

**ABI HOLDINGS LIMITED**  
**(REGISTERED NO. 2387461)**

**Directors' Report and Financial Statements for the**  
**Period from 1 April 2012 to 31 March 2013**



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## **DIRECTORS' REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2013**

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2013

### **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 12% during the year over the previous comparable period of 12 months ended 31 March 2012. The growth was primarily driven by differentiation and new taste experiences and, at the bottom end, through availability and affordability. The directors expect the current initiatives and growth to continue in the foreseeable future. The Group'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 Differentiated variants of Time Pass-Classic Salted and New coffee variant in Bourbon and several products under the umbrella of NutriChoice. Additionally, the Group's healthy snacking promise to the consumers has been to address the pervasive micro-nutrient deficiency among the children of India. Brand 'Tiger' has been at the forefront of this, with each serving designed to deliver 25% of RDA of Iron. Other brands that are enriched with micro-nutrients include Milk Bikis, Britannia Marie Gold, VitaMarie, Britannia Bread, Tiger Chocolate, Badaam Milk and Britannia Flavored Yoghurt.

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. Consumers once again voted brand "Britannia" as # 1 'Most Trusted Food Brand' and # 2 'Most Trusted Brand' across all product categories in an independent survey conducted by A C Nielsen and The Economic Times, India.

### **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 should remain stable.

**DIRECTORS' REPORT AND ACCOUNTS  
FOR THE PERIOD ENDED 31 MARCH 2013 (CONTINUED)**

**Key performance indicators**

Despite an increasingly challenging environment and continuing commodity inflation, profit from operations increased by 40%, the turnover has increased by 13% and the cash profit has increased by 27% during the year

**RESULTS AND DIVIDENDS**

The Group's profit for the period amounted to £13,134,077 (previous year £9,856,911)

The Company paid a dividend amounting to £5,775,429

**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 utilized by the directors

**DIRECTORS**

Patrick Kennedy Cassels  
A K Hirjee  
Stephen Richard Page (appointed 6 July 2012)  
Jayant Gadgil

**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 auditor are aware of that information

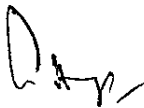
**DIRECTORS' REPORT AND ACCOUNTS  
FOR THE PERIOD ENDED 31 MARCH 2013 (CONTINUED)**

**AUDITORS**

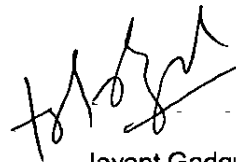
KPMG LLP were appointed as auditors and are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006

This report was approved by the Board and signed on its behalf by

By Order of the Board



A K Hirjee  
Director



Jayant Gadgil  
Director

Registered Office  
7<sup>th</sup> Floor  
52/54 Gracechurch Street  
London  
EC3V 0EH  
Date 20<sup>th</sup> November, 2013

## **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 responsibility 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 LIMITED**

We have audited the financial statements of ABI Holdings Limited for the year ended 31 March 2013 set out on pages 9 to 51. 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2013 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.

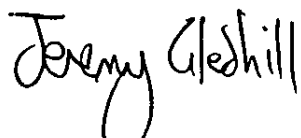
### **Opinion on other matter prescribed by the Companies Act 2006**

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



**Jeremy Gledhill (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc**  
**Statutory Auditor**  
*Chartered Accountants*

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

20 November 2013



## CONSOLIDATED PROFIT &amp; LOSS ACCOUNT

	Note	For 12 months period ended 31 March 2013 £	For 12 months period ended 31 March 2012 £
Group turnover		743,193,127	658,734,956
Services		-	4,487
Change in stocks of finished goods and work in progress		928,812	1,692,114
Other operating income / expense		5,995,598	2,970,500
<b>Group operating income</b>		<b>750,117,537</b>	<b>663,402,057</b>
Raw materials and consumables		468,623,497	427,855,026
Conversion charges		50,832,738	42,852,643
Staff costs	18	27,279,153	25,552,073
Depreciation		8,860,121	7,132,591
Amortization of goodwill		1,427,834	1,390,247
Other operating charges		152,763,956	129,873,163
<b>Total operating expenses</b>		<b>709,787,299</b>	<b>634,655,743</b>
<b>Group operating profit</b>			
Continuing operations		40,330,238	28,746,314
Share of operating profit / (loss) in associate		(36,409)	(9,940)
<b>Operating Profit including joint venture and associates</b>		<b>40,293,829</b>	<b>28,736,374</b>
Profit on sale of assets		961,975	1,950,879
<b>Profit on ordinary activities before interest and taxation</b>		<b>41,255,804</b>	<b>30,687,253</b>
Interest payable and similar charges	24	(5,107,362)	(5,106,957)
Other non operating income and expense	36	5,365,328	5,175,331
<b>Profit on ordinary activities before taxation</b>		<b>41,513,770</b>	<b>30,755,627</b>
Tax on profit on ordinary activities	27	(13,605,122)	(9,694,113)
<b>Profit on ordinary activities after taxation</b>		<b>27,908,648</b>	<b>21,061,514</b>
Equity minority interest		(14,774,571)	(11,204,603)
<b>Retained profit for the financial year</b>		<b>13,134,077</b>	<b>9,856,911</b>


