,308 | 949,791 | 2,759,727 |
| Deferred Credit [Refer Schedule 19 - Note 1(e)] | | | 26,839 | | 43,468 |
| Deferred Tax Liability (Net) [Refer Schedule 19 Note 14] | | | 79,213 | | 81,026 |
| | | | 7,685,484 | | 5,405,434 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | 4 | | | | |
| Gross Block | | 2,596,562 | | 1,357,305 | |
| Less: Depreciation | | 580,216 | | 259,371 | |
| Net Block | | 2,016,346 | | 1,097,934 | |
| Capital Work in Progress | | 87,912 | 2,104,258 | 40,117 | 1,138,051 |
| Investments | 5 | | 590,712 | | 1,465,150 |
| Current Assets, Loans and Advances | | | | | |
| Inventories | 6 | 735,963 | | 484,916 | |
| Sundry Debtors | 7 | 1,300,052 | | 996,637 | |
| Cash and Bank Balances | 8 | 1,287,171 | | 172,622 | |
| Other Current Assets | 9 | 1,133 | | 439 | |
| Loans and Advances | 10 | 3,255,143 | | 2,608,751 | |
| | | 6,579,462 | | 4,263,365 | |
| Less: Current Liabilities and Provisions | | | | | |
| Liabilities | 11 | 1,455,790 | | 1,410,604 | |
| Provisions | 12 | 133,158 | | 51,057 | |
| | | 1,588,948 | | 1,461,661 | |
| Net Current Assets | | | 4,990,514 | | 2,801,704 |
| Miscellaneous Expenditure (To the extent not written off) | | | | | |
| Deferred Revenue Expenditure [Refer Schedule 19 - Note 7] | | | - | | 529 |
| | | | 7,685,484 | | 5,405,434 |
| Significant Accounting Policies | 18 | | | | |
| Notes on Accounts | 19 | | | | |

The Schedules referred to above and the notes thereon form an integral part of the Accounts. This is the Balance Sheet referred to in our report of even date.

J. Majumdar
Partner
Membership Number - F51912
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, August 24, 2006

Kalyan Ganguly
Managing Director

Lesley Jackson
Director, CFO

Govind Iyengar
Company Secretary
Mumbai, August 24, 2006

Profit and Loss Account for the year ended March 31, 2006

| | Schedule | 2006 | | 2005 | |
|--|----------|------------------|------------------|------------------|------------------|
| | | Rs. | Rs. | Rs. | Rs. |
| INCOME | | | | | |
| Sales and Service | 13 | 9,061,332 | | 6,318,787 | |
| Less: Excise Duty | | 2,187,871 | | 1,164,946 | |
| | | <u>6,873,461</u> | | <u>5,153,841</u> | |
| Other Income | 14 | <u>184,527</u> | <u>7,057,988</u> | <u>417,128</u> | <u>5,570,969</u> |
| EXPENDITURE | | | | | |
| Cost of Sales | 15 | 4,106,005 | | 3,579,179 | |
| Other Expenses | 16 | 1,579,853 | | 1,254,784 | |
| Interest | 17 | 239,011 | | 378,751 | |
| Deferred Revenue Expenses | | 529 | | 455 | |
| [Refer Schedule 19 - Note 7] | | | | | |
| Depreciation | | <u>208,574</u> | <u>6,133,972</u> | <u>105,666</u> | <u>5,318,835</u> |
| Profit before non recurring item | | | <u>924,016</u> | | <u>252,134</u> |
| Non recurring item | | | <u>(304,654)</u> | | <u>-</u> |
| Profit before Tax | | | <u>619,362</u> | | <u>252,134</u> |
| Provision for Taxation | | | | | |
| – Current | | (84,106) | | (19,771) | |
| – Fringe Benefit Tax | | (19,826) | | - | |
| – Deferred Tax (Liability) | | <u>(321,374)</u> | <u>(425,306)</u> | <u>(91,956)</u> | <u>(111,727)</u> |
| Profit after taxation | | | <u>194,056</u> | | <u>140,407</u> |
| Less: | | | | | |
| Dividends (Refer Schedule 19 - Note 22) | | | <u>(148,504)</u> | | <u>(44,021)</u> |
| Transfer to General Reserve | | | <u>(35,000)</u> | | <u>-</u> |
| | | | <u>10,552</u> | | <u>96,386</u> |
| Profit / (Loss) brought forward from previous year | | | <u>44,604</u> | | <u>(51,782)</u> |
| Balance carried to Balance Sheet | | | <u>55,156</u> | | <u>44,604</u> |
| Earnings per share (Basic/Diluted) | | | 4.67 | | 5.41 |
| Significant Accounting Policies | 18 | | | | |
| Notes on Accounts | 19 | | | | |

The Schedules referred to above and the notes thereon form an integral part of the Accounts.
This is the Profit and Loss Account referred to in our report of even date.

J. Majumdar
Partner
Membership Number - F51912
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, August 24, 2006

Kalyan Ganguly
Managing Director

Lesley Jackson
Director, CFO

Govind Iyengar
Company Secretary
Mumbai, August 24, 2006

Cash Flow Statement for the year ended March 31, 2006

{Refer Schedule 19 - Note 24}

| | 2006 | | 2005 | |
|--|-----------|------------------|-----------|------------------|
| | Rs. | Rs. | Rs. | Rs. |
| A Cash Flow from operating Activities | | | | |
| Profit before taxation and non-recurring items. | | 924,016 | | 252,134 |
| Adjustments for: | | | | |
| Net Pre acquisition loss in subsidiaries | (752,746) | | - | |
| Depreciation | 208,574 | | 105,666 | |
| (Profit)/Loss on Sale of Assets | - | | (1,700) | |
| Interest Expenses (Net) | 239,011 | | 208,230 | |
| Deferred Revenue | 529 | (304,632) | 455 | 312,651 |
| Operating profits before Working Capital changes | | 619,384 | | 564,785 |
| Adjustment for working capital changes: | | | | |
| (Increase) / Decrease in trade and other Receivables | (199,501) | | (254,941) | |
| (Increase) / Decrease in inventories | (144,796) | | (93,173) | |
| Increase / (Decrease) in trade payables | (127,195) | | (92,371) | |
| (Increase) / Decrease in other current assets | (570,302) | (1,041,794) | (127) | (440,612) |
| Cash generated from operations | | (422,410) | | 124,173 |
| Direct taxes Payable | | 150,069 | | 4,125 |
| Cash generated from operations before non-recurring items | | (572,479) | | 128,298 |
| Non-recurring items | | 16,076 | | - |
| Net cash generated from operating activities. | | (588,555) | | 128,298 |
| B Cashflow from Investing Activities | | | | |
| Purchase of Fixed Assets | | (230,944) | | (143,296) |
| Sale of Fixed Assets | | - | | 11,389 |
| Purchase of Investments | | - | | (373,302) |
| Sale of Investments | | (270) | | 20 |
| Net cash used in investing activities | | (231,214) | | (505,189) |
| C Cashflow from Financing Activities | | | | |
| Proceeds from allotment of shares | | 4,642,267 | | - |
| Short term loan | | (1,061,689) | | (1,404,941) |
| Long term Borrowing / Repayment | | 792,648 | | 204,910 |
| Repayment from United Breweries (Holdings) Ltd | | 802,400 | | - |
| Receipts from subsidiary companies/others | | 466,235 | | (76,538) |
| Redemption of ROCPS | | (2,136,908) | | 2,136,908 |
| Advance towards purchase of investment | | (1,274,444) | | - |
| Expenses on ROCPS | | - | | (78,209) |
| Dividend paid including distribution tax | | (57,180) | | (44,021) |
| Interest Paid | | (239,011) | | (344,737) |
| Net cash from / (used in) financing activities | | 1,934,318 | | 393,372 |
| Net Increase / (Decrease) in cash and cash equivalents | | 1,114,549 | | 16,481 |
| Opening cash and cash equivalents | | | | |
| Cash and Cheques on hand including Remittances in Transit | 1,082 | | 7,422 | |
| Bank Balances | 171,540 | 172,622 | 148,719 | 156,141 |
| Closing cash and cash equivalents | | | | |
| Cash and Cheques on hand including Remittances in Transit | 228,375 | | 1,082 | |
| Bank Balances | 1,058,796 | 1,287,171 | 171,540 | 172,622 |

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

J. Majumdar

Partner
Membership Number - F51912
For and on behalf of

Price Waterhouse

Chartered Accountants
Mumbai, August 24, 2006

Kalyan Ganguly
Managing Director

Lesley Jackson
Director, CFO

Govind Iyengar
Company Secretary
Mumbai, August 24, 2006

Schedules

| | Rs. Thousands | |
|--|------------------|-----------|
| | 2006 | 2005 |
| | Rs. | Rs. |
| SCHEDULE 1 | | |
| Share Capital | | |
| Authorised | | |
| 30,000,000 (2005: 30,000,000) Equity shares of Rs.10 each | 300,000 | 300,000 |
| 25,000,000 (2005: 25,000,000) Preference Shares of Rs.100 each | 2,500,000 | 2,500,000 |
| | 2,800,000 | 2,800,000 |
| Issued, Subscribed and Paid-up | | |
| 21,604,343 (2005: 17,820,603) Equity shares of Rs.10 each fully paid As per Last Balance Sheet | | |
| 17,820,603 Equity Shares of Rs.10 each fully paid | 178,206 | 178,206 |
| Additions during the year | | |
| (Of the total 21,604,343 Equity Shares of Rs.10 each, 3,779,522 Equity Shares of Rs.10 each were allotted to Scottish & Newcastle India Limited and 4,218 Equity Shares of Rs.10 each pending allotment to MBDL Shareholders as per a Scheme of Arrangement) | 37,837 | - |
| | 216,043 | 178,206 |
| As per Last Balance Sheet | 2,136,908 | |
| 5% 21,369,077 Redeemable Optionally convertible Preference shares of Rs.100 each | | 2,136,908 |
| Less: Redeemed During the year | 2,136,908 | - |
| 3% 17,283,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series A allotted during the year | 1,728,300 | - |
| 3% 7,407,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series B allotted during the year | 740,700 | - |
| | 2,685,043 | 2,315,114 |
| SCHEDULE 2 | | |
| Reserves and Surplus | | |
| Securities Premium Account | | |
| As per last Balance Sheet | 161,495 | 239,704 |
| Less: Expenses relating to issue of Redeemable Optionally Convertible Preference Shares during the year | - | (78,209) |
| Add: Premium on Equity Shares issued during the year | 2,135,430 | - |
| | 2,296,925 | 161,495 |
| General Reserve: | | |
| As per Last Balance Sheet | - | - |
| Transfer from Profit and Loss Account | 35,000 | - |
| Profit and Loss Account | 55,156 | 44,604 |
| | 2,387,081 | 206,099 |
| SCHEDULE 3 | | |
| Secured Loans | | |
| Foreign Currency Loans [Refer Schedule 19 - Note 1(a)] | | |
| External Commercial Borrowing | 489,885 | 479,820 |
| Foreign Currency Loan | - | 228,991 |
| From Banks [Refer Schedule 19 - Note 1(b)] | 2,003,139 | 735,388 |
| Interest accrued and due | 1,756 | 3,569 |
| From Others (including HP creditors) [Refer Schedule 19 - Note 1(c)] | 9,522 | 362,168 |
| | 2,504,302 | 1,809,936 |
| Unsecured Loans | | |
| From Banks [Refer Schedule 19 - Note 1(d)] | - | 939,791 |
| From Others [Refer Schedule 19 - Note 1(d)] | 3,006 | 10,000 |
| | 3,006 | 949,791 |

Rs. Thousands

| Net Value of Assets as at March 31, 2005 | Particulars | Cost | | | | | Depreciation | | | | Net Value of Assets as at March 31, 2006 | |
|--|---|--|--------------------------|-----------|---------------------|--|----------------------|--------------------------|------------------------|----------------------|--|-----------|
| | | Gross Value of Assets as at March 31, 2005 | Addition on Amalgamation | Additions | Sales / Adjustments | Gross Value of Assets as at March 31, 2006 | As at March 31, 2005 | Addition on Amalgamation | Deletions for the year | As at March 31, 2006 | | |
| Rs. | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| 907 | Good will | 907 | - | - | - | 907 | - | - | - | - | - | 907 |
| 37 | Licenses | 37 | - | - | - | 37 | - | - | - | - | - | 37 |
| 9,151 | Land - Freehold | 9,151 | 324,418 | 38 | - | 333,607 | - | - | - | - | - | 333,607 |
| 66,222 | Land - Leasehold | 69,069 | 90,446 | 2,865 | - | 162,380 | 2,847 | 3,831 | - | 1,773 | 8,451 | 153,929 |
| 228,718 | Buildings | 255,044 | 169,223 | 1,229 | - | 425,496 | 26,326 | 20,252 | - | 15,448 | 62,026 | 363,470 |
| 670,906 | Plant and Machinery | 859,605 | 534,219 | 60,808 | 2,369 | 1,452,263 | 188,699 | 84,785 | 945 | 152,283 | 424,822 | 1,027,441 |
| 27,809 | Office Machinery | 45,151 | 1,385 | 8,333 | 877 | 53,992 | 17,342 | 689 | 487 | 7,088 | 24,632 | 29,360 |
| 46,253 | Furniture & Fittings | 54,630 | 8,563 | 32,289 | 702 | 94,780 | 8,377 | 4,904 | 104 | 25,718 | 38,895 | 55,885 |
| 5,928 | Lab Equipments | 6,735 | 1,716 | 1,157 | - | 9,608 | 807 | 338 | - | 379 | 1,524 | 8,084 |
| 42,003 | Vehicles | 56,976 | 3,343 | 9,137 | 5,964 | 63,492 | 14,973 | 1,813 | 2,805 | 5,885 | 19,866 | 43,626 |
| 1,097,934 | | 1,357,305 | 1,133,313 | 115,856 | 9,912 | 2,596,562 | 259,371 | 116,612 | 4,341 | 208,574 | 580,216 | 2,016,346 |
| | Capital Work in Progress taken over on Amalgamation | | 12,451 | | | | | | | | | |
| 40,117 | Capital Work in Progress (including capital advances Rs.42,106 (2005:Rs.1,985)) | | | | | | | | | | | 87,912 |
| 1,138,051 | | | | | | | | | | | | 2,104,258 |

Schedules (Contd.)

