

UBSN LIMITED

NO 2367133

**REPORT & ACCOUNTS
31 DECEMBER 2001**



UBSN LIMITED

Directors

V Mallya
B Dozey
D Townshend
D Anand
K Ganguly

Secretary

G Lodhi

Auditors

Hawsons Chartered Accountants
Jubilee House
Billing Brook Road
Weston Favell
Northampton
NN3 8NW

Main Bankers

Nedcor Bank Ltd
Nedbank House
20 Abchurch Lane
London
EC4N 7AD

Solicitors

Travers Smith Braithwaite
10 Snow Hill
London
EC1A 2AL

Registered Office

75 Westow Hill
Crystal Palace
London
SE19 1TX

UBSN LIMITED

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UBSN LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

In the year the company made a profit of £144,390 (2000: £275,727).

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is the marketing and distribution of beer and wines.

With the continued growth in the sales of Kingfisher Lager it is anticipated that results will improve in coming years.

On 13th August 2001 the company's ultimate holding company changed from Inversiones Mirabel to Mendocino Brewing Company, Inc. a company incorporated in the United States of America.

DIRECTORS AND THEIR INTERESTS

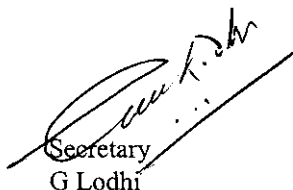
The directors of the company during the year from 1 January 2001 to 31 December 2001 were those listed at the front of these financial statements.

None of the directors held an interest in the company's shares at 31 December 2001, or at any time during the year.

AUDITORS

The auditors, Hawsons Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

By order of the board.



Secretary
G Lodhi

8th March 2002

UBSN LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

UBSN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 4 to 15, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of the directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for an audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

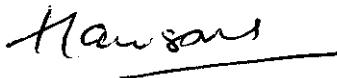
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Hawsons Chartered Accountants
And Registered Auditors**

Jubilee House
Billing Brook Road
Weston Favell
Northampton
NN3 8NW

8th March 2002

UBSN LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	3	8,871,999	8,322,314
Cost of sales		(5,857,216)	(5,423,592)
Gross profit		<u>3,014,783</u>	<u>2,898,722</u>
Distribution and selling costs		(1,956,682)	(1,851,646)
Administrative expenses		(761,461)	(572,394)
Operating profit	4	<u>296,640</u>	<u>474,682</u>
Interest receivable		12,613	-
Costs relating to litigation	7	-	(11,584)
Interest payable & similar charges	8	(59,430)	(53,945)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>249,823</u>	<u>409,153</u>
Tax on profit on ordinary activities	9	(105,433)	(133,426)
RETAINED PROFIT FOR THE YEAR	17	<u><u>144,390</u></u>	<u><u>275,727</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2001

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £144,390 in the year ended 31 December 2001 and of £275,727 in the year ended 31 December 2000.

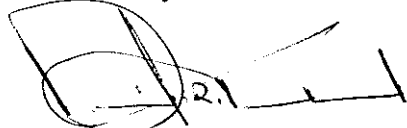
UBSN LIMITED

BALANCE SHEET

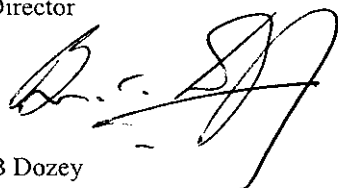
31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible fixed assets	10	563,658	578,356
CURRENT ASSETS			
Stocks	11	19,379	69,053
Debtors	12	3,855,759	2,999,111
Cash at bank and in hand		23,126	107,838
		<u>3,898,264</u>	<u>3,176,002</u>
CREDITORS: amounts falling due within one year	13	(2,927,899)	(2,964,725)
Net current assets		<u>970,365</u>	<u>211,277</u>
Total assets less current liabilities		<u>1,534,023</u>	<u>789,633</u>
CREDITORS: amounts falling due after more than one year	14	(600,000)	-
NET ASSETS		<u>934,023</u>	<u>789,633</u>
CAPITAL AND RESERVES			
Called up share capital	16	100,000	100,000
Profit and loss account	17	834,023	689,633
Equity shareholder's funds		<u>934,023</u>	<u>789,633</u>