The notes on pages 14 to 51 form part of these financial statements

**ABI HOLDINGS LIMITED**
**CONSOLIDATED BALANCE SHEET**

	Note	As at 31 March 2013 £	As at 31 March 2012 £
<b>FIXED ASSETS</b>			
Intangible assets – Goodwill	4	7,902,449	8,885,725
Tangible assets	5	95,059,265	77,356,301
<b>Investments</b>			
Unconsolidated subsidiary undertakings	6	680	680
Investments in associates	6	138,636	174,336
Participating interests	6	130,243	130,243
		<b>103,231,273</b>	<b>86,547,285</b>
<b>CURRENT ASSETS</b>			
Inventory	7	45,380,444	52,083,923
Debtors (including £ 10,885,692 (previous year £ 9,461,263) due after more than one year)	8	55,637,083	47,171,019
Investments	6	14,274,685	30,648,138
Cash at bank and in hand	17	13,001,134	7,581,978
Other current assets (including £ 1,467,986 (previous year £ 1,459,465) due after more than one year)		1,549,311	1,542,923
Derivative financial asset		682,653	904,104
		<b>130,525,310</b>	<b>139,932,085</b>
Creditors Amounts falling due within one year	9	(119,381,140)	(132,094,080)
<b>NET CURRENT ASSETS</b>		<b>11,144,170</b>	<b>7,838,005</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Creditors Amounts falling due after more than one year	10	(10,711,787)	(12,149,033)
Provisions for liabilities and charges	11	(19,278,500)	(15,336,904)
		<b>84,385,156</b>	<b>66,899,353</b>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			
Pension liability	19	(1,624,076)	(1,120,685)
<b>NET ASSETS</b>		<b>82,761,080</b>	<b>65,778,668</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	4,995,785	4,995,785
Share premium	14	19,229,682	19,057,931
Share application money pending allotment	14A	277,636	-
Foreign exchange translation reserve	14	(1,314,307)	(1,412,903)
Retained profit	14	19,293,350	11,585,804
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>13</b>	<b>42,482,146</b>	<b>34,226,617</b>
Minority interests	15	40,278,934	31,552,051
<b>CAPITAL EMPLOYED</b>		<b>82,761,080</b>	<b>65,778,668</b>

The notes on pages 14 to 51 form part of these financial statements

Signed for and on behalf of the board on 20<sup>th</sup> November, 2013

  
A K Hirjee  
Director

  
Jayant Gadgil  
Director

Registered Office  
7<sup>th</sup> Floor, 52/54 Gracechurch Street, London, EC3V 0EH, Registration number 02387461

# ABI HOLDINGS LIMITED

## COMPANY BALANCE SHEET

	Note	As at 31 March 2013 £	As at 31 March 2012 £
<b>FIXED ASSETS</b>			
Investment in subsidiary undertaking	6	26,634,986	26,634,986
<b>CURRENT ASSETS</b>			
Cash at bank		5,492	2,475
Amount owed by group undertakings		40,049	40,049
		45,541	42,524
Creditors Amounts falling due within one year	9	(202,197)	(148,470)
<b>NET CURRENT (LIABILITIES)</b>		<b>(156,656)</b>	<b>(105,946)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>26,478,330</b>	<b>26,529,040</b>
Creditors Amounts falling due after more than one year	10	(2,236,358)	(2,236,358)
<b>NET ASSETS</b>		<b>24,241,972</b>	<b>24,292,682</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	4,995,785	4,995,785
Share premium account	14	19,057,931	19,057,931
Retained profit	14	188,256	238,966
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<b>24,241,972</b>	<b>24,292,682</b>

The notes on pages 14 to 51 form part of these financial statements

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

  
A K Hirjee  
Director

  
Jayant Gadgil  
Director

Date 20<sup>th</sup> November, 2013

Registration number 02387461

## CONSOLIDATED CASH FLOW STATEMENT

		For the period from 1 April 2012 to 31 March 2013	For the period from 1 April 2011 to 31 March 2012
	Note	£	£
<b>Net Cash inflow from Operating Activities</b>	16	<b>62,865,269</b>	<b>29,720,301</b>
<b>Return on investments and servicing of finance</b>			
Interest paid		(5,183,670)	(5,059,561)
Interest element of finance lease payments		(12,112)	(25,332)
Other non operating income		5,785,524	5,182,460
Equity dividend on minority holding in subsidiaries		(6,035,620)	(4,593,157)
		<b>(5,445,878)</b>	<b>(4,495,590)</b>
<b>Taxation</b>		<b>(10,463,726)</b>	<b>(6,321,635)</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(25,781,322)	(32,216,833)
Proceeds from sale of tangible fixed assets		1,160,131	2,766,766
		<b>(24,621,191)</b>	<b>(29,450,067)</b>
<b>Dividends</b>			
Dividend paid to shareholders		(5,775,429)	(4,621,072)
Dividend distribution tax paid by subsidiary		(1,994,879)	(1,519,419)
		<b>(7,770,308)</b>	<b>(6,140,491)</b>
<b>Cash flow before use of liquid resources and financing</b>		<b>14,564,166</b>	<b>(16,687,482)</b>
<b>Management of liquid resources</b>			
Purchase of current asset investments		(176,846,561)	(225,003,632)
Sale of current asset investments		193,774,055	241,627,654
		<b>16,927,494</b>	<b>16,624,022</b>
<b>Financing</b>			
Increase in short term borrowings		26,200,270	3,742,513
Decrease in long term borrowings		(4,136,837)	(5,724,889)
Repayment of secured debentures		(49,213,071)	-
Proceeds from share allotment		174,416	-
Proceeds from share application pending allotment		277,369	-
Proceeds from capital subsidy		605,610	-
Capital element of finance lease payments		(32,590)	(112,556)
		<b>(26,124,833)</b>	<b>(2,094,932)</b>
<b>Increase/ (decrease) in cash in the year</b>		<b>5,366,827</b>	<b>(2,158,392)</b>