SCHEDULE 5

Investments [Refer Schedule 19 - Note 3]

Rs. Thousands

| Particulars | Class of Shares | 2006 | | Cost | 2005 | | Cost |
|---|-----------------|------------------|------------|----------------|------------------|------------|------------------|
| | | Number of Shares | Face Value | | Number of Shares | Face Value | |
| IN GOVERNMENT & TRUSTEE SECURITIES - FULLY PAID (UNQUOTED, LONG TERM): National Savings Certificate | | - | 133 | 133 | - | 134 | Rs. 134 |
| IN SUBSIDIARY COMPANIES - FULLY PAID SHARES (UNQUOTED, LONG TERM) Associated Breweries & Distilleries Ltd | Equity | 10,000 | 1,000 | 1,000 | 400,000 | 40,000 | 449,504 |
| Associated Breweries & Distilleries Ltd | Preference | - | - | - | 2,540,000 | 254,000 | 254,000 |
| Mangalore Breweries & Distilleries Ltd | Equity | - | - | - | 9,800,180 | 98,002 | 171,933 |
| NON-TRADE (UNQUOTED, LONG TERM) Millennium Alcobev Private Limited (MAPL) | Equity | 6,140,000 | 61,400 | 256,277 | 6,140,000 | 61,400 | 256,277 |
| Millennium Alcobev Private Limited (MAPL) | Preference | 3,000,000 | 300,000 | 333,252 | 3,000,000 | 300,000 | 333,252 |
| United East Bengal Football Team Pvt Ltd | Equity | 4,999 | 50 | 50 | 4,999 | 50 | 50 |
| | | | | 590,712 | | | 1,465,150 |

| | Cost | Market Value | Cost | Market Value |
|----------------------|----------------|--------------|------------------|--------------|
| Quoted Investments | - | - | - | - |
| Unquoted Investments | 590,712 | - | 1,465,150 | - |
| | 590,712 | - | 1,465,150 | - |

| Particulars | Class of Shares | Number of Shares | Additions during the year | | Deletions during the year | |
|---|-----------------|------------------|---------------------------|------|---------------------------|---------|
| | | | Face Value | Cost | Face Value | Cost |
| Associated Breweries & Distilleries Ltd | Equity Shares | | | | | 448,504 |
| Mangalore Breweries & Distilleries Ltd | Equity Shares | | | - | - | 171,933 |
| National Saving Certificate | | | | - | 1 | 1 |
| | | | | | | 620,438 |

* Deletion due to Amalgamation of ABDL & MBDL with UBL as per Scheme of Arrangement (Refer Schedule 19 - Note 11)

Schedules (Contd.)

| | Rs. Thousands | |
|--|------------------|----------------|
| | 2006 | 2005 |
| | Rs. | Rs. |
| SCHEDULE 6 | | |
| Inventories | | |
| Raw Materials | 147,555 | 65,742 |
| Stores and Spares | 181,041 | 125,732 |
| Finished Goods (including Traded Goods) | 337,566 | 272,699 |
| Goods in transit | 69,801 | 20,743 |
| | <u>735,963</u> | <u>484,916</u> |
| SCHEDULE 7 | | |
| Sundry Debtors (Unsecured, unless stated otherwise) | | |
| Considered Good | | |
| - Over Six Months [Refer Schedule 19 - Note 5] | 1,407 | 31,678 |
| - Others | 1,298,645 | 964,959 |
| Considered Doubtful | | |
| - Over Six Months | 14,190 | 1,299 |
| - Others | - | - |
| | <u>1,314,242</u> | <u>997,936</u> |
| Less: Provision for Doubtful Debts | <u>(14,190)</u> | <u>(1,299)</u> |
| | <u>1,300,052</u> | <u>996,637</u> |
| SCHEDULE 8 | | |
| Cash and Bank Balances | | |
| Cash and Cheques on hand including | | |
| Remittances - in Transit | 228,375 | 1,082 |
| Balances with Scheduled Banks: | | |
| - in Current Account | 599,538 | 123,638 |
| - in Deposit Account | 459,258 | 47,902 |
| | <u>1,287,171</u> | <u>172,622</u> |
| SCHEDULE 9 | | |
| Other Current Assets | | |
| Income accrued on Investments and deposits | 1,133 | 439 |
| | <u>1,133</u> | <u>439</u> |

Schedules (Contd.)

| | Rs. Thousands | |
|--|------------------|------------------|
| | 2006 | 2005 |
| | Rs. | Rs. |
| SCHEDULE 10 | | |
| Loans and Advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Advances: | | |
| To United Breweries (Holdings) Limited | 797,465 | 1,599,865 |
| (Secured by second charge on immovable properties / investments held by that company) | | |
| To Subsidiaries | 102,753 | 568,988 |
| Advances recoverable in cash or in kind or for value to be received [Refer Schedule 19 - Note 4] | 665,896 | 105,365 |
| [including: Rs.105 (2005: Rs.146) due from: Directors of the Company | | |
| - maximum amount due during the year Rs.146 (2005: Rs.161) | 1,274,444 | - |
| Advance towards Investment | 5,018 | 5,000 |
| Considered Doubtful | 2,845,576 | 2,279,218 |
| | (5,018) | (5,000) |
| Less: Provision for Doubtful Advances | 2,840,558 | 2,274,218 |
| Balances with Excise Authorities | 52,223 | 7,151 |
| Other Deposits [Refer Schedule 19 - Note 4] | 326,232 | 327,382 |
| Advance Tax (Net)/Tax deducted at source | 36,130 | - |
| | 3,255,143 | 2,608,751 |
| SCHEDULE 11 | | |
| Liabilities | | |
| Acceptances | 82,015 | 80,923 |
| Sundry Creditors | | |
| - Due to Small Scale Industrial Undertakings [Refer Schedule 19 - Note 6] | 25,078 | 16,938 |
| - Trade payable | 725,637 | 387,988 |
| - Other payable | 623,060 | 923,253 |
| Interest accrued but not due | - | 1,502 |
| | 1,455,790 | 1,410,604 |
| SCHEDULE 12 | | |
| Provisions | | |
| Dividend Payable | 91,325 | - |
| Employee Benefits | 41,833 | 41,051 |
| Income Tax (net) | - | 10,006 |
| | 133,158 | 51,057 |
| SCHEDULE 13 | | |
| Sales and Service | | |
| Sales | 8,071,951 | 5,369,765 |
| Income from Services | 989,381 | 949,022 |
| | 9,061,332 | 6,318,787 |
| SCHEDULE 14 | | |
| Other Income | | |
| Guarantee Commission | - | 4,465 |
| Liabilities no longer required written back | 14,496 | 22,761 |
| Miscellaneous Income | 127,498 | 78,527 |
| Interest Received | 41,091 | 170,521 |
| Profit on sale of assets (net) | - | 1,700 |
| Provision for Doubtful Debts no longer required written back | 1,442 | 82,409 |
| Provision for Doubtful Advances no longer required written back | - | 56,745 |
| | 184,527 | 417,128 |

Schedules (Contd.)

SCHEDULE 15

Cost of Sales

Manufacturing Expenses

Consumption of Raw Materials
Consumption of Stores and spares
Purchases of finished goods
Power and Fuel

Personnel Expenses

Salaries, Wages and Bonus
Contribution to Provident & Other funds
Gratuity & Leave Encashment
Welfare Expenses

Others

Rent
Insurance
Repairs Building*
Repairs to Machinery*
Travel and Conveyance
Communication Expenses
Rates and taxes
Legal and Professional Charges
Facility Fees
Miscellaneous expenses
[*Includes Materials consumed Rs.42,402 (2005: Rs.28,078)]

Change in Inventory

Opening Stock
Closing Stock
Excise Duty on Opening Stock
Excise Duty on Closing Stock

| | Rs. Thousands | |
|--|------------------|-----------|
| | 2006 | 2005 |
| | Rs. | Rs. |
| | 753,893 | 503,863 |
| | 1,691,920 | 1,452,622 |
| | 249,034 | 482,066 |
| | 291,274 | 196,827 |
| | 391,157 | 274,799 |
| | 27,772 | 22,014 |
| | 25,499 | 15,014 |
| | 27,539 | 26,180 |
| | 52,724 | 36,108 |
| | 9,450 | 5,832 |
| | 7,161 | 11,207 |
| | 58,909 | 52,213 |
| | 49,833 | 55,250 |
| | 23,194 | 12,276 |
| | 93,276 | 240,230 |
| | 145,900 | 15,054 |
| | - | 166,267 |
| | 196,030 | 73,475 |
| | 272,699 | 209,872 |
| | (337,566) | (272,699) |
| | (110,825) | (110,116) |
| | 187,132 | 110,825 |
| | 4,106,005 | 3,579,179 |

SCHEDULE 16

Other Expenses

Selling and Promotion Expenses
Directors' Sitting fees
Auditor's Remuneration [Refer Schedule 19 - Note 15]
Bad Debts Written Off
Bad advances written off
Provision for Doubtful Debts
Provision for Idle Assets
Loss on sale of Assets (net)
Provision for Doubtful Advances

| | | |
|--|------------------|-----------|
| | 1,569,431 | 1,101,750 |
| | 859 | 620 |
| | 5,819 | 4,521 |
| | 2,046 | 85,102 |
| | 36 | 55,517 |
| | - | 1,299 |
| | 474 | 975 |
| | 1,150 | - |
| | 38 | 5,000 |
| | 1,579,853 | 1,254,784 |

SCHEDULE 17

Interest and Finance Charges

Interest on Loans for a fixed period
Interest Others
Other Finance charges

| | | |
|--|----------------|---------|
| | 177,473 | 246,368 |
| | 61,240 | 116,619 |
| | 298 | 15,764 |
| | 239,011 | 378,751 |

Significant Accounting Policies for the year ended March 31, 2006

SCHEDULE 18

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

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

3. Revenue Recognition:

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

4. Borrowing Costs:

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

5. Fixed Assets:

The cost of Fixed assets on amalgamation have been determined at fair values as on April 1, 2005 as per Scheme of Arrangement.

Fixed assets acquired after April 1, 2005 are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised. Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable value.

6. Investments:

Investments being long term in nature are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subscription. Diminution in value of investments, if considered permanent, is provided for.

7. Inventories:

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

8. Foreign Currency Transactions:

Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of the asset.

9. Depreciation:

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under schedule XIV of the Companies Act 1956, except for additions on account of fair valuation have been depreciated over the remaining useful life of the assets. Leasehold Land is amortised over the period of lease.

10. Employee Retirement benefits:

a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end and funded into gratuity fund maintained by Life Insurance Corporation of India except in respect of certain units, where such provisions, though made, are not funded.

b. Contributions to Pension and Superannuation Funds are made to separate trust funds.

c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

11. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

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

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

12. Provisions, Contingent Liabilities and Contingent Assets:

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

A disclosure for contingent liability is made where there is a possible obligation or present obligation that may probably will not, require an outflow of resources. When there is a possible or a present obligation the likelihood of outflow of resources is remote, no provision or disclosure is made.

