

BRITANNIA IN EVERY HEART



ANNUAL REPORT 2011 - 12
BRITANNIA INDUSTRIES LIMITED
A WADIA ENTERPRISE



AT THE HEART OF BRITANNIA

At the heart of Britannia are its employees and what they bring to work every day – the desire to get better at what they do.

At the heart of Britannia is the conviction that we impact the lives of people, creating moments of caring and sharing, the joyful vitality that embodies 'Zindagi Mein Life', through the products we make and sell.

At the heart of Britannia is CSR, and we think of it as 'Corporate Sustainable Responsibility' embedding it into our business model – from environment friendly fuels, to recycling waste, to creating public-private partnerships to address malnutrition.



HEADLINES 2011 - 12



3rd BNF Symposium - 'Making a case for all stakeholders to combat malnutrition'.

Restage of Pure Magic - Pure Crème. Pure Chocolate.



50-50 Snackuits hit the market - Snack Bhi. Baked Bhi.



NutriChoice Multigrain Thins - a low fat, low cal, non-fried healthy snack.

Health & Delight in Gourmet Cheese. 4 delicious flavours - Classic, Paprika, Lite and Herbs.



Launch of Vita Marie Honey Oats - with heart friendly oats and honey.



Healthy range of breads - Multi-Fiber, Multi-Grain, Honey Oats and Whole Wheat.



Tiger Zor Badam Milk - with 5 active nutrients.



Brand Equity Most Trusted Food Brand



National Food Safety Award



Creative-HR Practices Award



IMC Performance Excellence Trophy

A great start with Britannia Healthy Start - Oats, Porridge, Upma and Poha.



Zindagi mein Life

Britannia Annual Report 2011-12

BOARD OF DIRECTORS

CHAIRMAN :

Nusli N Wadia

MANAGING DIRECTOR :

Vinita Bali

DIRECTORS :

A K Hirjee
S S Kelkar
Avijit Deb
Nimesh N Kampani
Jeh N Wadia
Keki Dadiseth
Ajai Puri
Nasser Munjee
Ness N Wadia
Vijay L Kelkar

CHIEF FINANCIAL OFFICER :

Raju Thomas

COMPANY SECRETARY :

P Govindan

AUDITORS :

B S R & Co.
Chartered Accountants
Maruthi Info-Tech Centre,
11-12/1, Inner Ring Road, Koramangala,
Bangalore - 560 071.

BANKERS :

Bank of America N. A.
Bank of Tokyo-Mitsubishi UFJ
Citibank N. A.
HDFC Bank Limited
Indian Bank
Standard Chartered Bank
State Bank of India
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland N. V.

Registered Office : 5/1A, Hungerford Street, Kolkata – 700 017.
Executive Office : Britannia Gardens, Old Airport Road, Vimanapura, Bangalore - 560 017.

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FINANCIAL HIGHLIGHTS

| ₹ in crores | 2011-12 | 2010-11 | % Change |
|--|----------|----------|----------|
| STANDALONE | | | |
| Net Sale of Products | 4,947.04 | 4,198.32 | 18% |
| Profit from Operations | 231.91 | 186.89 | 24% |
| Shareholders' Funds | 520.04 | 451.30 | 15% |
| Capital Expenditure | 191.20 | 82.35 | 132% |
| Profit Before Tax | 252.37 | 198.06 | 27% |
| Net Profit | 186.74 | 145.29 | 29% |
| Cash Profit | 234.06 | 189.88 | 23% |
| Per Equity Share (Nominal value of ₹ 2/- each) | | | |
| Earnings (Basic) | 15.63 | 12.16 | 29% |
| Dividend | 8.50 | 6.50 | 31% |
| Dividend + Tax | 9.88 | 7.55 | 31% |
| CONSOLIDATED | | | |
| Net Sale of Products | 5,460.75 | 4,589.73 | 19% |
| Profit from Operations | 249.04 | 171.77 | 45% |
| Profit Before Tax | 266.58 | 187.15 | 42% |
| Net Profit | 199.55 | 134.35 | 49% |

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REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the Statement of Accounts for the year ended 31 March 2012.

1. FINANCIAL RESULTS

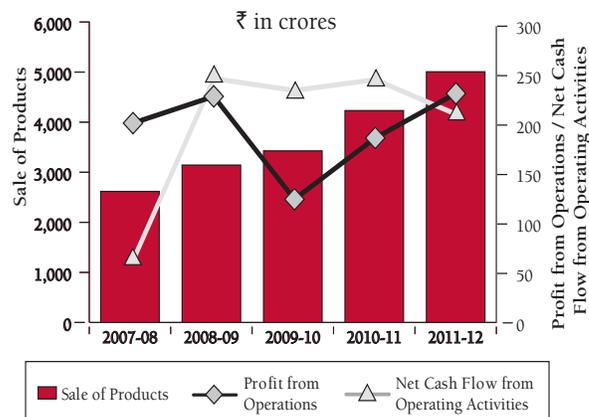
| Particulars | ₹ in crores | |
|--|---------------------------|---------------------------|
| | Year ended 31 March 12 | Year ended 31 March 11 |
| Sale of Products | 5,005.66 | 4,230.59 |
| Other Operating Revenues | 27.15 | 25.20 |
| Other Income | 58.53 | 48.92 |
| Profit from Operations (PBT before other income and finance costs) | 231.91 | 186.89 |
| Profit Before Tax | 252.37 | 198.06 |
| Less: Tax | 65.63 | 52.77 |
| Net Profit | 186.74 | 145.29 |
| Add: Profit brought forward | 185.29 | 144.77 |
| Profit available for Appropriation | 372.03 | 290.06 |
| Less: Proposed Dividend | 101.53 | 77.64 |
| Less: Tax on Proposed Dividend | 16.47 | 12.60 |
| Less: Transfer to General Reserve | 18.68 | 14.53 |
| Balance carried forward to Balance Sheet | 235.35 | 185.29 |
| Net Cash Flow from Operating Activities | 210.66 | 246.32 |

2. OVERVIEW OF COMPANY PERFORMANCE

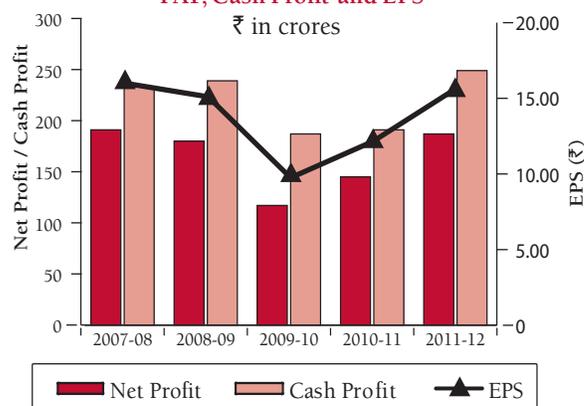
In an increasingly challenging environment and continuing commodity inflation, profit from operations increased 24.1%, from ₹ 186.89 crores to ₹ 231.91 crores. Your Company held its overall share of about one-third of the biscuit market, strengthened its position in other bakery products like bread, cake & rusk and added ₹ 775.07 crores to sale of products, which grew 18.3%. Earnings per Share of ₹ 2 were ₹ 15.63.

Trend lines of key performance parameters are shown in the tables below:

Performance Trends



PAT, Cash Profit and EPS



During the year your Company won several accolades and prestigious awards, among which are:

1. IMC Ramakrishna Bajaj Award for performance excellence for 4 factories in Delhi, Gwalior, Khopoli and Bangalore.
2. CII National Food Safety Award for Delhi factory.

Additionally, Britannia was once again rated the “Most Trusted Food Brand” by consumers across India and achieved the #1 position in the survey done by AC Nielsen for The Economic Times. Brand Britannia also entered the “Hall of Fame” for being in the top 10 most trusted brands, across all product categories, for the last decade.

Your Company continues to focus on 3 key areas to drive operational excellence – revenue management, cost management and innovation. In 2011-12, new products generated 10% of revenue in Bakery and 14% in Dairy. As in previous years, the Company’s focus on creating and delivering relevant and differentiated propositions across the portfolio of

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products continued and will be elaborated later in the section on Brands. March 2012 also marked the 25th anniversary of Good Day and several initiatives have been planned through the year to celebrate and enhance the consumer experience of one of the most iconic brands in India, with 4.5 MM packs purchased daily.

Your Company addressed its cost challenge by continuing to intensify cost effectiveness and efficiency initiatives in a special program that spans the entire value chain. Over 350 projects were taken up as part of this program in 2011-12 and covered every function and region. A structured program of continuous improvement was also undertaken in several manufacturing units, using kaizen, productive maintenance and total quality management. A separate program office has been set up to monitor these cross-functional projects on an ongoing basis, which involves a large number of employees across the organization.

To drive 'go to market' efficiencies, dairy and bakery distribution and sales were integrated to provide a higher width and depth of coverage and availability for dairy products. Technology investments were made, in the form of hand-held computers for order booking and capturing of relevant market place information.

Your Company's international business also expanded with export from India growing 36.4% and the 2 companies in the Middle East growing at 32.5%. International sales now account for ₹ 275.7 crores.

3. CONSOLIDATED FINANCIAL RESULTS

Your Company has prepared Consolidated Financial Statements in accordance with Accounting Standard 21 (AS21) issued by the Institute of Chartered Accountants of India. The Consolidated Statements reflect the results of the Company and those of its Subsidiaries and Associates. As required by Clause 32 of the Listing Agreement with the Stock Exchanges, the Audited Consolidated Financial Statements together with the Auditors Report thereon are annexed and form part of this Annual Report.

Consolidated sale of products of the Company for the year ended 31 March 2012 was ₹ 5,519.96 crores compared with ₹ 4,623.25 crores in the previous year, a growth of 19.4%.

Consolidated Net Profit for the year ended 31 March 2012 was ₹ 199.55 crores compared with ₹ 134.35 crores in the previous year, a growth of 48.5%.

| Particulars | ₹ in crores | |
|--|---------------------------|---------------------------|
| | Year ended 31 March 12 | Year ended 31 March 11 |
| Sale of Products | 5,519.96 | 4,623.25 |
| Other Operating Revenues | 24.62 | 19.65 |
| Other Income | 59.14 | 59.01 |
| Profit from Operations (PBT before other income and finance costs) | 249.04 | 171.77 |
| Profit Before Tax | 266.58 | 187.15 |
| Net Profit | 199.55 | 134.35 |

Performance of Subsidiaries is discussed below:

SUBSIDIARIES

Your Directors present herewith a broad overview of the operations and financials of Subsidiaries of your Company.

Britannia Dairy Private Limited (BDPL)

The Dairy segment saw heightened competition from both local and international players, as well as 17% milk inflation during the year. In this environment, the dairy business of your Company grew profitably by focusing on differentiated products and registered a turnover (sale of products) of ₹ 293.06 crores compared to ₹ 218.55 crores in the previous year, a growth of 34%. The business achieved net profit of ₹ 15.51 crores (after considering an amortization charge of ₹ 5.54 crores) compared to net profit of ₹ 4.22 crores (including an amortization charge of ₹ 13.04 crores) in the previous year. Your Company managed this by aggressively controlling cost, improving realization for its products and driving innovation in a very competitive market.

With more value-added products in the pipeline, your Company's dairy vision continues to be anchored in building differentiation and increasing distribution and reach for its products.

Daily Bread Gourmet Foods (India) Private Limited (Daily Bread)

Daily Bread is a manufacturer of premium gourmet bakery products, including specialty breads, cakes, pastries and cookies which it sells through its own retail stores directly to consumers. It also sells a part of its bread range through modern trade and has an institutional business too. Its operations are largely confined to Bangalore.

Daily Bread achieved a turnover (net sale of products) of ₹ 23.69 crores during the year, compared with ₹ 18.89 crores in the previous year, a growth of over 25.4%. The business is on track to be profitable in 2012-13.

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Strategic Food International Co. LLC, Dubai (SFIC)

Despite the regional upheaval in the Middle East and North Africa due to the Arab Spring, SFIC grew sales by 29.2% at AED 14.32 crores (₹ 186.28 crores) against AED 11.08 crores (₹ 134.30 crores) for the previous year. It posted a net loss of AED 0.33 crore (₹ 4.34 crores), compared to a net loss of AED 1.08 crore (₹ 13.10 crores) in the previous year. The business has seen a sharp and significant improvement in performance with an unrelenting focus on containing cost, improving the product and geographic mix and launching innovative products that have gained consumer traction, like digestive biscuits and wafers.

During the year, the Company increased its market share in the GCC region, led by the UAE and Oman. All brands have shown excellent growth, backed by significant but selective brand investment initiatives that have strengthened the Company's competitive position in all markets where it operates. The Company also started selling in Saudi Arabia and sees good prospects there for future growth.

Al Sallan Food Industries Co. SAOC (ASFI)

Sales during the year ending 31 March 2012 increased 14.7% at RO 0.86 crore (₹ 106.99 crores), compared with prior year sale of RO 0.75 crore (₹ 86.90 crores). Net Loss for the year was RO 1.31 lakhs, or ₹ 163.34 lakhs (last year loss on a comparable basis was RO 4.78 lakhs, or ₹ 564.94 lakhs). However, arising from a one-time interest waiver by The National Bank of Oman, a profit of RO 1.54 lakhs, or ₹ 181.51 lakhs was posted in the previous year.

The company makes and sells a select range of "Britannia" products at its world class facilities in Sohar, Sultanate of Oman, primarily for Middle Eastern markets. Royal Decrees and Governmental directives recently issued in Oman have resulted in a sharp increase in wages for Omani nationals (who constitute a mandatory minimum 35% of the workforce) and the Company is taking several steps to remain cost competitive.

Britannia and Associates (Mauritius) Private Ltd. (BAMPL)

BAMPL, a company formed in Mauritius and a wholly-owned subsidiary of the Company, is the holding company of Britannia and Associates (Dubai) Private Company Ltd., a Jebel Ali Free Zone offshore company, which in turn holds investments in Strategic Food International Co. LLC, Dubai, Al Sallan Food Industries Co. SAOC, Oman, and Strategic Brands Holding Co. LLC, a Jebel Ali Free Zone offshore company.

The combined revenue and loss of holding companies for the year ended 31 March 2012 was USD 0.13 crore (₹ 6.35 crores) and USD 0.02 crore (₹ 1.10

crores,) compared to USD 0.07 crore (₹ 3.35 crores) and USD 0.04 crore (₹ 2.04 crores) respectively, for the period ended 31 March 2011.

Investment Companies

M/s. Boribunder Finance and Investments Private Limited (Boribunder), M/s. Flora Investments Company Private Limited (Flora) and M/s. Gilt Edge Finance and Investments Private Limited (Gilt Edge) form the Investment subsidiaries of your Company. Boribunder is a wholly owned subsidiary of your Company.

The combined revenue and profit of the investment companies for the year ended 31 March 2012 was ₹ 0.14 crore and ₹ 0.08 crore respectively.

Further, pursuant to Section 4 of the Companies Act, 1956, the following companies engaged in manufacture of biscuits at various locations are also deemed to be subsidiaries of your Company. The revenue from operations and net profit of the said subsidiaries during 2011-12 are as under:

| Name of Subsidiary | ₹ in crores | |
|---|-------------------------|---------------------|
| | Revenue from Operations | Net Profit / (Loss) |
| International Bakery Products Ltd., Pondicherry | 15.54 | 0.16 |
| J B Mangharam Foods Private Ltd., Gwalior | 22.64 | 1.62 |
| Manna Foods Private Ltd., Madurai | 10.06 | 0.06 |
| Ganges Vally Foods Private Ltd., Hoogly | 15.52 | 0.20 |
| Sunrise Biscuit Company Private Ltd., Guwahati | 93.65 | (0.09) |

Welfare Companies

Britannia Employees General Welfare Association Private Limited, Britannia Employees Educational Welfare Association Private Limited and Britannia Employees Medical Welfare Association Private Limited are three of the other Subsidiaries of your Company. These are companies limited by guarantee, have no share capital and have been set up for general, educational and medical welfare of the employees of your Company. They are not engaged in any commercial activity.

4. DIVIDEND

The Board of Directors is pleased to recommend a dividend of 425% on the paid up equity share capital of the Company, which works out to ₹ 8.50 per share, for consideration and approval by the shareholders at the Annual General Meeting. The total payout will be ₹ 118 crores, including dividend distribution tax of ₹ 16.47 crores.

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5. BRANDS

Brands are the fountainhead of your Company's profitable growth and during the year, significant investments were made in product development, supply chain and advertising and promotion to make Britannia brands relevant and distinctive. Your Company invests a lot of time and effort in talking with consumers and crafting different, better and special products to delight and satisfy a vast array of their consumption occasions.

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

Your Company has and will continue to invest aggressively in brand building programs, including the capability for establishing a continuous pipeline of innovations and renovations. Your Company has also collaborated with reputed academic institutions and other companies to complement its efforts and build strong platforms for sustained and significant product categories and businesses.

Your Company is committed to building a competitive edge at the front-end, driving effectiveness by using technology powerfully and is the only food company that has introduced a 'Hand-Held' device for its sales people to book orders, enabling the capture of real time and accurate information to service demand with speed and precision.

6. SUPPLY CHAIN AND MANUFACTURING OPERATIONS

The focus here continues to be on reducing complexity, improving stock replenishment at depots and distributors and reducing total cost to deliver. Capacity has been added in several existing manufacturing units and 2 new Greenfield units in Hajipur, Bihar and Khurda, Orissa were completed and commissioned towards the end of the year. Additionally, technology innovations that increase manufacturing productivity have been implemented in several units and will be rolled out where relevant.

New tools are being introduced to deal with reducing the network complexity of manufacturing units and depots across the range of product lines, thereby improving availability at optimal cost. Your Company has, where relevant, created operational synergies through combining the sales, distribution

and replenishment structure and infrastructure for domestic Bakery and Dairy.

Procurement processes have been reinforced to ensure greater competitiveness and transparency in price discovery, through the use of e-platforms.

7. QUALITY STANDARDS

The importance on comprehensively addressing quality right through the value-chain has been encompassed in a new program in the Company – 'Q-Next' where the emphasis is to continually raise standards of quality, not just in products and packs but also processes and systems.