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

		For the period from 1 April 2012 to 31 March 2013	For the period from 1 April 2011 to 31 March 2012
	Note	£	£
<b>Increase/ (decrease) in cash in the year</b>	<b>17</b>	<b>5,366,827</b>	<b>(2,158,392)</b>
Decrease in debt		27,149,637	1,982,375
Cash inflow from management of liquid resources		(16,927,494)	(16,624,022)
Foreign currency exchange variances on opening debt balances		(140,886)	2,604,545
<b>Increase in (debt) / cash resulting from cash flows</b>		<b>15,448,084</b>	<b>(14,195,494)</b>
Non cash movement in debts		429,276	(728,166)
<b>Increase/ (decrease) in net debt for the year</b>		<b>15,877,360</b>	<b>(14,923,660)</b>
<b>Net debt at the beginning of the year</b>		<b>(34,608,052)</b>	<b>(19,684,392)</b>
<b>Net debt at the end of the year</b>	<b>17</b>	<b>(18,730,692)</b>	<b>(34,608,052)</b>

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	For the period from 1 April 2012 to 31 March 2013	For the period from 1 April 2011 to 31 March 2012
	£	£
<b>Profit for the financial year</b>		
Group	13,170,486	9,866,851
Share of associates	(36,409)	(9,940)
<b>Total profit</b>	<b>13,134,077</b>	<b>9,856,911</b>
Currency translation difference on foreign currency net investment	98,596	(3,095,096)
Total actuarial (losses) / gains	(224,512)	33,354
Unrealised gain on current investments available for sale	429,275	(728,166)
<b>Total recognised gains and losses relating to the year</b>	<b>13,437,436</b>	<b>6,067,003</b>

## **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 Limited 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.

Under section 408 of the Companies Act, 2006 the Company is exempt from the requirement to present its own profit and loss accounts.

#### **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.

**NOTES TO THE ACCOUNTS**

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 under Creditors – Amounts falling due after more than one year in 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 2013 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 retirement 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.

### **Capital Subsidy**

Capital subsidy related to depreciable fixed assets is treated as deferred income and recognised in the profit & loss account on a systematic basis over the useful life of the asset.

## **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 5% and cess of 3%) for the years ended 31 March 2012 and 31 March 2013.

MAT is charged on book profits (prepared under Indian GAAP) but typically with a limited number of adjustments. MAT is charged at 18.5% (plus a surcharge of 5% and cess of 3%) for the years ended 31 March 2012 and 31 March 2013.

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 assets 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 2008 to 2012 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 2013.

The future tax benefit from carried forward losses together with other timing differences amounting to £1,879,564 (Previous Year £1,755,332) 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

	<b>Goodwill 2013 £</b>
<b>At Cost</b>	
At 1 April 2012 at opening rates	14,687,837
Foreign currency translation impact	642,790
<b>At 31 March 2013</b>	<b>15,330,627</b>
<b>Accumulated Amortisation</b>	
At 1 April 2012 at opening rates	5,802,112
Foreign currency translation impact	112,613
Charge for the year	1,513,453
<b>At 31 March 2013</b>	<b>7,428,178</b>
<b>Net book amount</b>	
At 31 March 2013	7,902,449
At 31 March 2012	8,885,725

## 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 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
Translation Difference	2,023,103	32,758	12,868	618,353	11,857	4,822	86,895	2,790,656	54,639	2,845,295
Additions	12,367,692	248,300	19,380	6,008,861	30,280	914,471	1,827,731	21,416,715	4,364,607	25,781,322
Disposals	2,998,980	101,742	77,034	79,941	9,690	-	55,716	3,323,103	-	3,323,103
<b>At 31 March 2013</b>	<b>104,013,632</b>	<b>3,168,249</b>	<b>438,437</b>	<b>29,017,034</b>	<b>2,945,140</b>	<b>2,103,707</b>	<b>7,435,073</b>	<b>149,121,272</b>	<b>17,841,495</b>	<b>166,962,767</b>
Accumulated depreciation										
At 1 April 2012	49,953,098	1,935,620	205,869	9,028,126	62,341	-	3,117,898	64,302,952	-	64,302,952
Translation Difference	1,327,366	39,371	6,894	407,386	254	-	62,353	1,843,624	-	1,843,624
Charge for the period	6,874,883	117,488	60,561	954,441	29,069	-	845,431	8,881,873	-	8,881,873
Disposals	2,871,802	101,742	65,406	31,492	-	-	54,505	3,124,947	-	3,124,947
<b>At 31 March 2013</b>	<b>55,283,545</b>	<b>1,990,737</b>	<b>207,918</b>	<b>10,358,461</b>	<b>91,664</b>	<b>-</b>	<b>3,971,177</b>	<b>71,903,502</b>	<b>-</b>	<b>71,903,502</b>
<b>Net book amount</b>										
<b>At 31 March 2013</b>	<b>48,730,087</b>	<b>1,177,512</b>	<b>230,519</b>	<b>18,658,573</b>	<b>2,853,476</b>	<b>2,103,707</b>	<b>3,463,896</b>	<b>77,217,770</b>	<b>17,841,495</b>	<b>95,059,265</b>
<b>At 31 March 2012</b>	<b>42,668,719</b>	<b>1,053,313</b>	<b>277,354</b>	<b>13,441,635</b>	<b>2,850,352</b>	<b>1,184,414</b>	<b>2,458,265</b>	<b>63,934,052</b>	<b>13,422,249</b>	<b>77,356,301</b>
<b>Assets held under finance leases included in above</b>										
Cost	-	-	73,884	-	-	-	-	73,884	-	73,884
Accumulated depreciation	-	-	38,759	-	-	-	-	38,759	-	38,759
<b>Net book amount</b>	<b>-</b>	<b>-</b>	<b>35,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,125</b>	<b>-</b>	<b>35,125</b>

## NOTES TO THE ACCOUNTS

## (i) Buildings include

- (a) Net Book Value £523,804 (Previous year £696,040) constructed on 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 £1,639,422 (Previous year £1,629,723) constructed on 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 £4,786,971 (Previous year £4,700,986) Substantially all the tangible assets are mortgaged as security against the government term loan and other term loans amounting to £3,415,155 (Previous year £3,068,597)