Notes on Accounts for the year ended March 31, 2006

SCHEDULE 19

Notes on Accounts

| | 2006 Rs. | 2005 Rs. |
|---|------------------|-------------|
| 1. Loan Funds: | | |
| Secured Loans | | |
| (a) Foreign Currency Loans | 489,885 | 708,811 |
| Loan repayable within one year - Rs.Nil (2005: Rs.228,991) | | |
| External Commercial Borrowing is secured by first charges on all the moveable and immovable properties of the Company and pledge of certain investments in favour of Scottish Newcastle UK Limited (formerly known as Scottish Courage Limited) and the Foreign Currency loan is secured as detailed below under loan from Banks. | | |
| (b) From Banks (including interest accrued but not due) | 2,004,895 | 738,957 |
| Loans repayable within one year – Rs.101,934 (2005: Rs.738,957) | | |
| Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company. | | |
| (c) From Others | Nil | 350,000 |
| Hire Purchase Creditors | 9,522 | 12,168 |
| - Secured by Assets purchased under Hire Purchase Scheme | | |
| (d) Unsecured Loans | 3,006 | 949,791 |
| Loans repayable within one year – Rs.Nil (2005: Rs.949,791) | | |
| (e) Deferred Credits | 26,839 | 43,468 |
| Secured by Assets purchased under the Scheme repayable within one year – Rs.24,267 (2005: Rs.16,629) | | |
| 2. Fixed Assets: | | |
| a) Buildings amounting to Rs.14,115 and Plant & Machinery amounting to Rs.23,884 are in premises not owned by the Company. | | |
| b) The excess of fair valuation of fixed assets over the book value as on April 1, 2005 amounting to Rs.689,727 has been taken to Asset Block as per the Approval of Composite Scheme of Arrangement. The relative depreciation of Rs.42,042 has been charged to the Profit and Loss Account. | | |
| c) The depreciation block as at March 31, 2005 amounting to Rs.259,371 is net of the depreciation of Rs.75,471 arising out of change in the method of depreciation adopted by MBDL to be consistent with UBL. | | |
| 3. Investments: | 2006 | 2005 |
| a) Investments in Equity Shares of Subsidiaries and Joint Venture have been pledged / given on lien for availing External Commercial Borrowings and other loans | Nil | 465,781 |
| b) MAPL, being a Joint Venture between UBL and Scottish & Newcastle has already made significant inroads in to the market by achieving a 10% market share with in a period of three years. The subsidiaries and the JV have their manufacturing locations in critical markets and meet almost 25% of the Company's capacity requirement. Considering the turn around strategy adopted by the Company by synergizing the operation of the Joint Venture with the Company, which rationalised the spend profile of the Company and the management's action in restructuring the debt profile of the Company in order to reduce the cost of borrowing with a consequent reduction in losses in the JV and considering that the investments are strategic and long term in nature and substantial benefits are expected to accrue to the JV in terms of market share and capacity utilization, as mentioned above the management is of the view that there is no permanent diminution in the value of investments and no provision therefore is considered necessary at this stage. | | |
| 4. Loans and Advances include: | | |
| Rs.50,000 paid in earlier years to a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. The said company has made a reference to the Board for Industrial Financial Restructuring (BIFR) being a sick company. The management proposes to recover / adjust the advances from the Company based on the brewery operations carried out by them. | | |
| 5. Debtors: | | |
| Debtors – Others include Rs.12,855 which is due from a company for more than six months whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. As stated in Note 4 above, the said company has made a reference to the BIFR, being a sick company. As per the arrangement, the said due is being paid over a period of three years. The commitment for the current year has been fulfilled. | | |
| 6. Schedule of outstanding to SSI Units: | | |
| a) The names of Small Scale industries to whom the company owes dues outstanding for more than 30 days at the Balance Sheet date, computed on unit wise basis are given in the list below. The information given in Schedule 11 regarding Small Scale Industrial undertakings has been determined to the extent such parties have been identified on the basis of information disclosed by the creditors available with the Company. This has been relied upon by the auditors. | | |

Notes on Accounts (contd.)

b) List of SSIs:

Kurian Colour Packs, Venus Industries, Jatan Packaging, Pawan Packing, Rollon Container, Vinayak Packing, M B Packers, D K Plastic, Krishna Packaging, Mayank Commercial, Surana Packaging India Private Limited, Mohindra Packaging Industries, Nahar Packages, Package Industries, Apollo Papers, Mohinder Packages, Max Pac, Frontier Elect Press, Kwaliti Offset Printers, Aabha Packaging, Cubic Cartons, Mittal Punch and Pack, Prathamesh Packaging Limited, Saikrupa Packaging Industries, RJR Packaging.

7. Details of Deferred Revenue Expenditure:

| Nature of Expenditure | 2006 | Additions/ (charge) for the year | 2005 |
|-----------------------------|------|-------------------------------------|------|
| | Rs. | Rs. | Rs. |
| Voluntary Retirement Scheme | - | (529) | 529 |
| Total | - | (529) | 529 |

8. Investor Education Protection Fund:

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

9. Segmental Reporting:

The company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment.

10. Contingent Liabilities:

| Particulars | | 2006 Rs. | 2005 Rs. |
|-------------|--|-----------------------------|-------------------|
| a) | Estimated amount of Contracts remaining to be executed on capital account and not provided for | 20,237 | 9,650 |
| b) | Sales Tax/other taxes demands under appeal* | 13,091 | 12,320 |
| c) | Excise Duty/Customs Duty demands under appeal* | 8,646 | 9,683 |
| d) | Claims against the Company not acknowledged as debt* | 27,076 | 109,473 |
| e) | Future commitments for Interest/lease rental payable on deferred credits/lease | 30,176 | 7,214 |
| f) | Letter of Credit outstanding | 36,181 | 38,424 |
| g) | Guarantees given by the company – on behalf of subsidiaries to third parties – to third parties | Nil 25,906 | 446,500 91,244 |
| h) | Commitment as per Joint Venture Agreement to place funds in the form of Preference Capital. | Nil | 100,000 |
| i) | Consideration payable to erstwhile promoters of ABDL withheld against possible tax benefits, if any, availed by ABDL towards its future profits. | Nil | 32,300 |
| j) | Letter of undertaking to distributors towards countervailing duty for imports from Nepal | 38,500 | 38,500 |
| k) | Balance Consideration payable to erstwhile promoters of Karnataka Breweries and Distilleries Private Limited | 350,000 | Nil |

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

11. Amalgamation:

Pursuant to the approval of the Composite Scheme of Arrangement by the shareholders at the Court convened meeting held on May 24, 2006 and the subsequent sanction by the High court of Karnataka and Mumbai on July 28, 2006 and August 7, 2006 respectively, Mangalore Breweries and Distillers Limited (MBDL), and the Demerged brewery business of Associated Breweries and Distilleries Limited (ABDL) have been amalgamated with the Company. Consequently the assets and liabilities of MBDL and ABDL were transferred to and vested in the Company with effect from April 1, 2005 (appointed date).

While the Order of the High Court in this regard has been received for MBDL, it is still awaited with respect to ABDL for consequent filing with Registrar of Companies. Based on a legal opinion obtained, the Scheme has been given effect to in these accounts.

The amalgamation has been accounted under the purchase method as prescribed by the Accounting Standard (AS) 14 issued by the Institute of Chartered Accountants of India, subject to the following adjustments which have been approved by the scheme:

- Assets and liabilities of MBDL was taken over at their fair values as at the Appointed date, and the difference between the net assets and the face value of equity shares has been accounted in General Reserve. Pursuant to the implementation of the Scheme, shares of face value amounting to Rs.42,180 are being issued to the Minority Shareholders of MBDL.

Notes on Accounts (contd.)

- The assets and liabilities of ABDL were taken over at their book values and the net assets have been adjusted in the General Reserve.
- The Company has valued its fixed assets at fair value as on the appointed date and adjusted the excess in valuation in General reserve.(Refer Schedule 19 Note 2b)

The details of the treatment in the books of accounts is as under:

Rs. Thousands

| | |
|--|-----------|
| Excess of fair valuation credited to General Reserve | (689,727) |
| Depreciation differential due to change in accounting policy – MBDL | (75,471) |
| Unrecognised Deferred Tax Asset on carry-forward business losses and depreciation of ABDL and MBDL recognised and adjusted to general reserve as per Accounting Standard AS-22 Accounting for Taxes on Income - read with Accounting Standard Interpretation 11 issued by The Institute of Chartered Accountants of India. | (323,186) |
| Goodwill arising on amalgamation | 1,359,138 |
| Deferred Revenue | 9,655 |
| Shares to be allotted to Minority shareholders of MBDL | 42 |
| Merger expenses | 8,126 |
| Goodwill charged through Profit and Loss Account under Extra Ordinary items | (288,578) |

Consequently figures for the current year includes figures in the erstwhile ABDL, MBDL and the incremental depreciation for the Company's assets with effect from April 1, 2005 and accordingly, not comparable with those of the previous year.

The value of assets and liabilities transferred to and recognized in the books of the company as per the Scheme:

Figures in Rupees

| | ABDL | MBDL |
|------------------------|---------------|---------------|
| Fixed Assets | 97,937,840 | 166,018,073 |
| Investments | 10,000 | 10,000 |
| Inventories | 66,018,555 | 40,232,552 |
| Sundry Debtors | 9,973,934 | 93,939,771 |
| Cash and Bank Balances | 2,906,865 | 165,990 |
| Other Current Assets | - | 10,893 |
| Loans and Advances | 7,629,642 | 5,724,681 |
| Deferred revenue | 9,521,334 | 134,027 |
| Current Liabilities | (109,897,334) | (58,171,025) |
| Provisions | (4,556,670) | (764,090) |
| Loan Liabilities | (69,029,232) | (192,790,057) |

The Non recurring expenses in the Profit and Loss account includes the goodwill on merger of Rs.288,578 and Professional fees of Rs.16,076 paid for strategic alliance.

12. Related party disclosures:

a. Name of the related parties:

Subsidiary:

Associated Breweries & Distilleries Limited (ABD)
London Pilsner Breweries Private Limited
London Draft Pubs Private Limited

Associate:

United East Bengal Football Team Private Limited (UEBFTPL)

Joint Venture:

Millennium Alcobev Private Limited (MAPL)

Subsidiaries of the Joint Venture:

1. Empee Breweries Limited (EMPEE)
2. United Millennium Breweries Limited (Formerly known as GMR Beverages & Industries Limited (GMR))
3. Millennium Beer Industries Limited (MBIL) (Formerly known as Inertia Industries Limited)

Key Management Personnel(KMP):

Mr Kalyan Ganguly
Mrs. Lesley Jackson

Relative of Key Management Personnel:

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

Notes on Accounts (Contd.)

b. Transactions with related parties during the year:

| Particulars | MBIL | | MAPL | | GMR | | EMPEE | | UEBFTPL | | KMP | |
|---|-------------------------------|--------|-----------|---------|--------|--------|----------|--------|---------|--------|---------|--------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Purchase of goods | 199,961 | 80,247 | - | - | 343 | - | 1,196 | - | - | - | - | - |
| Sale of goods | 104,658 | 25,775 | - | - | 9,160 | - | 9,040 | - | - | - | - | - |
| Receipts against rendering Services | 2,809 | - | - | 9,325 | - | 40,763 | - | 10,443 | - | - | - | - |
| Payment against rendering Services | 4,241 | 32,841 | - | 52,313 | - | - | - | - | 24,635 | 20,000 | - | - |
| Purchase of Investments | - | - | - | 133,252 | - | - | - | - | - | - | - | - |
| Purchase of Assets | - | - | - | - | - | - | 867 | - | - | - | - | - |
| Finance(including loan in cash or kind) | (145,587) | - | 128,454 | - | 59,667 | - | (38,365) | - | (47) | - | - | - |
| Remuneration to Directors | - | - | - | - | - | - | - | - | - | - | 22,441# | 12,661 |
| Guarantees and Collaterals | Refer Schedule 19 Note 10 (g) | | | | | | | | | | | |
| Amount Due From/(To) | 127,167 | 3278 | (128,028) | - | 77,542 | - | 38,284 | - | 47 | - | - | - |

(*) Figures in brackets indicate Amounts received

(#) Includes payment to relative of KMP amounting to Rs. 1,681 (2005: Rs. 1,442).

Related Party disclosure (Contd.)