To maintain sustained focus on all operational excellence programs, a new function for Manufacturing Excellence has been set up to drive various initiatives like Total Productive Maintenance (TPM), Total Quality Management (TQM) and ongoing improvements through a well-structured Kaizen program.

As mentioned earlier, 4 manufacturing units were given the prestigious IMC Ramakrishna Bajaj National Performance Excellence Award in the manufacturing category. The Corporate Office at Bangalore also received an award, the requirements of which are based on the Malcolm Baldrige Award for Business Excellence in the USA.

Additionally, the Delhi factory received the National Food Safety Award and the Gwalior factory a commendation certificate from the Confederation of Indian Industries. To strengthen the Company's capability for exports to the EU, both these factories have also been certified for BRC (British Retail Consortium) standards.

8. INFORMATION TECHNOLOGY

The relevant and smart application of Information Technology enables your Company to improve operational efficiencies and decision effectiveness. During 2011-12 your Company implemented a Product Lifecycle Management (PLM) system to enhance the productivity of its Research and Development processes. A Supplier Portal was also created to effectively manage procurement operations.

To address the security aspects of information technology systems, your Company deployed Network Security appliances and implemented redundancy in the MPLS network system to ensure high availability of IT systems across all its manufacturing and distribution locations.

A project has also been initiated to transform and integrate supply chain processes using an IT solution to enable dynamic demand planning and effectively address challenges in managing the supply chain.

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9. ENVIRONMENT AND SAFETY

Energy conservation and the use of clean fuels continue to be a priority area for your Company. Following a successful pilot test at one unit, a new design oven, to conserve energy requirements, was commissioned in other units.

The use of environment friendly fuels like propane, LPG, PNG and biomass for baking purposes has been extended wherever such fuels are available. Creation of multi-fuel flexibility has led to a significant shift towards use of cleaner fuels and more such opportunities will be harnessed in future. Additionally, a pilot test is in progress to use polymer fuel made from recycled plastic. The endeavor is to continually look for opportunities to shift to clean fuels and conserve energy.

In the spirit of reducing waste and encouraging recycling, a wet waste composting facility has been set up at the Bangalore Office, in collaboration with a local NGO and a Waste Management System has been implemented that fully recycles both the dry and wet waste. The plan is to extend this to other office locations and factories, for which a pilot is already under way at a contract packing unit in Bangalore.

As part of its overall safety initiatives, your Company has implemented several safety measures at all its offices, mainly in terms of:

- An Emergency Preparedness Plan at the Corporate Office
- Safety Audits as per National Building Code for all Regional Offices
- Installation of Safety and Security systems (Fire Alarms, Access Control and Surveillance Systems) at regional offices
- Fire fighting mock drills in most locations.

Your Company is committed to being an environmentally responsible company and ensuring the health and safety of all its employees, contractors and visitors at the workplace. In line with this objective and to create a "Zero Accident" culture, all its factories and joint ventures will be OHSAS 18001 (Health and Safety Systems) certified during the next two years in a phased manner, the work for which has already begun.

Your Company is benchmarking its occupational health and safety performance indicators across all manufacturing locations to identify, monitor, record and adopt best practices in its operations. Its approach to safety and health in the workplace is an essential part of its value proposition for employees and several health and safety initiatives are undertaken on an ongoing basis.

As part of OHSAS certification, GAP assessment on occupational health and safety has been undertaken by Lloyd's Register Quality Assurance Ltd. (LRQA) at the Company's factories in Delhi and Rudrapur and at Super Snacks, a contract packer.

10. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company believes that the best way to be socially responsible on a sustainable basis is to embed that into its business model. It, therefore, approaches CSR as Corporate Sustainable Responsibility and is focusing on 2 areas – food based solutions to increasing nutrition and energy conservation, which includes waste management, elaborated earlier in the note.

Its health and nutrition efforts embody the removal of unhealthy ingredients like trans fats from its biscuit recipes and the addition of micro-nutrients (vitamins and minerals) to almost 60% of the volume it sells through brands like Tiger Glucose, Marie, Vita MarieGold, Milk Bikis, Britannia Bread, Tiger Chocolate and Badaam Milk.

Your Company has also pioneered relevant products to address specific health concerns like diabetes, which is fairly prevalent in India and was the first to bring to market, energy-snacks, with a low glycemic index specially created for people with diabetes – Nutrichoice Diabetic Friendly Essentials. Last year, your Company added to the portfolio a savory, multi-grain roasted snack, Roasty, also with a low glycemic index.

As you are aware, Indians, especially children and women, suffer from wide spread micronutrient deficiency – the most notable being Iron Deficiency Anaemia which affects almost 60% of school going children. Your Company has specially formulated iron-enriched biscuits that can supplement the main, hot meal that is given to children in school. The biscuit becomes an acceptable and welcome 'carrier' for iron supplementation. This initiative is executed through a range of partnerships with several NGOs and supply of iron-enriched biscuits to government schools in several states.

During 2011-12, your Company partnered with the Karnataka Nutrition Mission and adopted 2 villages to comprehensively address health and nutrition concerns of children, adolescent girls, pregnant and lactating women. The work involves a baseline understanding of the relevant nutrition and health parameters, creating awareness among women of good health and hygiene practices, educating them on the need for adequate food and nutrition for themselves and their families, supplementing their diet with micronutrients using biscuits as the carrier for these and measuring the health and nutrition indicators over a period of time.

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Your Company continues to pursue relevant partnerships with key organizations in Nutrition like GAIN (Global Alliance for Improved Nutrition), UNWFP (United Nations World Food Program), WBI (World Bank Institute), CGI (Clinton Global Initiative), etc.

As mentioned in previous reports, the “Britannia Nutrition Foundation” was set up with the belief that every child in India has the right to growth and development through good food – every day. The work of the Foundation is in three core areas – disseminating scientific knowledge in the area of nutrition, building awareness of the massive malnutrition challenge and its solutions and creating a platform for multi-sectoral dialog and informed action. The Foundation does this through an annual symposium during the National Nutrition Week in the 1st week of September, each year. The topic of the symposium on 2nd September 2011 in New Delhi was, “Making a case for all stakeholders to come together to combat malnutrition”. The Symposium had 18 international and national speakers of eminence from the scientific and medical fraternities, the development sector and the Government. The Symposium shared success stories from other countries in combating malnutrition along with scientific advancements in the area. The final session was a panel discussion, televised on a leading national news channel and included an eclectic mix of participants from the nutrition, policy making, corporate and communication sectors, in addition to participation from the audience, several of whom are members of civil society networks and work in the development sector on issues relating to health and nutrition. For the first time, student papers were invited and awards given for new thinking. The jury for these awards was drawn from the academic and scientific community focusing on nutrition.

Your Company also sponsored and participated in health and nutrition seminars to further the cause of awareness building. Some of them are:

- International Life Sciences Seminar, New Delhi, April 2011
- Functional Foods and Beverages Seminar, Mumbai, July 2011
- India Diabetes Summit, New Delhi, August 2011
- 56th Annual National Conference of IPHA (Indian Public Health Association), Cochin, February 2012
- PFNDAI seminar on Carbohydrates for a Healthy Future, Mumbai, February 2012
- International Symposium on Access@Base of Pyramid, February 2012

11. PENSION

The proceedings in the suit filed by the Pensioners Welfare Association (the Association) in the Hon'ble Court of City Civil and Sessions Judge, Bangalore, are in progress.

The deeds of variation filed by the Company's Pension Funds with the CIT, Kolkata, pursuant to the orders passed by CBDT in March 2011, are pending as the Hon'ble High Courts of Madras and Calcutta have restrained the CIT from passing any orders till disposal of the petitions filed by some pensioners and the Association.

These and related matters have been dealt with in Note No. 29 to the Accounts, which are self-explanatory.

12. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation, technology absorption, foreign exchange earnings and outgoings in accordance with the provisions of clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988, are given as Annexure 'A' to this Report.

13. CORPORATE GOVERNANCE

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on corporate governance along with the Auditors' Certificate on its compliance is attached to this Report.

14. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Keki Dadiseth, Mr. Avijit Deb, Mr. Nimesh N Kampani and Mr. S S Kelkar, Directors, retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

15. PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Act, the report and accounts are being sent, excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy thereof.

16. EMPLOYEE STOCK OPTION SCHEME (ESOS)

Requisite disclosure in respect of the Employee

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Stock Option Scheme in terms of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines 1999 has been provided in Annexure 'B' to this Report.

17. WADIA BRAND EQUITY & BUSINESS PROMOTION AND SHARED SERVICES AGREEMENT

The Wadia Group has several companies in diverse sectors like the airlines, food, textiles, chemicals etc. and employs various subject matter experts in areas such as Legal, Finance, Information Technology, Treasury, Taxation, Human Resources, Procurement, Risk Management etc. With a view to maximizing the efficiency and effectiveness of these specialized resources, a formal structure has been created under Nowrosjee Wadia & Sons Limited (NWS) to serve the common interests of all the Group Companies. The combined skills, knowledge and expertise of this structure will benefit all the Group Companies availing of this arrangement.

In order to formalize this structure of common services and avail of the standing of the Wadia Group Brand, the Board of your Company, during the year, approved an Agreement between NWS and your Company to enter into the 'Wadia Brand Equity & Business Promotion and Shared Services Scheme'.

18. COST AUDIT

The Ministry of Corporate Affairs (MCA) – Cost Audit Branch, Government of India, in terms of its Order Ref: File No. 52/26/CAB-2010 dated January 24, 2012, has directed that a company to which the Companies (Cost Accounting Records) Rules, 2011 apply and which are engaged in the production or manufacture inter alia of packaged food products falling within Chapters 2 to 25 (except Chapters 5, 6, 14, 23 and 24) of Central Excise Tariff Act, 1985 and whose aggregate value of the turnover made from sale or supply of all its products / activities during the immediately preceding financial year exceeds ₹ 100 crores; or whose equity or debt securities are listed on any stock exchange, is required to get its cost accounting records in respect of each of its financial year commencing on or after 1 April 2012, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

This Order applies to your Company as it manufactures packaged food products falling within Chapter 19 of the Central Excise Tariff Act, 1985. The Company is accordingly required to get its cost

accounting records in respect of the financial year commencing from 1 April 2012, audited by a cost auditor. The Company has already initiated action for complying with the aforesaid Order.

19. AUDITORS

M/s. B S R & Co. retire in accordance with the provisions of the Companies Act, 1956. They have indicated their willingness to continue in office and are recommended for re-appointment as the Company's Auditors for the ensuing year.

20. DIRECTORS' RESPONSIBILITY

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors, based on representations from the Operating Management, confirm that:

- (a) In the preparation of annual accounts, the applicable Accounting Standards have been followed and there are no material departures;
- (b) They have, in selection of the accounting policies, consulted the statutory auditors and applied these policies consistently, making judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on 31 March 2012 and of the profit of the Company for the year ended 31 March 2012;
- (c) They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) They have prepared the annual accounts on a going concern basis.

21. ACKNOWLEDGEMENTS

The Directors would like to thank all stakeholders, namely, customers, shareholders, dealers, suppliers, bankers, employees and all other business associates for the continuous support given by them to the Company and its management.

On behalf of the Board

Mumbai
28 May 2012

Nusli N Wadia
Chairman

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ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report for the year ended 31 March 2012.

A. CONSERVATION OF ENERGY

(a) Some of the energy conservation measures undertaken during 2011-12 are:

- (i) New design oven using a different heating system successfully commissioned at one unit, resulting in significantly reducing energy consumption.
- (ii) Installation of pre-heating mechanisms to reduce fuel and power usage.
- (iii) Installation of energy efficient motors in turbulence fans of ovens and Variable Frequency Drives (VFDs) in dough tilters at Uttarakhand factory to save power consumption.
- (iv) Usage of fuel catalyst in DG sets of Delhi factory to improve the combustion efficiency.
- (v) Replacement of reciprocating compressors in the chilling units by energy efficient screw compressors at Delhi factory.
- (vi) Replacement of inefficient motors in circulating fans of baking ovens and root blowers of the ETP by energy efficient motors to conserve energy, at Delhi factory.
- (vii) Use of pre-heated secondary air in the APV line at Kolkata factory to substantially reduce fuel consumption in the oven.

(b) Additional Investments and proposals, if any, being implemented for reducing energy consumption:

Your Company has already implemented the initiatives stated above and will extend and expand them wherever applicable. Additional investment of ₹ 7.5 crores has been planned for 2012-13 in various projects related to further reduction in energy consumption.

(c) Impact of measures at (a) and (b) above:

In spite of a significant increase in fuel and energy costs and a shift in the product mix in our factories towards products which consume more energy per tonne of biscuits produced, both electricity and baking fuel consumptions were maintained with a marginal increase.

Form 'A'

Form of disclosure of particulars with respect to conservation of energy:

| For the year ended | 31 March 2012 | 31 March 2011 |
|---|------------------|------------------|
| ELECTRICITY | | |
| (a) Purchased (gwh) | 13.47 | 11.67 |
| Total amount (₹ crores) | 7.53 | 5.78 |
| Rate / Unit (₹/kwh) (1gwh = 1,000,000 kwh) | 5.59 | 4.95 |
| (b) Own generation | | |
| (i) Through diesel generator (gwh) | 1.56 | 2.27 |
| Unit per litre of diesel oil (kwh/Litre) | 3.19 | 3.10 |
| Cost / Unit (₹/kwh) (1gwh = 1,000,000 kwh) | 11.45 | 10.73 |
| (ii) Through steam turbine / generator | | |
| Units (KL) | Nil | Nil |
| Unit per litre of fuel oil / gas | Nil | Nil |
| Cost / Unit (₹/KL) | Nil | Nil |
| (iii) Others / Internal generation (Baking fuel consumption) * | | |
| Quantity (Billion cal) | 64,587 | 56,839 |
| Total Cost (₹ crores) | 28.3 | 20.4 |
| Rate / Unit (₹/Billion cal) | 4,386 | 3,593 |
| Consumption per unit of production | | |
| Bakery products | | |
| Biscuits (MT) | 126,008 | 119,452 |
| Electricity (kwh/MT) ** | 119 | 117 |
| Baking Fuel (Billion cal/MT) ** | 0.51 | 0.48 |

* Different baking fuels like furnace oil, piped natural gas, coal gas and HSD are used at the factories.

** Of Equivalent Production.

The rate per unit of electricity purchased was higher at ₹ 5.59 per kwh, compared with ₹ 4.95 per kwh in the previous year, due to increase in rate per unit of Electricity.

The increase in cost per unit of own generation as well as the rate per unit of baking fuel is due to the increase in cost of HSD and other fuels used for baking.

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Consumption of energy per tonne of biscuit produced has marginally increased in our own factories because of a higher proportion of premium varieties in the product-mix, which consume more fuel and electricity per tonne of production.

Your Company set up a Greenfield unit at Hajipur, Bihar where consumption of fuel was higher than the normative standard, during commissioning, trials and stabilization of the varieties produced there.

Technology absorption, adaptation and innovation

(a) Efforts in brief made towards absorption, adaptation and innovation:

Various actions were initiated for upgradation of technology and automation in specific areas:

- New pre-heating technology in the baking process for producing certain varieties of biscuits. This has significantly improved productivity in the units.
- Direct transfer of flour from the flour mill to the factory through pipe lines, has been implemented in International Bakery Products Ltd., Pondicherry.
- Technology initiatives like continuous mixing, commissioning of the new design oven and installation of high speed Packing Machines have been implemented in the Greenfield unit at Orissa.

Final specifications related to patents filed were submitted for the following innovation technologies:

- (i) Improved method and apparatus for dividing viscous flowable material.
- (ii) Improved baking system for the pre-baking process.

(b) Benefits derived as a result of the above:

The above initiatives resulted in improved productivity, reduction of wastages, better energy utilization, process improvements and enhanced product quality.

(c) Details of imported technology:

- (i) Technology imported : Infra-red heating elements.
- (ii) Year of import : 2011.
- (iii) Has the technology been fully absorbed? : Yes, implemented on several varieties, as per plan.
- (iv) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action : Not applicable.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

Details of efforts made in technology absorption are:

1. Core areas of Research by the Company:

- (i) Creation of a savory range of bagged snacks using new ingredients and pack formats for NutriChoice Thins, Roasty and 50:50 Snackuits.
- (ii) Continuous interaction and partnership with institutions and subject matter experts to derive improvements in ingredients, process technologies and cost-effective solutions.
- (iii) Continuous research in the area of nutrition, analytical techniques, ingredients, packaging materials, process technology and food safety.

2. Benefits delivered as a result of above R&D initiatives:

- (i) New products launched:
 - 50-50 Snackuits and NutriChoice Thins
 - Britannia Healthy Start Oats
 - Range of Britannia Healthy Breads
 - Pure Magic Cream Biscuits
 - Honey and Oats Marie Biscuits
 - NutriChoice Roasty – Roasted Savory Snacks
 - Tiger Zor Chocolate and Tiger Zor Badaam Milk – Dairy Beverages fortified with micro-nutrients.
- (ii) Improved product experience for existing brands:
 - Britannia rusk
 - Orange Cream, Pineapple Cream, Mango Cream and Strawberry Cream biscuits
 - Good Day Chocochip and Choconut
 - Good Day – Fresh Bake Butterscotch and Chocolate Cookies
- (iii) Packaging upgradation for differentiation and serving different consumption occasions and consumer segments:
 - Introduction of ‘Cannisters’ in place of ‘Composite cans’ for Pure Magic.
 - Rectangular jars for dispensing ‘on the go’ packs.
 - Differentiated promotional offerings in Treat range through ‘Twist packs’.
 - Refrigerated retail merchandising units for dairy.

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3. Future plan of action:

In keeping with its belief, your Company will continue to focus on technology-led innovations to create different, better and special products. It will:

- (i) Focus on technological solutions to introduce new products with new benefits and upgrade existing offerings.
- (ii) Provide value through differentiated product / pack propositions and cutting edge technologies.
- (iii) Explore new ingredients, processes and technologies to create new propositions and taste experiences.

