ABI HOLDINGS LIMITED
(REGISTERED NO. 2387461)

Directors' Report and Financial Statements for the Period from 1 April 2011 to 31 March 2012

Contents

DIRECTORS' REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2012

The directors present their report and the audited financial statements of the group for the year ended 31 March 2012

PRINCIPAL ACTIVITY

The principal activity of the group throughout the year has been the production and distribution of food products

BUSINESS REVIEW

The Company's significant subsidiary, Britannia Industries Limited which is predominantly engaged in the business of bakery products, increased its sales turnover by over 19% during the year over the previous comparable period of 12 months ended 31 March 2011 The growth was predominantly driven by addressing the cost challenge by significantly reducing cost by consolidating operations, re-structuring manufacturing operation and reducing wastages in the value chain The directors expect the current initiatives and growth to continue in the foreseeable future The Company's focus on building new capabilities and a robust pipeline of innovation resulted in several new launches Coupled with leading edge go-to-market approaches these initiatives tap new sources of growth and profitable revenue, while building brand differentiation and relevance

The group introduced several new and renovated offerings across the entire portfolio that included NutriChoice Multigrain Thins and Roasty, Pure Magic, Treat Fruit Creams, Marie with Honey & Oats, 50-50-Snackuits, Good Day Fresh Bake Butterscotch and Chocolate Ecstasy, etc , Additionally, the Britannia bread range was augmented with Multigrain, Honey-Oats, 100% Whole Wheat and Multifiber breads A Gourmet cheese range consisting of slices and spreads, as well as the Tiger-Zor chocolate and almond milk provided significant impetus to the Dairy business

The Group's Dairy operations represent a big pillar for growth Despite an unexpected inflation in milk prices, growth has been accelerated in the Dairy vertical and synergies are being secured with the Britannia bakery business Operations have also been streamlined for superior profitability and there have been sustained activities in the highly competitive cheese portfolio Investment in new innovations was also strengthened

Growth momentum continued and escalated in the emerging categories – Breads, Cakes and Rusks Your Group is investing behind these categories and building consumer relevance and brand differentiation through new products, new consumption moments as well as through new communication

While the business environment continued to be challenging and competitive, consumers continued to buy and consume more of our brands, more often Company's subsidiary Britannia Industries Limited was ranked as the 'Most Respected FMCG Company' by Business World Consumers once again voted brand "Britannia" as # 1 'Most Trusted Food Brand' and # 7 'Most Trusted Brand' across all product categories in an independent survey conducted by A C Nielsen and The Economic Times, India Brand "Britannia" also entered the Hall of Fame as it has been voted among the Top 10 Most Trusted Brands for a continuous period of 10 years

Key business risks and uncertainties

The period of unprecedented inflationary pressures on the consumer food basket continued, as did commodity inflation for the food industry Expecting the input prices to remain at current levels, the group's profitability shall improve in the coming years

DIRECTORS' REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

Key performance indicators

Despite an increasingly challenging environment and continuing commodity inflation, profit from operations increased by 54%, the turnover has increased by 19% and the cash profit has increased by 8% during the year over the previous comparable period of 12 months ended 31 March 2011

RESULTS AND DIVIDENDS

The group's profit for the period amounted to £9,856,911 (15 months ended 31 March 2011 £5,794,839)
The group paid a dividend amounting to £4,621,072

COMPANIES (AUDIT, INVESTIGATIONS AND COMMUNITY ENTERPRISE) ACT 2004

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006 Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors

DIRECTORS

Patrick K Cassels
R Chandrasekharan (resigned on 25 Jan 2012)
Jayant Gadgil
Ashok T Panjwani (resigned on 25 Jan 2012)
A K Hirjee
S S Kelkar (resigned on 25 Jan 2012)
N Wadia (resigned on 25 Jan 2012)
S Page (appointed 22 August 2012)

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

The directors have also taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

DIRECTORS' REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2012 (CONTINUED)

AUDITORS

KPMG LLP resigned as auditors during the year and KPMG Audit Plc were appointed to fulfil the vacancy arising

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By Order of the Board

A K Hirjee
Director

Jayant Gadgil
Director

Registered Office
7th Floor
52/54 Gracechurch Street
London
EC3V 0EH
Date 26th November, 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsiblity for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABI HOLDINGS LTD

We have audited the financial statements of ABI Holdings Ltd for the year ended 31 March 2012 set out on pages 9 to 49 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mike Barradell

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4W

26th November 2012

CONSOLIDATED PROFIT & LOSS ACCOUNT

	Note	For 12 months period ended 31 March 2012 £	For 15 months period ended 31 March 2011 £
Group turnover		658,734,956	783,685,375
Services		4,487	5,074
Change in stocks of finished goods and work in progress		1,692,114	1,951,024
Other operating income / expense		2,970,500	1,439,197
Group operating income		**663,402,057**	**787,080,670**
Raw materials and consumables		427,855,026	521,018,381
Conversion charges		42,852,643	49,539,809
Staff costs	18	25,552,073	28,786,594
Depreciation		7,132,591	9,921,575
Amortization of goodwill		1,390,247	1,549,878
Other operating charges		129,873,163	157,615,457
Total operating expenses		**634,655,743**	**768,431,694**
Group operating profit			
Continuing operations		28,746,314	18,648,976
Share of operating profit / (loss) in associate		(9,940)	23,454
Operating Profit including joint venture and associates		**28,736,374**	**18,672,430**
Profit on sale of assets		1,950,879	2,109,861
Profit on ordinary activities before interest and taxation		**30,687,253**	**20,782,291**
Interest payable and similar charges	24	(5,106,957)	(7,182,077)
Other non operating income and expense	36	5,175,331	7,235,312
Profit on ordinary activities before taxation		**30,755,627**	**20,835,526**
Tax on profit on ordinary activities	27	(9,694,113)	(6,175,640)
Profit on ordinary activities after taxation		**21,061,514**	**14,659,886**
Equity minority interest		(11,204,603)	(8,865,047)
Retained profit for the financial year		**9,856,911**	**5,794,839**

The notes on pages 13 to 49 form part of these financial statements

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2012 £	As at 31 March 2011 £
FIXED ASSETS			
Intangible assets – Goodwill	4	8,885,725	11,041,686
Tangible assets	5	77,356,301	59,762,933
Investments			
Unconsolidated subsidiary undertakings	6	680	680
Investments in associates	6	174,336	212,376
Participating interests	6	130,243	130,243
		86,547,285	**71,147,918**
CURRENT ASSETS			
Inventory	7	52,083,923	48,226,207
Debtors (including £ 9,461,262 (previous year £ 17,091,044) due after more than one year)	8	47,171,019	44,581,722
Investments	6	30,648,138	55,320,004
Cash at bank and in hand	17	7,581,978	11,225,701
Other current assets (including £ 1,459,465 (previous year £ 1,682,022) due after more than one year)		1,542,923	1,857,377
Derivative financial asset		904,104	501,426
		139,932,085	**161,712,437**
Creditors Amounts falling due within one year	9	(132,094,080)	(83,609,212)
NET CURRENT ASSETS		**7,838,005**	**78,103,225**
TOTAL ASSETS LESS CURRENT LIABILITIES		**94,385,290**	**149,251,143**
Creditors Amounts falling due after more than one year	10	(12,149,033)	(75,023,327)
Provisions for liabilities and charges	11	(15,336,904)	(10,835,380)
NET ASSETS EXCLUDING PENSION LIABILITY		**66,899,353**	**63,392,436**
Pension liability	19	(1,120,685)	(1,283,893)
NET ASSETS		**65,778,668**	**62,108,543**
CAPITAL AND RESERVES			
Called up share capital	12	4,995,785	4,995,785
Share premium	14	19,057,931	19,057,931
Foreign exchange translation reserve	14	(1,412,903)	1,682,193
Retained profit	14	11,585,804	6,907,499
TOTAL SHAREHOLDERS' FUNDS	13	34,226,617	32,643,408
Minority interests	15	31,552,051	29,465,135
CAPITAL EMPLOYED		**65,778,668**	**62,108,543**

The notes on pages 13 to 48 form part of these financial statements

Signed for and on behalf of the board on 26th November 2012

A K Hirjee
Director

Jayant Gadgil
Director

Registered Office
7th Floor, 52/54 Gracechurch Street
London, EC3V OEH

COMPANY BALANCE SHEET

	Note	As at 31 March 2012 £	As at 31 March 2011 £
FIXED ASSETS			
Investment in subsidiary undertaking	6	26,634,986	26,634,986
CURRENT ASSETS			
Cash at bank		2,475	6,300
Amount owed by group undertakings		40,049	40,049
		42,524	46,349
Creditors Amounts falling due within one year	9	(148,470)	(119,584)
NET CURRENT (LIABILITIES)		(105,946)	(73,235)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,529,040	26,561,751
Creditors Amounts falling due after more than one year	10	(2,236,358)	(2,236,358)
NET ASSETS		24,292,682	24,325,393
CAPITAL AND RESERVES			
Called up share capital	12	4,995,785	4,995,785
Share premium account	14	19,057,931	19,057,931
Retained profit	14	238,966	271,677
TOTAL SHAREHOLDER'S FUNDS		24,292,682	24,325,393