## (iii) Depreciation:

Depreciation charge for the year	8,881,875
Transfer from capital subsidy	(21,754)
<b>Net depreciation charge for the year</b>	<b><u>8,860,121</u></b>

## 6. Investments

**Group**

	2013	2012
	£	£
<b>Unconsolidated subsidiary undertakings #</b>		
Investments at cost	680	680
	<b>680</b>	<b>680</b>
<b>Investment in associates</b>		
Investment at cost	57,896	57,662
Share of reserves	80,740	116,674
	<b>138,636</b>	<b>174,336</b>
<b>Participating interests</b>		
Investment at cost in participating interests	130,243	130,243
	<b>130,243</b>	<b>130,243</b>

# Investments in unconsolidated subsidiary undertaking

	Face Value	Equity shares Nos	2013 Book value	% Holding	2012 Book value
Associated Biscuits (Malaysia) Sdn Bhd	M \$1	680	680	100%	680
			<b>680</b>		<b>680</b>



## NOTES TO THE ACCOUNTS

## Investments in associates

	Face Value	Equity shares Nos	Book value £	2013 % Holding
Klassik Foods Private Limited	INR 100	3,390	123,217	26%
Nalanda Biscuit Company Limited	INR 10	87,500	15,419	35%
			<b>138,636</b>	

	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%
			<b>174,336</b>	

## Other participating interests:

	Face Value	Equity shares Nos	2013 Book value £	Holding %	2012 Book value £
English Biscuit Manufacturers (Private) Limited	Pakistani Rs 10	392,100	130,243	40%	130,243
			<b>130,243</b>		<b>130,243</b>

## Current asset investments

	2013 £	2012 £
Quoted	4,526,088	17,386,049
Unquoted	9,748,597	13,262,089
	<b>14,274,685</b>	<b>30,648,138</b>

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

	2013 £	2012 £
At 1 April at opening rates	<b>30,648,138</b>	<b>55,320,004</b>
Foreign currency translation impact	124,766	(7,319,678)
Additions	176,846,561	225,003,632
Disposals	(193,774,055)	(241,627,654)
Surplus on fair valuation transferred to equity	429,275	(728,166)
<b>At 31 March</b>	<b>14,274,685</b>	<b>30,648,138</b>

## NOTES TO THE ACCOUNTS

## Fixed assets investment

## Company

	Subsidiary Undertaking £
At 1 April 2012 and 31 March 2013	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		Nature of business
			2013	2012	
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	50.92%	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
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\* 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

	2013	2012
	£	£
<b>Stocks and work in progress</b>		
Raw materials	23,126,388	31,206,587
Work in progress	79,759	198,510
Finished products	19,234,097	18,073,126
Loose tools	2,940,200	2,605,700
	<b>45,380,444</b>	<b>52,083,923</b>

## Company

	2013	2012
	£	£
	Nil	Nil

## 8. Debtors

	2013	2012
	£	£
Trade debtors	25,066,509	19,133,032
Less Provision for impairment of receivables (Refer note 32)	(1,324,614)	(1,284,200)
	23,741,895	17,848,832
Amounts owed by associates	175,627	174,915
Other debtors	31,053,887	28,274,737
Prepayments and accrued income	665,674	872,535
	<b>55,637,083</b>	<b>47,171,019</b>

Total debtors include prepayments and accrued income of £97,552 (2012 £515,649) and other debtors of £10,788,140 (2012 £8,945,614) due after more than one year in respect of the Group and, in respect of the Company of £ Nil (2012 £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

	2013	2012
	£	£
Amount owed by group undertakings	40,049	40,049

## NOTES TO THE ACCOUNTS

9. Creditors – Amounts falling due within one year  
Group

	2013	2012
	£	£
Bank borrowings due within one year or on demand #	42,736,884	16,469,568
Trade creditors	24,905,489	24,877,577
Finance lease obligations	14,535	27,009
Other tax and social security payable	7,060,079	6,186,459
Redeemable non-convertible bonus debentures*	-	48,992,165
Other creditors	21,923,247	10,935,168
Accruals	22,740,906	24,606,134
	<b>119,381,140</b>	<b>132,094,080</b>

# 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

\*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.

The debentures have been redeemed on 22 March 2013.

## Company

	2013	2012
	£	£
Other creditors – both owed to group undertaking and others	<b>202,197</b>	<b>148,470</b>

## NOTES TO THE ACCOUNTS

10. Creditors - Amounts falling due after more than one year  
Group

	2013	2012
	£	£
Bank borrowings due after more than one year	3,269,627	7,376,435
Other Creditors	6,808,522	4,703,211
Finance lease obligations	49,660	69,387
Deferred income *	583,978	-
	<b>10,711,787</b>	<b>12,149,033</b>

\*During the year ended 31 March 2013, Britannia Industries Limited received an amount of £ 605,780 towards capital subsidy for the Hajipur factory, Bihar. Out of this, an amount of £ 21,754 has been recognised as income (net off with depreciation) in the consolidated profit & loss account and the outstanding amount of £ 583,978 has been classified here

## Company

	2013	2012
	£	£
Amounts owed to group undertakings	2,236,358	2,236,358
	<b>2,236,358</b>	<b>2,236,358</b>

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

## Bank borrowings (Group)

	2013	2012
	£	£
<b>Bank Annual repayable</b>		
Within one year	42,736,884	16,469,568
Within two to five years	3,269,627	7,376,435
	<b>46,006,511</b>	<b>23,846,003</b>

## Finance lease commitments – Vehicles (Group)

	2013	2012
	£	£
<b>Annual commitments under non-cancellable finance leases expiring</b>		
Within one year	14,535	27,009
Within two to five years	49,660	69,387
	<b>64,195</b>	<b>96,396</b>