4. Expenditure on R&D

| | ₹ in crores |
|---|--------------------|
| | <u>31 March 12</u> |
| Capital | 1.34 |
| Recurring | 5.16 |
| Total | 6.50 |
| Total R&D expenditure as a % of turnover (sale of products) | 0.13% |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports:

- (i) The Company actively pursued and secured new export markets for its core products.
- (ii) Total foreign exchange used and earned:

| | ₹ in crores |
|-------------------------|--------------------|
| | <u>31 March 12</u> |
| Foreign exchange used * | 58.89 |
| Foreign exchange earned | 70.89 |

* Foreign exchange used for dividend, import of raw materials & capital goods and other expenses.

On behalf of the Board

Mumbai
28 May 2012

Nusli N Wadia
Chairman

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ANNEXURE 'B' TO THE DIRECTORS' REPORT

Disclosure pursuant to the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

| Particulars | | | | | | | | | | | | | |
|--|--|---------------|-----------------------------------|-------------------------|----------|-------------------------|----------|-------------------------|------------|-------------------------|----------|--|----------|
| (a) Options granted | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; border-bottom: 1px solid black;">No. of Options</th> </tr> </thead> <tbody> <tr> <td>Financial Year: 2008-09</td> <td style="text-align: right;">75,000 *</td> </tr> <tr> <td>Financial Year: 2009-10</td> <td style="text-align: right;">75,000 *</td> </tr> <tr> <td>Financial Year: 2010-11</td> <td style="text-align: right;">1,00,000 *</td> </tr> <tr> <td>Financial Year: 2011-12</td> <td style="text-align: right;">1,25,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">3,75,000</td> </tr> </tbody> </table> <p>* Adjusted number of options consequent upon sub-division of the equity shares on and from 9 September 2010.</p> | | No. of Options | Financial Year: 2008-09 | 75,000 * | Financial Year: 2009-10 | 75,000 * | Financial Year: 2010-11 | 1,00,000 * | Financial Year: 2011-12 | 1,25,000 | | 3,75,000 |
| | No. of Options | | | | | | | | | | | | |
| Financial Year: 2008-09 | 75,000 * | | | | | | | | | | | | |
| Financial Year: 2009-10 | 75,000 * | | | | | | | | | | | | |
| Financial Year: 2010-11 | 1,00,000 * | | | | | | | | | | | | |
| Financial Year: 2011-12 | 1,25,000 | | | | | | | | | | | | |
| | 3,75,000 | | | | | | | | | | | | |
| (b) The pricing formula | <p>The exercise price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing market price on the stock exchange having highest trading volume, prior to the date of the meeting of the Board of Directors or Remuneration / Compensation Committee in which options were granted.</p> <p>Accordingly the options were granted at an exercise price of ₹ 1,125.30, ₹ 1,698.15, ₹ 1,668.55 and ₹ 391.75 being the closing market price on the previous date of grant, i.e. 28 October 2008, 26 May 2009, 26 May 2010 and 26 May 2011 respectively for the grants made on 29 October 2008, 27 May 2009, 27 May 2010 and 27 May 2011.</p> <p>The prices relating to the options granted on 29 October 2008 and 27 May 2009 were adjusted downwards by ₹170, being the face value of bonus debenture, issued as per Scheme of Arrangement approved by Hon'ble High Court of Calcutta by its order dated 11 February 2010.</p> <p>Consequent upon the sub-division of equity shares on and from 9 September 2010, the exercise prices were further adjusted as under:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 40%;">Date of Grant</th> <th style="text-align: right;">Adjusted Exercise Price (₹/share)</th> </tr> </thead> <tbody> <tr> <td>29.10.2008</td> <td style="text-align: right;">191.06</td> </tr> <tr> <td>27.05.2009</td> <td style="text-align: right;">305.63</td> </tr> <tr> <td>27.05.2010</td> <td style="text-align: right;">333.71</td> </tr> </tbody> </table> | Date of Grant | Adjusted Exercise Price (₹/share) | 29.10.2008 | 191.06 | 27.05.2009 | 305.63 | 27.05.2010 | 333.71 | | | | |
| Date of Grant | Adjusted Exercise Price (₹/share) | | | | | | | | | | | | |
| 29.10.2008 | 191.06 | | | | | | | | | | | | |
| 27.05.2009 | 305.63 | | | | | | | | | | | | |
| 27.05.2010 | 333.71 | | | | | | | | | | | | |
| (c) Options vested (as at 31 March 2012) | <p>2,50,000 Options.</p> <p>Options vest 1 year after date of grant of options.</p> <p>First lot of 75,000 options which were granted on 29 October 2008 vested on 29 October 2009, the second lot of 75,000 options which were granted on 27 May 2009 vested on 27 May 2010 and the third lot of 1,00,000 options which were granted on 27 May 2010 vested on 27 May 2011 while the fourth lot of 1,25,000 options which were granted on 27 May 2011 are due for vesting in the next financial year (i.e. 27 May 2012).</p> | | | | | | | | | | | | |
| (d) Options exercised (as at 31 March 2012) | Nil | | | | | | | | | | | | |
| (e) The total number of shares arising as a result of exercise of option | Nil | | | | | | | | | | | | |

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| | |
|---|--|
| (f) Options lapsed | NA |
| (g) Variation of terms of options | NA |
| (h) Money realized by exercise of options | NA |
| (i) Total number of options in force | 3,75,000 options. |
| (j) Employee wise details of options granted to: | |
| (i) Senior managerial personnel | 3,75,000 options granted to the Managing Director, Ms. Vinita Bali. |
| (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year | NA |
| (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | NA |
| (k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20 (AS20) "Earnings Per Share" | ₹ 15.62 |
| (l) Employee compensation cost: | |
| (i) Method of calculating employee Compensation cost | The Company has calculated the employee compensation cost using the intrinsic value method of accounting for the Options granted under the Scheme. |
| (ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options | ₹ 1.14 crores. |
| (iii) The impact of this difference on the profits and on EPS of the Company | Had the Company considered 'fair value' method then the additional employee compensation cost would be ₹ 1.14 crores. The profit before tax and EPS would be lower by ₹ 1.14 crores and ₹ 0.09 respectively. |
| (m) Weighted-average exercise price and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock. [Also refer point (b)] | Weighted average Exercise Price for the options granted during the year: ₹ 318.91 Weighted average Fair Value of Option : ₹ 94.21 per option. |
| (n) Description of method and significant assumptions used during the year to estimate the fair values of options: | Black-Scholes model. |
| (i) Risk-free interest rate | 8.46 % |
| (ii) Expected life of options | 3 years |
| (iii) Expected volatility | 24.11 % |
| (iv) Expected dividends | 325% of face value of share. |
| (v) Market price (latest available closing price prior to the date of the meeting of the Board for grant) | ₹ 1,125.30, ₹ 1,698.15, ₹ 1,668.55 and ₹ 391.75 as on 28 October 2008, 26 May 2009, 26 May 2010 and 26 May 2011 respectively. |

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AUDITORS' CERTIFICATE

To the Board of Directors of Britannia Industries Limited

We have examined the records and documents maintained by Britannia Industries Limited ('the Company') and based on the information and explanations given to us and to the best of our knowledge and belief, we confirm that the Employee Stock Option Scheme approved by the Company at its Annual General Meeting held on 28 July 2008 have been implemented in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended up to Circular No. SEBI/CFD/DIL/ESOP/5/2009/03/09 dated 3 September 2009 ('the Guidelines') and in accordance with the terms of the aforesaid resolutions passed by the Company.

The certificate is issued on the request of the management of the Company and is solely for the purposes as stated in clause 14 of the Guidelines. This certificate is not intended to be and should not be used for any other purpose.

for B S R & Co.

Chartered Accountants

Firm registration number: 101248W

Natrajh Ramakrishna

Partner

Membership number: 32815

Place: Mumbai

Date : 28 May 2012

MANAGEMENT DISCUSSION AND ANALYSIS

A) INDUSTRY STRUCTURE AND DEVELOPMENT

Bakery

Your Company's Bakery business comprises biscuits, bread, cake and rusk and the market growth across these categories has been 15-18%. In biscuits, Britannia brands have about one-third share and in all other categories Britannia is the only national player.

In the domestic market, competitive intensity in both Bakery and Dairy will continue to increase as more players, both multinational and local companies, compete for a greater share of the large and growing packaged food segment, of which biscuits account for the highest share. We expect growth to be driven through heavy investment in advertising & promotions as well as infrastructure investments to build scale and support new introductions, both in the premium and discount segments.

The attractiveness for consumers to migrate to branded, packaged food will provide the tailwind for market growth and this will be evident throughout the country – in maha metros and mini metros, in emerging towns and cities as well as rural India. Even with a relative slowdown in the economy – GDP growth between 6.5-7% in 2012-13, that will reduce disposable income and discretionary spending, we expect the market to grow 12-15%, with differential rates of growth across geographies and categories. Your Company is well positioned to participate in this growth and the challenge will be to do so, profitably.

Dairy

India is both the world's largest producer and consumer of dairy products. Total size of the dairy market is ₹ 234,600 crores, growing at 5% and dominated by increasing consumption and sale of milk. The market that converts milk to value-added products like dahi, yoghurt, cheese and dairy based beverages is growing strongly, albeit from a narrow and small base of around ₹ 11,000 crores.

Upgradation from unbranded and loose products to packaged milk and milk products, at accessible prices and price-points, as well as the emergence of higher value niches, anchored on superior differentiation will be the leading growth vectors. Competition in value added dairy will intensify as more players enter the market supported by significant brand and infrastructure investment.

B) BUSINESS STRATEGY

The major challenges around which we have based our strategic priorities, include the ability to handle greater competitive intensity; non-secular growth that calls for a careful choice on which geographies, consumer segments and product categories to participate in; and the uncertainty in commodity prices that for imported products like palm oil are further exacerbated by a weakening rupee.

Bakery

Your Company's key priority is to generate profitable growth, anchored by the 3 priorities of revenue management, cost management and innovation, under-pinned by a drive towards operational excellence and capability enhancement right through the system.

Revenue management comprises a greater thrust on better understanding consumer needs and commercializing them profitably through the design and delivery of our products. Building leadership economics will be the thrust of cost management both in terms of cost efficiency and effectiveness, right through the value-chain. Innovation involves the creation of new value through new product and benefit propositions as well as through the application of technology to processes and systems.

Marketing and sales effectiveness will focus on extracting the maximum out of our investment in brands and in their advertising, promotions and display at point of sale. Towards this goal of extracting the maximum sale, significant investments have been made in the diffusion of information technology and ongoing training for the sales people. 'Go to market' synergies have also been created through the integration of the bakery and dairy sales and distribution system, to present 'One Face of Britannia' to our customers. And in order to create impact at points of purchase, your Company has invested in building a competitive edge in merchandising capabilities by training a dedicated merchandising team, equipped to create a 'Britannia World' in stores and on shelves.

Your Company has implemented several initiatives to strengthen its supply chain capabilities – from procurement to logistics and including manufacturing and distribution. The manufacturing and depot footprints are being aligned to reduce distance to market, in line with our distributed

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manufacturing units. New investments in capacity creation and capability to handle a distinctive and differentiated range of products are being made in Greenfield units that will lead to greater ownership of manufacturing capacity by your Company. This will lead to significantly higher capital investments over the next few years as new Greenfield units are created, owned and operated by Britannia.

Dairy

The Dairy strategy builds on the business momentum created in the last year of growing differentiated dairy products, extracting benefits from an integrated sales and distribution system and diversified sourcing. To drive this harder, the focus on understanding consumers and meeting their needs will be enhanced to create and sustain higher levels of purchase and consumption.

Your Company has implemented several initiatives in all areas of operations to create an efficient and robust supply chain and build cold chain capabilities to enhance sales and service to the trade and final consumers.

Britannia Nutrition Foundation will continue to work on initiatives related to malnutrition in children and women and will partner with the government, NGOs etc., to pilot and scale up successful initiatives.

C) SEGMENT INFORMATION

The primary business segment of the Company is Foods comprising (i) bakery products – biscuit, bread, cake & rusk, and (ii) dairy products – milk, butter, cheese, ghee, dahi, milk-based ready to drink beverages and dairy whitener.

D) OUTLOOK

As mentioned earlier, in the domestic market, your Company expects the growth momentum in branded, packaged foods to continue, with a relative slow down in the rate of growth – 12-15%, in the near term. Profitable growth will also be challenged by the volatility and uncertainty in commodity prices, together with the inflationary impact of a weaker currency for imported products like palm oil and fuel, as well as laminates that are linked to the price of crude. Simultaneously, the growing demand for packaged, branded products at affordable and accessible price points will fuel consumption and attract new players to the market, both local and multinational companies. To win in this competitive environment, calls for a combination of brands and packages that are relevant and distinctive and therefore preferred and purchased by consumers.

The focus in both bakery and dairy is to strengthen the differentiated products where your Company has a relative advantage, through renovations that offer

a superior experience, innovations that create new benefit and consumption propositions and effective cost management through the value-chain that generates profitable growth. The business of your Company is its brands and the consumer insight that drives their creation and commercialization is a competitive advantage. All investments, therefore, at the front-end of the business and in the infrastructure that supports this will be led by the opportunities for increasing purchase and consumption across consumer and geographic segments.

International markets present an opportunity to segment and channel resources to generate profitable growth and the identification and selection of geographies is critical. Your Company's focus areas continue to be the large and growing Middle East markets, with their own manufacturing base in Dubai and Oman, and North America. Additionally, your Company will pursue opportunistic sales where the economics are favorable.

E) FINANCIAL AND OPERATIONAL PERFORMANCE

Sale of products in the domestic market for bakery products and exports from India (which is the standalone performance for your Company), increased 18.3% – from ₹ 4,230.59 crores last year to ₹ 5,005.66 crores in 2011-12. PAT grew 28.5% – from ₹ 145.29 crores to ₹ 186.74 crores.

The key financials are as under:

| | ₹ in crores | |
|-------------------|-------------|----------|
| | 2011-12 | 2010-11 |
| Sale of Products | 5,005.66 | 4,230.59 |
| Total Expenditure | 4,780.35 | 4,074.38 |
| Profit Before Tax | 252.37 | 198.06 |
| Income Tax | 65.63 | 52.77 |
| Net Profit | 186.74 | 145.29 |

F) OPPORTUNITIES AND THREATS

Opportunities in India stem from the consumption appetite of a large and growing consumer base across all socio-economic groups that aspire to better quality standards and greater variety to satisfy their needs. Branded and packaged food is ideally suited for both in-home and out of home consumption, driven by segmenting consumption opportunities across a diverse and heterogeneous set of consumers. Added to that is the fact that only 9% of food consumed in India is packaged and branded, thereby creating a large opportunity for growth.

In an almost paradoxical situation, the pursuit of these large consumption opportunities and the migration from unbranded and loose products to branded and packaged food is often undertaken competitively by discounting categories that erode

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the overall profit pool. In this context, the emphasis on cost management and differentiation becomes critical to drive profitable growth. And that is the path your Company will pursue.

G) RISKS AND CONCERNS

The major risk and concern areas are related to driving profitable and high double-digit growth in an environment of slower economic and disposable income growth, uncertainty and volatility of commodity prices and greater competitiveness that could increase the cost of doing business.

H) INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company's internal control systems are commensurate with the nature, size and complexity of its business and ensure proper safeguarding of assets, maintaining proper accounting records and providing reliable financial information.

An external independent firm carries out the internal audit of the Company operations and reports its findings to the Audit Committee on a regular basis. Internal Audit also evaluates the functioning and quality of internal controls, and provides assurance of its adequacy and effectiveness through periodic reporting.

The Company has a code of business conduct for all employees and a clearly articulated and internalized delegation of financial authority. These authority levels are periodically reviewed by management and modifications, if any, are submitted to the Audit Committee and Board for approval.

The Audit Committee also reviews the risk management framework that is periodically updated.

I) HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Greater employee engagement, supported by an energizing performance management culture that holds people accountable for results and behavior and rewards them for the value they generate, is a fundamental component of your Company's people strategy. Towards that, the focus is on enhancing both individual competencies – skills, knowledge, attitude, and organizational capabilities – processes, metrics, structure and culture.

This is facilitated through a structured 'Goal Alignment and Cascading Program' that aligns individual goals with Company deliverables and tracks both business and individual performance on an ongoing basis. The focus is on results and the demonstrated leadership behaviors that produce those results. A large number of initiatives have been taken to diversify learning and experience by engaging and challenging employees to work on

different projects and in cross-functional teams that provide the foundation for new learning and development.

Over 350 projects were completed last year by these cross-functional teams in the areas of cost efficiency and effectiveness, quality and service level improvements. Various forums have also been created to engage factory employees on an ongoing basis through Quality circles, Kaizen initiatives, TQM and TPM initiatives.

Your Company has also started 'lunch and learn' sessions every month to expose employees to a range of topics that are interesting and pertinent to them and this includes outside speakers from a wide variety of areas and topics.

Top performers and high achievers of the Company are felicitated with rewards and appreciation for their exemplary achievements and leadership behaviors at the Annual Conference. A formal Reward and Recognition Program has also been launched where quarterly achievement will be recognized. Equally, on-boarding processes and orientation programs for new employees have been strengthened to enable faster integration.

Your Company is also working towards creating a 'Learning Culture', wherein employees take ownership for their self-development and impact on business results.

In 2011-12 your Company worked towards improving its industrial relations environment and several of the grass-roots projects mentioned above were instrumental in creating a more engaged workforce. The pending case before the Hon'ble Bombay High Court pertaining to Mumbai Reay Road factory closure in 2004, was amicably settled.

As of March 31, 2012, the Company had 1987 employees (including workmen – 800) on its rolls.

J) CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, competitive actions, changes in Government regulations, tax regimes, economic developments in India and in countries in which the Company conducts business and other incidental factors.

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REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company considers good Corporate Governance a pre-requisite for meeting the needs and aspirations of its shareholders and other stakeholders in the Company and firmly believes that the same could be achieved by maintaining transparency in its dealings, creating robust policies and practices for key processes and systems with clear accountability, integrity, transparent governance practices and the highest standard of regulatory compliance.

2. BOARD OF DIRECTORS

The Board is headed by a Non-Executive Chairman, Mr. Nusli N Wadia, and comprises eminent persons with considerable professional experience and expertise in diverse fields. Over three-fourths of the Board consists of Non-Executive Directors. As of 31 March 2012, the Board comprised six independent directors constituting 50% of the total Board strength.