The financial statements were approved by the Board and signed on its behalf by

A K Hirjee
Director

Jayant Gadgil
Director

Date 26th November, 2012

Registration number 02387461

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the period from 1 April 2011 to 31 March 2012 £	For the period from 1 January 2010 to 31 March 2011 £
Net Cash inflow from Operating Activities	16	**29,720,301**	**27,367,196**
Return on investments and servicing of finance			
Dividend from joint venture and associates		-	9,065
Interest paid		(5,059,561)	(7,251,132)
Interest element of finance lease payments		(25,332)	(48,687)
Other non operating income		5,182,460	6,877,492
Equity dividend on minority holding in subsidiaries		(4,593,157)	(4,071,984)
Proceed from sale of Bonus debentures		-	31,700,559
		(4,495,590)	**27,215,313**
Taxation		**(6,321,635)**	**(3,204,481)**
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(32,216,833)	(14,408,075)
Proceeds from sale of tangible fixed assets		2,766,766	2,488,332
		(29,450,067)	**(11,919,743)**
Dividends			
Dividend paid to shareholders		(4,621,072)	(29,760,000)
Dividend distribution tax paid by subsidiary		(1,519,419)	(1,379,084)
		(6,140,491)	**(31,139,084)**
Cash flow before use of liquid resources and financing		**(16,687,482)**	**8,319,201**
Management of liquid resources			
Purchase of current asset investments		(225,003,632)	(221,140,219)
Sale of current asset investments		241,627,654	219,993,600
		16,624,022	**(1,146,619)**
Financing			
Increase in short term borrowings		3,742,513	4,805,613
Decrease in long term borrowings		(5,724,889)	(7,513,355)
Capital element of finance lease payments		(112,556)	11,410
		(2,094,932)	**(2,696,332)**
(Decrease) / increase in cash in the year		**(2,158,392)**	**4,476,250**

RECONCILIATION OF CONSOLIDATED NET CASH FLOW TO MOVEMENT IN CONSOLIDATED NET DEBT / CASH

	Note	For the period from 1 April 2011 to 31 March 2012 £	For the period from 1 January 2010 to 31 March 2011 £
(Decrease) / increase in cash in the year	**17**	**(2,158,392)**	**4,476,250**
Decrease in debt		1,982,375	2,707,742
Cash inflow from management of liquid resources		(16,624,022)	1,146,619
Foreign currency exchange variances on opening debt balances		2,604,545	(1,075,947)
Increase in (debt) / cash resulting from cash flows		**(14,195,494)**	**7,254,664**
Non cash movement in debts		(728,166)	(56,044,302)
Decrease in net debt for the year		(14,923,660)	(48,789,638)
Net debt at the beginning of the year		(19,684,392)	29,105,246
Net debt at the end of the year	**17**	**(34,608,052)**	**(19,684,392)**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	For the period from 1 April 2011 to 31 March 2012 £	For the period from 1 January 2010 to 31 March 2011 £
Profit for the financial year		
Group	9,866,851	5,771,385
Share of associates	(9,940)	23,454
Total profit	**9,856,911**	**5,794,839**
Currency translation difference on foreign currency net investment	(3,095,096)	949,708
Total actuarial gains / (losses)	33,354	(153,346)
Unrealised gain on current investments available for sale	(728,166)	418,789
Total recognised gains and losses relating to the year	**6,067,003**	**7,009,990**

NOTES TO THE ACCOUNTS

1 Accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom A summary of the most important accounting policies is set out below

Basis of consolidation

The consolidated financial information of the ABI Holdings and its subsidiaries ("the Group") incorporates the financial statements of the Company and all its subsidiaries, being the companies that it controls This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights Profits or losses on any intra-group transactions, to the extent they are reflected in the book value of the assets to be included in the consolidation are eliminated in full Intra-group debtors and creditors are also eliminated

The principal subsidiaries, joint ventures and associates as set out in note 23 are included in the consolidation based on unaudited financial statements

Acquisitions and disposals

The results of subsidiaries acquired or sold during the year are consolidated for the periods from, or to, the date on which control passed Excess purchase consideration relating to the acquisition of the subsidiaries is capitalised as goodwill within intangible fixed assets and is amortised over its estimated life from 5 to 20 years The unamortised goodwill balance is reviewed for impairment if there are any indicators for impairment Goodwill relating to associates is included within the carrying value of goodwill in the balance sheet The unamortised balance is reviewed for impairment on a regular basis

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or disposal Negative goodwill in excess of the fair value of the net assets acquired is credited to the profit and loss account through amortisation over the periods expected to benefit Where it is not possible to complete the determination of fair values by the date on which the first post acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are incorporated in the financial statements for the first full financial year following the acquisition

Investments in associates

In the consolidated financial statements, investments in associates, being investments over which the Group exercises significant influence and normally owns between 20% and 50% of the voting equity, are accounted for using the equity method

The consolidated profit and loss account includes the Group's share of associates' profits/losses, whilst the Group's share of the net assets of the associates is shown in the consolidated balance sheet, based upon the most recent audited financial statements or unaudited interim financial information

NOTES TO THE ACCOUNTS

The following Associated undertakings are excluded from consolidation as they are not significant

Name	Country of incorporation
Britannia Sports (partnership firm)	India
Vasna Agrex and Herbs Private Limited	India
Snacko Biscuits Private Limited	India
Associated Biscuits (Malaysia) Sdn Bhd	Malaysia

Other investments

Fixed asset investments, other than investments in subsidiaries and associates, are recorded at cost less provision for impairment Current asset investments primarily comprise short term unit trusts, liquidity funds and fixed and floating rate debt securities These are stated at lower of cost or net realisable value Stocks of shares which are quoted on stock exchanges are valued at lower of cost or net realisable value Cost includes purchase price, cost of registration and any other directly related costs

Financial assets

The Group classifies its financial assets in the following categories at fair value through profit or loss, loans and receivables, and available for sale The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading A financial asset is classified in this category if acquired principally for the purpose of selling in the short term

Derivatives are classified as held for trading unless they are designated as hedges Assets in this category are classified as current assets

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets Loans and receivables are classified as trade and other receivables in the balance sheet

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value Loans and receivables are carried at amortised cost using the effective interest method Gains or losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains – net, in the period in which they arise Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security The translation differences on monetary securities are recognised in profit or loss, translation differences on non-monetary securities are recognised in equity Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established

The fair values of quoted investments are based on current bid prices If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement

Derivative financial instruments

Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value The gain or loss on re-measurement is taken to profit and loss account

Fair value estimation

The fair value of the interest rate swaps and currency swaps is based on the market price of comparable instruments at the balance sheet date if they are publicly traded The fair value of the forward currency contracts has been determined based on market forward exchange rates at the balance sheet date The fair values of short-term deposits, loans and overdrafts with a maturity of less than 12 months are assumed to approximate to their book values

Tangible fixed assets

The initial cost of tangible fixed assets comprises its purchase price, inward duties and non-refundable purchase taxes, adjusted for VAT credit, where available, and any directly attributable costs of bringing an asset to the working condition and location for its intended use Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the profit and loss account in the period in which the costs are incurred

NOTES TO THE ACCOUNTS

Intangible fixed assets and amortisation

Intangible fixed assets comprise of goodwill The management assesses on an annual basis whether there is any indication that an asset may be impaired If any such indication exists the company estimates the recoverable amount of the asset If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount The reduction is treated as an impairment loss and is recognised in the profit and loss account In case of new acquisitions the goodwill recognised, if any, is tested for impairment after completion of one full financial year from the date of acquisition Goodwill is amortised over its estimated life from 5 to 20 years

Leases

Assets acquired under lease where the Group has substantially all the risks and rewards of ownership are classified as finance leases Such leases are capitalised at the inception of lease at lower of the fair value and present value of minimum lease payments Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return Finance charges are charged directly against income

Assets acquired as leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases Lease rentals are charged to profit and loss account on accrual basis

Assets taken on finance lease are depreciated over its estimated useful life or the lease term whichever is lower

Assets in the course of construction

Assets in the course of construction are capitalised in the capital work-in-progress account Upon completion, the cost of construction is transferred to the appropriate category of tangible fixed assets Costs associated with the commissioning of an asset are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed

Depreciation

Freehold land is not depreciated Leasehold land and buildings are depreciated over the period of the lease, except in case of Strategic Food International Co LLC, where the building is situated on land taken on lease which is renewable each year but the building is depreciated over a period of 20 years

Other buildings, plant and equipment, office equipment and fixtures, and motor vehicles are stated at cost less accumulated depreciation and any provision for impairment

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as mentioned below

Building on freehold land – 20 to 30 years
Plant and machinery – 10 to 30 years
Data processing equipments –4 to 6 years
Furniture and fixtures – 4 to 16 years
Motor vehicles - Period of lease or 5 years whichever is lower

NOTES TO THE ACCOUNTS

Impairment

The carrying amount of tangible fixed assets, investments in associates, available for sale investments and goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable If there are indicators of impairment, an assessment is made to determine whether the asset's carrying value exceeds its recoverable amount Recoverable amount is higher of net realisable value and value in use Whenever the carrying value of an asset exceeds its recoverable amount, an impairment loss is charged to the profit and loss account For other tangible fixed assets, the recoverable amount of an asset is also considered on the basis of its net realisable value, where it is possible to assess the amount that could be obtained from the sale of an asset in an arm's length transaction, less the cost of disposal

Recoverable amounts are estimated for individual assets or, if this is not possible, for the relevant cash-generating unit

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period

Research and development expenditure

Research and development expenditure is written off in the year in which it is incurred

Inventory

Inventories are valued at the lower of cost and estimated net realisable value, after providing for obsolescence, where appropriate
Raw materials, packing material and stores and spares are valued at cost, computed on a moving weighted average basis The cost includes purchase price, inward freight and other incidental expenses net of credit on value added taxes, where applicable
Materials in process are valued at input material cost plus conversion cost as applicable
Finished goods are valued at lower of net realisable value and prime cost, excise duty and other overheads incurred in bringing the inventories to their present location and condition