Transactions with Scottish & Newcastle Plc., (S&N) the holding company of the following:
 Scottish & Newcastle UK Limited (SNUK) [formerly known as Scottish Courage Ltd (SCL)]
 Scottish & Newcastle India Limited (SNIL)
 Scottish & Newcastle India (Private) Limited (SNIPL)

Transaction with S&N – Nil

Balance amount on account of ECB with SNUK – Rs.489,885 (2005:Rs.479,820)
 – Interest on ECB Rs.28,714 (2005: Rs.18,287)

Transaction with SNIL –

Subscription to Preference Share Capital – Rs. 2,469,000
 Dividend on above – Rs.72,853 (2005:Rs.Nil)
 Dividend on Equity Shares – Rs.18,225 (2005:Rs.Nil)

Transaction with SNIPL

Redemption of ROCPS – Rs.1,837,756 (2005: Rs.Nil)
 Dividend on above – Rs.7,552 (2005:Rs.33,482)
 Transaction with ABD – Dues from ABD - Rs.102,753

13. Earnings Per Share:

For the purpose of computing earnings per share, the profit after tax (net of preference dividend) for the year has been used as the numerator and 21,604,343 shares as denominator.

The earnings per share have been calculated as below:

| Particulars | 2006 Rs. | 2005 Rs. |
|--|-------------|-------------|
| a) Profit as per profit and loss account | 100,970 | 96,386 |
| b) Outstanding number of equity shares (Face value of Rs.10/- share) | 21,604 | 17,821 |
| c) Earnings per share – Basic/Diluted | 4.67 | 5.41 |

14. Accounting for Taxes on Income:

In accordance with the 'Accounting Standard 22 – Accounting for Taxes on Income', issued by The Institute of Chartered Accountants of India, the Company has recognised net deferred tax liability of Rs.79,213.

| Particulars | 2005 Rs. | Current year charge/ (Credit) effective tax rate adjustment (Rs.) | 2006 Rs. |
|--|-------------|---|-------------|
| Deferred Tax Liability | | | |
| Difference between book and tax depreciation | 107,845 | 821 | 108,666 |
| Deferred Tax Asset | | | |
| Tax Loss | (24,245) | 13,649 | (10,596) |
| Leave Salary | (2,099) | (11,982) | (14,081) |
| Doubtful Debtors | (475) | (4,301) | (4,776) |
| Recognition of Deferred tax relating to past losses of merged entities | - | 323,187 | - |
| Total | 81,026 | 321,374 | 79,213 |

15. Remuneration to Auditors:

| Particulars | 2006 Rs. | 2005 Rs. |
|---|-------------|-------------|
| Fees | 4,425 | 3,200 |
| Tax Audit | 525 | 400 |
| Other Certification Services | - | 300 |
| Out of Pocket Expenses (inclusive of Service Tax) | 469 | 621 |
| Other Services | 400 | - |
| Total | 5,819 | 4,521 |

Notes on Accounts (contd.)

16. Remuneration to Directors:

| Particulars | 2006 | 2005 |
|---|--------|--------|
| | Rs. | Rs. |
| Salary and Allowances | 16,009 | 8,943 |
| Contribution to Provident and Other Funds | 2,489 | 1,863 |
| Perquisites | 3,943 | 1,855 |
| Total | 22,441 | 12,661 |

Computation of net profits in accordance with Section 198 of the Companies Act, 1956.

| Particulars | | 2006 |
|--|---------|-----------|
| Net Profit after taxation | | 194,056 |
| Add: | | |
| Depreciation (as per accounts) | 208,574 | |
| Directors' Remuneration | 22,441 | |
| Directors' Fees | 859 | |
| Provision/(write back) for doubtful debts and advances (net) | 11,442 | |
| Book deficit/ (surplus) on fixed assets sold, scrapped, etc. (net) | 1,150 | |
| Loss of a capital nature - Goodwill written off on amalgamation | 288,578 | |
| Taxation for the year | 425,306 | 958,350 |
| | | 1,152,406 |
| Less: | | |
| Depreciation U/S 350 | | 208,574 |
| Deficit / (Surplus) on disposal of fixed assets (net) U/S 349 | | (718) |
| Net Profit for Section 198 of the Companies Act, 1956 | | 944,550 |
| Remuneration Limit (10%) | | 94,455 |
| Remuneration Paid | | 22,441 |

17. Quantitative Details:

A. Quantitative Particulars

| Particulars | 2006 | | 2005 | |
|--------------------------------------|----------------------|--------------|----------------------|--------------|
| | Beer in Hecto Litres | Value in Rs. | Beer in Hecto Litres | Value in Rs. |
| Licensed Capacity* | 2,428,180 | | 2,173,180 | |
| Installed Capacity per annum* | 2,350,000 | | 1,905,000 | |
| Actual Production for the year | 1,986,254 | | 1,421,569 | |
| Sales - during the year | 1,950,859 | 7,645,443 | 1,413,052 | 4,725,765 |
| Malt Sales in Tonnes during the year | 6,669 | 103,283 | - | - |
| Opening Stock – Finished Goods | 111,318 | 266,135 | 102,801 | 209,537 |
| Closing Stock – Finished Goods | 146,713 | 337,549 | 111,318 | 266,135 |

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

B. Particulars of Goods Traded by the Company

| Particulars | 2006 | | 2005 | |
|-----------------------------|--------------------------|---------|--------------------------|--------------|
| | Quantity in Hecto Litres | Value | Quantity in Hecto Litres | Value in Rs. |
| Opening Stock | 1,495 | 6,564 | 364 | 335 |
| Purchases during the period | 49,076 | 249,034 | 128,212 | 482,066 |
| Sales during the period | 50,567 | 323,225 | 126,831 | 644,000 |
| Closing Stock | 4 | 17 | 1,495 | 6,564 |

C. Consumption of Raw Materials

| Particulars | 2006 | | 2005 | |
|-------------------|--------------------|---------|--------------------|--------------|
| | Quantity in Tonnes | Value | Quantity in Tonnes | Value in Rs. |
| Malt | 30,844 | 473,542 | 19,047 | 270,406 |
| Brewing Materials | 14,293 | 216,329 | 9,265 | 154,566 |
| Other Materials * | | 64,022 | | 78,891 |

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

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

| Particulars | 2006 | 2005 |
|---------------------|---------|---------|
| | Rs. | Rs. |
| Raw Materials | 71,642 | 49,857 |
| Components & Spares | 229,070 | 187,313 |
| Capital Goods | 20,034 | 31,028 |

19. Expenditure in Foreign Currency:

| Particulars | 2006 | 2005 |
|---|--------|-------|
| | Rs. | Rs. |
| Foreign Travel expenses of employees and others (net of recoveries) | 7,507 | 1,808 |
| Other Expenses | 11,516 | 4,160 |

20. Earnings in Foreign Exchange:

| Particulars | 2006 | 2005 |
|--------------------|-------|-------|
| | Rs. | Rs. |
| Services – Royalty | 6,143 | 2,635 |

21. Consumption:

| Particulars | 2006 | | 2005 | |
|---|-----------|---------------------------------|-----------|---------------------------------|
| | Value | Percentage to total consumption | Value | Percentage to total consumption |
| Value of Imported Raw Materials consumed | 71,859 | 9.53 | 36,786 | 7.31 |
| Value of indigenous Raw Materials consumed | 682,034 | 90.47 | 467,077 | 92.69 |
| Value of Imported Spare Parts and components consumed | 77,981 | 4.50 | 108,978 | 7.36 |
| Value of indigenous Spare Parts and components consumed | 1,656,341 | 95.50 | 1,371,722 | 92.64 |

22. Details of Dividend:

| Particulars | 2006 | 2005 |
|---|---------|--------|
| Dividend on ROCPS @ 5% | 8,782 | 38,933 |
| Tax on above | 1,232 | 5,088 |
| Dividend on Preference Share Capital @ 3% | 72,853 | - |
| Tax on above | 10,219 | - |
| Interim Dividend on Equity Shares @ 15% | 32,401 | - |
| Tax on above | 4,545 | - |
| Final Dividend on Equity Shares @ 7.5% | 16,200 | - |
| Tax on above | 2,272 | - |
| | 148,504 | 44,021 |

Details of dividend paid in foreign currency:

| Particulars | 2006 | 2005 |
|---|--------|--------|
| Number of non-resident shareholders | 2 | 2 |
| Number of equity shares held on which dividend was due | 80,995 | 4,320 |
| Amount remitted (US \$ & GBP) | 14,978 | - |
| Number of preference share held on which dividend was due | 21,369 | 21,369 |
| Amount remitted [(GBP) (Payout pertaining to 2004-2005)] | 47,715 | - |

23. Utilisation of allotment of Preference Shares proceeds of Rs.2,469,000

| | |
|--|-----------|
| Repayment of earlier ROCPS to Scottish and Newcastle India Private Limited | 2,136,908 |
| Debt Repayment | 332,092 |

Notes on Accounts (contd.)

24. Cash Flow Statement:

- The Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2006 and the related Profit and Loss Account for the year ended on that date.
- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.

25. All amounts are in Rupees thousands, unless otherwise stated.

26. The previous year's figures have been regrouped to conform to current year's classification and are not comparable.

STATEMENT PURSUANT TO SECTION 212 (1) (e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2006

Rs. Thousands

| Sl. No. | Name of the Subsidiary | a) No. of Equity Shares at the end of the financial year of the Subsidiary | | b) Extent of Holdings | | Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Members of the Company | | | |
|---------|--|--|----------------------------|--------------------------|----------------------------|--|---|--|---|
| | | United Breweries Limited | Other Subsidiary Companies | United Breweries Limited | Other Subsidiary Companies | Not dealt with in the Accounts of the Company | | Dealt with in the Accounts of the Company | |
| | | | | | | (i) | (ii) | (i) | (ii) |
| | | | | | | For the Subsidiary's Financial Year ended 31.03.2006 | For previous Financial years of the Subsidiary since it became a Subsidiary | For the Subsidiary's Financial Year ended 31.03.2006 | For previous Financial years of the Subsidiary since it became a Subsidiary |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. | Associated Breweries & Distilleries Ltd. | 10,000 | - | 100 | - | (06) | (1569) | - | - |
| 2. | London Draft Pubs Pvt. Ltd. | - | 50,000 | - | 100 | (70) | (1104) | - | - |
| 3. | London Pilsner Breweries Pvt. Ltd. | - | 50,000 | - | 100 | - | - | - | - |

DISCLOSURE UNDER CLAUSE 32 OF THE LISTING AGREEMENT

Name of the listed Company: United Breweries Limited

Rs. Thousands

| Name of the Company | Amount outstanding as at March 31, 2006 | Value of investments as at March 31, 2006 | Terms |
|---|---|---|---|
| Subsidiaries: | | | |
| Associated Breweries & Distilleries Ltd. (ABDL) | 102,753 | - | No stipulation towards repayment and interest |
| London Pilsner Breweries Pvt. Ltd. (Subsidiary of ABDL) | - | 500 | - |
| London Draft Pubs Pvt. Ltd. (Subsidiary of ABDL) | - | 410 | - |
| Joint Venture: | | | |
| Millennium Alcobev Pvt. Ltd. | (128,028) | - | - |
| Associates: | | | |
| United East Bengal Football Team Pvt.Ltd. | 47 | - | - |

Balance Sheet Abstract

COMPANY'S GENERAL BUSINESS PROFILE

Rs. Thousands

I. Registration Details

| | | |
|--------------------|---|------------|
| Registration No. | : | 25195 |
| State Code | : | 08 |
| Balance Sheet Date | : | 31.03.2006 |

II. Capital Raised during the year

| | | |
|-------------------|---|-----------|
| Public Issue | : | - |
| Right Issue | : | - |
| Bonus Issue | : | - |
| Private Placement | : | 4,642,225 |

III. Position of Mobilisation and Deployment of Funds

| Total Liabilities | 7,685,484 | Total Assets | 7,685,484 |
|--------------------------|------------------|-----------------------------|------------------|
| Sources of Funds | | Application of Funds | |
| Paid up Capital | 2,685,043 | Net Fixed Assets | 2,104,258 |
| Reserves & Surplus | 2,387,081 | Investments | 590,712 |
| Secured Loans | 2,504,302 | Net Current Assets | 4,990,514 |
| Unsecured Loans | 3,006 | Deferred Tax Assets | - |
| Deferred Credit | 26,839 | Miscellaneous Expenditure | - |
| Deferred Tax Liability | 79,213 | | |

IV. Performance of Company

| | | | |
|--------------------|-----------|--|-----------|
| Turnover | 7,057,988 | Total Expenditure (Includes non-recurring items) | 6,438,626 |
| Profit Before Tax | 619,362 | Profit After Tax | 194,056 |
| Earnings per Share | 4.67 | Dividend Rate | 22.50 |

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

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

Auditors' Report on Consolidated Financial Statements

REPORT OF THE AUDITORS' TO THE BOARD OF DIRECTORS OF UNITED BREWERIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of United Breweries Limited and its subsidiaries and Joint Venture (UB Consolidated) as at March 31, 2006, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date which we have signed under reference to this report. These consolidated financial statements are the responsibility of United Breweries Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standard require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates used by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.122,615 thousands as at March 31, 2006 and total revenues of Rs.8 thousands for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements and Accounting Standard 27 – Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of UB Consolidated included in the consolidated financial statements.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to explanations given to us, the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of UB Consolidated as at March 31, 2006;
 - (b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of UB Consolidated for the year ended on that date;and
 - (c) in case of the consolidated Cash Flow Statement, of the consolidated Cash Flows of UB Consolidated for the year ended on that date.