During the year 2011-12, nine Board Meetings were held, the dates of the meetings being 27 May 2011, 28 May 2011, 16 July 2011, 6 August 2011, 23 September 2011, 11 November 2011, 10 February 2012, 13 March 2012 and 30 March 2012. The maximum gap between any two board meetings held during the year was not more than four (4) months.

The details of Composition of the Board, Directors' attendance at the Board Meetings and at the last Annual General Meeting, Outside Directorship and the Board Committee Membership as at 31 March 2012 are given hereunder:

| Name of the Director | Nature of Directorship | No. of Board Meetings attended | Whether attended last AGM held on 06.08.2011 | No. of outside Directorship held # | No. of Board Committee of other Companies in which a Member / Chairman ## |
|----------------------|-------------------------------------|--------------------------------|--|------------------------------------|---|
| Mr. Nusli N Wadia | Promoter and Non-Executive Chairman | 9 | Yes | 7 | Nil |
| Ms. Vinita Bali | Managing Director | 9 | Yes | 5 | Member - 1 |
| Mr. Keki Dadiseth | Non-Executive and Independent | 8 | No | 6 | Member - 3 / Chairman - 3 |
| Mr. Avijit Deb | Non-Executive and Independent | 5 | Yes | 1 | Nil |
| Mr. A K Hirjee | Promoter and Non-Executive | 6 | Yes | 4 | Member - 3 / Chairman - 3 |
| Mr. Nimesh N Kampani | Non-Executive and Independent | 7 | Yes | 5 | Member - 1 / Chairman - 1 |
| Mr. S S Kelkar | Promoter and Non-Executive | 9 | Yes | 9 | Member - 4 |
| Mr. Jeh N Wadia | Promoter and Non-Executive | 7 | Yes | 4 | Nil |
| Dr. Ajai Puri | Non-Executive and Independent | 8 | Yes | Nil | Nil |
| Mr. Nasser Munjee | Non-Executive and Independent | 8 | Yes | 14 | Member - 4 / Chairman - 4 |
| Mr. Ness N. Wadia | Promoter and Non-Executive | 9 | Yes | 7 | Nil |
| Dr. Vijay L. Kelkar | Non-Executive and Independent | 6 | Yes | 8 | Member - 2 |

Excludes alternate directorship and directorship in foreign companies, private companies and companies governed by Section 25 of the Companies Act, 1956.

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Excludes Committees other than Audit Committee and Shareholders' / Investors' Grievance Committee and companies other than public limited companies.

Note:

Mr. Nusli N. Wadia, Mr. Jeh N. Wadia and Mr. Ness N. Wadia are relatives in terms of Section 6 of the Companies Act, 1956.

3. BOARD COMMITTEES

The Board has constituted the following Committees of Directors:

(a) **Audit Committee:**

The composition, powers, role and terms of reference of the Committee are in accordance with the requirements mandated under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Audit Committee, as on 31 March 2012, comprised the following six Non-Executive Directors.

Mr. Nimesh N Kampani - Chairman of the Committee

Mr. Keki Dadiseth

Mr. Avijit Deb

Mr. A K Hirjee

Mr. Nasser Munjee (w.e.f. 27.05.2011)

Mr. Ness N Wadia (w.e.f. 27.05.2011)

The Chairman of the Committee, Mr. Nimesh N Kampani, is an Independent Director. Apart from Mr. Nimesh N Kampani, the other Independent Directors are Mr. Keki Dadiseth, Mr. Avijit Deb and Mr. Nasser Munjee.

All the members of the Audit Committee are financially literate and Mr. Nimesh N Kampani, Mr. Keki Dadiseth, Mr. A K Hirjee and Mr. Nasser Munjee have financial management expertise. Mr. P Govindan, Company Secretary, is the Secretary to the Audit Committee.

The role and terms of reference of the Audit Committee include review of Internal Audit reports and Statutory Auditors' report on Financial Statements, general interaction with Internal Auditors and Statutory Auditors, selection and establishment of Accounting Policies, review of Financial Statements, both Quarterly and Annual, before submission to the Board, review of Management Discussion and Analysis of financial condition and results of operations, review of the performance of Statutory and Internal Auditors, review of risk assessment framework of the Company and adequacy of Internal Control Systems and other matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Audit Committee also reviews statement of related party transactions, management letters and the response thereto by the management.

During the year under review, the Audit Committee held four (4) meetings, the dates of meetings being 26 May 2011, 6 August 2011, 10 November 2011 and 10 February 2012.

The attendance of the members at the Audit Committee Meetings held during the year under review is as follows:

| Name | No. of Audit Committee Meetings Attended |
|----------------------|--|
| Mr. Nimesh N Kampani | 4 |
| Mr. Keki Dadiseth | 3 |
| Mr. Avijit Deb | 4 |
| Mr. A K Hirjee | 3 |
| Mr. Nasser Munjee | 3 |
| Mr. Ness N Wadia | 3 |

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At the Annual General Meeting of the Company held on 6 August 2011, the Chairman of the Audit Committee, Mr. Nimesh N Kampani, was present.

The Managing Director, Chief Financial Officer, Internal Auditors, Statutory Auditors and other Executives as considered appropriate, also attended the Audit Committee Meetings.

Internal Audit and Control:

M/s. Aneja & Associates, Chartered Accountants, are the internal auditors of the Company and their internal audit plan and remuneration are approved by the Audit Committee. The reports and findings of the internal auditor and the internal control system are periodically reviewed by the Audit Committee.

(b) Remuneration / Compensation Committee:

The Committee as on 31 March 2012 comprised the following Directors.

Mr. Keki Dadiseth - Chairman of the Committee

Mr. Nusli N Wadia

Mr. Nimesh N Kampani

Mr. Nasser Munjee

Mr. Ness N Wadia (w.e.f. 27.05.2011)

The Chairman of the Committee, Mr. Keki Dadiseth, is an independent Director.

Broad terms of reference of the Remuneration / Compensation Committee include:

- (i) Recommendations to the Board, of salary / perquisites, commission and retirement benefits and finalisation of the perquisite package payable to the Company's Managing Director / Wholetime Directors.
- (ii) To evolve and bring into effect the Employee Stock Option Scheme (ESOS) within the broad parameters approved by the Board / Shareholders and formulate the detailed terms and conditions of the ESOS.
- (iii) To be responsible for the administration and superintendence of the ESOS.

During the year under review, the Remuneration / Compensation Committee met once on 27 May 2011. Mr. Keki Dadiseth, Mr. Nimesh N Kampani, Mr. Nusli N Wadia and Mr. Nasser Munjee were present at the Meeting.

Remuneration Policy:

Managing Director

Ms. Vinita Bali was re-appointed as Managing Director for a period of five years effective 31 May 2011 by the Board of Directors at their Meeting held on 27 May 2011 on expiry of her earlier term of office. The said re-appointment was approved by the shareholders at the Annual General Meeting held on 6 August, 2011. The terms and conditions of re-appointment and remuneration payable to the Managing Director were fixed by the Board of Directors of the Company and an agreement dated 24 August 2011 was entered between the Managing Director and the Company.

The details of remuneration paid to Ms. Vinita Bali for the year 2011-12 are as follows:

| Name | Salary / Benefits (₹) | Commission (₹) | Total (₹) * |
|-----------------|-----------------------|----------------|-------------|
| Ms. Vinita Bali | 37,220,545 | 20,000,000 | 57,220,545 |

* 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 above.

The remuneration to Ms. Vinita Bali comprises basic salary (upto a maximum of ₹ 20 lacs per month), allowances, commission based on net profits, perquisites, contributions to provident fund, superannuation fund, gratuity based on basic salary and encashment of unavailed leave. Notwithstanding anything to the

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contrary, in the event of there being no profits or inadequate profits, the Company will pay remuneration by way of salary and perquisites and allowances as specified above to Ms. Bali in compliance with Schedule XIII of the Companies Act, 1956 and with the approval of the Central Government, if and to the extent necessary.

As per the agreement referred to above, either party to the agreement is entitled to terminate the employment by giving not less than six calendar months prior notice in writing to the other party; provided however that the Company shall be entitled to terminate the incumbent's employment at any time by payment to her of six months' basic salary in lieu of such notice. In addition, the Company has a right to terminate the agreement by giving at least 30 days notice in writing in case of any misconduct or any breach of the agreement by the incumbent.

Non-Executive Directors

The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees and commission on the net profits of the Company. The Board collectively decides the aggregate amount of commission for each year and the amount of commission payable to individual non-executive directors is determined based on their attendance at the meetings of the Board of Directors and its Committees and their contribution. The shareholders of the Company have approved the payment of commission to Non-Executive Directors at the Annual General Meeting held on 9 August 2010.

Details of remuneration to Non-Executive Directors for the year 2011-12 are given below:

| Name | Sitting Fees (₹) | Commission (₹) | Total (₹) |
|----------------------|------------------|----------------|-----------|
| Mr. Nusli N Wadia | 160,000 | 8,000,000 | 8,160,000 |
| Mr. A K Hirjee | 300,000 | 1,935,000 | 2,235,000 |
| Mr. S S Kelkar | 280,000 | 1,935,000 | 2,215,000 |
| Mr. Avijit Deb | 160,000 | 697,000 | 857,000 |
| Mr. Nimesh N Kampani | 240,000 | 1,316,000 | 1,556,000 |
| Mr. Jeh N Wadia | 190,000 | 852,000 | 1,042,000 |
| Mr. Keki Dadiseth | 230,000 | 1,084,000 | 1,314,000 |
| Dr. Ajai Puri | 190,000 | 1,084,000 | 1,274,000 |
| Mr. Nasser Munjee | 200,000 | 929,000 | 1,129,000 |
| Mr. Ness Wadia | 290,000 | 1,703,000 | 1,993,000 |
| Dr. Vijay L Kelkar | 90,000 | 465,000 | 5,55,000 |

The commission amount, as mentioned above, will be paid, subject to deduction of tax, after the adoption of accounts for the year ended 31 March 2012 by the shareholders at the Annual General Meeting to be held on 6 August 2012. The Non-Executive Directors did not have any other pecuniary relationship or transactions with the Company.

No member of the Board of Directors holds any shares / debentures of the Company, other than Mr. Nusli N Wadia, Non Executive Chairman, who holds 2,250 equity shares of ₹ 2 each and 450 Non Convertible Bonus Debentures of ₹ 170 each. The shareholders at the Annual General Meeting of the Company (AGM) held on 28 July 2008 approved issue of Options to the Senior Management (being permanent employees) and its Whole Time / Executive Directors of the Company through an Employee Stock Option Scheme. The Remuneration / Compensation Committee of the Board at its meeting held on 29 October 2008 approved the Employee Stock Option Scheme (ESOS). Consequent upon the sub-division of each equity share of the face value of ₹ 10 into 5 equity shares of the face value of ₹ 2 each on and from the Record Date, i.e. 9 September 2010, as approved by the shareholders at the 91st AGM held on 9 August 2010, the total / maximum number of equity shares and the face value of each such equity share to be allotted on exercise of the rights attached to the options granted under the ESOS were amended from 1,00,000 and ₹ 10 each to 5,00,000 and ₹ 2 each respectively and appropriate adjustments as approved at the said AGM were made to the number of Stock Options granted and outstanding as at the Record Date and the Exercise Price, in accordance with the Company's ESOS and SEBI Stock Option Guidelines. The total / maximum number of Options to be granted under the ESOS was subsequently enhanced from 5,00,000 to 8,75,000 at the 92nd AGM held on

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6 August 2011. Under the ESOS the Remuneration / Compensation Committee granted 15,000 options on 29 October, 2008, 15,000 options on 27 May 2009 and further 20,000 options on 27 May 2010 (amended respectively as 75,000, 75,000 and 1,00,000 consequent upon the sub-division of the equity shares on and from 9 September 2010) to Ms. Vinita Bali, Managing Director. Each option, upon exercise, will entitle the holder to receive one equity share of the Company. The Exercise Prices were determined at ₹ 1,125.30, ₹ 1,698.15 and ₹ 1,668.55 being the respective market prices corresponding to the above grants as defined under the ESOS. The Exercise Prices for the Options granted on 29 October 2008 and 27 May 2009 were adjusted downwards by ₹ 170 respectively to ₹ 955.30 and ₹ 1,528.15 as approved by the Board of Directors at its Meeting held on 27 May 2009, by way of fair and reasonable adjustment as provided for under the ESOS in lieu of the bonus debentures issued and allotted on 22nd March, 2010. Consequent upon the sub-division of the equity shares as aforesaid on and from 9 September 2010, the Exercise Prices for Options granted on 29 October 2008, 27 May 2009 and 27 May 2010 were appropriately adjusted respectively as ₹ 191.06, ₹ 305.63 and ₹ 333.71. Further, the Remuneration / Compensation Committee of the Board at its meeting held on 27 May 2011 granted 1,25,000 Options at an Exercise Price of ₹ 391.75 per Option to the Managing Director. Compensation cost is calculated using the intrinsic valuation method as defined in the SEBI Guidelines.

(c) Share Transfer & Shareholders' / Investors' Grievance and Ethics / Compliance Committee:

The Share Transfer & Shareholders' / Investors' Grievance and Ethics / Compliance Committee consisted of 4 Non-Executive Directors and Managing Director namely:

| | | |
|----------------------|---|-----------------------------------|
| Mr. A K Hirjee | - | Non-Executive Director (Chairman) |
| Mr. S S Kelkar | - | Non-Executive Director |
| Mr. Nimesh N Kampani | - | Non-Executive Director |
| Mr. Jeh N Wadia | - | Non-Executive Director |
| Ms. Vinita Bali | - | Managing Director |

The Committee:

- approves and monitors transfers, transmission, splitting, consolidation and dematerialisation, rematerialisation of securities and issue of duplicate share certificates by the Company over and above the delegated power as detailed below;
- looks into various issues relating to shareholders, including redressal of complaints relating to transfer of shares, non-receipt of annual reports, dividends, etc.; and
- carries out the functions envisaged under the Code of Conduct for Prevention of Insider Trading adopted by the Company in terms of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992.

The Board at its meeting held on 10 November 2010 had delegated the powers to approve transfer and transmission of securities, issuance of duplicate certificates of securities, etc. subject to certain guidelines and limits laid down and as modified by the Board at its meeting held on 6 August 2011, severally to the Chief Financial Officer and the Company Secretary.

During the year under review, the Committee held five (5) meetings, the dates of meetings being 21 April 2011, 16 June 2011, 21 July 2011, 18 August 2011 and 26 March 2012.

The attendance of the members of the Committee at its meetings held during the year under review is as follows:

| Name | No. of Meetings Attended |
|----------------------|--------------------------|
| Mr. A K Hirjee | 4 |
| Mr. S S Kelkar | 4 |
| Mr. Nimesh N Kampani | 3 |
| Mr. Jeh N Wadia | 4 |
| Ms. Vinita Bali | Nil |

Mr. P Govindan, Company Secretary, is the Compliance Officer of the Company.

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| | |
|--|-----|
| No. of shareholders' complaints received during the year | 33 |
| No. of complaints not resolved to the satisfaction of shareholders | Nil |
| No. of pending share transfers | Nil |

The Company has generally attended to the investors' grievances / correspondence within a period of ten days from the date of receipt of the same, except in cases that are constrained by disputes or legal impediments. There are some pending cases relating to disputes over title to shares, in which the Company is made a party. However, these cases are not material in nature.

Shareholders' requests for transfer / transmission of equity shares were effected within 15 days from the date of receipt. There were no valid transfers pending for registration as of 31 March 2012.

(d) Executive Committee of Board

The Executive Committee of the Board (COB) consisted of Mr. Nusli N Wadia, Chairman, Mr. Anil K Hirjee, Dr. Ajai Puri, Mr. Nasser Munjee, Mr Ness N Wadia and Dr. Vijay L Kelkar. The broad terms of reference of the COB included review and discussion from time to time of business plans and strategies, procurement strategies in respect of key commodities, business performance, etc. and addressing issues related to capital expenditure. During the year under review, no meeting of the COB was held since the business performance, business plans and strategies were reviewed and deliberated upon from time to time by the full Board.

(e) Other Committees of the Board

In addition to the above Committees, the Board has constituted the following Committees:

(i) Investment / Finance Committee:

The Committee comprises Mr. A K Hirjee, Chairman of the Committee, Mr. S S Kelkar, and Mr. Ness N Wadia (w.e.f. 27.05.2011), all being Non-Executive Directors.

The brief terms of reference of this Committee are to approve investments / divestments of the funds of the Company within the limits prescribed by the Board from time to time. During the year under review, three meetings of the Committee were held, the dates of meetings being 15 September, 2011, 2 November, 2011 and 6 February, 2012. While Mr. A K Hirjee and Mr. S S Kelkar attended all the 3 meetings, Mr. Ness Wadia attended 2 meetings. Further, telephone meetings were held by the Committee members every month to review investments / disinvestments / re-investments and related issues.

(ii) Nomination Committee:

The Nomination Committee comprises Mr. Nusli N Wadia, Chairman, and Mr. Nimesh N Kampani.

The terms of reference of this Committee were to identify and recommend to the Board the appointment of the Managing Director / Whole time Director / Chief Executive Officer of the Company. During the year under review, no meeting of the said Committee was held as there were no appointments for consideration.

(iii) Innovation Committee:

The Committee consisted of the following Members:

| | | |
|---------------------------------------|---|-----------------------------------|
| Dr. Ajai Puri | - | Non-Executive Director (Chairman) |
| Ms. Vinita Bali | - | Managing Director |
| Mr. Keki Dadiseth (w.e.f. 27.05.2011) | - | Non-Executive Director |
| Mr. Ness N Wadia (w.e.f. 27.05.2011) | - | Non-Executive Director |

The broad terms of reference of the Innovation Committee are to address all matters relating to the Company's product and technical development activities.

During the year under review three (3) meetings of the Innovation Committee were held, the dates of meetings being 11 / 12 April 2011, 23 September 2011 and 10 February 2012. While Dr. Ajai Puri and

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Ms. Vinita Bali attended all the 3 meetings, Mr. Keki Dadiseth and Mr. Ness Wadia attended both the meetings held subsequent to their induction as Members of the Committee.