Government grants

The grant is treated as a deferred credit of which a proportion would be credited to revenue annually The amount of the deferred credit is shown separately on the balance sheet

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated, but have not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

NOTES TO THE ACCOUNTS

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Share-based payment

Employee Stock options outstanding are valued using Black Scholes valuation option – pricing model The change on account of the fair value of the options is taken to the consolidated profit and loss account

Foreign currency forward contracts

The Company has designated certain foreign exchange forward contracts (relating to foreign currency receivables) outstanding as on 31 March 2012 based on underlying contracts

Retirement Benefit Schemes

The Group operates a number of retirement benefit schemes, the assets of which are (where funded) held in separately administered funds The retirement benefit schemes are generally funded by payments from employees and the relevant companies, taking account of the recommendations of independent qualified actuaries

For defined benefit schemes, the amount charged to the profit and loss account in respect of retirement benefit costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost The regular cost is calculated so that it represents a substantial percentage of current and future payroll Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet Actuarial gains and losses are adjusted to general reserve

For defined contribution schemes, the amount charged to the profit and loss account in respect of Retiral benefit costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

The Group also operates a compensated absence scheme for its employees which is payable on termination / retirement whichever is earlier The Group's liability towards compensated absence is estimated based on actuarial valuation and is not funded The liability as ascertained actuarially is provided for in full in the books

Details of the Group's Retirement benefit schemes are provided in note 19

Provisions

A provision is recognised when the Group 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 can be made Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimate of the obligation When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when reimbursement is virtually certain

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably 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 TO THE ACCOUNTS

Revenue recognition

Turnover represents the net invoice value of goods and services provided to third parties after deduction of sales taxes and duties, and are recognised when all significant risks and rewards of ownership of the asset sold are transferred

Dividends are recognised when received

Royalty and interest income is recognised on accrual basis

Government term loan (Included under Creditors amounts falling due after more than one year) and deferred income (Al Sallan Food Industries Co SAOG) (Refer Note 29)

Carrying values The carrying value of the interest free Government term loan is determined as the present value of the loan adopting the interest rate that reflects the current cost of similar borrowing on similar terms from a commercial bank The carrying balance relating to the Government term loan comprises its fair value plus a component of unamortised deferred income that represents the difference between the carrying value and the present value of the loan adopting the interest rate that the loan attracts

Finance charge The effective interest charge arises as a result of accounting for the fair value of the government term loan and therefore represents the actual interest incurred for the year plus an amount arising from the movement in the carrying value of the loan in the year

Deferred income The amount of deferred income relating to the government term loan is released to the statement of income in such a way as to spread the income over the effective interest charge to which it relates

Foreign currency translation

In the financial statements of individual Group companies, transactions in currencies other than the local functional currency are translated into local currency at the exchange rates ruling at the date of transaction or, where forward exchange contracts are in place, at contractual rates Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into local currency at year end exchange rates, or at a contractual rate if applicable

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and

- all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

NOTES TO THE ACCOUNTS

For the purposes of consolidation, the results of those entities for which the British Pound ("GBP") is not the reporting currency are translated into GBP at the closing rates of exchange during the period The related balance sheets are translated at the rates ruling at the balance sheet date

Gains and losses arising on the translations are taken directly to the foreign exchange translation reserve

Capital instruments

Ordinary shares are included in shareholders' funds

Receivables

Trade receivables are recognised initially at fair value, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating charges When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables Subsequent recoveries of amounts previously written off are credited against other operating charges in the income statement

Trade creditors and borrowings

Where financial instruments issued by the Group include contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group) is classified as a financial liability

Financial liability is recognised initially at its fair value plus, in the case of financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability
After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2. Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds

NOTES TO THE ACCOUNTS

3. Overview of the direct tax regime

The following is an overview of the salient features of the direct tax regime relevant to the taxation of the Group

Indian direct tax regime

Companies are subject to Indian income tax on a stand-alone basis There is no concept of tax consolidation or group relief in India,

Companies are charged tax on profits of assessment years which run from 1 April to 31 March For each assessment year, a company's profits will be subject to either regular income tax or Minimum Alternate Tax ("MAT"), whichever is greater,

Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act Typically the required adjustments generate significant timing differences in respect of the depreciation of fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs, Regular income tax is charged at 30% (plus a surcharge of 7 5% and cess of 3%) till 31 March 2011 and 30% (plus a surcharge of 5% and cess of 3%) from 1 April 2011 to March 2012,

MAT is charged on book profits (prepared under Indian GAAP) but typically with a limited number of adjustments MAT was being charged at 18% (plus a surcharge of 7 5% and cess of 3%) till 31 March 2011 and has been revised to 18 5% (plus a surcharge of 5% and cess of 3%) with effect from 1 April 2011,

There are various tax exemptions or tax holidays available to companies in India The most important to the Company is the industrial undertakings' exemption

Britannia Dairy Private Limited

Deferred tax asset arising on account of timing differences on depreciation, unabsorbed depreciation and carry forward business losses have not been recognised as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets will be realised

Oman direct tax regime

The tax rate applicable to Al Sallan Food Industries Company SAOC (ASFI) is 12%

ASFI income tax assessments for the year 2003 to 2011 have not been agreed with the Secretariat General for Taxation at the Ministry of Finance Management believes that additional taxes, if any, that may become payable on finalisation of the assessments in respect of these open years would not be material to the ASFI financial position as at 31 March 2012

The future tax benefit from carried forward losses together with other timing differences amounting to £1,755,332 (Previous Year £1,409,499) is not recognised as a deferred tax asset during the current year The management has decided not to consider the potential deferred tax benefit because of the uncertainty relating to the extension of the period of tax exemption and until future profitability can be consistently demonstrated

Factors affecting the tax charge are detailed in Note 27

NOTES TO THE ACCOUNTS

4 Intangible Assets – Goodwill

	Goodwill 2012 £
At Cost	
At 1 April 2011 at opening rates	15,618,726
Foreign currency translation impact	(930,889)
Additions	-
Acquistion	-
Impairment	-
At 31 March 2012	**14,687,837**
Accumulated Amortisation	
At 1 April 2011 at opening rates	4,577,040
Foreign currency translation impact	(165,175)
Charge for the year	1,390,247
Acquistion	-
At 31 March 2012	**5,802,112**
Net book amount	
At 31 March 2012	8,885,725
At 31 March 2011	11,041,686

5. Tangible Assets

	Plant and Machinery	Furniture and fixtures	Vehicles	Buildings	Leasehold land	Freehold land	Computers (including software)	Sub total	Capital work in progress	Total
At cost										
At 1 April 2011	95,462,964	3,077,762	691,766	19,693,545	1,704,503	725,786	5,272,832	126,629,158	1,867,594	128,496,752
Translation Difference	(9 729,558)	(292,647)	(70,891)	(1,672,772)	(225,532)	(96,033)	(665,202)	(12 752 635)	(247 003)	(12 999 638)
Additions	12,166,133	257 945	192 358	4 717 416	1,433,722	554,661	1,074,073	20,396,308	11,820 525	32,216,833
Disposals	(5 277,722)	(54,127)	(330,010)	(268,428)	-	-	(105 540)	(6,035 827)	(18,867)	(6,054 694)
At 31 March 2012	**92,621,817**	**2,988,933**	**483,223**	**22,469,761**	**2,912,693**	**1,184,414**	**5,576,163**	**128,237,004**	**13,422,249**	**141,659,253**
Accumulated depreciation										
At 1 April 2011	54,419,753	2,034,954	453,531	8,956,178	42,917	-	2,826,486	68,733,819	-	68,733,819
Translation Difference	(5,213,191)	(153,329)	(42,095)	(570 122)	(5 679)	-	(340 235)	(6 324 651)	-	(6,324,651)
Charge for the period	5,481 094	94,792	71,908	731,759	25,103	-	727,935	7,132,591	-	7,132,591
Disposals	(4 734 558)	(40 797)	(277 475)	(89 689)	-	-	(96 288)	(5,238,807)	-	(5 238 807)
At 31 March 2012	**49,953,098**	**1,935,620**	**205,869**	**9,028,126**	**62,341**	-	**3,117,898**	**64,302,952**	-	**64,302,952**
Net book amount										
At 31 March 2012	**42,668,719**	**1,053,313**	**277,354**	**13,441,635**	**2,850,352**	**1,184,414**	**2,458,265**	**63,934,052**	**13,422,249**	**77,356,301**
At 31 March 2011	**41,043,211**	**1,042,808**	**238,235**	**10,737,367**	**1,661,586**	**725,786**	**2,446,346**	**57,895,339**	**1,867,594**	**59,762,933**
Assets held under finance leases included in above										
Cost	-	-	139 932	-	-	-	-	139 932	-	139,932
Accumulated depreciation	-	-	68,760	-	-	-	-	68,760	-	68,760
Net book amount	-	-	**71,172**	-	-	-	-	**71,172**	-	**71,172**

NOTES TO THE ACCOUNTS

(i) Buildings include

(a) Net Book Value £696,040 (Previous year £912,457) constructed on a land leased from the government(U A E) which is renewable each year in relation to Strategic Food International Co LLC

(b) Net Book Value £1,629,723 (Previous year £1,753,204) constructed on a land Leased from the Public Establishment for Industrial Estates (Sohar Industrial Estate) for a period of 25 years from 1st January 1994 which is renewable thereafter for a further period of 25 years in relation to Al Sallan Food Industries Co SAOG