Also see note 29

## NOTES TO THE ACCOUNTS

## 11. Provisions for liabilities and charges

	Deferred tax*	Excise and sales tax	Others #	Total
At 1 April 2012	918,640	5,783,552	8,634,712	15,336,904
Foreign currency translation impact	3,740	23,544	35,151	62,435
Charged to profit and loss account	625,002	1,512,813	1,013,403	3,151,218
Utilised in year	-	744,900	(16,957)	727,943
<b>At 31 March 2013</b>	<b>1,547,382</b>	<b>8,064,809</b>	<b>9,666,309</b>	<b>19,278,500</b>

# 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  
Company

	2013 £	2012 £
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
	<b>4,995,785</b>	<b>4,995,785</b>

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 shareholders' funds

	2013	
	Group £	Company £
Profit / (loss) for the year	13,134,077	5,724,719
Dividends*	(5,775,429)	(5,775,429)
Share Premium	171,751	-
<b>Retained profit/(loss)</b>	<b>7,530,399</b>	<b>(50,710)</b>
Movement in foreign currency translation reserve	98,595	-
Share based payments	144,135	-
Actuarial (losses)/gain	(224,512)	-
Share application money pending allotment	277,636	-
Unrealized gain on current investments available for sale	429,276	-
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>8,255,529</b>	<b>(50,710)</b>
Opening shareholders' funds	34,226,617	24,292,682
<b>Closing shareholders' funds</b>	<b>42,482,146</b>	<b>24,241,972</b>

\*The board of directors of the Britannia industries Limited had declared dividend on 28 May 2012, the same was paid in the year 2012-13

## NOTES TO THE ACCOUNTS

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

## 14 Reserves Group

	Share premium £	Foreign currency translation reserve £	Other reserves £	Profit and Loss £
As at 1 April 2012	19,057,931	(1,412,903)	-	11,585,804
Addition during the year	171,751	-	-	-
Profits for the year	-	-	-	13,134,077
Foreign currency translation reserve movement	-	98,596	-	-
Dividends	-	-	-	(5,775,429)
Share based payments	-	-	-	144,135
Actuanal losses	-	-	-	(224,512)
Unrealized gain on current investments available for sale	-	-	-	429,275
<b>As at 31 March 2013</b>	<b>19,229,682</b>	<b>( 1,314,307 )</b>	<b>-</b>	<b>19,293,350</b>

- 14A. During the year ended 31 March 2013, an amount of £ 227,636 has been received as advance against 75,000 stock options exercised by Managing Director of Britannia Industries Limited. The shares were allotted on 2 April 2013. The amount has been classified as share application money pending allotment in the consolidated balance sheet.



## NOTES TO THE ACCOUNTS

## Company

	Share premium Account £	Profit and loss account £
Balance at 1 April 2012	19,057,931	238,966
Profit for the financial year		5,724,719
Dividend	-	(5,775,429)
<b>Balance at 31 March 2013</b>	<b>19,057,931</b>	<b>188,256</b>

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 £5,724,719 (Previous year £4,588,361)

## 15. Minority interest

	2013 £	2012 £
At beginning of the period	31,552,051	29,465,135
Foreign currency translation reserve	(12,068)	(3,779,407)
Retained profit for the period	14,774,571	11,204,603
Dividend received (including dividend distribution tax)	(6,035,620)	(5,338,280)
<b>At the end of the period</b>	<b>40,278,934</b>	<b>31,552,051</b>

## 16. Cash flow from operating activities

## Reconciliation of operating profit to net cash inflow from operating activities

	2013 £	2012 £
<b>Continuing operations</b>		
Operating profit	41,255,804	30,687,253
Depreciation charge (note 5)	8,860,121	7,132,591
Profit on sale of assets	(961,975)	(1,950,879)
Goodwill amortization	1,427,834	1,390,247
Increase in inventory	6,915,508	(10,239,126)
Increase in debtors	(7,938,634)	(9,722,973)
Decrease in other current assets	(420,304)	61,553
Increase in creditors	13,825,511	9,266,539
Other non-cash changes	(98,596)	3,095,096
<b>Net cash inflow from continuing operations</b>	<b>62,865,269</b>	<b>29,720,301</b>

## 17. Reconciliation of movement in net debt

	As at 1 April 2012	Cash flow	Foreign exchange fluctuation	Other non cash changes	As At 31 March 2013
Cash in hand and at bank	7,581,978	5,366,827	52,329	-	13,001,134
Debt due within one year	(16,469,568)	(26,200,270)	(67,046)	-	(42,736,884)
Debt due after one year	(7,376,435)	4,136,837	(30,029)	-	(3,269,627)
Bonus debentures	(48,992,165)	49,213,071	(220,906)	-	-
	<b>(65,256,190)</b>	<b>32,516,465</b>	<b>(265,652)</b>	<b>-</b>	<b>(33,005,377)</b>
Current asset investments	30,648,138	(16,927,495)	124,766	429,276	14,274,685
	<b>(34,608,052)</b>	<b>15,588,970</b>	<b>(140,886)</b>	<b>429,276</b>	<b>(18,730,692)</b>

## NOTES TO THE ACCOUNTS

## 18. Employees and directors

Group	12 months period ended 31 March 2013	12 months period ended 31 March 2012
<b>The average number of persons employed</b> (including executive directors)		
Management staff	782	900
Workers	3,837	3,384
	<b>4,619</b>	<b>4,284</b>

Group	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
<b>Staff costs for the group during the period</b>		
Wages and salaries	25,864,581	22,589,330
Share based payments	144,135	137,278
Other pension costs	1,257,634	992,225
Voluntary retirement scheme	12,803	1,833,240
	<b>27,279,153</b>	<b>25,552,073</b>

During the previous year, pursuant to the consent order in the writ petition no 2659/2005, before the Honorable Bombay High Court, Britannia Industries Limited had 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 were disposed off and an amount of £ 1,815,495 was paid towards the VRS.