Mumbai, August 24, 2006

J. Majumdar
Partner
Membership Number – F51912
For and on behalf of
Price Waterhouse
Chartered Accountants

Consolidated Balance Sheet as at March 31, 2006

Rs. Thousands

| Schedule | 2006 | | Joint Venture | | Total | | 2005 | |
|--|------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| SOURCES OF FUNDS | | | | | | | | |
| SHAREHOLDERS' FUNDS | | | | | | | | |
| Share Capital | 1 | 2,685,043 | | 467,000 | | 3,152,043 | | 2,628,715 |
| Reserves and Surplus | 2 | 2,386,001 | 5,071,044 | 162,602 | 629,602 | 2,548,603 | 5,700,646 | 252,597 |
| | | | | | | | | 2,881,312 |
| LOAN FUNDS | | | | | | | | |
| Secured Loans | 3 | 2,504,302 | | 1,407,361 | | 3,911,663 | | 2,778,759 |
| Unsecured Loans | | 3,006 | 2,507,308 | 118,737 | 1,526,098 | 121,743 | 4,033,406 | 952,797 |
| Deferred Credit [Refer Schedule 19 Note 4(e)] | | | 26,839 | | - | | 26,839 | 43,461 |
| Deferred Tax Liability (Net) [Refer Schedule 19 Note 10] | | | 79,213 | | 1,283 | | 80,496 | 87,825 |
| | | | <u>7,684,404</u> | | <u>2,156,983</u> | | <u>9,841,387</u> | <u>6,744,154</u> |
| APPLICATION OF FUNDS | | | | | | | | |
| Goodwill | | | | | | | | |
| [Refer Schedule 19 Note 3] | | | 50 | | 1,182,084 | | 1,182,134 | 1,174,864 |
| FIXED ASSETS | | | | | | | | |
| Gross Block | 4 | 2,610,182 | | 1,120,313 | | 3,730,495 | | 2,379,723 |
| Less: Depreciation | | 582,393 | | 475,922 | | 1,058,315 | | 591,191 |
| Net Block | | 2,027,789 | | 644,391 | | 2,672,180 | | 1,788,532 |
| Capital Work in Progress | | 95,580 | 2,123,369 | 6,837 | 651,228 | 1,02,417 | 2,774,597 | 81,129 |
| | | | | | | | | 1,869,661 |
| INVESTMENTS | | | | | | | | |
| | 5 | | 673,092 | | (664,713) | | 8,379 | 19,915 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | | | | | |
| Inventories | 6 | 735,963 | | 102,485 | | 838,448 | | 637,508 |
| Sundry Debtors | 7 | 1,300,052 | | 324,765 | | 1,624,817 | | 1,100,551 |
| Cash and Bank Balances | 8 | 1,287,224 | | 53,929 | | 1,341,153 | | 205,089 |
| Other Current Assets | 9 | 1,133 | | - | | 1,133 | | 642 |
| Loans and Advances | 10 | 3,152,413 | | 164,547 | | 3,316,960 | | 2,803,744 |
| | | <u>6,476,785</u> | | <u>645,726</u> | | <u>7,122,511</u> | | <u>4,747,534</u> |
| LESS: | | | | | | | | |
| CURRENT LIABILITIES & PROVISIONS | | | | | | | | |
| Liabilities | 11 | 1,455,797 | | 422,864 | | 1,878,661 | | 1,687,612 |
| Provisions | 12 | 133,158 | | 1,367 | | 134,525 | | 74,420 |
| | | <u>1,588,955</u> | | <u>424,231</u> | | <u>2,013,186</u> | | <u>1,762,032</u> |
| Net Current Assets | | | 4,887,830 | | 221,495 | | 5,109,325 | 2,985,502 |
| MISCELLANEOUS EXPENDITURE | | | | | | | | |
| (To the extent not written off) (Refer Schedule 19 Note 7) | | | 63 | | - | | 63 | 12,054 |
| Profit & Loss Account | | | - | | 766,889 | | 766,889 | 682,158 |
| | | <u>7,684,404</u> | | <u>2,156,983</u> | | <u>9,841,387</u> | | <u>6,744,154</u> |
| Significant Accounting Policies | 18 | | | | | | | |
| Notes on accounts | 19 | | | | | | | |

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

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

J. Majumdar
Partner
Membership Number - F51912
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, August 24, 2006

Kalyan Ganguly
Managing Director

Lesley Jackson
Director, CFO

Govind Iyengar
Company Secretary
Mumbai, August 24, 2006

Consolidated Profit and Loss Account for the year ended March 31, 2006



| Schedule | 2006 | | Joint Venture | | Total | | Rs. Thousands 2005 | |
|---|------|------------------|------------------|-----------|------------------|-----------|-----------------------|------------------|
| | Rs. | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| INCOME | | | | | | | | |
| Sales and Service | 13 | 9,061,332 | 1,362,408 | | 10,423,740 | | 7,593,208 | |
| Less: Excise Duty | | 2,187,871 | 245,034 | | 2,432,905 | | 1,805,610 | |
| | | <u>6,873,461</u> | <u>1,117,374</u> | | <u>7,990,835</u> | | <u>5,787,598</u> | |
| Other Income | 14 | 184,535 | 7,057,996 | 61,146 | 1,178,520 | 245,681 | 8,236,516 | 279,775 |
| | | | | | | | | 6,067,373 |
| EXPENDITURE | | | | | | | | |
| Cost of Sales | 15 | 4,106,021 | 753,751 | | 4,859,772 | | 4,162,299 | |
| Other Expenses | 16 | 1,579,854 | 377,217 | | 1,957,071 | | 1,303,402 | |
| Interest | 17 | 239,012 | 145,147 | | 384,159 | | 257,034 | |
| Deferred Revenue Expenses (Refer Schedule 19 Note 7) | | 529 | 27,511 | | 28,040 | | 28,065 | |
| Depreciation | | 208,636 | 6,134,052 | 140,126 | 1,443,752 | 348,762 | 7,577,804 | 182,180 |
| Profit before non recurring item | | | <u>923,944</u> | | <u>(265,232)</u> | | <u>658,712</u> | <u>134,393</u> |
| Share of loss in associate | | | - | | - | | - | (60,359) |
| Prior period adjustments | | | | | (35,317) | | (35,317) | |
| Non recurring item [Refer Schedule 19 Note 10] | | | (304,654) | | - | | (304,654) | - |
| Profit / (Loss) before taxation | | | <u>619,290</u> | | <u>(300,549)</u> | | <u>318,741</u> | <u>74,034</u> |
| Provision for Taxation | | | | | | | | |
| – Current tax | | 84,106 | 69 | | 84,175 | | (20,614) | |
| – Fringe Benefit Tax | | 19,826 | 916 | | 20,743 | | - | |
| – Deferred Tax (Liability) / Asset | | 321,374 | 425,306 | 250 | 1,235 | 321,624 | 426,541 | (98,755) |
| | | | | | | | | (119,369) |
| Profit / (Loss) after taxation | | | <u>193,984</u> | | <u>(301,784)</u> | | <u>(107,800)</u> | <u>(45,335)</u> |
| Profit / (Loss) brought forward from previous year | | 43,596 | (310,672) | | (267,076) | | (665,954) | |
| Minority Interest during the year | | - | - | | - | | (14,050) | |
| Prior period adjustments | | | | | | | (10,292) | |
| Movement during the year | | - | 43,596 | (154,433) | (465,105) | (154,433) | (421,509) | 97,494 |
| | | | <u>237,580</u> | | <u>(766,889)</u> | | <u>(529,309)</u> | <u>(638,137)</u> |
| Less: Appropriations | | | | | | | | |
| Transfer to General Reserve | | 35,000 | | | | 35,000 | | |
| Dividend (Refer Schedule 19 Note 19) | | 148,504 | | | | 148,504 | | 44,021 |
| Balance carried to Balance Sheet | | 54,076 | | | | (712,813) | | (682,158) |
| Earnings per share (Basic/Diluted) | | | | | | (9.30) | | (5.01) |
| Significant Accounting Policies | 18 | | | | | | | |
| Note to Accounts | 19 | | | | | | | |

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

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

J. Majumdar
Partner
Membership Number - F51912
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, August 24, 2006

Kalyan Ganguly
Managing Director

Lesley Jackson
Director, CFO

Govind Iyengar
Company Secretary
Mumbai, August 24, 2006

Consolidated Cash Flow for the year ended March 31, 2006

| | 2006 | | 2005 | |
|--|-------------|--------------------|-----------|----------------|
| | Rs | Rs | Rs | Rs |
| A Cash Flow from operating Activities | | | | |
| Profit before taxation and non-recurring items. | | 658,713 | | 74,034 |
| Adjustments for: | | | | |
| Depreciation | 348,762 | | 182,180 | |
| Net pre-acquisition loss in subsidiaries | (1,041,317) | | - | |
| (Profit)/Loss on Sale of Investments | - | | - | |
| Interest Expenses (Net) | 384,159 | | 257,034 | |
| Deferred Revenue Expenditure | 28,040 | (280,356) | 28,065 | 467,279 |
| Operating profits before Working Capital changes | | 378,357 | | 541,313 |
| Adjustment for working capital changes: | | | | |
| (Increase) / Decrease in trade and other Receivables | (199,501) | | (204,228) | |
| (Increase) / Decrease in inventories | (144,796) | | (115,192) | |
| (Increase) / Decrease in Joint venture share in working capital | 502,593 | | - | |
| (Increase) / Decrease in Deferred Revenue | - | | 3 | |
| Increase / (Decrease) in trade payables | (127,195) | | (73,736) | |
| (Increase) / Decrease in other current assets | (1,844,746) | (1,813,645) | - | (393,153) |
| Cash generated from operations | | (1,435,288) | | 148,160 |
| Adjustment arising out of Amalgamation / change in JV | | 2,371 | | - |
| Direct taxes Paid | | 150,069 | | 2,888 |
| Cash generated from operations before non-recurring items | | (1,582,986) | | 151,048 |
| Non-recurring items | | (16,076) | | (10,292) |
| Net cash generated from operating activities. | | (1,599,062) | | 140,756 |
| B Cashflow from Investing Activities | | | | |
| Purchase of Fixed Assets | | (230,944) | | (216,324) |
| Purchase of Fixed assets - Share of joint venture | | (238,030) | | - |
| Purchase of Investments | | - | | (3,010) |
| Sale of Investments | | (11,785) | | - |
| Net cash used in investing activities | | (480,759) | | (219,334) |
| C Cashflow from Financing Activities | | | | |
| Proceeds from allotment of shares | | 4,642,267 | | - |
| Share in Capital of Joint Venture / subsidiaries | | (643,818) | | 1,738,698 |
| Short term loan | | (1,061,689) | | 399,910 |
| Long Term Borrowings including Joint venture | | 1,608,737 | | (1,597,140) |
| Loan to United Breweries (Holdings) Ltd | | 802,400 | | - |
| Advances by subsidiary compaies to others | | 446,235 | | (24,208) |
| ROCPS | | (2,136,908) | | - |
| Interest Paid | | (384,159) | | (393,649) |
| Dividend paid | | (57,180) | | (44,021) |
| Net cash from / (used in) financing activities | | 3,215,885 | | 79,590 |
| Net Increase / (Decrease) in cash and cash equivalents | | 1,136,064 | | 1,012 |
| Opening cash and cash equivalents | | | | |
| Cash and Cheques on hand including Remittances in Transit | 1,449 | | 7,592 | |
| Bank Balances | 203,640 | 205,089 | 196,485 | 204,077 |
| Closing cash and cash equivalents | | | | |
| Cash and Cheques on hand including Remittances in Transit | 228,828 | | 1,449 | |
| Bank Balances | 1,112,325 | 1,341,153 | 203,640 | 205,089 |