(ii) The Net book value of tangible assets included in note 5 pertaining to Al Sallan Food Industries Co SAOG amounts to £4,700,986 (Previous year £4,895,974) Substantially all the tangible assets are mortgaged as security against the government term loan and other term loans amounting to £3,068,597 (Previous year £3,536,534)

(iii) Redeemable Non-convertible bonus debentures issued on 22 March 2010 have been secured by way of first mortgage created on identified immovable property and first charge on Company's movable assets restricted to inventories and plant and equipment

6 Investments

Group

	2012 £	2011 £
Unconsolidated subsidiary undertakings #		
Investments at cost	680	680
	680	**680**
Investment in associates		
Investment at cost	57,662	66,455
Share of reserves	116,674	145,921
	174,336	**212,376**
Participating interests		
Investment at cost in participating interests	130,243	130,243
	130,243	**130,243**

Investments in unconsolidated subsidiary undertaking

	Face Value	Equity shares Nos	2012 Book value	% Holding	2011 Book value
Associated Biscuits (Malaysia) Sdn Bhd	M $1	680	680	100%	680
			680		**680**

NOTES TO THE ACCOUNTS

Investments in associates·

	Face Value	Equity shares Nos	Book value £	2012 % Holding
Klassik Foods Private Limited	INR 100	3,390	121,849	26%
Nalanda Biscuit Company Limited	INR 10	87,500	52,487	35%
			174,336	

	Face Value	Equity shares Nos	Book value £	2011 % Holding
Klassik Foods Private Limited	INR 100	3,390	149,065	26%
Nalanda Biscuit Company Limited	INR 10	87,500	63,311	35%
			212,376	

Other participating interests

	Face Value	Equity shares Nos	2012 Book value £	Holding %	2011 Book value £
English Biscuit Manufacturers (Private) Limited	Pakistani Rs 10	392,100	130,243	40%	130,243
			130,243		**130,243**

Current asset investments·

	2012 £	2011 £
Quoted	17,386,049	20,058,113
Unquoted	13,262,089	35,261,891
	30,648,138	**55,320,004**

Current asset investments include surplus funds available within the Group invested in mutual fund securities in the Indian capital markets

	2012 £	2011 £
At 1 April at opening rates	**55,320,004**	55,818,048
Foreign currency translation impact	(7,319,678)	(2,063,452)
Additions	225,003,632	221,140,219
Disposals	(241,627,654)	(219,993,600)
Surplus on fair valuation transferred to equity	(728,166)	418,789
At 31 March	**30,648,138**	**55,320,004**

NOTES TO THE ACCOUNTS

Fixed assets investment

Company

	Subsidiary Undertaking £
At 1 April 2011 and 31 March 2012	26,634,986

The company holds more than 10% of the equity of the following companies

Name of company	Country of incorporation	Description of shares held	Proportion of nominal value of ordinary shares held 2012	2011	Nature of business
Subsidiary undertakings					
Associated Biscuits International Limited	England	Ordinary shares of £1	100%	100%	Investment Holding Company
Associated * Biscuits (Malaysia) Sdn bhd	Malaysia	Ordinary shares of M$1	100%	100%	Selling Agents
Britannia Industries Ltd*	India	Ordinary shares of 10 INR	50 96%	50 96%	Food Manufacture
Bannatyne Enterprises Pte Limited*	Singapore	Ordinary shares of S$1	100%	100%	Holding Company
Dowbiggin Enterprises Pte Limited*	Singapore	Ordinary shares of S$1	100%	100%	Holding Company
Nacupa Enterprises Pte Limited*	Singapore	Ordinary shares of S$1	100%	100%	Holding Company
Spargo Enterprises Pte Limited*	Singapore	Ordinary shares of S$1	100%	100%	Holding Company
Valletort Enterprises Pte Limited*	Singapore	Ordinary shares of S$1	100%	100%	Holding Company

* Shares held by Associated Biscuits International Limited

Other participating interests:

English Biscuit* Manufacturers (Private Ltd)	Pakistan	Ordinary shares of 10 Pakistani rupees	40%	40%	Biscuit Manufacture

* Shares held by Associated Biscuits International Limited Associated Biscuits International Limited has no representation on the Board of Directors of English Biscuit Manufacturers (Private) Ltd and has no influence in policy making hence it is not treated as an associated undertaking

NOTES TO THE ACCOUNTS

7 Inventory

Group

	2012 £	2011 £
Stocks and work in progress		
Raw materials	31,206,587	27,022,615
Work in progress	198,510	41,708
Finished products	18,073,126	18,652,670
Loose tools	2,605,700	2,509,214
	52,083,923	**48,226,207**

Company

	2012 £	2011 £
	Nil	Nil

8 Debtors

	2012 £	2011 £
Trade debtors	19,133,032	12,299,785
Less Provision for impairment of receivables	(1,284,200)	(1,329,827)
	17,848,832	10,969,958
Amounts owed by associates	174,915	222,887
Other debtors	28,274,737	32,734,745
Prepayments and accrued income	872,535	654,132
	47,171,019	**44,581,722**

Total debtors include prepayments and accrued income of £ 515,649 (2011 £ 602,512) and other debtors of £ 8,945,614 (2011 £ 16,488,532) due after more than one year in respect of the Group and, in respect of the Company of £ Nil (2011 £ Nil)

Concentration of credit risk with respect to trade receivables is limited due to the group's customer base being large and unrelated Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful receivables

Other debtors include advances to suppliers, deposits with statutory authorities, advance payments of sales tax and excise duties and loans to employees

Company

	2012 £	2011 £
Amount owed by group undertakings	40,049	40,049

NOTES TO THE ACCOUNTS

9. Creditors – Amounts falling due within one year

Group

	2012 £	2011 £
Bank borrowings due within one year or on demand #	16,469,568	14,667,832
Trade creditors	24,877,577	23,785,669
Finance lease obligations	27,009	125,858
Other tax and social security payable	6,186,459	5,998,173
Redeemable non-convertible bonus debentures*	48,992,165	-
Other creditors	10,935,168	21,932,934
Accruals	24,606,134	17,098,746
	132,094,080	**83,609,212**

includes

(i) interest free term loans from Government of Oman through Oman Development Bank

(ii) Term loans from Royal Bank of Scotland and Bank of America bearing interest rates of 3 months applicable LIBOR + markup and one year applicable LIBOR + markup respectively as agreed with the bank

Company

	2012 £	2011 £
Other creditors – both owed to group undertaking and others	**148,470**	**119,584**

10 Creditors - Amounts falling due after more than one year

Group

	2012 £	2011 £
Bank borrowings due after more than one year	7,376,435	15,099,174
Other Creditors	4,703,211	3,346,103
Redeemable non-convertible bonus debentures *	-	56,463,091
Finance lease obligations	69,387	114,959
	12,149,033	**75,023,327**

*The Committee of the Board of Directors (the Board) of Britannia Industries Limited (the Company), at its meeting held on 22 March 2010, pursuant to the scheme of arrangement (the Scheme) sanctioned by the Honourable High Court of Calcutta on 11 February 2010 under Section 391(2) of the Indian Companies Act, 1956 (the Act), allotted 8 25% secured fully paid-up redeemable non-convertible bonus debentures (the bonus debentures) from the general reserve, in the ratio of one debenture of the face value of £2 36 for every equity share held by the shareholders of the Company as on 9 March 2010

The date of allotment of bonus debentures is 22 March 2010 and redeemable in full at the end of 36 months from the date of allotment The Scheme was earlier approved by the Board at its meeting held on 27 May 2009 and by the shareholders at the general meetings held on 31 August 2009 The bonus debentures have been listed on the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited in India The issue of bonus debentures has been treated as 'deemed dividend' under the provisions of the Income-tax Act, 1961 Accordingly the Company has remitted £9,595,893 as dividend distribution tax and has utilised general reserve for the payment of the same, pursuant to the Scheme The Scheme involves issuance of bonus debentures out of General Reserve and does not entail any real borrowing, accordingly, the requirement of creating a Debenture Redemption Reserve pursuant to Section 117C of the Act or Clause 10 3 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued under the Securities and Exchange Board of India Act, 1992 is not applicable This has also been noted in the Scheme of arrangement sanctioned by the Honourable High Court of Calcutta, India

NOTES TO THE ACCOUNTS

Company

	2012 £	2011 £
Amounts owed to group undertakings	2,236,358	2,236,358
	2,236,358	**2,236,358**

The amounts owed are unsecured, interest free and are unlikely to be repaid in the foreseeable future

Bank borrowings (Group)

	2012 £	2011 £
Bank Annual repayable		
Within one year	16,469,568	14,667,832
Within two to five years	7,376,435	15,099,174
	23,846,003	**29,767,006**

Finance lease commitments – Vehicles (Group)

	2012 £	2011 £
Annual commitments under non-cancellable finance leases expiring·		
Within one year	27,009	125,858
Within two to five years	69,387	114,959
	96,396	**240,817**

Also see note 29

11 Provisions for liabilities and charges

	Deferred tax*	Excise and sales tax	Others #	Total
At 1 April 2011	**798,233**	**5,524,552**	**4,512,595**	**10, 835,380**
Foreign currency translation impact	(105,619)	(730,982)	(597,084)	(1,433,685)
Charged to profit and loss account	226,026	2,758,805	6,865,249	9,850,080
Utilised in year		(1,768,823)	(2,146,048)	(3,914,871)
At 31 March 2012	**918,640**	**5,783,552**	**8,634,712**	**15,336,904**