Directors	£	£
Aggregate emoluments	759,871	959,631
Highest paid director – emoluments	496,067	690,262
Defined retirement benefit schemes	26,194	23,722
Company contributions to money pension schemes	22,983	20,089

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

Directors	£	£
Aggregate emoluments	1,500	NIL

## 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 2013 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 2013	31 March 2012	31 March 2011
Rate of increase in salaries	5%	5%	5%
Discount rate	8%	8.50%	8.25%
	LIC	LIC	LIC
Mortality rates	(94 – 96)	(94 – 96)	(94 – 96)
Average remaining service	10 years	10 years	10 years
<b>Number of employees</b>	<b>4,037</b>	<b>3,716</b>	<b>3,534</b>

## NOTES TO THE ACCOUNTS

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

	Long term rate of return expected	2013 £	Long term rate of return expected	2012 £
Equities	N/A	-	N/A	-
Government Securities	8%	1,006,145	8%	395,646
Deposits with Bank	8%	1,506,074	8%	1,679,008
Gratuity fund with LIC of India	8%	97,717	8%	400,849
Others	N/A	-	N/A	-
<b>Total market value of assets</b>		<b>2,609,936</b>		<b>2,475,503</b>
Present value of scheme liabilities		2,547,243		2,364,088
Surplus in the scheme		62,693		111,415
Related deferred tax liability		-		-
<b>Net gratuity surplus</b>		<b>62,693</b>		<b>111,415</b>

The fund assets are as per the audited financial statements of the fund for the year ended March 31, 2013 and the present value of scheme liabilities have been considered as per the actuarial valuation carried out at 31 March 2013

## Analysis of movement in fair value of planned assets

	2013 £	2012 £
Balance at the beginning of the year	2,475,503	2,896,318
New Subsidiaries Opening Balance	-	-
Foreign exchange fluctuation	15,575	(383,239)
Movement during the year		
- Expected Return on plan assets	215,924	258,054
- Contributions	223,204	165,397
- Benefits paid	(310,738)	(449,929)
- Loss on plan assets	(9,532)	(11,098)
<b>Balance at the end of the year</b>	<b>2,609,936</b>	<b>2,475,503</b>

## Analysis of the amount charged to operating profit:

	2013 £	2012 £
Current service cost	150,736	153,841
Past service cost	-	-
<b>Total Operating Charge</b>	<b>150,736</b>	<b>153,841</b>

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

	2013 £	2012 £
Expected return on pension scheme assets	(215,924)	(258,054)
Interest on pension scheme liabilities	205,701	248,355
	<b>(10,223)</b>	<b>(9,699)</b>

## NOTES TO THE ACCOUNTS

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

	2013	2012
	£	£
Actual return less expected return on pension scheme assets	(9,532)	(65,539)
Experience gains and losses arising on the scheme liabilities	(127,832)	42,969
<b>Actuarial gain/ (loss) recognised in STRGL</b>	<b>(137,364)</b>	<b>(22,570)</b>

**Movement in liability during the year:**

	2013	2012
	£	£
<b>Balance at beginning of the year</b>	<b>(111,415)</b>	<b>(67,177)</b>
<b>Movement during the year.</b>		
Current service cost	150,736	153,841
Contributions	(223,204)	(165,397)
Other finance income	(10,223)	(9,699)
Actuarial loss	137,364	22,570
Foreign currency translation difference	(5,951)	(45,553)
<b>Balance at end of the year</b>	<b>(62,693)</b>	<b>(111,415)</b>

**(ii) Compensated Absences:**

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**

	2013	2012	2011
Rate of increase in salaries	5%	5%	5%
Discount rate	8%	8.50%	8%
Mortality rate	LIC(94 – 96)	LIC (94 – 96)	LIC (94 – 96)
Average future working life	10 years	10 years	10 years
<b>Number of employees</b>	<b>3,784</b>	<b>3,394</b>	<b>3,274</b>

**Analysis of the amount charged to operating profit:**

	2013	2012
	£	£
Current service cost	89,206	93,405
<b>Total Operating Charge</b>	<b>89,206</b>	<b>93,405</b>

## NOTES TO THE ACCOUNTS

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

	2013	2012
	£	£
Expected return on pension scheme assets	-	-
Interest on pension scheme liabilities	76,367	68,627
	<b>76,367</b>	<b>68,627</b>

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

	2013	2012
	£	£
Actual Return less expected return on pension scheme assets	-	-
Experience gains and losses arising on the scheme liabilities	87,147	(1,484)
Changes in assumptions underlying the present value of the scheme liabilities	-	-
<b>Actuarial loss / (gain) recognised in STRGL</b>	<b>87,147</b>	<b>(1,484)</b>

**Movement in Liability during the year**

	2013	2012
	£	£
<b>Balance at beginning of the year</b>	<b>893,620</b>	<b>804,281</b>
<b>Movement during the year.</b>		
Current service cost	89,206	93,405
Contributions	(128,024)	(98,644)
Other finance income	76,367	68,627
Actuarial (loss) / gain	(87,147)	1,484
Foreign currency translation difference	178,026	24,467
<b>Balance at end of the year</b>	<b>1,022,048</b>	<b>893,620</b>

**(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 2013 is 97 (Previous year 94). The provision as at 31 March 2013 is £335,271 (Previous year £244,138).

