

Auditors' Report

To the Members of United Breweries Limited

1. We have audited the attached Balance Sheet of United Breweries Limited (the "Company") as at March 31, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

J. Majumdar
Partner
Membership Number – F51912

Place: Bangalore
Date: July 21, 2010

Annexure to Auditors' Report

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

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

Annexure to Auditors' Report (contd.)

the purposes for which they were obtained.

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

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

J. Majumdar
 Partner
 Membership Number – F51912

Place: Bangalore
 Date: July 21, 2010

Appendix 1 to the Auditors' Report

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

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