Represents provisions made for probable liability/claims arising out of commercial transactions with vendors/others Further disclosure is not made since it can be prejudicial to the interest of the Company

Provisions pertaining to excise and sales tax matters and others include probable liabilities arising out of pending disputes and litigations with various regulatory authorities and commercial transactions with vendors and third parties The timing of the outflow of these matters depends on the position in law and settlement is not expected to exceed 2-3 years in most cases

NOTES TO THE ACCOUNTS

12 Called up share capital

	2012	2011
Authorised		
Ordinary "A" shares of $1 each	$5,000,000	$5,000,000
Ordinary "B" shares of $1 each	$5,000,000	$5,000,000
Ordinary "C" shares of $0 50 each	1	1
Ordinary "D" shares of £1 each	2	2

	2012 £	2011 £
Allotted, called up and fully paid		
4,000,000 Ordinary "A" shares of $1 each	2,497,891	2,497,891
4,000,000 Ordinary "B" shares of $1 each	2,497,891	2,497,891
2 Ordinary "C" share of $0 50 each	1	1
2 Ordinary "D" shares of £1 each	2	2
	4,995,785	**4,995,785**

The allotted, called up and fully paid share capital has been translated at historic rates of exchange

Ordinary "A" shares and Ordinary "B" shares have identical rights attached as regards dividends, the right to return of capital and to participate in the assets of the Company on a winding-up or other repayment of capital and to attend and vote at general meetings of the company

The Ordinary "C" share rank pari passu with each of the "A" Ordinary and "B" Ordinary shares as above but shall not have any right to attend and vote at general meetings of the company

The Ordinary "D" shares on a winding-up or other repayment of capital, have the rights to receive repayment in full of the capital paid up or credited as paid up on such "D" shares but no other rights to income or benefit from any capitalisation or to participate in the assets of the Company on a winding-up or other repayment of capital nor to attend and vote at general meetings of the company

13. Consolidated statement of movement in shareholder's funds

	2012	
	Group £	Company £
Profit / (loss) for the year	9,856,911	4,588,361
Dividends	(4,621,072)	(4,621,072)
Retained profit/(loss)	**5,235,839**	**(32,711)**
Movement in foreign currency translation reserve	(3,095,096)	-
Share based payments	137,278	-
Actuarial (losses)/gain	33,354	-
Unrealised gain on current investments available for sale	(728,166)	-
Net addition to/(reduction in) shareholder funds	**1,583,209**	**(32,711)**
Opening shareholder funds	32,643,408	24,325,393
Closing shareholder funds	**34,226,617**	**24,292,682**

NOTES TO THE ACCOUNTS

	2011 Group £	2011 Company £
As at 1 January 2010	**55,285,117**	**24,542,760**
Profit / (loss) for the year	5,794,839	29,542,633
Dividends	(29,760,000)	(29,760,000)
Movement in foreign currency translation reserve	949,708	-
Share based payments	108,301	
Actuarial losses	(153,346)	-
Unrealised gain on current investments available for sale	418,789	-
As at 31 March 2011	**32,643,408**	**24,325,393**

14 Reserves Group

	Share premium £	Foreign currency translation reserve £	Other reserves £	Profit and Loss £
As at 1 April 2011	**19,057,931**	**1,682,193**	-	**6,907,499**
Profits for the year	-	-	-	9,856,911
Foreign currency translation reserve movement	-	(3,095,096)	-	-
Dividends	-	-	-	(4,621,072)
Share based payments	-	-	-	137,278
Actuarial losses	-	-	-	33,354
Unrealised gain on current investments available for sale	-	-	-	(728,166)
As at 31 March 2012	**19,057,931**	**(1,412,903)**	-	**11,585,804**

Company

	Share premium Account £	Profit and loss account £
Balance at 1 April 2011	**19,057,931**	**271,677**
Profit for the financial year	-	4,588,361
Dividend	-	(4,621,072)
Balance at 31 March 2012	**19,057,931**	**238,966**

NOTES TO THE ACCOUNTS

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements The parent company's profit for the year was £4,588,361 (Previous year £29,542,633)

15 Minority interest

	2012	2011
	£	£
At beginning of the period	29,465,135	57,093,709
Foreign currency translation reserve	(3,779,407)	649,992
Retained profit for the period	11,204,603	8,865,047
Dividend received (including dividend distribution tax)	(5,338,280)	(4,748,287)
Bonus debenture issued out of reserves (including dividend distribution tax)	-	(32,395,326)
At the end of the period	**31,552,051**	**29,465,135**

16 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£	£
Continuing operations		
Operating profit	**30,687,253**	**20,782,291**
Depreciation charge (note 5)	7,132,591	9,921,575
Profit on sale of assets	(1,950,879)	(2,109,861)
Goodwill amortization	1,390,247	1,549,878
Increase in inventory	(10,239,126)	(8,585,934)
Increase in debtors	(9,722,973)	(4,440,233)
Decrease in other current assets	61,553	593,860
Increase in creditors	9,266,539	10,604,455
Other non-cash changes	3,095,096	(948,835)
Net cash inflow from continuing operations	**29,720,301**	**27,367,196**

17 Reconciliation of movement in net debt

	As at 1 April 2011	Cash flow	Foreign exchange fluctuation	Other non cash changes	As At 31 March 2012
Cash in hand and at bank	11,225,701	(2,158,392)	(1,485,331)	-	7,581,978
Debt due within one year	(14,667,832)	(3,742,513)	1,940,777	-	(16,469,568)
Debt due after one year	(15,099,174)	5,724,889	1,997,850	-	(7,376,435)
Bonus debentures	(56,463,091)	-	7,470,926	-	(48,992,165)
	(75,004,396)	**(176,016)**	**9,924,222**	**-**	**(65,256,190)**
Current asset investments	55,320,004	(16,624,022)	(7,319,678)	(728,166)	30,648,138
	(19,684,392)	**(16,800,038)**	**2,604,544**	**(728,166)**	**(34,608,052)**

NOTES TO THE ACCOUNTS

18 Employees and directors

Group

	12 months period ended 31 March 2012	15 months period ended 31 March 2011
The average number of persons employed (including executive directors)		
Management staff	900	1,052
Workers	3,384	2,851
	4,284	**3,903**

Group

	12 months period ended 31 March 2012	15 months period ended 31 March 2011
	£	£
Staff costs for the group during the period		
Wages and salaries	22,589,330	27,371,934
Share based payments	137,278	108,301
Other pension costs	992,225	1,089,743
Voluntary retirement scheme	1,833,240	216,616
	25,552,073	**28,786,594**

Pursuant to the consent order in the writ petition no 2659/2005, before the the Honourable Bombay High Court, Britannia Industries Limited has accepted the application for Voluntary Retirement Scheme ('VRS') offered to all workmen at the Reay Road Mumbai factory Consequently, all the legal cases related to the closure of the factory, have been disposed off and an amount of £ 1,815,495 has been paid towards the VRS

Directors	**£**	**£**
Aggregate emoluments	959,631	988,712
Highest paid director – emoluments	690,262	859,283
Defined retirement benefit schemes	23,722	36,743
Company contributions to money pension schemes	20,089	27,110

All the employees are based outside of the United Kingdom

Contributions to employee retirement / post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis are excluded from the above

Company

The Company has no employees and no director's emoluments during the current period or previous year

NOTES TO THE ACCOUNTS

19. Retirement benefits

The group operates retirement benefit schemes for the majority of its employees in India and for employees with certain subsidiaries outside India

(a) Defined contribution schemes

Provident fund
The Central Provident Fund relates to all workers and staff of the Britannia Industries Limited and its subsidiaries ("Group") The amount contributed by the respective companies is designated at 12% of the basic salary, together with an additional contribution of 12% of salary made by the employee The benefit is paid to the employee on their retirement or resignation from the Company The Government funds these payments, thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit It is not possible to assess the Group's own level of assets or liabilities within the Provident Fund as it is effectively a multi-employer scheme On this basis, it is accounted for as a defined contribution scheme No information regarding the overall level of surplus or deficit in the fund is publicly available
The Managers and officers provident fund trust was established by the Company and is managed by the trustees Any shortfall in interest liability between the minimum amount guaranteed by the Government and the interest earned by the fund is the liability of the Company As on 31 March 2012 there is no differential liability on this account

Pension fund
The Pension Fund Trust was established by the Company, BIL and is managed by the Trustees The employee makes no contribution to this fund but the employer makes a contribution of 15% of salary each month in respect of the members The scheme is applicable to all the managers and officers of the Company who have been employed up to the date of 15 September 2005 and any manager or officer employed after this date, if he has opted for the membership of the scheme (others are offered compensatory salary) On retirement, subject to completion of the vesting period as per the rules of the trust, the member becomes eligible for a pension This is paid from an annuity purchased in the name of the member from the trust funds Several members, who became eligible to receive the pension benefit after 31st March 2003, have objected to the basis on which the trust has offered to purchase the annuity (also refer note 20(c))

(b) Defined benefit schemes

(i) Gratuity scheme
The Gratuity schemes are defined benefit schemes which are open to all BIL and its subsidiaries employees in India who have a minimum of five years of service with their employing company These schemes are funded by the Group, either through cash contributions or provisions each year, based on actuarial valuations Under these schemes, benefits are provided based on final basic pay The assets of the schemes are held in separate funds and a full actuarial valuation of the schemes is carried out on an annual basis