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

J. Majumdar

Partner

Membership Number - F51912

For and on behalf of

Price Waterhouse

Chartered Accountants

Kalyan Ganguly

Managing Director

Lesley Jackson

Director, CFO

Govind Iyengar

Company Secretary

Schedules

| | Rs. Thousands | | | |
|---|--------------------|------------------|--------------------|------------------|
| | 2006 | Joint Venture | Total | 2005 |
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 1 | | | | |
| Share Capital | | | | |
| Authorised | | | | |
| 30,000,000 (2005: 30,000,000) Equity shares of Rs.10 each | 300,000 | - | 300,000 | <i>300,000</i> |
| 25,000,000 (2005: 22,000,000) Preference Shares of Rs.100 each | 2,500,000 | - | 2,500,000 | <i>2,500,000</i> |
| | 2,800,000 | - | 2,800,000 | <i>2,800,000</i> |
| Issued, Subscribed and Paid-up | | | | |
| 21,604,343 (2005: 17,820,603) Equity shares of Rs.10 each fully paid | | | | |
| As per Last Balance Sheet | 178,206 | | 178,206 | <i>178,206</i> |
| 17,820,603 Equity Shares of Rs.10 each fully paid | | | | |
| Additions during the year | 37,837 | - | 37,837 | |
| (Of the total 21,604,343 Equity Shares of Rs.10 each, 3,779,522 Equity Shares of Rs.10 each were allotted to Scottish & Newcastle India Limited and 4,218 Equity Shares of Rs.10 each were pending allotment to MBDL Shareholders as per a Scheme of Arrangement) | | | | |
| 5%, 21,369,077 Redeemable Optionally Convertible Preference Shares of Rs.100 each (ROCPs) | 2,136,908 | | 2,136,908 | <i>2,136,908</i> |
| Less: Redeemed during the year | (2,136,908) | - | (2,136,908) | |
| 3%, 17,283,000 Cumulative Redeemable Preference Shares of Rs.100 each - Series A allotted during the year | 1,728,300 | - | 1,728,300 | - |
| 3%, 7,407,000 Cumulative Redeemable Preference Shares of Rs.100 each - Series B allotted during the year | 740,700 | - | 740,700 | - |
| Convertible Redeemable Preference Shares | - | 467,000 | 467,000 | <i>313,601</i> |
| | 2,685,043 | 467,000 | 3,152,043 | <i>2,628,715</i> |
| SCHEDULE 2 | | | | |
| Reserves and Surplus | | | | |
| Capital Reserve | | 1,204 | 1,204 | <i>90</i> |
| Securities Premium Account: | | | - | |
| As per last Balance sheet | 161,495 | 161,398 | 322,893 | <i>252,507</i> |
| Premium received during the year | 2,135,430 | - | 2,135,430 | - |
| General Reserve | | | | |
| As per last Balance Sheet | - | - | - | - |
| Transfer from Profit and Loss Account | 35,000 | - | 35,000 | - |
| Profit & Loss Account balance | 54,076 | - | 54,076 | - |
| | 2,386,001 | 162,602 | 2,548,603 | <i>252,597</i> |
| SCHEDULE 3 | | | | |
| Secured Loans | | | | |
| Foreign Currency Loans [Refer Schedule 19 Note 4(a)] | | | | |
| External Commercial Borrowing | 489,885 | - | 489,885 | - |
| Foreign Currency Loan | - | - | - | <i>708,811</i> |
| From Banks [Refer Schedule 19 Note 4(b)] | 2,003,139 | - | 2,003,139 | <i>994,202</i> |
| Interest accrued and due | 1,756 | - | 1,756 | <i>3,569</i> |
| From Others | | | | |
| (including HP creditors) [Refer Schedule 19 Note 4(c)] | 9,522 | 1,407,361 | 1,416,883 | <i>1,072,177</i> |
| | 2,504,302 | 1,407,361 | 3,911,663 | <i>2,778,759</i> |
| Unsecured Loans | | | | |
| [Refer Schedule 19 Note 4(d)] | | | | |
| Short Term Loans and Advances: | | | | |
| From Banks | - | - | - | <i>939,791</i> |
| From Others | 3,006 | 118,737 | 121,743 | <i>13,006</i> |
| | 3,006 | 118,737 | 121,743 | <i>952,797</i> |

SCHEDULE 4
Consolidated Fixed Assets (Refer Schedule 19 - Note 5)

Rs. Thousands

| Net Value of Assets as at March 31, 2005 | Particulars | Cost | | | | | | Depreciation | | | | Net Value of Assets as at March 31, 2006 |
|--|--|--|-------------------------------|-----------|--------------------|--|----------------------|------------------------|--------------|----------------------|-----|--|
| | | Gross Value of Assets as at March 31, 2005 | Addition on Account of Merger | Additions | Sales/ Adjustments | Gross Value of Assets as at March 31, 2006 | As At March 31, 2005 | Deletions/ Adjustments | For the year | As At March 31, 2006 | Rs. | |
| Rs. | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 907 | Good will | 907 | - | - | - | 907 | - | - | - | - | - | 907 |
| 37 | Licenses | 37 | - | - | - | 37 | - | - | - | - | - | 37 |
| 27,936 | Land - Freehold | 27,936 | 316,681 | 38 | - | 344,655 | - | - | - | - | - | 344,655 |
| 91,659 | Land - Leasehold | 98,337 | 61,178 | 2,865 | - | 162,380 | 6,678 | - | 1,773 | - | - | 153,929 |
| 300,352 | Buildings | 372,252 | 52,016 | 1,229 | - | 425,497 | 46,578 | - | 15,448 | - | - | 363,471 |
| 812,663 | Plant and Machinery | 1,136,543 | 259,852 | 60,808 | 2,369 | 1,454,834 | 275,599 | 945 | 152,346 | - | - | 1,027,834 |
| 28,181 | Office Machinery | 46,536 | - | 8,333 | 877 | 53,992 | 18,031 | 487 | 7,088 | - | - | 29,360 |
| 48,827 | Furniture & Fittings | 63,193 | - | 32,289 | 702 | 94,780 | 13,281 | 104 | 25,718 | - | - | 55,885 |
| 6,925 | Lab Equipments | 8,450 | - | 1,157 | - | 9,607 | 1,145 | - | 379 | - | - | 8,083 |
| 43,455 | Vehicles | 60,320 | - | 9,137 | 5,964 | 63,493 | 16,786 | 2,805 | 5,884 | - | - | 43,628 |
| 1,360,942 | | 1,814,511 | 689,727 | 115,856 | 9,912 | 2,610,182 | 378,098 | 4,341 | 208,636 | - | - | 2,027,789 |
| 427,590 | Share of Joint Venture | 565,212 | - | 31,438 | 43,513 | 1,120,313 | 309,056 | 8,577 | 175,443 | - | - | 644,391 |
| 1,788,532 | | 2,946,899 | 689,727 | 147,294 | 53,425 | 3,730,495 | 687,154 | 12,918 | 384,079 | - | - | 2,672,180 |
| 60,204 | Capital work in Progress at cost and capital Advance | | | | | | | | | | | 95,580 |
| 20,925 | Share of Joint Venture | | | | | | | | | | | 6,837 |
| 1,869,661 | | | | | | | | | | | | 2,774,597 |

Note

Land includes Rs.21,410,605 representing stamp duty and registration charges on leasehold land held prior to March 31, 2001.

Schedules (Contd.)

| | Rs. Thousands | | | |
|--|------------------|------------------|------------------|------------------|
| | 2006 | Joint Venture | Total | 2005 |
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 5 | | | | |
| Investments | | | | |
| Government Securities: | | | | |
| National Savings Certificate | 133 | - | 133 | 154 |
| Long Term, Non trade: (Unquoted) | | | | |
| Zorostrian Co-operative Bank Limited | 100 | - | 100 | 100 |
| United East Bengal Football Team Pvt. Ltd.* | 50 | - | 50 | 50 |
| Millennium Alcobev Private Limited | 672,859 | (672,859) | - | - |
| | 673,142 | (672,859) | 283 | 304 |
| Share of Joint Venture Investments | - | 8,146 | 8,146 | 19,661 |
| *Associate Company Goodwill arising on Consolidation | (50) | - | (50) | (50) |
| | 673,092 | (664,713) | 8,379 | 19,915 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | |
| SCHEDULE 6 | | | | |
| Inventories | | | | |
| Raw Materials | 147,555 | 11,198 | 158,753 | 109,342 |
| Stores and Spares | 181,041 | 41,352 | 222,393 | 170,100 |
| Finished Goods (including Traded Goods) | 337,566 | 48,108 | 385,674 | 337,323 |
| Goods in transit | 69,801 | 1,827 | 71,628 | 20,743 |
| | 735,963 | 102,485 | 838,448 | 637,508 |
| SCHEDULE 7 | | | | |
| Sundry Debtors (Unsecured, unless stated otherwise) | | | | |
| Considered Good (Refer Schedule 19 Note 9) | | | | |
| - Over Six Months | 1,317 | - | 1,317 | 33,522 |
| - Others | 1,298,735 | 324,765 | 1,623,500 | 1,067,029 |
| Considered Doubtful | | | | |
| - Over Six Months | 14,280 | 23,808 | 38,088 | 15,489 |
| - Others | - | - | - | - |
| | 1,314,332 | 348,573 | 1,662,905 | 1,116,040 |
| Less: Provision for Doubtful Debts | (14,280) | (23,808) | (38,088) | (15,489) |
| | 1,300,052 | 324,765 | 1,624,817 | 1,100,551 |
| SCHEDULE 8 | | | | |
| Cash and Bank Balances | | | | |
| Cash and Cheques on hand including | | | | |
| Remittances - in Transit | 228,375 | 453 | 228,828 | 1,449 |
| Balances with Scheduled Banks: | | | | |
| on Current Account | 599,591 | 35,140 | 634,731 | 141,602 |
| on Deposit account | 459,258 | 18,336 | 477,594 | 62,038 |
| | 1,287,224 | 53,929 | 1,341,153 | 205,089 |
| SCHEDULE 9 | | | | |
| Other Current Assets | | | | |
| Income accrued on Investments and deposits | 1,133 | - | 1,133 | 642 |
| | 1,133 | - | 1,133 | 642 |

Schedules (contd.)

| | | | | Rs. Thousands |
|---|-----------|------------------|------------|---------------|
| | 2006 | Joint Venture | Total | 2005 |
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 10 | | | | |
| Loans and Advances (Refer Schedule 19 Note 8) | | | | |
| (Unsecured, considered good unless otherwise stated) | | | | |
| Advance recoverable in cash or in kind or for value to be received | | | | |
| [including: Rs.105 (2005: Rs.146) due from Director of the Company | | | | |
| - maximum amount due during the year Rs.146 (2005: Rs.161)] | | | | |
| | 1,940,363 | 118,198 | 2,058,561 | 842,221 |
| Considered Doubtful | 5,018 | 39,846 | 44,864 | 6,539 |
| | 1,945,381 | 158,044 | 2,103,425 | 848,760 |
| Less: Provision for Doubtful Advances | (5,018) | (39,846) | (44,864) | (6,539) |
| | 1,940,363 | 118,198 | 2,058,561 | 842,221 |
| To United Breweries (Holdings) Limited | 797,465 | - | 797,465 | 1,599,865 |
| (Secured by second charge on immovable properties / investments held by that company) | | | | |
| Balances with Excise Authorities | 52,223 | 11,857 | 64,080 | 8,096 |
| Other Deposits | 326,232 | 11,484 | 337,716 | 337,089 |
| Advance Tax/ Tax deducted at source (net) | 36,130 | 23,008 | 59,138 | 16,473 |
| | 3,152,413 | 164,547 | 3,316,960 | 2,803,744 |
| SCHEDULE 11 | | | | |
| Liabilities | | | | |
| Sundry Creditors | | | | |
| - Due to Small Scale Industrial Undertakings | 25,078 | - | 25,078 | 16,938 |
| - Trade payable | 725,637 | 123,207 | 848,844 | 461,912 |
| - Other payable | 623,067 | 297,272 | 920,339 | 1,126,256 |
| Interest accrued but not due | - | 2,385 | 2,385 | 1,583 |
| Acceptances | 82,015 | - | 82,015 | 80,923 |
| | 1,455,797 | 422,864 | 1,878,661 | 1,687,612 |
| SCHEDULE 12 | | | | |
| Provisions | | | | |
| Dividend payable (Refer Schedule 19 Note 19) | 91,325 | - | 91,325 | - |
| Employee Benefits | 41,833 | 1,367 | 43,200 | 47,915 |
| Provision for Taxation (net of Advance tax including TDS) | - | - | - | 23,287 |
| Provision for loss of Investment | - | - | - | 3,218 |
| | 133,158 | 1,367 | 134,525 | 74,420 |
| SCHEDULE 13 | | | | |
| Sales and Service | | | | |
| Sales | 8,071,951 | 1,283,210 | 9,355,161 | 6,844,931 |
| Income from Services | 989,381 | 79,198 | 1,068,579 | 748,277 |
| | 9,061,332 | 1,362,408 | 10,423,740 | 7,593,208 |
| SCHEDULE 14 | | | | |
| Other Income | | | | |
| Guarantee Commission | - | - | - | 632 |
| Liability no longer required written back | 14,496 | 28,465 | 42,961 | 37,973 |
| Income from sale of Investments | - | - | - | 9,325 |
| Miscellaneous Income | 127,498 | 18,431 | 145,929 | 87,123 |
| Profit on sale of Assets (Net) | - | 12 | 12 | - |
| Interest Received | 41,091 | 1,414 | 42,505 | 227,277 |
| Provision for Doubtful Debts no longer required written back | 1,442 | 474 | 1,916 | 87,977 |
| Provision for Doubtful Advances no longer required written back | 8 | 12,350 | 12,358 | 56,745 |
| | 184,535 | 61,146 | 245,681 | 507,052 |

Schedules (Contd.)