These financial statements were approved by the Board of Directors on 8th March 2002 and were signed on its behalf by:



D Townshend
Director



B Dozey
Director

UBSN LIMITED

CASH FLOW STATEMENT

31 December 2001

	2001 £	2000 £
Net Cash Inflow from Operating Activities (Note 23)	129,276	671,125
Returns on investments and servicing of finance		
Interest received	12,613	-
Interest paid	(59,430)	(53,945)
	<u>(46,817)</u>	<u>(53,945)</u>
Taxation	(143,420)	(66,983)
Capital Expenditure		
Payments to acquire tangible fixed assets	(183,473)	(221,700)
Receipts from sale of tangible fixed assets	4,700	3,250
	<u>(178,773)</u>	<u>(218,450)</u>
Net (decrease)/increase in cash in the year (Notes 24 and 25)	<u>(239,734)</u>	<u>331,747</u>

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Stocks

Stocks are valued on a first-in, first-out basis at the lower of cost and net realisable value.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Plant and equipment	-	6 to 7 years
Motor vehicles	-	2 to 5 years

Foreign currency

Transactions denominated in foreign currencies are translated at the exchange rate on the transaction date. Balances denominated in foreign currencies are translated at the exchange rate at the balance sheet date.

Deferred taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company does not operate a pension scheme.

2. OWNERSHIP AND PRINCIPAL ACTIVITY

The company is owned by United Breweries International (UK) Limited.

Under an exclusive licence granted from United Breweries Limited of India, the company holds the right to brew, market, develop and sell Kingfisher Lager. The company, in turn, has granted a sub-licence to Shepherd Neame Limited for the brewing of Kingfisher.

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

3. TURNOVER

Turnover comprises sales excluding value added tax.

The geographical analysis of turnover is as follows:-

	2001 £	2000 £
United Kingdom	8,122,539	7,197,991
Export	749,460	1,124,323
	<u>8,871,999</u>	<u>8,322,314</u>

4. OPERATING PROFIT

This is stated after charging:

	2001 £	2000 £
Depreciation	192,524	235,387
Loss/(profit) on sale of fixed assets	947	(2,185)
Auditors' remuneration: Audit services	12,500	12,500
Non-audit services	6,745	21,700
Exchange differences	<u>(10,657)</u>	<u>(44,382)</u>

5. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Other Emoluments	<u>127,130</u>	<u>103,300</u>

Emoluments excluding pension contributions of the Chairman were £nil (2000 – £nil), and of the highest paid Director were £69,484 (2000: £52,500) which included pension contributions of £5,639 (2000: £4,700).

6. STAFF COSTS

The company had no employees during the year ended 31 December 2001 (2000 – nil).

7. COSTS RELATING TO LITIGATION

All remaining matters in issue between the parties have been finally resolved to their satisfaction.

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

8. INTEREST PAYABLE

	2001 £	2000 £
Bank overdrafts	47,283	53,945
Other interest and charges	12,147	-
	<u>59,430</u>	<u>53,945</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Based on the profit for the year		
UK Corporation tax at 30% (2000: 30%)	100,000	133,000
Prior year adjustment	5,433	426
	<u>105,433</u>	<u>133,426</u>