The financial assumptions used in the actuarial valuation are as follows

	31 March 2012	31 March 2011	31 December 2009
Rate of increase in salaries	5%	5%	5%
Discount rate	8 50%	8 25%	8%
Mortality rates	LIC (94 – 96)	LIC (94 – 96)	LIC (94 – 96)
Average remaining service	10 years	10 years	10 years
Number of employees	**3,716**	**3,534**	**3,619**

NOTES TO THE ACCOUNTS

The Assets in the Scheme and the expected rate of return were

	Long term rate of return expected	2012 £	Long term rate of return expected	2011 £
Equities	N/A	-	N/A	-
Government Securities	8%	395,646	8%	462,902
Deposits with Bank	8%	1,679,008	8%	1,964,426
Gratuity fund with LIC of India	8%	400,849	8%	468,990
Others	N/A		N/A	
Total market value of assets		**2,475,503**		**2,896,318**
Present value of scheme liabilities		2,364,088		2,829,141
Surplus in the scheme		**111,415**		**67,177**
Related deferred tax liability		-		-
Net gratuity surplus		**111,415**		**67,177**

The fund assets are as per the audited financial statements of the fund for the year ended March 31, 2012 and the present value of scheme liabilities have been considered as per the actuarial valuation carried out at 31 March 2012

Analysis of movement in fair value of planned assets

	2012 £	2011 £
Balance at the beginning of the year	2,896,318	2,694,163
New Subsidiaries Opening Balance	-	-
Foreign exchange fluctuation	(383,239)	103,419
Movement during the year		
- Expected Return on plan assets	258,054	276,328
- Contributions	165,397	392,554
- Benefits paid	(449,929)	(486,258)
- Loss on plan assets	(11,098)	(83,888)
Balance at the end of the year	**2,475,503**	**2,896,318**

Analysis of the amount charged to operating profit:

	2012 £	2011 £
Current service cost	153,841	222,400
Past service cost	-	-
Total Operating Charge	**153,841**	**222,400**

Analysis of the amount (credited) / charged to other finance income:

	2012 £	2011 £
Expected return on pension scheme assets	(258,054)	(276,329)
Interest on pension scheme liabilities	248,355	280,166
	(9,699)	**3,837**

NOTES TO THE ACCOUNTS

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)·

	2012	2011
	£	£
Actual return less expected return on pension scheme assets	(65,539)	(83,888)
Experience gains and losses arising on the scheme liabilities	42,969	(14,918)
Actuarial gain/ (loss) recognised in STRGL	**(22,570)**	**(98,806)**

Movement in liability during the year:

	2012	2011
	£	£
Balance at beginning of the year	(67,177)	322
Movement during the year		
Current service cost	153,841	222,400
Contributions	(165,397)	(392,554)
Other finance income	(9,699)	3,837
Actuarial loss	22,570	98,806
Foreign currency translation difference	(45,553)	12
Balance at end of the year	**(111,415)**	**(67,177)**

(ii) <u>**Compensated Absences:**</u>

The compensated absence scheme is available for all employees of the Company at the time of retirement or leaving the company either on resignation or termination except for workers whose liability is encashed on an annual basis The liability towards this scheme is not funded and a provision is recorded in the accounts based on a full actuarial valuation carried out on an annual basis Actuarial gains and losses are adjusted to general reserve The actuarial valuation is carried out on an annual basis

The financial assumptions used in the actuarial valuation are as follows:

	2012	2011	2009
Rate of increase in salaries	5%	5%	5%
Discount rate	8 5%	8%	8%
Mortality rate	LIC(94 – 96)	LIC (94 – 96)	LIC (94 – 96)
Average future working life	10 years	10 years	10 years
Number of employees	**3,394**	**3,274**	**3,359**

Analysis of the amount charged to operating profit·

	2012	2011
	£	£
Current service cost	93,405	79,676
Total Operating Charge	**93,405**	**79,676**

NOTES TO THE ACCOUNTS

Analysis of the amount credited / charged to other finance income.

	2012	2011
	£	£
Expected return on pension scheme assets	-	-
Interest on pension scheme liabilities	68,627	65,287
	68,627	**65,287**

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)·

	2012	2011
	£	£
Actual Return less expected return on pension scheme assets	-	-
Experience gains and losses arising on the scheme liabilities	(1,484)	54,540
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial loss / (gain) recognised in STRGL	**(1,484)**	**54,540**

Movement in Liability during the year

	2012	2011
	£	£
Balance at beginning of the year	804,281	791,270
Movement during the year		
Current service cost	93,405	79,676
Contributions	(98,644)	(107,784)
Other finance income	68,627	65,287
Actuarial (loss) / gain	1,484	(54,540)
Foreign currency translation difference	24,467	30,372
Balance at end of the year	**893,620**	**804,281**

(iii) Medical benefit scheme

The Company operates a medical benefit scheme for specified employees at or above the grade of General Manager The eligible employees are entitled to claim reimbursement of medical expenses incurred by them during their life time These amounts are payable on submission of actual medical bills by the employees and employees are eligible to accumulate and claim such expenses incurred upto a period of 3 years subject to a maximum of one month basic pay for each year based on last drawn basic salary The liability on this account is recorded on cash basis The liability towards such scheme is not funded

(iv) Retirement benefit schemes for the group's employees in the subsidiaries outside India.

Strategic Food International Co LLC

The provision for staff terminal benefits is calculated in accordance with the UAE Federal Labor Law and is based on the liability that would arise if the employment of all the Company's staff were terminated on the balance sheet date The number of employees as on 31 March 2012 is 94 (Previous year 95) The provision as at 31 March 2012 is £244,138 (Previous year £396,864)

NOTES TO THE ACCOUNTS

Al Sallan Food Industries Co SAOG

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the income statement as incurred

Provision for non-Omani employee terminal benefits, which is an unfunded defined benefit retirement plan, is made in accordance with Oman Labour Law and is based on the liability that would arise if the employment of all employees were terminated at the balance sheet date

The total number of employees as on 31 March 2012 is 474 (Previous year 446) The provision as at 31 March 2012 is £120,134 (Previous year £108,913)

(v) History of plan

The history of the plan for the current and prior periods is as follows

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Balance sheet					
Present value of scheme liabilities	2,366	2,829	2,963	2,545	2,546
Fair value of scheme assets	2,475	2,958	2,977	2,360	2,347
Surplus/(deficit)	**109**	**129**	**14**	**(185)**	**(199)**

Experience adjustments

	2012 [£000/%]	2011 [£000/%]
Experience adjustments on scheme liabilities [as a percentage of scheme liabilities]	2%	3%
Experience adjustments on scheme assets [as a percentage of scheme liabilities]	1%	0%

20 Contingent liabilities and commitments

(a) Commitments for capital expenditure not provided for £5,405,471 (Previous year £8,139,523)

(b) Contingent liabilities for

(i) Bank guarantee, letter of credit and letter of comfort for £1,287,132 (Previous year £1,206,663)

The Group provides guarantees within the normal course of business
The Group has entered into guarantees advanced to the excise, sales tax authorities, electricity boards and certain trade related parties

(ii) Claims / demands against the Group not acknowledged as debts including excise, income tax, sales tax and trade demands £3,623,752 (Previous year £8,394,845)

The above does not include non quantifiable industrial disputes and other legal disputes pending before various judicial authorities

Regarding items (i) to (ii) above, it is not practicable to disclose information in respect of the estimate of the financial effect, an indication of the uncertainties relating to outflow and the possibility of any reimbursement as the group does not have the requisite information to make such disclosures

NOTES TO THE ACCOUNTS

(c) In April 2007, the Commissioner of Income Tax (CIT), Kolkata issued a notice to the Company's Covenanted Staff Pension Fund (BILCSPF) asking it to show cause why recognition granted to the Fund should not be withdrawn for refunding in the year 2004, the excess contribution of £1,462,047 (previous year £1,684,983) received by it in earlier years The Single Judge of the Honourable Calcutta High Court, on a writ petition, granted a stay restraining the CIT from proceeding with the show cause notice but with a direction to the Company to deposit £1,462,047 (previous year £1,684,983) with a nationalised bank in the name of the Fund On appeal, the Division Bench of the Honourable Calcutta High Court disposed off the writ petition pending before the Single Judge The Fund filed a Special Leave Petition (SLP) before the Honourable Supreme Court against the order of the Division Bench The Honourable Supreme Court at its hearing on 12 May 2008 has set aside the order of the Division Bench of the Honourable Calcutta High Court As a condition of the stay order granted, the Company has, under protest, made the deposit as per the direction of the Honourable Calcutta High Court

Pursuant to the directions of the Honourable Madras High Court, the CIT, Kolkata passed orders rejecting the deeds of variation submitted in May 2005 by the Company's Pension Funds on technical grounds The Company preferred appeals before the Central Board of Direct Taxes (CBDT), New Delhi challenging the orders of the CIT CBDT passed Orders in the said appeals in March 2011 directing the Company inter alia to submit deeds of variation incorporating the modifications in line with the directions made in the Orders effective 1 November 2004 The modified deeds of variation in line with the directions contained in the CBDT Orders have already been filed with the CIT, Kolkata, for his approval In writ petitions filed by some of the pensioners in

the Honourable Madras High Court and by the Pensioners Welfare Association in the Honourable Calcutta High Court, the Honourable High Courts have passed interim orders restraining the CIT, Kolkata, from approving the deeds of variation pending disposal of the writ petitions