4. GENERAL BODY MEETINGS

- (a) Location and time where the last three Annual General Meetings were held and the Special Resolutions passed thereat:

| Date | Location | Time | Special Resolutions Passed |
|----------------|---|----------|--|
| 6 August 2011 | The Oberoi Grand, 15, Jawaharlal Nehru Road, Kolkata 700 013. | 11.00 am | Enhancement of number of options to be granted under the Employee Stock Option Scheme. |
| 9 August 2010 | Hyatt Regency, JA-1, Sector 3, Salt Lake City, Kolkata 700 098. | 10.30 am | 1. Payment of commission to non executive directors. 2. Alteration of Articles of Association. 3. Amendment to Employee Stock Option Scheme. |
| 31 August 2009 | Hyatt Regency, JA-1, Sector 3, Salt Lake City, Kolkata 700 098. | 9.30 am | Nil. |

- (b) Whether any Special Resolutions were passed last year through postal ballot: No.
(c) Whether any special resolution is proposed to be passed through postal ballot this year: No.

5. DISCLOSURES

- (a) Disclosures of materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their Subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large:

Related party transactions in the ordinary course of business are reported to the Audit Committee. None of them were (i) not in the normal course of business, or (ii) not on arms length basis, or (iii) in conflict with the interests of the Company at large, including the related party transactions that are disclosed under Note 40 of the notes to accounts for the year 2011-12.

- (b) Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange or Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years:

None.

- (c) Risk Management :

A detailed review of business risks and the Company's plan to mitigate them is presented to the Audit Committee of the Board. The Company has been taking steps to mitigate foreseeable business risks. Business risk evaluation and management is an ongoing and continuous process within the Company and regularly updated to the Audit Committee.

- (d) Code of Conduct:

The Company has laid down a Code of Conduct for the members of the Board as well as for all employees of the Company. The code has also been posted on the Company's website – www.britannia.co.in. The Managing Director has confirmed and declared that all members of the Board and Senior Management have affirmed compliance with the Code of Conduct.

- (e) Public, Rights and Other Issues:

None.

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(f) The financial statements for the year 2011-12 have been prepared in accordance with the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India and as required under the Companies (Accounting Standards) Rules, 2006.

(g) CEO / CFO Certification:

Ms. Vinita Bali, Managing Director, and Mr. Raju Thomas, Chief Financial Officer, have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31 March 2012.

(h) Management Discussion and Analysis Report:

This has been attached to the Directors' Report.

(i) Compliance Reports:

The Board has noted and reviewed the compliance reports from all functions pertaining to the respective laws applicable to them, which were placed before the Board at its meetings every quarter during the year under review.

6. MEANS OF COMMUNICATION

Quarterly, Half-Yearly and Annual Results

Quarterly, half-yearly and annual financial results are published within the stipulated time as per the Listing Agreement in leading newspapers, i.e. Financial Express (all editions) and Pratidin (Kolkata edition). The Company also uploads financial results on its website - www.britannia.co.in.

The quarterly and half-yearly reports are not separately sent to each shareholder. However, the Company provides the same to individual shareholders, if requested.

Two presentations were made to the institutional investors and to the analysts during the year 2011-12 which are available on the website of the Company - www.britannia.co.in.

7. GENERAL SHAREHOLDER INFORMATION

(a) Annual General Meeting - Date, time and venue:

6 August 2012 – 11 a.m. at Hyatt Regency, JA-1, Sector 3, Salt Lake City, Kolkata 700 098.

(b) Financial calendar (tentative):

| Period | Approval of Quarterly Results |
|---|-------------------------------|
| For the first quarter ending 30 June 2012 | 2nd week of August 2012 |
| For the second quarter and half year ending 30 September 2012 | 2nd week of November 2012 |
| For the third quarter ending 31 December 2012 | 2nd week of February 2013 |
| For the year ending 31 March 2013 | Last week of May 2013 |

(c) Book closure period : Thursday, 19 July 2012 to Monday, 6 August 2012 (both days inclusive).

(d) Dividend payment date : On or from 17 August 2012

(e) Listing on Stock Exchanges :

The Company's equity shares are listed on:

1. Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 023.
2. National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

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The Company's Non-convertible bonus debentures are listed on:

1. Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 023.
2. Calcutta Stock Exchange Limited, 7 Lyons Range, Kolkata - 700 001.
3. National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

Listing fees for equity shares and debentures as prescribed have been paid to all the aforesaid Stock Exchanges up to 31 March 2013.

(f) Stock Code:

| Stock Exchange | Equity Shares | Bonus Debentures |
|-------------------------|---------------|--------------------|
| Bombay Stock Exchange | 500825 | 934792 |
| Calcutta Stock Exchange | – | 12642 and 10012642 |
| National Stock Exchange | BRITANNIA | BRITANNIA |

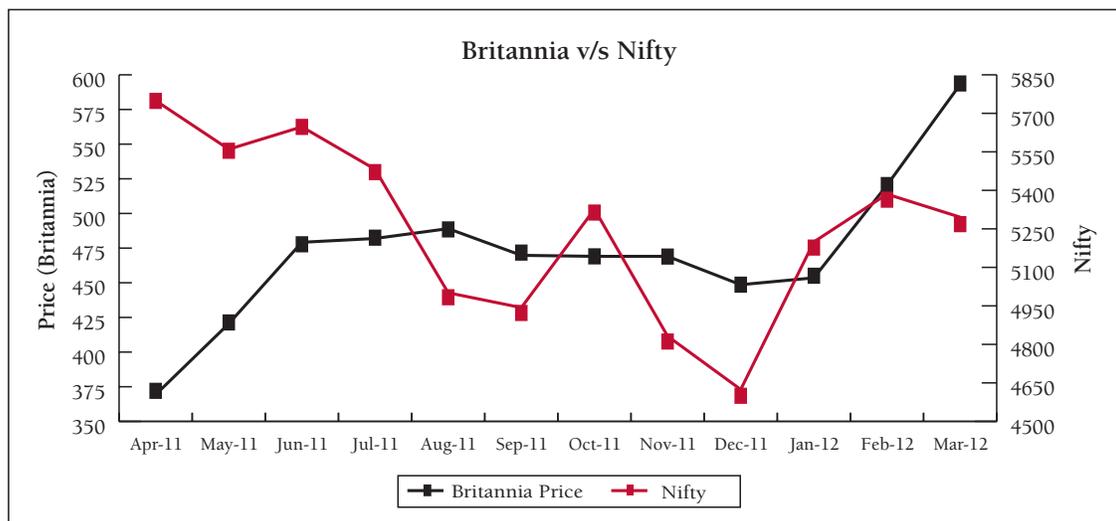
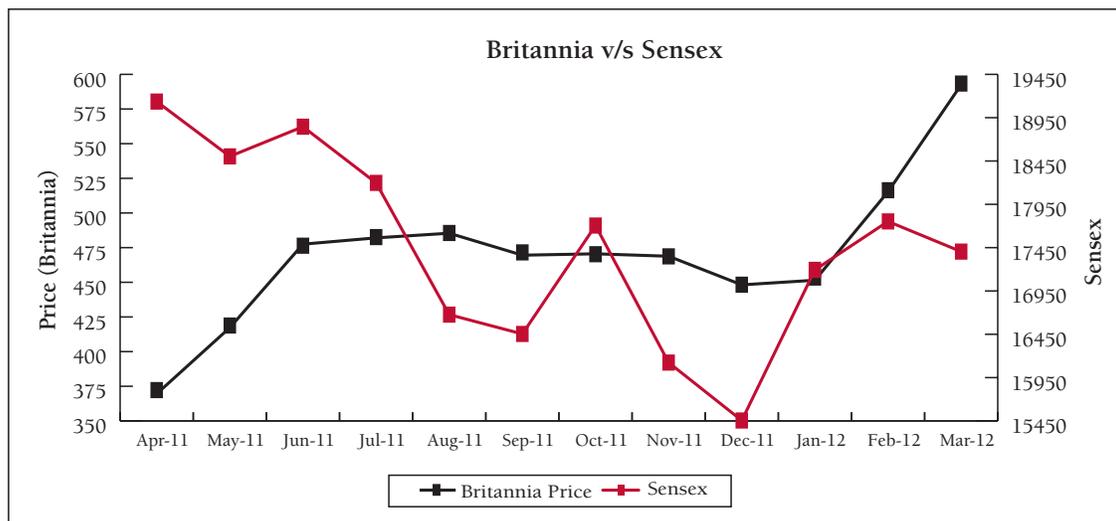
(g) Stock Price Data:

| Year / Month | Bombay Stock Exchange (BSE) (Closing) (in ₹) | | BSE (Sensex) (Monthly Closing) | National Stock Exchange (NSE) (Closing) (in ₹) | | NSE (Nifty) |
|--------------|---|--------|---|---|--------|----------------|
| | High | Low | | High | Low | |
| | 2011 | | | | | |
| April | 389.05 | 366.25 | 19,135.96 | 389.25 | 365.80 | 5,749.50 |
| May | 417.30 | 363.10 | 18,503.28 | 420.50 | 362.65 | 5,560.15 |
| June | 477.50 | 419.45 | 18,845.87 | 479.20 | 421.15 | 5,647.40 |
| July | 489.40 | 469.75 | 18,197.20 | 489.55 | 468.40 | 5,482.00 |
| August | 485.40 | 459.90 | 16,676.75 | 489.05 | 460.65 | 5,001.00 |
| September | 481.00 | 453.60 | 16,453.76 | 479.75 | 455.00 | 4,943.25 |
| October | 470.55 | 443.00 | 17,705.01 | 470.05 | 443.00 | 5,326.60 |
| November | 484.70 | 464.55 | 16,123.46 | 486.10 | 465.10 | 4,832.05 |
| December | 467.95 | 438.20 | 15,454.92 | 468.50 | 439.70 | 4,624.30 |
| 2012 | | | | | | |
| January | 460.30 | 437.25 | 17,193.55 | 459.35 | 438.10 | 5,199.25 |
| February | 527.50 | 462.70 | 17,752.68 | 529.40 | 464.15 | 5,385.20 |
| March | 592.50 | 524.85 | 17,404.20 | 593.00 | 523.65 | 5,295.55 |

During the year 2011-12, there was no trading of Company's Debentures on Calcutta Stock Exchange.

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(h) Stock Performance (Comparison of closing price to index value on the last date of respective months):



(i) In terms of Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001, during the year ended 31 March 2012, the Company has credited an aggregate amount of ₹ 1,202,630/- to the Investor Education and Protection Fund (IEPF).

As at 31 March 2012, the Company's unpaid / unclaimed dividend / interest account had a balance of ₹ 27,557,034/- in various dividend / interest accounts. The Company sends out reminders to those shareholders who have not claimed the dividends for earlier years to claim the same from the Company, failing which the Company would be required to transfer the same to IEPF after seven years.

(j) Registrar and Transfer Agents:

M/s. Sharepro Services (India) Private Limited are the Registrar and Transfer Agents of the Company and handle the entire share registry work, both physical and electronic. Accordingly, all documents, transfer deeds, demat requests and other communications in relation thereto should be addressed to the Registrar and Transfer Agents at the address mentioned below:

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Sharepro Services (India) Private Limited

13 AB, Samhita Warehousing Complex, II Floor,
Sakinaka Telephone Exchange Lane,
Off Andheri - Kurla Road, Sakinaka, Andheri (East),
Mumbai - 400 072.

Telephone Nos : 022-67720300 / 400

Fax No. : 022-28591568

Contact Person: Ms. Indira P. Karkera

Email : indira@shareproservices.com or sharepro@shareproservices.com

Share transfers, where documents were found to be in order, were registered and returned in the normal course within a period of two weeks from the date of receipt of the documents. Requests for dematerialisation / rematerialisation of shares were processed and confirmation was given to the depositories i.e. National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL), as the case may be, within 15 days of receipt.

- (k) (i) Distribution of shares according to Size, Class and Categories of Shareholding as on 31 March 2012:

| Group of Shares | No. of Shareholders | Percentage to Total Shareholders | No. of Shares held | Percentage to Total Shares |
|------------------|---------------------|----------------------------------|--------------------|----------------------------|
| 1 to 500 | 28,016 | 77.900 | 2,490,410 | 2.085 |
| 501 to 1,000 | 4,017 | 11.170 | 2,630,798 | 2.202 |
| 1,001 to 2,000 | 2,388 | 6.640 | 3,191,020 | 2.671 |
| 2,001 to 3,000 | 611 | 1.699 | 1,456,862 | 1.220 |
| 3,001 to 4,000 | 193 | 0.537 | 677,183 | 0.568 |
| 4,001 to 5,000 | 128 | 0.356 | 593,496 | 0.497 |
| 5,001 to 10,000 | 265 | 0.737 | 1,928,466 | 1.614 |
| 10,001 and above | 346 | 0.961 | 106,482,580 | 89.143 |
| Total | 35,964 | 100.000 | 119,450,815 | 100.000 |

- (ii) Shareholding pattern as on 31 March 2012:

| Category of Shareholder | No. of Shareholders | Total No. of Shares held | Percentage of Shareholding |
|----------------------------------|---------------------|--------------------------|----------------------------|
| Promoters * | 7 | 60,868,345 | 50.96 |
| Mutual Funds | 53 | 9,956,714 | 8.34 |
| Banks and Financial Institutions | 25 | 9,445,274 | 7.91 |
| Foreign Institutional Investors | 75 | 16,297,739 | 13.64 |
| Bodies Corporate and Trusts | 775 | 2,233,397 | 1.87 |
| Director and Relatives | – | – | – |
| Foreign Nationals and NRIs | 578 | 541,473 | 0.45 |
| Indian Public | 34,451 | 20,107,873 | 16.83 |
| Total | 35,964 | 119,450,815 | 100.00 |

* Includes 2,250 equity shares of ₹ 2 each held by Mr. Nusli N Wadia, promoter director.

- (l) Dematerialisation of Shares:

11,43,19,503 equity shares representing 95.70% of the total equity capital and 2,27,36,184 non-convertible bonus debentures representing 95.17% of the total debenture capital were held in dematerialised form with the National Securities Depository Limited and Central Depository Services (India) Limited as on 31 March 2012. The promoters are holding their equity shares in dematerialized form.

- (m) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion dates and likely impact on equity:

Not applicable.

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(iii) Shareholder Rights – furnishing of half yearly results:

The Company's quarterly and half yearly results are published in the newspapers and also uploaded on its website - www.britannia.co.in. Therefore, no individual communication is sent to shareholders on the quarterly and half-yearly financial results. However, the Company furnishes the quarterly and half yearly results on receipt of a request from the shareholders.

(iv) Audit Qualifications:

There are no qualifications in the Auditor's Report on the accounts for the year 2011-12.

(v) Others:

The Company has not adopted other non mandatory requirements of Clause 49 of the Listing Agreement, relating to imparting training to the non-executive directors, evaluation of their performance and the whistle blower policy.

- (q) In terms of the Circulars No. 17/2011 of 21 April 2011 and 18/2011 of 29 April 2011 issued by the Ministry of Corporate Affairs (MCA) as part of its "Green Initiative in Corporate Governance", MCA allows paperless compliances including service of a notice / document by companies to their shareholders through electronic mode. In order to enable the Company to send such documents in electronic form, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their respective Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with the Company or its Registrar and Transfer Agents, M/s. Sharepro Services (India) Private Limited, by sending a letter to their addresses given elsewhere in the Report, or an e-mail on their respective e-mail IDs – investorrelations@britindia.com and britannia@shareproservices.com and also intimate changes in the e-mail IDs from time to time.

Mumbai
28 May 2012

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to confirm that all the members of the Board and the Senior Management have affirmed compliance with the Code of Conduct for the year ended 31 March 2012.

For Britannia Industries Limited

Mumbai
28 May 2012

Vinita Bali
Managing Director

Auditors' certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreements

To the Members of Britannia Industries Limited

We have examined the compliance of conditions of corporate governance by Britannia Industries Limited ('the Company'), for the year ended 31 March 2012, as stipulated in Clause 49 of the listing agreement(s) of the Company with the stock exchange(s) in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify

that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement(s).

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

for B S R & Co.
Chartered Accountants
Firm registration number: 101248W

Natraj Ramakrishna

Place: Mumbai
Date: 28 May 2012

Partner
Membership number: 32815

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AUDITORS' REPORT

To the Members of Britannia Industries Limited

We have audited the attached balance sheet of Britannia Industries Limited ('the Company') as at 31 March 2012, the statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) on the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act on the said date; and
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2012;
 - (ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for B S R & Co.

Chartered Accountants

Firm registration number: 101248W

Natraj Ramakrishna

Partner

Place: Mumbai

Date: 28 May 2012

Membership number: 32815

Britannia Annual Report 2011-12

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in our Report to the Members of Britannia Industries Limited ('the Company') for the year ended 31 March 2012. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of fixed assets have been physically verified during the year and no material discrepancies were observed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained by the Management.
- (b) The procedures for physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted unsecured loan to one company covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act'). The maximum amount outstanding during the year aggregated ₹ 100 crores and the year-end balances of such loans aggregated ₹ Nil. The Company has not granted any other secured or unsecured loans to any other companies / firms / other parties listed in the register maintained under Section 301 of the Act.
- (b) In our opinion, the rate of interest and other terms and conditions on which the above unsecured loan has been granted to this company, is not, prima facie, prejudicial to the interest of the Company.
- (c) In case of loan granted to the company listed in the register maintained under Section 301, the loan is repayable on demand and the borrower has been regular in repayment of principal amount and interest as demanded.
- (d) There is no overdue amount of more than ₹ 1 lakh in respect of above loan given to the company listed in the register maintained under Section 301 of the Act.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weaknesses in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakh with each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for certain services which are for Company's specialised requirements and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act in respect of the products manufactured by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

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There are no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Wealth tax, Customs duty and Cess which have not been deposited with the appropriate authorities on account of any dispute. The particulars of dues of Income-tax, Sales tax, Service tax and Excise duty as at 31 March 2012 which have not been deposited on account of disputes are as follows:

| Statute / Nature of dues | Amount (₹) | Period to which the amount relates * | Forum where the dispute is pending |
|-------------------------------------|-------------|--------------------------------------|--|
| Excise duty (including service tax) | 12,792,532 | 1998-2001 | Supreme Court |
| | 27,289,266 | 1994-2007 | High Court |
| | 140,019,199 | 1980-2010 | Tribunal / CESTAT |
| | 118,739,293 | 1991-2012 | Appellate Authority up to Commissioner's level |
| Sales tax / Value added tax | 62,581,739 | 1998-2012 | Supreme Court |
| | 88,703,374 | 1989-2010 | High Court |
| | 32,665,900 | 1996-2012 | Tribunal |
| | 243,728,972 | 1989-2012 | Appellate Authority up to Commissioner's level |
| Income tax | 299,595,205 | 1992-2002 | High Court |
| | 9,178,646 | 1990-1992 | Tribunal |
| | 16,846,143 | 2004-2008 | Appellate Authority up to Commissioner's level |

* The amounts disclosed are net of payments and include interest and penalties, wherever applicable.