## 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 2013 is 484 (Previous year 474) The provision as at 31 March 2013 is £159,532 (Previous year £120,134)

**(v) History of plan**

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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
<i>Balance sheet</i>					
Present value of scheme liabilities	2,547	2,366	2,829	2,963	2,545
Fair value of scheme assets	2,610	2,475	2,958	2,977	2,360
<b>Surplus/(deficit)</b>	<b>63</b>	<b>109</b>	<b>129</b>	<b>14</b>	<b>(185)</b>

*Experience adjustments*

	2013 [£000/%]	2012 [£000/%]
Experience adjustments on scheme liabilities [as a percentage of scheme liabilities]	5%	2%
Experience adjustments on scheme assets [as a percentage of scheme liabilities]	5%	1%

**20 Contingent liabilities and commitments**

(a) Commitments for capital expenditure not provided for £4,058,797 (Previous year £5,405,471)

(b) Contingent liabilities for

(i) Bank guarantee, letter of credit and letter of comfort for £2,717,977 (Previous year £1,287,132)

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 £5,497,727 (Previous year £3,623,752)

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 £1,467,986 (previous year £1,462,047) 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 £1,467,986 (previous year £1,462,047) 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

	2013	2012
	£	£
<b>Annual commitments under non-cancellable operating leases expiring:</b>		
Within one year	25,399	27,552
Within two to five years	101,597	98,362
After five years	19,041	41,485
	<b>146,037</b>	<b>167,399</b>

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

	2013	2012
	£	£
<b>Purchase of goods / Services</b>		
Nalanda Biscuits Company Private Limited	2,365,512	8,090,968
<b>Sale of goods /consumables and ingredients</b>		
Nalanda Biscuits Company Private Limited	191,373	42,221
<b>Conversion charges paid</b>		
Klassik Foods Private Limited	429,983	600,742
<b>Key managerial personnel</b>		
Vinita Bali	496,067	690,262
<b>Consideration received on share allotment under employee stock option scheme</b>		
Vinita Bali	174,416	-
<b>Consideration received for share application money (pending allotment) on exercise of options</b>		
Vinita Bali	277,369	-
<b>Outstanding as at year end</b>		
<b>Net receivable / (payable)</b>		
Klassik Foods Private Limited	32,703	4,825
Nalanda Biscuits Company Private Limited	111,432	170,090

## 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	50.92%	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
Bonbunder 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 Limited	India	Equity	100%	Yes	Biscuit Manufacture
Sunnse 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 (Mauntius) Private Limited	Mauntius	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
Daily Bread Gourmet Foods Private Limited	India	Equity	100%	Yes	Bakery products
Britannia Employees Medical Welfare Association Private Limited	India	Limited by guarantee	100%	Yes	Medical
Britannia Employees General Welfare Association Private Limited	India	Limited by guarantee	100%	Yes	General
Britannia Employees Educational Welfare Association Private Limited	India	Limited by guarantee	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 '13	Biscuit Manufacturer
Klassik Foods Private Limited	India	Equity	26%	March '13	Biscuit Manufacturer

## NOTES TO THE ACCOUNTS

## 24. Interest and similar items

	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
Bank loans, overdrafts and other loans repayable within five years	548,549	523,345
Finance leases and hire purchase contracts	12,112	25,332
Other interest	294,799	126,590
Interest on long term loans	315,898	378,757
Interest - redeemable non-convertible bonus debentures	3,936,004	4,052,933
	<b>5,107,362</b>	<b>5,106,957</b>

## 25. Commodity forward contracts

At 31 March 2013, the Group's has the following outstanding contracts for the purchase of raw materials, classified as held for purposes other than trading

	2013 £	2012 £
Forward commodity contracts	43,204	34,488
	<b>43,204</b>	<b>34,488</b>

## 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 2013 £	12 months period ended 31 March 2012 £
<b>Statutory external audit:</b>		
Audit of these financial statements	39,663	25,050
<b>Amounts receivable by the auditor and their associates in respect of:</b>		
Audit of financial statements of subsidiaries of the Company pursuant to legislation	93,680	67,973
	<b>133,343</b>	<b>93,023</b>
Other audit related services	21,802	20,399
	<b>155,145</b>	<b>113,422</b>

## NOTES TO THE ACCOUNTS

## 27 Income Tax expense - Group

	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
Current tax	12,980,120	9,468,087
Deferred tax	625,002	226,026
	<b>13,605,122</b>	<b>9,694,113</b>

## Analysis of current tax charge

	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
<b>Profit before tax</b>	41,513,770	30,755,627
Less Share of associates' profit before tax	(36,409)	(9,940)
<b>Effective profit before taxes for tax calculation</b>	<b>41,477,361</b>	<b>30,745,687</b>
Profit on ordinary activities before tax multiplied by standard rate in the UK 24% (previous year 26%)	9,963,308	7,999,047
<b>Effects of</b>		
Different tax rates for Indian and Singapore entities	3,527,337	1,937,981
Expenses not deductible for tax purposes	2,241,209	1,759,553
Income exempt from tax	(1,273,235)	(1,974,948)
Investment income chargeable at nil/lower tax rate	(965,602)	(383,633)
Short provision in earlier years	(512,897)	130,087
<b>Current tax charge</b>	<b>12,980,120</b>	<b>9,468,087</b>

	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
The tax charge comprises		
<b>Current tax</b>		
UK corporation tax	-	-
Double tax relief	-	-
Foreign tax (Indian & Singapore taxes)	13,305,818	9,373,238
Adjustments in respect of prior years		
UK corporation tax	(325,698)	94,849
Foreign tax	-	-
<b>Total current tax</b>	<b>12,980,120</b>	<b>9,468,087</b>
<b>Deferred tax</b>		
Origination & reversal of timing differences		
United Kingdom	-	-
Foreign tax (Indian tax)	625,002	226,026
<b>Total deferred tax</b>	<b>625,002</b>	<b>226,026</b>