A suit was filed by the Britannia Industries Limited Pensioners Welfare Association ('the Association') in the Honourable City Civil Court and Sessions Judge, Bangalore, where the Honourable Court passed interim orders on 1 January 2009 and 10 February 2009 directing the Funds to pay pension to the Members in accordance with the computation made and submitted by the Pension Funds to the Court This computation was on a defined contribution basis, and is consistent with the pension offered by the Pension Funds to eligible employees at the time of their retirement / exit The Funds have been complying with the said order In April 2010, the Honourable Judge passed another interim order requiring the Funds to pay pension as per Rule 11(a) of the Pension Fund Rules, i e on "Defined Benefit Basis", and gave the Funds two months' time for complying with the order In an appeal filed against this Order in the Honourable Karnataka High Court, the Honourable Karnataka High Court in April 2010 modified the Trial Court's order so as to extend the time limit from two months to three months and in July 2010, further modified the Trial Court's order directing inter alia that the pension shall be paid as per Rule 11(a) from the date of filing of the suit by the Association in the Honourable Bangalore City Civil Court, i e with effect from 17 June 2008 The Company filed Special Leave Petitions (SLPs) in the Honourable Supreme Court against the above order of the Honourable Karnataka High Court The Honourable Supreme Court passed an order in January 2011 disposing of the SLPs and directing inter alia that the interim order passed by it in September 2010 directing that the Pension Funds should continue to pay pension as per the interim order passed by the Honourable Bangalore City Civil Court on 1 January 2009 would continue till disposal of the suit by the Trial Court The proceedings in the main suit are currently in progress in the Honourable Bangalore City Civil Court

The Company believes, based on current knowledge and after consultation with eminent legal counsel that the resolution of the matter will not have material adverse effect on the financial statements of the Company

NOTES TO THE ACCOUNTS

21. Operating lease commitments - Building

	2012 £	2011 £
Annual commitments under non-cancellable operating leases expiring:		
Within one year	27,552	23,913
Within two to five years	98,362	95,636
After five years	41,485	65,745
	167,399	**185,294**

With respect to one of the subsidiaries Al Sallan Food Industries Co SAOG
The subsidiary has leased a plot of land for factory premises at Sohar from the Public Establishment for Industrial Estates ("PEIE") for a period of 25 years from 1 January 1994 which is renewable thereafter for a further period of 25 years

22 Other related party transactions

Group

	2012 £	2011 £
Purchase of goods / Services		
Nalanda Biscuits Company Private Limited	8,090,968	23,365,587
Sale of goods /consumables and ingredients		
Nalanda Biscuits Company Private Limited	42,221	352,362
Conversion charges paid		
Klassik Foods Private Limited	600,742	855,261
Dividend Received		
Klassik Foods Private Limited	-	9,065
Management contracts including secondment of employees & Reimbursement of expenses		
Klassik Foods Private Limited	-	3,003
Nalanda Biscuits Company Private Limited	-	133,215
Key managerial personnel		
Vinita Bali	690,262	859,283
Outstanding as at year end		
Net receivable / (payable)		
Klassik Foods Private Limited	4,825	5,213
Nalanda Biscuits Company Private Limited	170,090	217,673

Company

Britannia Brands Limited and Leila Lands Limited each own 50% of the shares in the company and are therefore deemed to be related parties No related party transactions were noted during the period

NOTES TO THE ACCOUNTS

23. Principal subsidiaries, joint ventures and associates

Name	Country of Incorporation	Shares Nature	Proportion by Group	Whether Included in consolidation	Nature of business
Associated Biscuits International Limited	United Kingdom	Equity	100%	Yes	Investment Holding
Britannia Industries Limited	India	Equity	50 96%	Yes	Manufacturer
Bannatyne Enterprises Pte Limited	Singapore	Equity	100%	Yes	Investment Holding
Dowbiggin Enterprises Pte Limited	Singapore	Equity	100%	Yes	Investment Holding
Nacupa Enterprises Pte Limited	Singapore	Equity	100%	Yes	Investment Holding
Spargo Enterprises Pte Limited	Singapore	Equity	100%	Yes	Investment Holding
Valetort Enterprises Pte Limited	Singapore	Equity	100%	Yes	Investment Holding
Flora Investments Company Private Limited	India	Equity	100%	Yes	Investment
Gilt Edge Finance & Investments Private Limited	India	Equity	100%	Yes	Investment
Boribunder Finance & Investments Private Limited	India	Equity	100%	Yes	Investment
J B Mangharam Foods Private Limited	India	Equity	100%	Yes	Biscuit Manufacture
Manna Foods Private Limited	India	Equity	100%	Yes	Biscuit Manufacture
International Bakery Products alLimited	India	Equity	100%	Yes	Biscuit Manufacture
Sunrise Biscuit Company Private Limited	India	Equity	99 16%	Yes	Biscuit Manufacture
Ganges Valley Foods Private Limited	India	Equity	51%	Yes	Biscuit Manufacture
Britannia And Associates (Mauritius) Private Limited	Mauritius	Equity	100%	Yes	Investment company
Britannia and Associates (Dubai) Co Pvt Ltd	Dubai	Equity	100%	Yes	Investment company
Al Sallan Food Industries Co SAOG	Oman	Equity	65 46%	Yes	Biscuit Manufacture
Strategic Foods International Co LLC	Dubai	Equity	100%	Yes	Biscuit Manufacture
Strategic Brands Holdings Ltd	Dubai	Equity	100%	Yes	Brand Holding company
Britannia Lanka Pvt Ltd	Sri Lanka	Equity	100%	Yes	Bakery products
Daily Bread Gourmet Foods Private Limited	India	Equity	100%	Yes	Bakery products
Britannia Employees Medical Welfare Association Private Limited	India		100%	Yes	Medical
Britannia Employees General Welfare Association Private Limitedl	India		100%	Yes	General
Britannia Employees Educational Welfare Association Private Limited	India		100%	Yes	Educational
Britannia New Zealand Foods Private Limited	India	Equity	100%	Yes	Food Products

Name	Country of incorporation	Shares Nature	Proportion	Accounting Period	Nature of business
Nalanda Biscuits Company Limited	India	Equity	35%	March '12	Biscuit Manufacturer
Klassik Foods Private Limited	India	Equity	26%	March '12	Biscuit Manufacturer

NOTES TO THE ACCOUNTS

24 Interest and similar items

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
Bank loans, overdrafts and other loans repayable within five years	523,345	1,535,445
Finance leases and hire purchase contracts	25,332	48,687
Other interest	126,590	370,950
Interest on long term loans	378,757	441,158
Interest - redeemable non-convertible bonus debentures	4,052,933	4,785,837
	5,106,957	**7,182,077**

25. Commodity forward contracts

At 31 March 2012, the Group's has the following outstanding contracts for the purchase of raw materials, classified as held for purposes other than trading

	2012 £	2011 £
Forward commodity contracts	34,488	51,954
	34,488	**51,954**

26. Statutory external audit and audit related fees

The table below shows the fees payable to the Group's auditors, KPMG LLP and its affiliated firms for statutory external audit and audit related services

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
Statutory external audit		
Audit of these financial statements	25,050	3,750
Amounts receivable by the auditor and their associates in respect of		
Audit of financial statements of subsidiaries of the company pursuant to legislation	67,973	53,188
	93,023	**56,938**
Other audit related services	20,399	20,631
	113,422	**77,569**

NOTES TO THE ACCOUNTS

27. Income Tax expense - Group

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
Current tax	9,468,087	5,394,494
Deferred tax	226,026	781,146
	9,694,113	**6,175,640**

Analysis of current tax charge

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
Profit before tax	30,755,627	20,835,526
Less Share of associates' profit before tax	(9,940)	23,454
Effective profit before taxes for tax calculation	**30,765,567**	**20,812,072**
Profit on ordinary activities before tax multiplied by standard rate in the UK 26% (previous year 28%)	7,999,047	5,827,380
Effects of:		
Different tax rates for Indian and Singapore entities	1,937,981	(485,955)
Expenses not deductible for tax purposes	1,759,553	3,693,066
Income exempt from tax	(1,974,948)	(2,799,278)
Investment income chargeable at nil/lower tax rate	(383,633)	(1,271,530)
Short provision in earlier years	130,087	430,811
Current tax charge	**9,468,087**	**5,394,494**

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
The tax charge comprises		
Current tax		
UK corporation tax	-	-
Double tax relief	-	-
Foreign tax (Indian & Singapore taxes)	9,373,238	4,963,683
Adjustments in respect of prior years		
UK corporation tax	94,849	-
Foreign tax	-	430,811
Total current tax	**9,468,087**	**5,394,494**
Deferred tax		
Origination & reversal of timing differences		
United Kingdom	-	-
Foreign tax (Indian tax)	226,026	781,146
Total deferred tax	**226,026**	**781,146**

NOTES TO THE ACCOUNTS

Deferred tax

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
At 1 April / 1 January	798,233	17,087
Foreign currency translation impact	(105,619)	-
Credit / (charge) to profit and loss	226,026	781,146
At 31 March	**918,640**	**798,233**
Analysis of the year end deferred tax balance		
Difference between accumulated depreciation and amortisation and capital allowances	**3,972,376**	**4,258,372**
Other timing differences	(3,053,736)	(3,460,139)
	918,640	**798,233**

28 The group owns 49% share in Al Fayafi General Trading Co LLC, which has ceased its operations in 2000 As a result, the investment was wholly provided for in 2000 However, the trade license of Al Fayafi General Trading Co LLC is not yet cancelled and management is considering alternatives

29 **Details of term loans availed by**

Al Sallan Food Industries Co SAOG (ASFI)