10. FIXED ASSETS

	Plant and Equipment £	Motor Vehicles £	Total £
Cost:			
At 1st January 2001	1,473,813	132,319	1,606,132
Additions	124,327	59,146	183,473
Disposals	-	(39,708)	(39,708)
At 31st December 2001	<u>1,598,140</u>	<u>151,757</u>	<u>1,749,897</u>
Depreciation:			
At 1st January 2001	976,644	51,132	1,027,776
Charge for the year	162,238	30,286	192,524
Disposals	-	(34,061)	(34,061)
At 31st December 2001	<u>1,138,882</u>	<u>47,357</u>	<u>1,186,239</u>
Net book value:			
At 31st December 2001	<u>459,258</u>	<u>104,400</u>	<u>563,658</u>
At 1st January 2001	<u>497,169</u>	<u>81,187</u>	<u>578,356</u>

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

11. STOCKS

	2001 £	2000 £
Finished goods	19,379	69,053

There is no material difference between the current replacement cost and historical cost of stock.

12. DEBTORS

	2001 £	2000 £
Trade debtors		
Amounts owed by Shepherd Neame Limited	455,231	485,068
Others	2,516,353	2,244,259
Prepayments	40,297	24,932
Prepayments and accrued income in respect of related parties		
Amounts owed by Shepherd Neame Limited	-	82,852
Mendocino Brewing Company Inc.	666,128	-
Loans		
United Breweries International (UK) Limited	162,000	162,000
Others	15,750	-
	<u>3,855,759</u>	<u>2,999,111</u>

Included within prepayments and accrued income in respect of related parties are costs of £666,128 in respect of a marketing and promotional agreement with Mendocino Brewing Company Inc. These costs are being spread over the period over which a licence has been granted by UBSN Limited to Mendocino Brewing Company Inc., to brew and sell Kingfisher lager in the United States of America. Future financial commitments in respect of the marketing and promotional agreement are disclosed under note 20. Of the £666,128 noted above, £434,340 represents amounts to be expensed after one year.

Included within other loans is £12,600, (2000: £Nil) receivable after more than one year.

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

13	CREDITORS: amounts falling due within one year	2001	2000
		£	£
	Bank overdraft (Secured - See Note 18)	548,892	993,870
	Trade creditors		
	Amounts owed to Shepherd Neame Limited	1,854,454	1,427,112
	Others	116,772	87,852
	Corporation tax payable	97,477	135,464
	VAT payable	41,177	63,355
	Accruals		
	Amounts owed to Shepherd Neame Limited	180,971	135,466
	American United Breweries Inc	-	41,292
	United Breweries International (UK) Limited	22,552	14,934
	Other	55,703	65,380
	Loans		
	Shepherd Neame Limited	5,260	-
	Mendocino Brewing Company Inc.	4,641	-
		<u>2,927,899</u>	<u>2,964,725</u>

14	CREDITORS: amounts falling due after more than one year	2001	2000
		£	£
	Loans		
	Shepherd Neame Limited	600,000	-
		<u>600,000</u>	<u>-</u>
	The above loan is payable by instalments which fall due as follows:-		
	Within 1 year	-	-
	Within 1 - 2 years	60,000	-
	Within 2 - 5 years	180,000	-
	After more than 5 years	360,000	-
		<u>600,000</u>	<u>-</u>

The loan is unsecured and interest is payable at 5% per annum.

15. DEFERRED TAXATION

The full potential liability for 2001 is £2,200, (2000: £4,000) in respect of accelerated capital allowances. No provision has been made in these accounts for this liability.

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

16. SHARE CAPITAL

	Authorised and issued		Allotted, called up and partly paid	
	2001 No	2000 No	2001 £	2000 £
125,000 'A' shares of £1 each	125,000	125,000	50,000	50,000
125,000 'B' shares of £1 each	125,000	125,000	50,000	50,000
	<u>250,000</u>	<u>250,000</u>	<u>100,000</u>	<u>100,000</u>

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £	Profit and loss account £	Total £
As at 1 January 2000	100,000	413,906	513,906
Profit for the year	-	275,727	275,727
As at 31 December 2000	<u>100,000</u>	<u>689,633</u>	<u>789,633</u>
Profit for the year	-	144,390	144,390
As at 31 December 2001	<u>100,000</u>	<u>834,023</u>	<u>934,023</u>

18. BANK OVERDRAFT

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

19. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is United Breweries International (UK) Limited.