## NOTES TO THE ACCOUNTS

## Deferred tax

	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
At 1 April	918,640	798,233
Foreign currency translation impact	3,740	(105,619)
Credit / (charge) to profit and loss	625,002	226,026
<b>At 31 March</b>	<b>1,547,382</b>	<b>918,640</b>
<b>Analysis of the year end deferred tax balance</b>		
Difference between accumulated depreciation and amortisation and capital allowances	4,824,288	3,972,376
Other timing differences	(3,276,906)	(3,053,736)
	<b>1,547,382</b>	<b>918,640</b>

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)

	2013 £	2012 £
<b>Creditors greater than one year</b>		
(i) Interest free loan from Government of Sultanate of Oman (facilitated by Oman development bank)	3,244,398	3,187,551
(ii) Interest bearing borrowings-Term loan from a commercial bank	-	-
	<b>3,244,398</b>	<b>3,187,551</b>
<b>Creditors less than one year</b>		
(i) Interest free loan from Government of Sultanate of Oman (facilitated by Oman development bank)	170,757	159,378
(ii) Interest bearing borrowings-Term loan from a commercial bank	-	-
	<b>170,757</b>	<b>159,378</b>
<b>Total term loans</b>	<b>3,415,155</b>	<b>3,346,929</b>

## (I) Interest free Government loan

(a) The total value of £3,415,155 (Previous year £3,346,929) 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 £ 2,682,791 (Previous year £2,512,657) plus £732,364 (Previous year £834,272) 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 £1,379,555 and £15,129,710 (Previous year £3,003,456 and £14,116,710) 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
<b>Assets at 31 March 2013</b>					
Available-for-sale Investments	-	-	-	14,274,685	14,274,685
Derivative financial Instruments	-	-	682,653	-	682,653
Current asset investments	-	-	-	-	-
Debtors	55,637,083	-	-	-	55,637,083
Cash at bank and in hand	13,001,134	-	-	-	13,001,134
<b>Assets at 31 March 2012</b>					
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

Group	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Total
<b>Liabilities at 31 March 2013</b>				
Creditors, Provision for Liabilities and Retirement benefits Liability	-	-	150,411,526	150,411,526
<b>Liabilities at 31 March 2012</b>				
Creditors, Provision for Liabilities and Retirement benefits Liability	-	-	160,700,702	160,700,702

## NOTES TO THE ACCOUNTS

## 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	27/05/2012	27/05/2011
Expiry date	26/05/2015	26/05/2014
Market price of shares at grant date	£6 40	£4 73
Exercise price	£6 40	£4 73
Number of employees	1	1
Shares under option	100,000	125,000
Vesting period (Years)	1	1
Expected volatility	22 16%	24 11%
Option life (Years)	3	3
Expected life (Years)	3	3
Risk free rate	8 08%	8 46%
Expected dividends expressed as a dividend yield	1 61%	1 66%
Fair value per option	£1 38	£1 14

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

	2013 Weighted average exercise price	2013 Number of options	2012 Weighted average exercise price	2012 Number of options
Outstanding at the beginning of the period	3 85	375,000	3 93	250,000
Granted during the period	6 40	100,000	4 73	125,000
Forfeited during the period	-	-	-	-
Exercised during the period	3 01	150,000	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	5 04	325,000	3 85	375,000
Exercisable at the end of the period	4 43	225,000	3 93	250,000

## NOTES TO THE ACCOUNTS

**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

	2013 £	2012 £
At 1 April	1,284,200	1,329,827
Opening translation difference	5,207	(175,967)
Provision for doubtful debtors	(14,194)	43,489
Exchange difference on foreign currency translation	49,401	86,851
<b>At 31 March</b>	<b>1,324,614</b>	<b>1,284,200</b>

**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 2013 (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.



## NOTES TO THE ACCOUNTS

The biscuit industry has been facing significant commodity price increases over the last few 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 2013

	Closing Exchange rate	Effect of 10% depreciation of Indian Rupee on turnover £	Effect of 10% depreciation of Indian Rupee on profits £
Indian Rupee	82.56	74,319,313	1,313,408

## 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

The biscuit industry has been facing significant commodity price increases over the last few 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.

**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.

## NOTES TO THE ACCOUNTS

**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 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 2013 and at 31 March 2012 were as follows

	2013 £	2012 £
Total Borrowings	46,070,707	72,934,564
Less Cash at banks and in hand	(13,001,134)	(7,581,978)
<b>Net Debt</b>	<b>33,069,573</b>	<b>65,352,586</b>
Total Equity	83,345,060	65,778,668
<b>Total Capital</b>	<b>116,414,633</b>	<b>131,131,254</b>
<b>Gearing Ratio</b>	<b>28.41%</b>	<b>49.84%</b>

**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 2013 is £1,234,399 (Previous year £1,152,193)

**36. Other non operating income and expense**

	12 months period ended 31 March 2013 £	12 months period ended 31 March 2012 £
Dividend income	28,827	25,393
Bank and other interest	3,539,245	3,846,594
Profit on sale of investment	1,777,453	1,107,138
Other receipts	19,803	196,206
	<b>5,365,328</b>	<b>5,175,331</b>

**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, 7<sup>th</sup> Floor, 52/54 Gracechurch Street, London EC3V 0EH. These companies are investment holding companies. The ultimate holding company is The Bombay Burmah Trading Corporation Limited, India.

NOTES TO THE ACCOUNTS

38 Dividends

	2013	2012
	£	£
Final dividends paid in respect of prior year but not recognized as liabilities in that year	5,775,429	4,621,072

The aggregate amount of dividends proposed (excluding taxes on dividend) and not recognised as liabilities as at the year end is £6,043,348 (previous year £6,006,250)