	2012 £	2011 £
Creditors greater than one year		
(i) Interest free loan from Government of Sultanate of Oman (facilitated by Oman development bank)	3,187,551	3,384,884
(ii) Interest bearing borrowings-Term loan from a commercial bank	-	-
	3,187,551	**3,384,884**
Creditors less than one year		
(i) Interest free loan from Government of Sultanate of Oman (facilitated by Oman development bank)	159,378	151,650
(ii) Interest bearing borrowings-Term loan from a commercial bank	-	-
	159,378	**151,650**
Total term loans	**3,346,929**	**3,536,534**

(I) Interest free Government loan

(a) The total value of £3,346,929 (Previous year £3,536,534) attributable to the Government term loan includes the fair value as determined in accordance with the method described in the policy on Government term loan to the financial statements of £ 2,512,657 (Previous year £2,550,227) plus £ 834,272 (Previous year £1,147,063) being the amount of unamortised deferred income arrived at using a commercial market borrowing rate

(b) The loan is free of interest, granted by Oman Development Bank, acting as an agent for the Government of Sultanate of Oman This loan is rescheduled as per the letter received from Ministry of Finance dated 10th January 2007 and the repayment period has been extended to 13 years which starts from 1st August 2006 and ends on 1st August 2018

NOTES TO THE ACCOUNTS

(c) The loan is secured by a first ranking mortgage on all the tangible assets of Al Sallan Food Industries Company SAOC

Britannia and Associates (Mauritius) Pvt. Limited
Term loan includes £3,003,456 and £14,116,710 (Previous year £4,766,971 and £14,258,108) payable to Royal Bank of Scotland and Bank of America respectively The loan has been given to Britannia and Associates (Mauritius) Private Limited to fund its acquisition and support working capital of Strategic Foods International LLC, Strategic Brands Holdings Limited and Al Sallan Food Industries Company SAOC and the amount has been guaranteed by Britannia Industries Limited

30. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

Group	Loans and Receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Assets at 31 March 2012					
Available-for-sale Investments	-	-	-	30,648,138	30,648,138
Derivative financial Instruments	-	-	904,104	-	904,104
Current asset investments	-	-	-	-	-
Debtors	47,171,019	-	-	-	47,171,019
Cash at bank and in hand	7,581,978	-	-	-	7,581,978
Assets at 31 March 2011					
Available-for-sale Investments	-	-	-	55,320,004	55,320,004
Derivative financial Instruments	-	-	501,426	-	501,426
Current asset investments	-	-	-	-	-
Debtors	44,581,722	-	-	-	44,581,722
Cash at bank and in hand	11,225,701	-	-	-	11,225,701

Group	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities at 31 March 2012				
Creditors, Provision for Liabilities and Retirement benefits Liability	-	-	160,700,702	160,700,702
Liabilities at 31 March 2011				
Creditors, Provision for Liabilities and Retirement benefits Liability	-	-	170,751,812	170,751,812

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31. Share based payments

During the previous year, the Group introduced the Britannia Industries Limited Employees Stock Option Scheme (ESOS) Under the ESOS the remuneration / compensation committee can grant options over shares in the Company to employees and executive directors of the Company Options are granted with a fixed exercise price equal to market price of the shares under option at the date of grant The contractual life of the option is 1 year Options granted under the ESOS can be exercised within a period of three years from the date of vesting Exercise of an option is subject to continued employment The Options are equity settled Options are valued using the market values of the Company's shares as quoted on the National Stock Exchange The fair value per option granted and other details are as follows

Grant date	27/05/2011	27/05/2010
Expiry date	26/05/2014	26/05/2013
Market price of shares at grant date	£4 73	£4 64
Exercise price	£4 73	£4 64
Number of employees	1	1
Shares under option	125,000	100,000
Vesting period (Years)	1	1
Expected volatility	24 11%	26 95%
Option life (Years)	3	3
Expected life (Years)	3	3
Risk free rate	8 46%	6 56%
Expected dividends expressed as a dividend yield	1 66%	1 80%
Fair value per option	£1 14	£1 13

The expected volatility is based on historical volatility over the last three years The expected life is the average expected period to exercise The risk free rate of return is the yield on Government Securities of a term consistent with the assumed option life

	2012	**2012**	2011	2011
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	3 93	250,000	3 33	150,000
Granted during the period	4 73	125,000	4 64	100,000
Forfeited during the period	-		-	
Exercised during the period	-	-		
Lapsed during the period	-		-	
Outstanding at the end of the period	3 85	375,000	3 93	250,000
Exercisable at the end of the period	3 93	250,000	3 33	150,000

32. Movements on the provision for impairment of receivables are as follows

All trade debtors against which provision is made are over six months past due

	2012 £	2011 £
At 1 April 2011 / 1 January 2010	1,329,827	1,352,497
Opening translation difference	(175,967)	51,918
Provision for doubtful debtors	43,489	107,007
Unused provision reversed	-	(145,907)
Exchange difference on foreign currency translation	86,851	(35,688)
	1,284,200	**1,329,827**

33 Financial Risk management

The group's activities expose it to variety of financial risks market risk, credit risk and liquidity risk The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance The group uses derivative financial instruments to hedge certain risk exposures

Risk management is carried out by the treasury department under approved policies by identifying, evaluating and hedging financial risks in close co-operation with the group's operating units Principles are established for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

Interest Rate Risk.

The group's borrowings in India are generally short term in nature for fixed periods and at fixed interest rates The borrowings not being material and the interest rates being fixed, changes in interest rates are not expected to have a significant impact on the group's profitability

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations The group's Credit risk is mainly attributable to trade receivables Credit risk on trade receivables is considered to be limited as the credit sales are not significant and credit is extended only to institutions with high commercial standing with a credit period ranging from 30 – 60 days The exposure to credit risk on trade receivables is monitored on an ongoing basis by the management and provisions are made as and when necessary The outstanding balance on 31 March 2012 (net of provision) is considered as recoverable by the group's management

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return

The sources of foreign exchange risk are outstanding amounts payable for loans denominated in foreign currencies The Group is also exposed to foreign exchange risk on its exports which is not significant Most of these transactions are denominated in US dollars Management has a system of monitoring open (i e unhedged) exposure limits on a periodic basis and depending on market conditions may opt to hedge against such risk by way of forward contracts/other instruments

The outstanding dollar loan is invested in Businesses / Assets which are also pegged to the same currency at present

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The biscuit industry has been facing significant commodity price increases over the last two years To the extent possible, the Group tries to mitigate price risk through favorable contractual terms as well as price increase or rationalization of cost Over the period, the operating margins have been strengthened and market share maintained

The group's presentation currency is the Pound Sterling The majority of the assets are located in India and the Indian Rupee is the functional currency for the Indian subsidiaries

Set out below is the impact of a 10% change in the Indian Rupee on revenues and profit arising as a result of currency conversion on consolidation

At 31 March 2012

	Closing Exchange rate	Effect of 10% depreciation of Indian Rupee on turnover £	Effect of 10% depreciation of Indian Rupee on profits £
Indian Rupee	82 90	65,873,496	985,691

At 31 March 2011

	Closing Exchange rate	Effect of 10% strengthening of Indian Rupee on turnover £	Effect of 10% strengthening of Indian Rupee on profits £
Indian Rupee	71 93	87,076,153	643,871

The biscuit industry has been facing significant commodity price increases over the last two years To the extent possible, the Group tries to mitigate price risk through favourable contractual terms as well as price increase or rationalization of cost Over the period, the operating margins have been strengthened and market share maintained

Liquidity Risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due Liquidity risk mainly relates to payables to suppliers The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities

34 Capital Risk Management

Britannia Industries limited's objective when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell shares or sell assets to reduce debt
Consistent with others in the industry, the group monitors capital on the basis of gearing ratio This ratio is calculated as net debt divided by total equity Net debt is calculated as total borrowings less

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cash and cash at banks and in hand Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt

The gearing ratios at 31 March 2012 and at 31 March 2011 were as follows

	2012 £	2011 £
Total Borrowings	72,934,564	87,142,600
Less Cash at banks and in hand	(7,581,978)	(11,225,701)
Net Debt	**65,352,586**	**75,916,899**
Total Equity	65,778,668	62,108,543
Total Capital	**131,131,254**	**138,025,442**
Gearing Ratio	49 84%	55 00%

35 **Statutory reserve in respect of Strategic Food International Co LLC**

In accordance with the UAE Federal Law No 8 of 1984 (as amended), a minimum of 10% of the net profit of the Company is allocated every year to a non-distributable statutory reserve Such allocations may be ceased when the statutory reserve becomes equal to one-half of the paid-up share capital Balance of the said reserve as at 31 March 2012 is £1,152,193 (Previous year £1,025,928)

36 **Other non operating income and expense**

	12 months period ended 31 March 2012 £	15 months period ended 31 March 2011 £
Dividend income	25,393	301,868
Bank and other interest	3,846,594	5,393,312
Profit on sale of investment	1,107,138	1,333,970
Other receipts	196,206	206,162
	5,175,331	**7,235,312**

37. **Shareholding pattern**

The issued and paid up share capital of ABI Holdings Limited is held equally by Leila Lands Limited, 4th Floor, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius and by Britannia Brands Limited, 7th Floor, 52/54 Gracechurch Street, London EC3V OEH These companies are investment holding companies The ultimate holding company is The Bombay Burmah Trading Corporation Limited, India

38 **Dividends**

	2012 £	2011 £
Final dividends paid in respect of prior year but not recognized as liabilities in that year	4,621,072	29,760,000

The aggregate amount of dividends proposed (excluding taxes on dividend) and not recognised as liabilities as at the year end is £ 6,006,250 *(previous year £ 5,293,578)*