- | | |
|---|---|
| <p>(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.</p> <p>(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or debenture holders. The Company did not have any outstanding dues to any financial institutions.</p> <p>(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.</p> <p>(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.</p> <p>(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.</p> <p>(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.</p> | <p>(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.</p> <p>(xviii) The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under Section 301 of the Act.</p> <p>(xix) According to the information and explanations given to us, the Company has created security or charge in respect of bonus debentures issued and outstanding at the year-end.</p> <p>(xx) The Company has not raised any money by public issues during the year.</p> <p>(xxi) According to the information and explanations given to us, no material fraud on or by the Company during the year has been noticed or reported during the course of our audit.</p> |
|---|---|

for B S R & Co.
Chartered Accountants
Firm registration number: 101248W

Natraj Ramakrishna

Place: Mumbai

Partner

Date: 28 May 2012

Membership number: 32815

Britannia Annual Report 2011-12

BALANCE SHEET

₹ in crores

| As at | Note No. | 31 March 2012 | 31 March 2011 |
|------------------------------------|----------|---------------|---------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' funds | | | |
| (a) Share capital | 2 | 23.89 | 23.89 |
| (b) Reserves and surplus | 3 | 496.15 | 427.41 |
| | | 520.04 | 451.30 |
| (2) Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 28.15 | 430.57 |
| (b) Deferred tax liabilities (net) | 5 | 8.16 | 6.24 |
| (c) Other long-term liabilities | 6 | 19.91 | 15.99 |
| (d) Long-term provisions | 7 | 116.82 | 122.68 |
| | | 173.04 | 575.48 |
| (3) Current liabilities | | | |
| (a) Trade payables | 8 | 336.20 | 239.68 |
| (b) Other current liabilities | 9 | 518.26 | 119.38 |
| (c) Short-term provisions | 10 | 124.80 | 96.65 |
| | | 979.26 | 455.71 |
| | | 1,672.34 | 1,482.49 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | 11 | | |
| (i) Tangible assets | | 370.63 | 298.68 |
| (ii) Intangible assets | | 8.46 | 5.02 |
| (iii) Capital work-in-progress | | 79.73 | 11.70 |
| | | 458.82 | 315.40 |
| (b) Non-current investments | 12 | 218.40 | 308.94 |
| (c) Long-term loans and advances | 13 | 125.02 | 142.13 |
| (d) Other non-current assets | 29 | 12.12 | 12.12 |
| (2) Current assets | | | |
| (a) Current investments | 14 | 210.54 | 236.06 |
| (b) Inventories | 15 | 382.28 | 311.20 |
| (c) Trade receivables | 16 | 52.14 | 57.26 |
| (d) Cash and bank balances | 17 | 30.94 | 28.75 |
| (e) Short-term loans and advances | 18 | 182.08 | 70.63 |
| | | 857.98 | 703.90 |
| | | 1,672.34 | 1,482.49 |
| Significant accounting policies | 1 | | |

See accompanying notes to financial statements

As per our report of even date attached
for **B S R & Co.**

Chartered Accountants

Firm registration number: 101248W

Natraj Ramakrishna

Partner

Membership number: 32815

Place : Mumbai

Date : 28 May 2012

for and on behalf of the Board of Directors:

Chairman : Nusli N Wadia

Managing Director : Vinita Bali

Directors : Avijit Deb

A K Hirjee

Nimesh N Kampani

S S Kelkar

Nasser Munjee

Jeh N Wadia

Ness N Wadia

Chief Financial Officer : Raju Thomas

Company Secretary : P Govindan

Place : Mumbai

Date : 28 May 2012

Britannia Annual Report 2011-12

STATEMENT OF PROFIT AND LOSS

₹ in crores

| For the year ended | Note No. | 31 March 2012 | 31 March 2011 |
|--|----------|-----------------|-----------------|
| I. Revenue from operations | | | |
| Sale of products | | 5,005.66 | 4,230.59 |
| Less: Excise duty | | (58.62) | (32.27) |
| Net sale of products | | 4,947.04 | 4,198.32 |
| Other operating revenues | 19 | 27.15 | 25.20 |
| | | <u>4,974.19</u> | <u>4,223.52</u> |
| II. Other income | 20 | 58.53 | 48.92 |
| III. Total revenue (I + II) | | <u>5,032.72</u> | <u>4,272.44</u> |
| IV. Expenses: | | | |
| Raw materials including packaging materials consumed | | 2,655.01 | 2,371.92 |
| Purchase of stock-in-trade | 21 | 529.53 | 410.31 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 22 | (4.79) | (17.89) |
| Employee benefits expense | 23 | 145.87 | 119.93 |
| Finance costs | 24 | 38.07 | 37.75 |
| Depreciation and amortisation expense | 11 | 47.32 | 44.59 |
| Other expenses | 25 | 1,369.34 | 1,107.77 |
| Total expenses | | <u>4,780.35</u> | <u>4,074.38</u> |
| V. Profit before tax (III - IV) | | 252.37 | 198.06 |
| VI. Tax expense: | | | |
| (1) Current tax | | | |
| Income tax | | 63.71 | 41.52 |
| Minimum alternative tax for earlier years | | - | (13.91) |
| Income tax for earlier years | | - | 12.34 |
| (2) Deferred tax | | 1.92 | 12.82 |
| VII. Profit / (Loss) for the year (V - VI) | | <u>186.74</u> | <u>145.29</u> |
| VIII. Earnings per equity share [Refer note 38] | | | |
| (1) Basic [nominal value of ₹ 2 each] | | 15.63 | 12.16 |
| (2) Diluted [nominal value of ₹ 2 each] | | 15.62 | 12.16 |
| Weighted average number of equity shares used in computing earnings per share: | | | |
| - Basic | | 119,450,815 | 119,450,815 |
| - Diluted | | 119,560,465 | 119,512,374 |
| Significant accounting policies | 1 | | |

See accompanying notes to financial statements
As per our report of even date attached
for **B S R & Co.**
Chartered Accountants
Firm registration number: 101248W

Natraj Ramakrishna
Partner
Membership number: 32815
Place : Mumbai
Date : 28 May 2012

for and on behalf of the Board of Directors:

Chairman : Nusli N Wadia
Managing Director : Vinita Bali
Directors : Avijit Deb
A K Hirjee
Nimesh N Kampani
S S Kelkar
Nasser Munjee
Jeh N Wadia
Ness N Wadia

Chief Financial Officer : Raju Thomas
Company Secretary : P Govindan
Place : Mumbai
Date : 28 May 2012

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CASH FLOW STATEMENT

| | ₹ in crores | |
|---|-----------------|-----------------|
| For the year ended | 31 March 2012 | 31 March 2011 |
| Cash flows from operating activities | | |
| Profit before tax | 252.37 | 198.06 |
| Adjustments for: | | |
| Depreciation and amortisation | 47.32 | 44.59 |
| Provision / (reversal) for diminution in value of investments, net | 2.35 | (1.78) |
| Profit on sale of investments, net | (9.10) | (8.66) |
| Profit on sale of fixed assets, net | (16.40) | (12.80) |
| Dividend income | (0.19) | (0.28) |
| Interest income | (32.12) | (24.84) |
| Interest expense | 38.07 | 37.75 |
| Operating profit before working capital changes | 282.30 | 232.04 |
| (Increase) / decrease in inventories | (71.08) | (42.86) |
| (Increase) / decrease in trade receivables | 5.12 | (17.77) |
| (Increase) / decrease in loans and advances and other assets | (62.70) | 72.55 |
| (Increase) / decrease in bank balances (other than cash and cash equivalents) | (0.88) | 3.13 |
| Increase / (decrease) in liabilities and provisions | 107.54 | 31.71 |
| Cash generated from operations | 260.30 | 278.80 |
| Income taxes paid, net of refund | (49.64) | (32.48) |
| Net cash provided by operating activities | 210.66 | 246.32 |
| Cash flows from investing activities | | |
| Purchase of fixed assets (including finance leased assets) | (191.20) | (82.35) |
| Proceeds from sale of fixed assets | 20.14 | 14.64 |
| Sale of investments, net | 122.82 | (43.91) |
| Inter-corporate deposits placed, net | - | (50.00) |
| Loans given to subsidiaries | (37.96) | (27.64) |
| Loans repaid by subsidiaries | 2.27 | 10.23 |
| Interest received | 32.18 | 22.33 |
| Dividend received | 0.19 | 0.28 |
| Net cash used in investing activities | (51.56) | (156.42) |
| Cash flows from financing activities | | |
| Repayment of secured loans, net | (0.83) | (0.34) |
| Interest paid | (37.66) | (37.50) |
| Dividend paid including tax thereon | (90.06) | (69.55) |
| Net cash used in financing activities | (128.55) | (107.39) |
| Net increase in cash and cash equivalents | 30.55 | (17.49) |
| Cash and cash equivalents at the beginning of the year | (4.36) | 13.13 |
| Cash and cash equivalents at the end of the year (Refer note below) | 26.19 | (4.36) |

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CASH FLOW STATEMENT (CONTINUED)

| | ₹ in crores | |
|--|---------------|---------------|
| For the year ended | 31 March 2012 | 31 March 2011 |
| Note: | | |
| Cash and cash equivalents at the end of the year | 26.19 | 24.88 |
| Book overdraft | - | (29.24) |
| | 26.19 | (4.36) |

As per our report of even date attached
for **B S R & Co.**
Chartered Accountants
Firm registration number: 101248W

Natrajh Ramakrishna
Partner
Membership number: 32815
Place : Mumbai
Date : 28 May 2012

for and on behalf of the Board of Directors:

Chairman : Nusli N Wadia
Managing Director : Vinita Bali
Directors : Avijit Deb
A K Hirjee
Nimesh N Kampani
S S Kelkar
Nasser Munjee
Jeh N Wadia
Ness N Wadia

Chief Financial Officer : Raju Thomas
Company Secretary : P Govindan

Place : Mumbai
Date : 28 May 2012

Britannia Annual Report 2011-12

NOTES TO FINANCIAL STATEMENTS

Note 1 Significant accounting policies

(a) Basis of accounting and preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting to comply in all material aspects with the applicable accounting principles in India, the mandatory Accounting Standards ('AS') prescribed by the Companies (Accounting Standard) Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Securities and Exchange Board of India ('SEBI').

(b) Use of estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles in India, requires that the Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(c) Fixed assets

Tangible assets

Tangible assets are stated at their cost of acquisition or construction less accumulated depreciation. Cost includes inward freight, duties, taxes and expenses incidental to acquisition and installation or construction, net of CENVAT and VAT credit, where applicable.

The cost of the fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortisation.

(d) Depreciation and amortisation

Depreciation in respect of all the assets is provided on straight line method. The rates of depreciation prescribed in Schedule XIV to the Act are considered as minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life / remaining useful life.

Vehicles acquired on finance lease are depreciated over a period of 5 years.

With effect from 1 April 2010, the Management has revised the estimated useful life for computers (part of office equipments) to four years (from six years used earlier), based on a review of useful life of such assets.

Computer softwares are fully depreciated over a period of six years, based on the review of useful life of such assets.

Assets costing individually upto ₹ 5,000/- are fully depreciated in the year of addition.

Leasehold land is amortised over the period of primary lease.

(e) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset, including intangible, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

(f) Leases

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of lease at lower of the fair value and present

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

value of minimum lease payments. Assets taken on finance lease are depreciated over their estimated useful life or the lease term whichever is lower.

Assets acquired under lease where the significant portion of risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the statement of profit and loss on accrual basis.

(g) Inventories

Inventories are valued at the lower of cost (including prime cost, excise duty and other overheads incurred in bringing the inventories to their present location and condition) and estimated net realisable value, after providing for obsolescence, where appropriate. The comparison of cost and net realisable value is made on an item-by-item basis. The net realisable value of materials in process is determined with reference to the selling prices of related finished goods. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products. Raw materials, packing materials and stores and spares are valued at cost computed on monthly moving weighted average basis. The cost includes purchase price, inward freight and other incidental expenses net of CENVAT and VAT credit, where applicable.

Work-in-progress is 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.

(h) Trade receivables and loans and advances

Trade receivables and loans and advances are stated after making adequate provision for doubtful receivables and loans and advances.

(i) Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are stated at lower of cost and fair value for each investment individually.

(j) Revenue recognition

Revenue from sale of goods and sale of scrap is recognised on transfer of all significant risks and rewards of ownership to the buyer. The amount recognised as sale is exclusive of sales tax and net of trade discounts and sales returns. Sales are presented both gross and net of excise duty.

Income from royalty is accounted based on contractual agreements.

Dividend income is accounted for in the year in which the right to receive the same is established.

Interest on investments is booked on a time-proportion basis taking into account the amounts invested and the rate of interest.

(k) Foreign currency transactions

Transactions in foreign currency are recorded at exchange rates prevailing on the respective dates of the relevant transactions. Monetary assets and liabilities denominated in foreign currency are restated at the exchange rates prevailing at the balance sheet date. The gains or losses resulting from such transactions are adjusted to the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at fair value / net realisable value are translated at the exchange rate prevalent at the date when the fair value / net realisable value was determined. Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent on the date of transaction.

The Company uses foreign exchange forward contracts to cover its exposure towards movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk of fluctuations in exchange movements for the Company. The Company does not use the foreign exchange forward contract for trading or speculative purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Premium or discount arising at the inception of the forward contracts against the underlying assets is amortised as expense or income over the life of the contract. Exchange differences on forward contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change.

(l) **Derivative contracts**

Based on the principle of prudence as provided in Accounting Standard 1 - "Disclosure of Accounting Policies", the Company assesses losses, if any, by marking to market all its outstanding derivative contracts [other than those accounted under Accounting Standard 11 - "Effects of Changes in Foreign Exchange Rates" (Refer point (k) above)] at the balance sheet date and provides for such losses. The net gain, if any, based on the said evaluation is not accounted for in line with the ICAI notification issued in March 2008 in relation to such transactions.

(m) **Taxes on income**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the Income-tax laws) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences, which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent where there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward business loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

(n) **Employee benefits**

(i) **Short-term employee benefits**

All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits, which include benefits like salaries, wages, short-term compensated absences and performance incentives and are recognised as expenses in the period in which the employee renders the related service.

(ii) **Post-employment benefits**

Contributions to defined contribution schemes such as Provident Fund, Pension Fund, etc., are recognised as expenses in the period in which the employee renders the related service. In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Company. The interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. In respect of contributions made to government administered Provident Fund, the Company has no further obligations beyond its monthly contributions. The Company also provides for post-employment defined benefit in the form of gratuity and medical benefits. The cost of providing benefit is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Britannia Industries Limited Covenanted Staff Pension Fund Trust ('BILCSPF') and Britannia Industries Limited Officers' Pension Fund Trust ('BILOPF') were established by the Company to administer pension schemes for its employees. These trusts are managed by the Trustees. The Pension 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 that date, if he has opted for the membership of the Scheme. The Company makes a contribution of 15% of salary in respect of the members, each month to the trusts. On retirement, subject to the vesting conditions as per the rules of the trust, the member becomes eligible for pension, which is paid from annuity purchased in the name of the member by the trusts.

(iii) Other long-term employee benefits

All employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related services are determined based on actuarial valuation carried out at each balance sheet date. Provision for long-term compensated absences is based on actuarial valuation carried out as at 1st January every year.

(iv) Voluntary retirement scheme benefits

Voluntary retirement scheme benefits are recognised as an expense in the year they are incurred.

(o) Employee share based payments

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

(p) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimate of the obligation. When the Company 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 where the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

(q) Earnings per share

Basic Earnings Per Share ('EPS') is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for the share splits.