Rs. Thousands

| | 2006 | Joint Venture | Total | 2005 |
|---|------------------|----------------|------------------|------------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE 15 | | | | |
| Cost of Sales | | | | |
| Manufacturing Expenses | | | | |
| Consumption of Raw Materials | 753,893 | 139,928 | 893,821 | 788,940 |
| Consumption of Stores and Spares | 1,691,920 | 359,208 | 2,051,128 | 1,841,462 |
| Purchases of Finished Goods | 249,034 | 27,108 | 276,142 | 74,426 |
| Power and Fuel | 291,274 | 79,678 | 370,952 | 279,297 |
| Personnel Expenses | | | | |
| Salaries, Wages and Bonus | 391,157 | 50,273 | 441,430 | 350,191 |
| Gratuity | 25,499 | 894 | 26,393 | 15,984 |
| Contribution to Provident & Other funds | 27,772 | 2,519 | 30,291 | 26,901 |
| Welfare Expenses | 27,539 | 3,370 | 30,909 | 32,301 |
| Others | | | | |
| Rent including Lease rent | 52,724 | 4,429 | 57,153 | 42,341 |
| Insurance | 9,450 | 2,614 | 12,064 | 8,755 |
| Repairs Building* | 7,161 | 687 | 7,848 | 13,237 |
| Repairs to Machinery* | 58,909 | 20,081 | 78,990 | 65,755 |
| Travel and Conveyance | 49,833 | 5,445 | 55,278 | 56,267 |
| Communication Expenses | 23,194 | 1,126 | 24,320 | 12,809 |
| Rates and taxes | 93,276 | 26,497 | 119,773 | 253,288 |
| Legal and Professional fees | 145,900 | - | 145,900 | - |
| Facility Fees | - | - | - | 166,267 |
| Miscellaneous expenses | 196,046 | 28,475 | 224,521 | 199,569 |
| (*includes material consumed Rs.42,402 (2005: Rs.28,078)) | | | | |
| Change in Inventory | | | | |
| Opening Stock | 272,699 | 51,509 | 324,208 | 267,991 |
| Closing Stock | (337,566) | (48,108) | (385,674) | (337,327) |
| Excise Duty on Opening Stock | (110,825) | (7,171) | (117,996) | (136,357) |
| Excise Duty on Closing Stock | 187,132 | 5,189 | 192,321 | 140,202 |
| | <u>4,106,021</u> | <u>753,751</u> | <u>4,859,772</u> | <u>4,162,299</u> |
| SCHEDULE 16 | | | | |
| Other Expenses | | | | |
| Selling and Promotion Expenses | 1,569,432 | 308,839 | 1,878,271 | 1,143,544 |
| Directors Sitting fees | 859 | 185 | 1,044 | 680 |
| Auditors Remuneration | 5,819 | 1,483 | 7,302 | 5,923 |
| Bad debts written off | 2,046 | 13,544 | 15,590 | 85,540 |
| Bad Advances written off | 36 | 1,707 | 1,743 | 55,860 |
| Provision for Doubtful Debts | - | 5,639 | 5,639 | 1,465 |
| Provision for Idle assets | 474 | 30,243 | 30,717 | 1,020 |
| Loss on sale of Assets (net) | 1,150 | 2,445 | 3,595 | 4,258 |
| Provision for Doubtful advances | 38 | 13,132 | 13,170 | 5,112 |
| | <u>1,579,854</u> | <u>377,217</u> | <u>1,957,071</u> | <u>1,303,402</u> |
| SCHEDULE 17 | | | | |
| Interest and Finance Charges | | | | |
| Interest-ECB including exchange cover | 28,714 | - | 28,714 | 279,177 |
| Interest on Loans for a fixed period | 148,701 | 144,896 | 293,597 | 205,134 |
| Interest on Working capital borrowing | 47,505 | - | 47,505 | - |
| Interest Others | 13,794 | 20 | 13,814 | - |
| Other Finance charges | 298 | 231 | 529 | - |
| | <u>239,012</u> | <u>145,147</u> | <u>384,159</u> | <u>484,311</u> |

Significant Accounting Policies for the year ended March 31, 2006

SCHEDULE 18

Consolidated Accounts

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Basis of Consolidation:

The Financial Statements of the Subsidiaries and the Joint Venture (JV) used in the consolidation are drawn up to the same reporting date as that of the parent company, i.e., year ended March 31, 2006.

Estimates:

The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

2. Principles of Consolidation:

- i) The financial statement of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating intra group balances and intra group transactions.
- ii) The financial statements of the parent company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events.
- iii) The financial statement of the Joint Venture has been consolidated using proportionate consolidation on the basis of control exercised in the Joint Venture.
- iv) Goodwill represents the difference between the Company's share in the net-worth and the cost of acquisition of subsidiary and Joint Venture at each stage of acquisition of investment. Goodwill arising on consolidation is not amortized. Negative goodwill is recognized as capital reserve on consolidation.

3. Revenue Recognition:

Revenue from sale of goods is recognized in accordance with the terms of sale, on dispatch from the Breweries/warehouses of the Company, and is net of trade discount but includes Excise Duty. Income from brand licensing is recognized at contract rates on sale/production of the branded products by the Contract Breweries. Dividend income is recognized when the Company's right to receive is established. Royalty from foreign entities is recorded as per terms of agreement net of tax.

4. Borrowing Costs:

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

5. Fixed Assets:

The cost of Fixed Assets on amalgamation has been taken over at fair values as on April 1, 2005 as per Scheme of Arrangement.

Fixed assets acquired after April 1, 2005 are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalized at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalized.

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

Significant Accounting Policies (Contd.)

6. Investments:

Investments being long term in nature are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subscription. Diminution in value of investments, if considered permanent, is provided for.

7. Inventories:

Raw Materials and Stores and Spare Parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realizable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

8. Foreign Currency Transactions:

Foreign Currency transactions are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of the asset.

9. Depreciation:

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under schedule XIV of the Companies Act 1956, except for additions on account of fair valuation have been depreciated over the remaining useful life of the assets. Leasehold Land is amortized over the period of lease.

10. Retirement benefits:

- a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year end and funded into gratuity fund maintained by Life Insurance Corporation of India except in respect of entertain units, where such provisions though made are not funded.
- b. Contributions to Pension and Superannuation Funds are made to separate trust funds.
- c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

11. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

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

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

12. Provisions, Contingent Liabilities and Contingent Assets:

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

A disclosure for contingent liability is made where there is a possible obligation or present obligation that may probably will not, require an outflow of resources. When there is a possible or a present obligation the likelihood of outflow of resources is remote, no provision or disclosure is made.

Notes on Consolidated Accounts for the year ended March 31, 2006

SCHEDULE 19

Notes on Consolidated Accounts

1. The Consolidated Financial Statement (CFS) present the consolidated accounts of United Breweries Limited with its following subsidiaries, Associates and Joint Venture:

| Name of the Subsidiary | Ownership Percentage | | Country of Incorporation |
|--|----------------------|--------|--------------------------|
| | 2006 | 2005 | |
| Associated Breweries & Distilleries Limited (ABDL) | 100.00 | 100.00 | India |
| London Draft Pubs Private Limited (Subsidiary of ABDL) | 100.00 | 100.00 | India |
| London Pilsner Breweries Private Limited (Subsidiary of ABDL) | 100.00 | 100.00 | India |
| Name of the Associate | | | |
| United East Bengal Football Team Private Limited (UEBFTPL) | 50.00 | 50.00 | India |
| Name of the Joint Venture (JV) | | | |
| Millennium Alcobev Private Limited (MAPL)* | 50.00 | 40.00 | India |

*The increment of 10% represents control exercised through the subsidiary ABDL

2. The audited consolidated financial statements of Millennium Alcobev Private Limited (MAPL), represents consolidation of MAPL and its subsidiaries Empee Breweries Limited (EBL), United Millennium Breweries Limited (UMBL) and Millennium Beer Industries Limited (MBIL) as per Accounting Standard (AS) – 21. The Previous year numbers of MAPL have not been audited.
3. The group evaluates the carrying value of its Goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired for diminution, other than temporary. The group has currently reassessed the circumstances that could indicate the carrying amount of Goodwill may be impaired. As a consequence of such reassessment, the management believes that the expected revenues and earnings of the acquired entities are sustainable in the foreseeable future, and hence goodwill is not impaired.

4. Loan Funds:

Secured Loans

| | 2006 | 2005 |
|--|----------------------------|-------------------|
| (a) Foreign Currency Loans Loan repayable within one year - Rs.Nil (2005: Rs.228,991) External Commercial Borrowing is secured by first charges on all the moveable and immovable properties of the Company and pledge of certain investments in favour of Scottish Courage Limited and the Foreign Currency loan is secured as detailed below under loan from Banks. | 489,885 | 708,811 |
| (b) From Banks (including interest accrued but not due) Loans repayable within one year – Rs.101,934 (2005: Rs.925,972) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company. | 2,004,895 | 997,771 |
| (c) From Others Hire Purchase Creditors – Secured by Assets purchased under Hire Purchase Scheme | Nil 9,522 | 350,000 12,168 |
| Unsecured Loans | 3,006 | 952,797 |
| (d) Loans repayable within one year – Rs.Nil (2005: Rs.949,791) | | |
| (e) Deferred Credits Secured by Assets purchased under the Scheme Repayable within one year – Rs.24,267 (2005: Rs.16,629) | 26,839 | 43,461 |

Notes on Consolidated Accounts (contd.)

5. Fixed Assets:

- a) Buildings amounting to Rs.14,115 and Plant and Machinery amounting to Rs.23,884 are in premises not owned by the Company.
- b) The excess of fair valuation of fixed assets over the book value as on April 1, 2005 amounting to Rs.689,727 has been taken to Asset Block as per the Approval of Composite Scheme of Arrangement. The relative depreciation of Rs.42,042 has been charged to the Profit and Loss Account.
- c) The depreciation block as at March 31, 2005, amounting to Rs.378,098 is net of the depreciation of Rs.75,471 arising out of change in method of depreciation adopted by MBDL to be consistent with UBL.

6. Pursuant to the approval by the Board of Directors of the JV at its meeting held on January 27, 2004, and approval by the respective Boards of Directors of United Millennium Breweries Limited (Formerly GMR Beverages and Industries Limited) and Empee Breweries Limited at their meeting held on January 28, 2004, the subsidiaries of the JV filed a petition in the Honourable High Court of Judicature at Andhra Pradesh/Madras for merger of its wholly owned subsidiaries, Empee Breweries Limited and GMR Beverages and Industries Limited, with the JV company with effect from July 1, 2002. Consequently, the merger petition has been withdrawn from the respective High Courts based on the order of the court dated June 21, 2005.

7. MBIL has been consolidated line by line under 'Accounting Standard 21 (AS 21) - Consolidated Financial Statement' in the Consolidated Financial Statements of MAPL as it became a subsidiary of MAPL in this year. In the previous year, MBIL was accounted in accordance with 'Accounting Standard 23 (AS 23) - Accounting for investment in associates'. MBIL has declared as sick company by the Board for Industrial and Financial Restructuring (BIFR) and the scheme has been submitted to BIFR for consideration.

8. Loans and Advances include:

Rs.50,000 paid in earlier years to a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. The said company has made a reference to the BIFR being a sick company. The management proposes to recover / adjust the advances from the Company based on the brewery operations carried out by them.

9. Debtors:

Debtors - Others include Rs.12,855 which is due from a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. As stated in note 8 above, the said company has made a reference to the BIFR, being a sick company. As per the arrangement, the said due is being paid over a period of three years. The commitment for the current year has been fulfilled.

10. Amalgamation:

Pursuant to the approval of the Composite Scheme of Arrangement by the shareholders at the Court convened meeting held on May 24, 2006 and the subsequent sanction by the High court of Karnataka and Mumbai on July 28, 2006 and August 7, 2006 respectively, Mangalore Breweries and Distillers Limited (MBDL), and the Demerged brewery business of Associated Breweries and Distilleries Limited (ABDL) have been amalgamated with the Company. Consequently the assets and liabilities of MBDL and ABDL were transferred to and vested in the Company with effect from April 1, 2005 (appointed date).