Until 13th August 2001 the ultimate parent undertaking was Inversiones Mirabel S.A., incorporated in Panama. At that date Mendocino Brewing Company Inc., a company incorporated in the United States of America, became the ultimate parent undertaking. The accounts of the ultimate parent can be obtained from Mendocino Brewing Company Inc., 13351 South Highway 101, Hopland, California 95449, United States of America.

For the period under review Shepherd Neame Limited remains a related party as envisaged by FRS 8 on the basis of shared business interests.

20. CONTINGENCIES AND COMMITMENTS

Under the terms of a marketing and promotional agreement with Mendocino Brewing Company, Inc. the company has the following commitments:-

Payable within 1 year	£206,186
Payable within 2 - 5 years	£137,457

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

21. TRANSACTIONS WITH RELATED PARTIES

During the year the company has had the following transactions with its related parties.

Shepherd Neame Limited	2001	2000
	£	£
Sales	1,324,373	990,220
Freight costs	267,524	312,241
Commission payable	125,517	94,229
Purchases	5,057,656	5,276,064
Loan received	600,000	-
United Breweries International (UK) Limited (Parent Company registered in the UK)		
Royalties payable	46,911	9,934
Wages recharged	470,792	339,428
Mendocino Brewing Company Inc. (Ultimate Parent Company registered in the USA)		
Management charge payable	21,488	-
Royalty receivable	22,145	-
Payments under marketing agreement	687,616	-
UB Global Corporation Limited (Subsidiary of United Breweries Limited of India, registered in India)		
Purchases	-	70,278
American United Breweries Inc (Registered in the USA)		
Commission/Advertising payable	47,811	166,762

As a result of the trading and other activities with related parties, the following balances remained outstanding as at 31 December 2001:-

	2001	2000
	£	£
Amount owed by United Breweries International (UK) Ltd	162,000	162,000
Amounts owed by Shepherd Neame Limited	455,231	485,068
Prepayment in respect of Mendocino Brewing Company Inc.	666,128	-
Amounts owed to Shepherd Neame Limited	(1,854,454)	(1,427,112)
Accruals - Shepherd Neame Limited	(180,971)	(135,466)
American United Brewers Inc	-	(41,292)
United Breweries International (UK) Ltd	(25,552)	(14,934)
Loan from Shepherd Neame Limited	(600,000)	-
Loan from Mendocino Brewing Company Inc.	(4,641)	-

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

22. OPERATING LEASE COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	2001 Land and buildings £	2000 Land and buildings £
Expiring:		
Within two to five years	8,500	7,000

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating Profit	296,640	474,682
Costs relating to Litigation	-	(11,584)
Depreciation	192,524	235,387
Loss/(Profit) on Sale of Fixed Assets	947	(2,185)
(Increase) in Debtors	(856,648)	(115,748)
Decrease/(Increase) in Stocks	49,674	(5,979)
Increase in Creditors	446,139	96,552
Net Cash Inflow from Operating Activities	129,276	671,125

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
(Decrease)/increase in cash in the period	(239,734)	331,747
Change in net debt	(239,734)	331,747
Net debt at 1st January 2001	(886,032)	(1,217,779)
Net debt at 31st December 2001	(1,125,766)	(886,032)

UBSN LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

25. ANALYSIS OF CHANGE IN DEBT

	At 1 January 2001 £	Cash flows £	At 31 December 2001 £
Cash at bank and in hand	107,838	(84,712)	23,126
Bank overdrafts	(993,870)	444,978	(548,892)
	<u>(886,032)</u>	<u>360,266</u>	<u>(525,766)</u>
Loan from related party	-	(600,000)	(600,000)
	<u>(886,032)</u>	<u>(239,734)</u>	<u>(1,125,766)</u>