While the Order of the High Court in this regard has been received for MBDL, it is still awaited with respect to ABDL for consequent filing with Registrar of Companies. Based on a legal opinion obtained, the Scheme has been given effect to in these accounts.

The amalgamation has been accounted under the purchase method as prescribed by the Accounting Standard (AS) 14 issued by the Institute of Chartered Accountants of India, subject to the following adjustments which have been approved by the scheme:

- Assets and liabilities of MBDL was taken over at their fair values as at the Appointed date, and the difference between the net assets and the face value of equity shares has been accounted in General Reserve. Pursuant to the implementation of the Scheme, shares of face value amounting to Rs. 42,180 are being issued to the Minority Shareholders of MBDL.

Notes on Consolidated Accounts (contd.)

- The assets and liabilities of ABDL were taken over at their book values and the net assets have been adjusted in the General Reserve.
- The Company has valued its fixed assets at fair value as on the appointed date and adjusted the excess in valuation in General reserve.(Refer Schedule 19 Note 5b)

The details of the treatment in the books of accounts is as under:

| Particulars | Rs. |
|--|-----------|
| Excess of fair valuation credited to General Reserve | (689,727) |
| Depreciation differential due to change in accounting policy – MBDL | (75,471) |
| Unrecognised Deferred Tax Asset on carry-forward business losses and depreciation of ABDL and MBDL recognised and adjusted to general reserve as per Accounting Standard AS-22 Accounting for Taxes on Income - read with Accounting Standard Interpretation 11 issued by The Institute of Chartered Accountants of India. | (323,186) |
| Goodwill arising on amalgamation | 1,359,138 |
| Deferred Revenue | 9,655 |
| Shares to be allotted to Minority shareholders of MBDL | 42 |
| Merger expenses | 8,126 |
| Goodwill charged through Profit and Loss Account under Non recurring items | 288,578 |

The Non recurring expenses in the Profit and Loss account includes the goodwill on merger of Rs.288,578 and Professional fees of Rs.16,076 paid for strategic alliance.

11. a. Contingent Liabilities:

| | Particulars | 2006 Rs. | 2005 Rs. |
|---|--|-------------|-------------|
| a | Estimated amount of Contracts remaining to be executed on capital account and not provided for | 20,237 | 11,850 |
| b | Sales Tax/other taxes demands under appeal* | 13,091 | 12,410 |
| c | Excise Duty/Customs Duty demands under appeal* | 8,646 | 9,683 |
| d | Claims against the Company not acknowledged as debt* | 27,076 | 114,373 |
| e | Future commitments for Interest/lease rental payable on deferred credits/lease | 30,176 | 7,214 |
| f | Letter of Credit outstanding | 36,181 | 38,424 |
| g | Guarantees given by the company to third parties | 25,906 | 538,294 |
| h | Commitment as per Joint Venture Agreement to place funds in the form of Preference Capital. | Nil | 100,000 |
| i | Consideration payable to erstwhile promoters of ABDL withheld against possible tax benefits, if any, availed by ABDL towards its future profits. | Nil | 32,300 |
| j | Letter of undertaking to distributors towards countervailing duty for imports from Nepal | 38,500 | 38,500 |
| k | Balance Consideration payable to erstwhile promoters of KBDL | 350,000 | Nil |

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

Notes on Consolidated Accounts (contd.)

b. Contingent Liabilities of Joint Venture:

Income tax demands under appeal Rs.814 (2005: Rs.814) and Sales tax demands under appeal Rs.6,488 (2005: Rs.6,260.)

Estimated amount of contracts to be executed on Capital account (net of advances) – Rs.8,313 (2005: Rs.66,622).

12. Details of Deferred Revenue Expenditure:

| Nature of Expenditure | 2006 | 2005 |
|-----------------------------|------|--------|
| | Rs. | Rs. |
| Voluntary Retirement Scheme | Nil | 10,011 |
| Preliminary Expenses | 63 | 236 |
| Share of Joint Venture | Nil | 1,807 |
| Total | 63 | 12,054 |

13. Accounting for Taxes on Income:

In accordance with the 'Accounting Standard 22 – Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, the Company has recognized net deferred tax liability of Rs.80,496.

| Particulars | 2006 Rs. | Current year charge/ (Credit) effective tax rate adjustment Rs. | 2005 Rs. |
|--|-------------|--|-------------|
| Deferred Tax Liability | | | |
| Difference between book and tax depreciation | 108,666 | 821 | 107,845 |
| Deferred Tax Asset | | | |
| Tax Loss | (10,596) | 13,649 | (24,245) |
| Leave Salary | (14,081) | (11,982) | (2,099) |
| Doubtful Debtors | (4,776) | (4,301) | (475) |
| Total | 79,213 | (1,813) | 81,026 |
| Recognition of Deferred Tax relating to past losses of merged Entities | - | 323,187 | - |
| Total | 79,213 | 321,374 | 81,026 |
| Share of Joint Venture | 1,283 | - | 6,799 |
| Total | 80,496 | 321,374 | 87,825 |

Notes on Consolidated Accounts (contd.)

14. Related Party Disclosures:

a. Related parties:

Transactions with Scottish & Newcastle Plc, (S&N) the holding company of the following:

- Scottish & Newcastle UK Limited (SNUK)
- Scottish & Newcastle India Limited (SNIL)
- Scottish & Newcastle India (Private) Limited (SNIPL)

Associate

- United East Bengal Football Team Private Limited (UEBFTPL)

Key Management Personnel: (KMP)

- Mr. Kalyan Ganguly
- Mrs. Lesley Jackson

Relative of Key Management Personnel:

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

b. Transactions with related parties during the year:

| Particulars | UEBTFPL | | KMP | |
|--|---------|--------|--------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Purchase of goods | - | - | - | - |
| Sale of goods | - | - | - | - |
| Receipts against rendering Services | - | - | - | - |
| Payment against rendering Services | 24,635 | 20,000 | - | - |
| Sale of Brands | - | - | - | - |
| Purchase of Investments | - | - | - | - |
| Sale of Investments | - | - | - | - |
| Purchase of Assets | - | - | - | - |
| Sale of Assets | - | - | - | - |
| Finance (including loan in cash or kind) | (47) | - | - | - |
| Remuneration to Directors (#) | - | - | 22,441 | 12,661 |
| Guarantees and Collaterals | | | | |
| Amount Due From/(To) | 47 | - | - | - |

(*) Figures in brackets indicate Amounts received

(#) Includes payment to relative of KMP amounting to Rs.1,681 (2005: Rs.1,442).

Notes on Consolidated Accounts (contd.)

Transactions with Scottish & Newcastle Plc., (S&N) the holding company of the following:

Scottish & Newcastle UK Limited (SNUK) [formerly known as Scottish Courage Ltd (SCL)]

Scottish & Newcastle India Limited (SNIL)

Scottish & Newcastle India (Private) Limited (SNIPL)

Transaction with S&N – Nil

Balance amount on account of ECB with SNUK – Rs.489,885 (2005:Rs.479,820)

– Interest on ECB Rs.28,714 (2005: Rs.18,287)

Transaction with SNIL –

Subscription to Preference Share Capital – Rs. 2,469,000

Dividend on above – Rs.72,853 (2005:Rs.Nil)

Dividend on Equity Shares – Rs.18,225 (2005:Rs.Nil)

Transaction with SNIPL

Redemption of ROCPS – Rs.1,837,756 (2005: Rs.Nil)

Dividend on above – Rs.7,552 (2005:Rs.33,482)

15. Earnings Per Share:

For the purpose of computing earnings per share, the profit / (loss) after tax (net of preference dividend) for the year has been used as the numerator and 21,604,343 shares as denominator.

The earnings per share have been calculated as below:

| | Particulars | 2006 | 2005 |
|----|---|-----------|----------|
| | | Rs. | Rs. |
| a) | Profit/(Loss) as per Profit and Loss Account | (200,887) | (89,356) |
| b) | Outstanding number of equity shares (Face value of Rs.10 per share) | 21,604 | 17,821 |
| c) | Earnings per share – Basic / Diluted | (9.30) | (5.01) |

16. Pursuant to the unanimous approval of the members of the company in the Extraordinary General Meeting held on January 20, 2005 and in accordance with SEBI Takeover Regulations, 1997:

- S&N acquired 20% of the enhanced capital of the Company by way of an open offer @ Rs.575 per share. The offer opened on February 7, 2005 and closed on February 26, 2005;
- 37,79,522 equity shares of Rs.10 each @ Rs.575 per share amounting to Rs.2,173,225,150 were allotted on a preferential basis to S&N on April 7, 2005; and
- 2,46,90,000 Cumulative Redeemable Preference Shares of Rs.100 each at a coupon of 3% per annum amounting to Rs.2,469,000,000 were allotted to S&N on April 7, 2005, the proceeds of which was utilised to redeem the existing ROCPS of Rs.2,136,907,700.

17. Utilisation of allotment of Preference Shares proceeds of Rs.2,469,000

| | |
|-----------------------------------|-----------|
| Repayment of earlier ROCPS to S&N | 2,136,908 |
| Debt Repayment | 332,092 |

18. Cash Flow Statement:

- The Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheet as at March 31, 2006 and the related Profit and Loss Account for the year ended on that date.
- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standards – 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

Notes on Consolidated Accounts (contd.)

19. Details of Dividend:

| Particulars | 2006 | 2005 |
|--|---------|--------|
| Dividend on ROCPS @5% | 8,782 | 38,933 |
| Tax on above | 1,232 | 5,088 |
| Dividend on Preference Share Capital @3% | 72,853 | - |
| Tax on above | 10,219 | - |
| Interim Dividend on Equity Shares @15% | 32,401 | - |
| Tax on above | 4,545 | - |
| Final Dividend on Equity Shares @ 7.5% | 16,200 | - |
| Tax on above | 2,272 | - |
| Total | 148,504 | 44,021 |

Details of dividend paid in foreign currency:

| Particulars | 2006 | 2005 |
|---|--------|--------|
| Number of non-resident shareholders | 2 | 2 |
| Number of equity shares held on which dividend was due | 80,995 | 4,320 |
| Amount remitted (US \$ & GBP) | 14,978 | - |
| Number of preference share held on which dividend was due | 21,369 | 21,369 |
| Amount remitted [(GBP) (Payout pertaining to 2004-2005)] | 47,715 | - |

20. Segmental Reporting:

The Company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment.

21. All amounts are in Rupees thousands, unless otherwise stated.

22. The previous year's figures have been regrouped to conform to the current year's classification and are not strictly comparable due to MBIL becoming Joint Venture subsidiary and merger of ABDL and MBDL with UBL and consequential adjustments enumerated above.

Summary

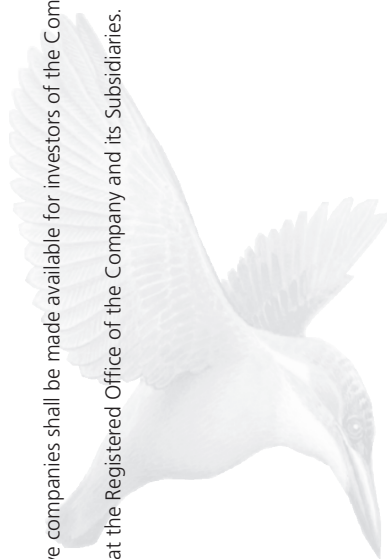
Summarised Financials of Subsidiary Companies

Rs. Thousands

| Sl. No. | Name of Subsidiary | Issued & Subscribed Share Capital | Reserves & Surplus | Total Assets | Total Liabilities | Investments | Profit & Loss A/c Debit Balance | Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation |
|---------|---|-----------------------------------|--------------------|--------------|-------------------|-------------|---------------------------------|----------|------------------------|------------------------|-----------------------|
| 1. | Associated Breweries & Distilleries Limited | 1,000 | - | 103,753 | 103,753 | 83,880 | 1,568 | - | (6) | - | (6) |
| 2. | London Draft Pubs Private Limited | 500 | - | 1,653 | 1,653 | 50 | 1,174 | 8 | (70) | - | (70) |
| 3. | London Pilsner Breweries Private Limited | 500 | - | 18,786 | 18,786 | - | - | - | - | - | - |

Notes:

1. None of the above Companies has proposed any dividend.
2. The Annual Report along with related information of the above companies shall be made available for investors of the Company and its subsidiaries seeking the Report/information at any point of time.
3. The Annual Report is also available for inspection of investors at the Registered Office of the Company and its Subsidiaries.





UNITED BREWERIES LIMITED