(r) Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

(s) Borrowing costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are accounted as an expense in the statement of profit and loss.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| | ₹ in crores | |
|--|--|---------------|
| As at | 31 March 2012 | 31 March 2011 |
| Note 2 - Share capital | | |
| Authorised | | |
| Equity shares | 50.00 | 50.00 |
| [250,000,000 equity shares of ₹ 2/- each (previous year: 250,000,000 equity shares of ₹ 2/- each)] | | |
| Issued, subscribed and paid up | | |
| Equity shares fully paid | 23.89 | 23.89 |
| [119,450,815 equity shares of ₹ 2/- each (previous year: 119,450,815 equity shares of ₹ 2/- each)] * | | |
| * Of the total fully paid up equity shares: 60,866,095 equity shares of ₹ 2/- each (previous year: 60,866,095 equity shares of ₹ 2/- each) are held by the subsidiaries of The Bombay Burmah Trading Corporation Limited, the ultimate holding company [Refer note (a) below]. | | |
| Rights, preferences and restrictions attached to the equity shares: | | |
| - | The Company has only one class of shares referred to as equity shares having a par value of ₹ 2/-. Each holder of equity shares is entitled to one vote per share. | |
| - | The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. | |
| - | During the year ended 31 March 2012, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 8.5/- (previous year: ₹ 6.5/-). The total dividend appropriation for the year ended March 31, 2012 amounted to ₹ 118 (previous year: ₹ 90.24) including corporate dividend tax of ₹ 16.47 (previous year: ₹ 12.6). | |
| - | In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. | |
| Details of shareholders holding more than 5% of total number of shares, including amount [Refer note (b) below]. | | |
| Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year [Refer note (c) below]. | | |
| Under the Britannia Employee Stock Option Scheme the total number of options that can be granted is 875,000. Out of this, 375,000 options have been granted, however no option has been exercised [Refer note (d) below]. | | |
| | 23.89 | 23.89 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Notes:

- (a) Shares in respect of equity in the Company held by its holding or ultimate holding company, including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate:

| | 31 March 2012 | | 31 March 2011 | |
|---|-------------------|--------------|-------------------|--------------|
| | Number of shares | Amount | Number of shares | Amount |
| Holding company | | | | |
| Associated Biscuits International Limited, UK | 53,904,500 | 10.78 | 53,904,500 | 10.78 |
| Subsidiaries of holding company | | | | |
| Bannatyne Enterprises Pte Limited, Singapore | 1,391,555 | 0.28 | 1,391,555 | 0.28 |
| Dowbiggin Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| Nacupa Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| Spargo Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| Valletort Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| | 60,866,095 | 12.18 | 60,866,095 | 12.18 |

- (b) Details of shareholders holding more than 5% of total number of equity shares:

| | 31 March 2012 | | 31 March 2011 | |
|---|------------------|-----------|------------------|-----------|
| | Number of shares | % holding | Number of shares | % holding |
| Associated Biscuits International Limited, UK | 53,904,500 | 45.13% | 53,904,500 | 45.13% |
| Arisaig Partners (Asia) Pte Ltd. | 9,967,985 | 8.34% | 8,890,655 | 7.44% |
| HDFC Trustee Company Limited | 6,868,168 | 5.75% | 7,187,602 | 6.02% |
| Life Insurance Corporation of India | 5,834,054 | 4.88% | 6,373,783 | 5.34% |

- (c) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting year:

| | 31 March 2012 | | 31 March 2011 | |
|--|------------------|--------|------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| Opening balance at the beginning of the reporting year | 119,450,815 | 23.89 | 119,450,815 | 23.89 |
| Movement during the reporting year | - | - | - | - |
| Closing balance at the end of the reporting year | 119,450,815 | 23.89 | 119,450,815 | 23.89 |

- (d) During the financial year 2008-09, the Company introduced Britannia Industries Limited Employee Stock Option Scheme ('the Scheme'). As per the Scheme, the Remuneration / Compensation Committee grants options to the employees and Executive Directors of the Company. The vesting period of the option is one year from the date of grant. Options granted under the Scheme can be exercised within a period of three years from the date of vesting. Exercise of an option is subject to continued employment.

Under the Scheme, the Company granted 15,000 options on 29 October 2008 at an exercise price of ₹ 1,125.30/-; 15,000 options on 27 May 2009 at an exercise price of ₹ 1,698.15/- and 20,000 options on 27 May 2010 at an exercise price of ₹ 1,668.55/- to the Managing Director of the Company. Each option represents one equity share of ₹ 10/- each. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors or Remuneration / Compensation Committee in which options were granted, on the stock exchange having higher trading volume.

Exercise prices as stated above are adjusted downwards by ₹ 170/- per share for options granted on 29 October 2008 and 27 May 2009, being the face value of bonus debentures issued pursuant to the Scheme of Arrangement approved by the Honourable Calcutta High Court on 11 February 2010.

The number of options have been appropriately adjusted, consequent upon the sub-division of the equity shares [Refer note (e) below].

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

The Company has further granted 125,000 options on 27 May 2011 at an exercise price of ₹ 391.75/- to the Managing Director of the Company after the aforesaid adjustments.

Method used for accounting of share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock options to employees and Executive Directors of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price (without considering the impact of ₹ 170/- on account of issue of bonus debentures) of the option. Since the options under the Scheme were granted at the market price, the intrinsic value of the option is ₹ Nil. Consequently the accounting value of the option (compensation cost) is also ₹ Nil.

| Movement in the options under the Scheme: | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Options outstanding at the beginning of the year | 250,000 | 150,000 |
| Options granted during the year | 125,000 | 100,000 |
| Options vested during the year | 100,000 | 75,000 |
| Options exercised during the year | Nil | Nil |
| Options lapsed during the year | Nil | Nil |
| Shares under option at the end of the year | 375,000 | 250,000 |
| Exercisable at the end of the year | 250,000 | 150,000 |
| Weighted average price per option (₹) | 318.91 | 282.49 |

Fair Value Methodology:

Options have been valued based on Fair Value Method of accounting as described under guidance note on Accounting for Employee Share-based Payments using Black-Scholes valuation option-pricing model, using the market values of the Company's shares as quoted on the National Stock Exchange.

The key assumptions used in Black-Scholes model for calculating fair value of options under the Scheme as on the date of grant are as follows:

| Particulars | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| No. of options granted | 125,000 | 100,000 |
| Date of grant | 27 May 2011 | 27 May 2010 |
| Vesting period (years) | 1 | 1 |
| Expected life of option (years) | 3 | 3 |
| Expected volatility | 24.11% | 26.95% |
| Risk free rate | 8.46% | 6.56% |
| Expected dividends expressed as a dividend yield | 1.66% | 1.80% |
| Weighted-average fair values of options per share (₹) | 94.21 | 81.24 |

Had the compensation cost for the Scheme been determined based on fair value approach, the Company's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

| Particulars | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Net profit (as reported) | 186.74 | 145.29 |
| Less: Stock-based compensation expense determined under fair value based method, net of Intrinsic Value (without considering tax impact) | 1.14 | 0.78 |
| Net profit (pro-forma) considered for computing EPS (pro-forma) | 185.60 | 144.51 |
| Basic earnings per share (as reported) (₹) | 15.63 | 12.16 |
| Basic earnings per share (pro-forma) (₹) | 15.54 | 12.09 |
| Diluted earnings per share (as reported) (₹) | 15.62 | 12.16 |
| Diluted earnings per share (pro-forma) (₹) | 15.52 | 12.09 |

- (e) In the Annual General Meeting held on 9 August 2010, the shareholders of the Company approved the sub-division of equity shares, where in each equity share with a face value of ₹ 10/- has been subdivided into 5 equity shares with a face value of ₹ 2/- each. The effective date for the sub-division was 10 September 2010.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Note 3 - Reserves and surplus

| | General reserve | Capital redemption reserve | Capital reserve | Surplus | As at 31 March 2012 |
|---|--------------------|----------------------------------|--------------------|---------------|---------------------------|
| Balance at the beginning of the year | 237.73 | 3.96 | 0.43 | 185.29 | 427.41 |
| Additions: | | | | | |
| Net profit after tax transferred from the statement of profit and loss | - | - | - | 186.74 | 186.74 |
| Transfer from surplus | 18.68 | - | - | - | 18.68 |
| | <u>256.41</u> | <u>3.96</u> | <u>0.43</u> | <u>372.03</u> | <u>632.83</u> |
| Deductions: | | | | | |
| Transfer to general reserve | - | - | - | 18.68 | 18.68 |
| Proposed dividend * | - | - | - | 101.53 | 101.53 |
| Tax on proposed dividend | - | - | - | 16.47 | 16.47 |
| Balance at the end of the year | <u>256.41</u> | <u>3.96</u> | <u>0.43</u> | <u>235.35</u> | <u>496.15</u> |

* The Board of Directors of the Company has recommended a dividend of ₹ 8.5/- per share of face value of ₹ 2/- amounting to ₹ 101.53 for the year ended 31 March 2012.

| | General reserve | Capital redemption reserve | Capital reserve | Surplus | As at 31 March 2011 |
|---|--------------------|----------------------------------|--------------------|---------------|---------------------------|
| Balance at the beginning of the year | 223.20 | 3.96 | 0.43 | 144.77 | 372.36 |
| Additions: | | | | | |
| Net profit after tax transferred from the statement of profit and loss | - | - | - | 145.29 | 145.29 |
| Transfer from surplus | 14.53 | - | - | - | 14.53 |
| | <u>237.73</u> | <u>3.96</u> | <u>0.43</u> | <u>290.06</u> | <u>532.18</u> |
| Deductions: | | | | | |
| Transfer to general reserve | - | - | - | 14.53 | 14.53 |
| Proposed dividend * | - | - | - | 77.64 | 77.64 |
| Tax on proposed dividend | - | - | - | 12.60 | 12.60 |
| Balance at the end of the year | <u>237.73</u> | <u>3.96</u> | <u>0.43</u> | <u>185.29</u> | <u>427.41</u> |

* The Board of Directors of the Company had recommended a dividend of ₹ 6.5/- per share of face value of ₹ 2/- amounting to ₹ 77.64 for the year ended 31 March 2011.

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 4 - Long-term borrowings | | |
| (i) Secured | | |
| (a) Bonds / debentures | - | 406.13 |
| [Refer note 9 (note (a)) for details of security, maturity period, repayment terms and rate of interest] | | |
| (b) Long-term maturities of finance lease obligations | 0.58 | 0.76 |
| [Refer note 9 (note (b)) for details of maturity period, repayment terms and rate of interest] | | |
| [Secured by hypothecation of assets (vehicles) taken on lease] | | |
| | <u>0.58</u> | <u>406.89</u> |
| (ii) Unsecured | | |
| Term loans | | |
| From banks | 27.57 | 23.68 |
| (Repayable in full at the end of 60 months from 19 September 2008 being the date of origination of loan. Rate of interest being 7.1%) | | |
| | <u>28.15</u> | <u>430.57</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 9 - Other current liabilities | | |
| Current maturities of long-term debt [Refer note (a) below] | 406.13 | - |
| Current maturities of finance lease obligations [Refer note (b) below] | 0.22 | 0.87 |
| Interest accrued but not due on borrowings | 1.58 | 1.38 |
| Unclaimed debenture interest * | 0.76 | 0.55 |
| Unpaid dividend * | 2.00 | 1.82 |
| Other payables: | | |
| - Book overdraft | - | 29.24 |
| - Advance from customers | 11.77 | 9.36 |
| - Creditors for capital goods | 12.87 | 3.72 |
| - Other liabilities | 82.93 | 72.44 |
| | 518.26 | 119.38 |

* Investor Education and Protection Fund shall be credited when due.

Notes:

- (a) 23,890,163 - 8.25% Redeemable non-convertible bonus debentures of face value of ₹ 170/- each, fully paid up.
Secured by way of first mortgage created on identified immovable property and first charge on Company's movable assets restricted to inventories and plant and machinery. The book value (net) of plant and equipment and inventories as on 31 March 2012 amounts to ₹ 256.19 (previous year: ₹ 223.89) and ₹ 382.28 (previous year: ₹ 311.20) respectively.
Redeemable in full at the end of 36 months from 22 March 2010 being the date of allotment.
The Committee of the Board of Directors ('the Board'), at its meeting held on 22 March 2010, pursuant to the Scheme of Arrangement ('the Scheme') sanctioned by the Honourable Calcutta High Court on 11 February 2010 under Section 391(2) of the 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 ₹ 170/- 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. The Scheme was earlier approved by the Board at its meeting held on 27 May 2009 and by the shareholders at the general meeting 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. 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 Calcutta High Court.
- (b) Rate of interest for finance lease obligations ranges from 11.7% to 16.9%.
Number of repayment installments for lease obligations ranges from 2 to 16.
Period of maturity for the lease obligations ranges from 1 year to 4 years.

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 10 - Short-term provisions | | |
| Provision for employee benefits | 6.80 | 6.41 |
| Others: | | |
| Proposed dividend | 101.53 | 77.64 |
| Tax on dividend | 16.47 | 12.60 |
| | 124.80 | 96.65 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11 - Fixed assets

₹ in crores

| Description | Gross block at cost | | | Accumulated depreciation and amortisation | | | Net block | | |
|-------------------------------|---------------------|-----------|-----------|---|--------------------|---------------------|------------------------------|---------------------|---------------------|
| | As at 1 April 2011 | Additions | Deletions | As at 31 March 2012 | As at 1 April 2011 | Charge for the year | On deletions during the year | As at 31 March 2012 | As at 31 March 2011 |
| Tangible assets | | | | | | | | | |
| Own assets | | | | | | | | | |
| Freehold land | 2.53 | - | - | 2.53 | - | - | - | 2.53 | 2.53 |
| Leasehold land | 10.86 | 11.89 | - | 22.75 | 0.31 | 0.21 | - | 22.23 | 10.55 |
| Buildings | 61.25 | 29.65 | 0.05 | 90.85 | 17.30 | 2.07 | 0.04 | 71.52 | 43.95 |
| Plant and equipment | 472.07 | 73.99 | 40.02 | 506.04 | 248.18 | 38.37 | 36.70 | 256.19 | 223.89 |
| Furniture and fixtures | 9.43 | 1.83 | 0.36 | 10.90 | 4.62 | 0.46 | 0.29 | 6.11 | 4.81 |
| Motor vehicles | 0.36 | 0.27 | 0.03 | 0.60 | 0.14 | 0.04 | 0.03 | 0.45 | 0.22 |
| Office equipment | 26.26 | 3.64 | 0.22 | 29.68 | 14.68 | 4.25 | 0.19 | 10.94 | 11.58 |
| Leased Assets | | | | | | | | | |
| Motor vehicles | 2.97 | 0.25 | 1.97 | 1.25 | 1.82 | 0.43 | 1.66 | 0.66 | 1.15 |
| | 585.73 | 121.52 | 42.65 | 664.60 | 287.05 | 45.83 | 38.91 | 370.63 | 298.68 |
| Intangible assets | | | | | | | | | |
| Own assets | | | | | | | | | |
| Trademarks | 0.03 | - | - | 0.03 | - | - | - | 0.03 | 0.03 |
| Designs | 0.01 | - | - | 0.01 | - | - | - | 0.01 | 0.01 |
| Computer software | 7.79 | 4.93 | - | 12.72 | 2.81 | 1.49 | - | 8.42 | 4.97 |
| | 7.83 | 4.93 | - | 12.76 | 2.81 | 1.49 | - | 8.46 | 5.02 |
| Total | 593.56 | 126.45 | 42.65 | 677.36 | 289.86 | 47.32 | 38.91 | 379.09 | 303.70 |
| Previous year | 547.83 | 68.54 | 22.81 | 593.56 | 266.33 | 44.59 | 21.06 | 79.73 | 11.70 |
| Add: Capital work-in-progress | | | | | | | | 458.82 | 315.40 |

Notes:

- Agreements in respect of leasehold land at two factories (previous year: two factories) are in the process of renewal.
- Buildings include fully paid unquoted shares and bonds in respect of ownership of flats in 2 Co-operative Housing Societies (previous year: 3 Co-operative Housing Societies); 509 shares (previous year: 519 shares) of ₹ 50/- each, and 50 interest free loan stock bonds (previous year: 50 interest free loan stock bonds) of ₹ 100/- each.
- Redeemable non-convertible bonus debentures issued on 22 March 2010 have been secured by way of first mortgage created on identified immovable property and first charge on Company's movable assets restricted to inventories and plant and equipment.
- In the previous year, due to the revision of estimated useful life for computers (part of office equipment) to four years, additional depreciation charged aggregates to ₹ 2.08.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| ₹ in crores | | | | | |
|--|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Face value per share / unit | Units / Nos. | | Amount | |
| | | As at 31 March 2012 | As at 31 March 2011 | As at 31 March 2012 | As at 31 March 2011 |
| Note 12 - Non-current investments | | | | | |
| At cost less provision for other than temporary diminution | | | | | |
| Non-trade investments | | | | | |
| <u>Unquoted</u> | | | | | |
| (i) Investments in equity instruments (fully paid) | | | | | |
| Subsidiaries | | | | | |
| Sunrise Biscuit Company Private Limited | ₹ 10 | 14,049,650 | 10,549,650 | 14.03 | 10.53 |
| Ganges Vally Foods Private Limited | ₹ 10 | 252,000 | 252,000 | 0.72 | 0.72 |
| J B Mangharam Foods Private Limited | ₹ 10 | 354,136 | 354,136 | 0.54 | 0.54 |
| International Bakery Products Limited | ₹ 10 | 255,000 | 255,000 | 0.40 | 0.40 |
| Manna Foods Private Limited | ₹ 10 | 375,001 | 375,001 | 0.17 | 0.17 |
| Boribunder Finance and Investments Private Limited | ₹ 10 | 2,170,999 | 2,170,999 | 2.08 | 2.08 |
| Daily Bread Gourmet Foods (India) Private Limited [Refer note (b) below] | ₹ 4 | 51,681,417 | 51,681,417 | 20.67 | 20.67 |
| Britannia Dairy Holdings Private Limited, Mauritius | USD 1 | 2,000 | 2,000 | 0.01 | 0.01 |
| Flora Investments Company Private Limited | ₹ 10 | 84,987 | 84,987 | 0.10 | 0.10 |
| Gilt Edge Finance and Investments Private Limited | ₹ 10 | 69,861 | 69,861 | 0.08 | 0.08 |
| | | | | 38.80 | 35.30 |
| Britannia Dairy Private Limited | ₹ 10 | 5,779,999 | 5,779,999 | 70.02 | 70.02 |
| Britannia and Associates (Mauritius) Private Limited, Mauritius [Refer note (a) below] | USD 1 | 19,419,702 | 16,537,617 | 93.28 | 79.15 |
| | | | | 163.30 | 149.17 |
| Less : Provision for diminution in value of investments [Refer note (c) and (d) below] | | | | 35.00 | 32.50 |
| | | | | 128.30 | 116.67 |
| Associates | | | | | |
| Klassik Foods Private Limited | ₹ 100 | 3,260 | 3,260 | 0.32 | 0.32 |
| Nalanda Biscuits Company Limited | ₹ 10 | 87,500 | 87,500 | 0.28 | 0.28 |
| Others | | | | | |
| Atlas Copco Limited | ₹ 10 | 720 | - | 0.18 | - |
| | | | (a) | 167.88 | 152.57 |
| (ii) Investments in preference shares (fully paid) | | | | | |
| Subsidiaries | | | | | |
| Britannia Dairy Private Limited - 10% Non Cumulative Redeemable Preference Shares | ₹ 10 | 6,000,000 | 6,000,000 | 6.00 | 6.00 |
| Britannia Dairy Holdings Private Limited, Mauritius - Class C - Preference Shares | USD 1 | 7,411,000 | 7,411,000 | 0.05 | 0.05 |
| | | | | 6.05 | 6.05 |
| Britannia Lanka Private Limited - Redeemable Preference Shares [Refer note (d) below] | SLR 10 | - | 44,035,250 | - | 18.28 |
| Less : Provision for diminution in value of investments [Refer note (d) below] | | | | - | 18.28 |
| | | | | - | - |
| | | | (b) | 6.05 | 6.05 |
| | | | (a) + (b) | 173.93 | 158.62 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| | Face value per share / unit | Units / Nos. | | ₹ in crores | |
|--|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 March 2012 | As at 31 March 2011 | As at 31 March 2012 | As at 31 March 2011 |
| | | | | Amount | |
| (iii) Investments in debentures / bonds | | | | | |
| Subsidiaries | | | | | |
| International Bakery Products Limited - 0% Unsecured Convertible Debentures | ₹ 100,000 | 677 | 582 | 6.77 | 5.82 |
| J B Mangharam Foods Private Limited - 6% Secured Redeemable Non Convertible Debentures | ₹ 100 | 25,000 | 75,000 | 0.25 | 0.75 |
| (iv) Investments in mutual funds | | | | | |
| HDFC Standard Life Insurance Company Limited - Group Leave Encashment | ₹ 10 | 1,002,536 | 996,548 | 3.08 | 3.08 |
| ICICI Prudential Life Insurance Company Limited - Group Leave Encashment | ₹ 10 | 2,935,711 | 2,896,593 | 2.91 | 2.91 |
| Quoted | | | | | |
| (i) Investments in equity instruments (fully paid) | | | | | |
| HDFC Bank Limited | ₹ 2 | 131,160 | 26,232 | 0.90 | 0.90 |
| Standard Chartered Bank - IDR | ₹ 10 | 334,177 | 334,177 | 3.48 | 3.48 |
| Glaxosmithkline Pharmaceuticals Limited | ₹ 10 | 80 | 80 | 0.02 | 0.02 |
| Great Offshore Limited | ₹ 10 | 1,237 | 1,237 | 0.03 | 0.03 |
| Hindustan Unilever Limited | ₹ 1 | 4,020 | 4,020 | 0.11 | 0.11 |
| Mahindra Lifespace Developers Limited | ₹ 10 | 688 | 688 | 0.02 | 0.02 |
| State Bank of India | ₹ 10 | 780 | 780 | 0.20 | 0.20 |
| Tata Coffee Limited | ₹ 10 | 400 | 400 | 0.04 | 0.04 |
| Tata Steel Limited | ₹ 10 | 6,549 | 6,549 | 0.40 | 0.40 |
| Great Eastern Shipping Company Limited | ₹ 10 | 4,953 | 4,953 | 0.13 | 0.13 |
| Tata Motors Limited | ₹ 2 | 14,720 | 2,944 | 0.34 | 0.34 |
| Ultratech Cement Limited | ₹ 10 | 254 | 254 | 0.01 | 0.01 |
| Grasim Industries Limited | ₹ 10 | 200 | 200 | 0.05 | 0.05 |
| ICICI Bank Limited | ₹ 10 | 300 | 300 | 0.03 | 0.03 |
| Larsen & Toubro Limited | ₹ 2 | 700 | 700 | 0.11 | 0.11 |
| Reliance Communications Limited | ₹ 5 | 618 | 618 | 0.01 | 0.01 |
| Reliance Industries Limited | ₹ 10 | 1,236 | 1,236 | 0.13 | 0.13 |
| Atlas Copco Limited | ₹ 10 | - | 720 | - | 0.18 |
| Tata Chemicals Limited | ₹ 10 | 721 | 721 | 0.02 | 0.02 |
| Bajaj Auto Limited | ₹ 10 | 2,400 | 2,400 | 0.16 | 0.16 |
| Bajaj Finserv Limited | ₹ 5 | 1,200 | 1,200 | 0.06 | 0.06 |
| Bajaj Holdings & Investments Limited | ₹ 10 | 1,200 | 1,200 | 0.09 | 0.09 |
| Essel Propack Limited | ₹ 2 | 1,600 | 1,600 | 0.01 | 0.01 |
| Titan Industries Limited | ₹ 2 | 6,300 | 315 | 0.11 | 0.11 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| | Face value per share / unit | Units / Nos. | | ₹ in crores | |
|--|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 March 2012 | As at 31 March 2011 | As at 31 March 2012 | As at 31 March 2011 |
| | | | | Amount | |
| (ii) Investments in debentures / bonds | | | | | |
| Tata Capital 10.25% Secured Redeemable Non Convertible Debentures | ₹ 500,000 | 500 | 500 | 25.00 | 25.00 |
| Tata Capital 8.40% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | - | 250 | - | 25.00 |
| Tata Capital 8.50% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | - | 250 | - | 25.00 |
| Tata Capital 8.50% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | - | 250 | - | 25.00 |
| Kotak Mahindra Prime 8.40% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | - | 250 | - | 25.00 |
| L&T Finance 8.50% Secured Redeemable Non Convertible Debentures | ₹ 1,000 | - | 61,232 | - | 6.12 |
| Total long-term investments | | | | 218.40 | 308.94 |
| Total quoted non-current investments | | | | 31.46 | 137.76 |
| Total unquoted non-current investments | | | | 186.94 | 171.18 |
| | | | | <u>218.40</u> | <u>308.94</u> |
| Aggregate provision for diminution in value of investments | | | | 35.00 | 50.78 |
| Aggregate market value of quoted non-current investments | | | | 37.27 | 143.42 |
| Aggregate value of long-term investments (part of non-current investments) | | | | 218.40 | 308.94 |
| Aggregate value of long-term investments (part of current investments) | | | | 106.62 | 53.53 |

Notes:

- (a) During the previous year, redeemable preference shares amounting to ₹ 73.06 in Britannia and Associates (Mauritius) Private Limited, Mauritius and loan amounting to ₹ 5.18 due from Britannia and Associates (Mauritius) Private Limited, Mauritius was converted into equivalent investment in equity shares of face value of USD 1 at par.
- (b) During the previous year, as per the approval by the Honourable Karnataka High Court, vide order no. 8771/11, for reduction of equity share capital of Daily Bread Gourmet Foods (India) Private Limited, face value of ₹ 10/- each, was restated to ₹ 4/- each and equivalent value was incorporated in investments. Giving effect to the same, the provision for diminution in value of investment of ₹ 39 was reversed and a charge of ₹ 37.21 was made on account of loss due to reduction in value of the investment.
- (c) In accordance with Accounting Standard 13 - "Accounting for Investments", prescribed by the Companies (Accounting Standard) Rules, 2006 of the Companies Act, 1956, the Company has, based on its assessment of Britannia Dairy Private Limited's business, written back the provision of ₹ 32.5 (previous year: ₹ Nil) for diminution (other than temporary) on long-term investment made in equity shares of Britannia Dairy Private Limited. Further, based on an assessment of the businesses of Britannia and Associates (Mauritius) Private Limited, Mauritius and its subsidiaries (Strategic Food International Co. LLC, Dubai and Al Sallan Food Industries Co. SAOC), the Company has made a provision of ₹ 35 (previous year: ₹ Nil) for diminution (other than temporary) on long-term investment made in equity shares of Britannia and Associates (Mauritius) Private Limited, Mauritius.
- (d) Consequent to liquidation of Britannia Lanka Private Limited (subsidiary of Britannia Industries Limited), provision for diminution in value of investments of ₹18.28 has been reversed and equity and preference share investments amounting to ₹ 18.13 (net of amount receivable on liquidation of ₹ 0.15) have been written off.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| As at | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 13 - Long-term loans and advances | | |
| Unsecured | | |
| Considered good: | | |
| - Capital advances | 19.62 | 13.75 |
| - Deposits | 3.63 | 2.31 |
| - Loans and advances to related parties | 60.60 | 25.68 |
| - Other loans and advances: | | |
| Advances recoverable in cash or in kind or for value to be received | 39.13 | 32.52 |
| Advance income tax and tax deducted at source | 2.04 | 7.87 |
| Inter-corporate deposits | - | 60.00 |
| Considered doubtful: | | |
| - Loans and advances recoverable in cash or in kind or for value to be received | 5.90 | 7.86 |
| - Loans and advances to related parties | 1.11 | 2.23 |
| | 132.03 | 152.22 |
| Less: Provision for doubtful loans / advances | 7.01 | 10.09 |
| | 125.02 | 142.13 |

| | Face value per share / unit | Units / Nos. | | Amount | |
|--|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 March 2012 | As at 31 March 2011 | As at 31 March 2012 | As at 31 March 2011 |
| Note 14 - Current investments | | | | | |
| Lower of cost or fair value | | | | | |
| Non-trade investments | | | | | |
| <u>Unquoted</u> | | | | | |
| (i) Investments in debentures / bonds | | | | | |
| Subsidiaries | | | | | |
| J B Mangharam Foods Private Limited - 6% Secured Redeemable Non Convertible Debentures (a) | | | | | |
| | ₹ 100 | 50,000 | 50,000 | 0.50 | 0.50 |
| (ii) Investments in mutual funds | | | | | |
| | ₹ 10 | - | 10,000,000 | - | 10.00 |
| | ₹ 10 | - | 10,000,000 | - | 10.00 |
| | ₹ 10 | - | 50,000,000 | - | 5.00 |
| | ₹ 10 | - | 50,000,000 | - | 5.00 |
| | ₹ 10 | - | 10,000,000 | - | 10.00 |
| | ₹ 10 | - | 8,608,300 | - | 10.03 |
| | ₹ 10 | - | 1,361,847 | - | 3.00 |
| | ₹ 100 | 278,078 | 2,435,890 | 5.00 | 4.00 |
| | ₹ 10 | - | 7,667,689 | - | 10.21 |
| | ₹ 100 | - | 821,390 | - | 15.00 |
| | ₹ 10 | - | 8,590,991 | - | 10.00 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | Face value per share / unit | Units / Nos. | | Amount | |
|---|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 March 2012 | As at 31 March 2011 | As at 31 March 2012 | As at 31 March 2011 |
| BNP Paribas Money Plus Fund - Institutional - Growth (Formerly Fortis Money Plus Fund - Growth) | ₹ 10 | - | 5,401,011 | - | 8.00 |
| UTI Floating Rate Fund - Short-term Plan - Institutional - Growth | ₹ 1,000 | - | 172,578 | - | 19.00 |
| Tata Treasury Manager - SHIP - Growth | ₹ 1,000 | 16,429 | 108,501 | 2.02 | 12.04 |
| Reliance Money Manager Fund - Institutional - Growth | ₹ 1,000 | 81,984 | 164,994 | 12.00 | 22.00 |
| Kotak Floater Long-term Plan - Growth | ₹ 10 | - | 3,221,234 | - | 5.00 |
| Birla Sunlife Floating Rate Fund- Short-term Plan - Institutional - Growth | ₹ 10 | - | 7,699,533 | - | 10.00 |
| Birla Sunlife Ultra Short-term Fund - Institutional - Growth | ₹ 10 | - | 8,562,450 | - | 10.00 |
| Tata Floater Fund - Growth | ₹ 10 | 3,115,433 | 8,595,665 | 5.00 | 12.59 |
| Templeton Ultra Short-term Bond Fund - Institutional - Growth | ₹ 10 | - | 7,862,653 | - | 9.95 |
| Birla Sunlife Savings Fund - Growth | ₹ 100 | 735,546 | - | 15.00 | - |
| BNP Paribas Overnight Fund - Growth | ₹ 10 | 12,170,878 | - | 20.02 | - |
| ICICI Prudential Money Market Fund - Cash Plan - Growth | ₹ 100 | 1,352,848 | - | 20.00 | - |
| (iii) Other investments | | | | | |
| Kotak Bank certificate of deposit | ₹ 1,000,000 | - | 250 | - | 24.80 |
| Canara Bank certificate of deposit | ₹ 1,000,000 | - | 500 | - | 4.97 |
| UCO Bank certificate of deposit | ₹ 1,000,000 | - | 500 | - | 4.97 |
| Axis Bank certificate of deposit | ₹ 100,000 | 2,500 | - | 24.88 | - |
| Quoted | | | | | |
| Investments in debentures / bonds | | | | | |
| Tata Capital 8.40% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | 250 | - | 25.00 | - |
| Tata Capital 8.50% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | 250 | - | 25.00 | - |
| Tata Capital 8.50% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | 250 | - | 25.00 | - |
| Kotak Mahindra Prime 8.40% Secured Redeemable Non Convertible Debentures | ₹ 1,000,000 | 250 | - | 25.00 | - |
| L&T Finance 8.50% Secured Redeemable Non Convertible Debentures | ₹ 1,000 | 61,232 | - | 6.12 | - |
| Total current investments | | | | 210.54 | 236.06 |
| Total quoted current investments | | | | 106.12 | - |
| Total unquoted current investments | | | | 104.42 | 236.06 |
| | | | | 210.54 | 236.06 |
| Aggregate market value of quoted current investments | | | | 106.12 | - |
| Aggregate value of current investments | | | | 210.54 | 236.06 |
| (a) Aggregate value of long-term investments (part of current investments) | | | | 106.62 | 0.50 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| | ₹ in crores | |
|--|---------------|---------------|
| As at | 31 March 2012 | 31 March 2011 |
| Note 15 - Inventories * | | |
| Raw materials | 201.83 | 132.99 |
| Packing materials | 37.26 | 44.51 |
| Work-in-progress | 1.42 | 0.29 |
| Finished goods | 118.45 | 114.02 |
| Stock-in-trade | 9.20 | 7.51 |
| Stores and spare parts | 14.12 | 11.88 |
| | 382.28 | 311.20 |
| * Refer note 1 (g) for mode of valuation for inventories. | | |
| Note 16 - Trade receivables | | |
| Unsecured | | |
| Considered good: | | |
| - Over six months | 1.45 | 1.98 |
| - Others | 50.69 | 55.28 |
| | 52.14 | 57.26 |
| Considered doubtful: | | |
| - Over six months | 4.71 | 4.52 |
| | 56.85 | 61.78 |
| Less: Provision for doubtful receivables | 4.71 | 4.52 |
| | 52.14 | 57.26 |
| Note 17 - Cash and bank balances | | |
| Cash and cash equivalents: | | |
| - Cash on hand | 0.06 | 0.05 |
| - Cheques on hand | 15.69 | 19.75 |
| - Current accounts | 10.44 | 5.08 |
| Other bank balances: | | |
| - Unpaid dividend accounts | 2.00 | 1.82 |
| - Unclaimed debenture interest | 0.76 | 0.55 |
| - Deposit accounts held against bank guarantees [Refer note (a) below] | 1.99 | 1.50 |
| | 30.94 | 28.75 |

Note:

(a) Deposit accounts held against bank guarantees includes bank deposits with more than 12 months maturity amounting to ₹ 1.89 (previous year: ₹ 1.40).

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 18 - Short-term loans and advances | | |
| Unsecured | | |
| Considered good: | | |
| - Deposits | 3.19 | 2.28 |
| - Loans and advances to related parties | 8.52 | 9.20 |
| - Other loans and advances | | |
| Advances recoverable in cash or in kind or for value to be received | 94.31 | 36.84 |
| Inter-corporate deposits | 60.00 | - |
| Advance income tax and tax deducted at source | 5.60 | - |
| Employee benefits - gratuity, net [Refer note 41] | 2.37 | 2.04 |
| Minimum alternative tax credit entitlement | 1.80 | 15.30 |
| Balances with customs, port trust, excise, etc | 2.02 | 0.64 |
| Interest accrued but not due | 4.27 | 4.33 |
| | 182.08 | 70.63 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| | | ₹ in crores | |
|---|-----------|---------------|----------------|
| For the year ended | | 31 March 2012 | 31 March 2011 |
| Note 19 - Other operating revenues | | | |
| Royalty income | | 5.17 | 4.15 |
| Scrap sales | | 14.22 | 15.39 |
| Other receipts | | 0.54 | 0.99 |
| Provisions and liabilities no longer required written back, net | | 7.22 | 4.67 |
| | | <u>27.15</u> | <u>25.20</u> |
| Note 20 - Other income | | | |
| Interest income | Long-term | 22.75 | 13.89 |
| | Current | 9.37 | 10.95 |
| Dividend income | Long-term | 0.19 | - |
| | Current | - | 0.28 |
| Net gain / (loss) on sale of investments | Long-term | 4.92 | 1.44 |
| | Current | 4.18 | 7.22 |
| Other non-operating income: | | | |
| - Profit on sale of fixed assets | | 16.40 | 12.80 |
| - Foreign exchange gain, net | | 0.71 | - |
| - Reversal of provision for diminution in value of investment, consequent to reduction of share capital, net [Refer note 12 (note (b))] | | - | 1.78 |
| - Other receipts | | 0.01 | 0.56 |
| | | <u>58.53</u> | <u>48.92</u> |
| Note 21 - Purchase of stock-in-trade | | | |
| Biscuits and high protein food | | 320.12 | 282.26 |
| Bread, bread toast and rusk | | 26.46 | 8.40 |
| Cake | | 159.15 | 105.03 |
| Others | | 23.80 | 14.62 |
| | | <u>529.53</u> | <u>410.31</u> |
| Note 22 - Changes in inventories of finished goods, work-in-progress and stock-in-trade | | | |
| Opening stock: | | | |
| - Finished goods | | 114.02 | 93.38 |
| - Stock-in-trade | | 7.51 | 9.96 |
| - Work-in-progress | | 0.29 | 0.27 |
| Closing stock: | | | |
| - Finished goods | | 118.45 | 114.02 |
| - Stock-in-trade | | 9.20 | 7.51 |
| - Work-in-progress | | 1.42 | 0.29 |
| | | (7.25) | (18.21) |
| Less: Excise duty on opening stock of finished goods | | (1.43) | (1.11) |
| Add: Excise duty on closing stock of finished goods | | 3.89 | 1.43 |
| Increase / (decrease) | | <u>2.46</u> | <u>0.32</u> |
| | | <u>(4.79)</u> | <u>(17.89)</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| For the year ended | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 23 - Employee benefits expense | | |
| Salaries and wages | 118.09 | 106.33 |
| Contribution to provident and other funds | 5.71 | 5.70 |
| Staff welfare expenses | 6.87 | 6.45 |
| Voluntary retirement scheme expenditure [Refer note (a) below] | 15.20 | 1.45 |
| | 145.87 | 119.93 |

Note:

- (a) Pursuant to the consent order in the writ petition no. 2659/2005, before the Honourable Bombay High Court, the Company has accepted the application for Voluntary Retirement Scheme ('VRS') offered to all workmen at the Reay Road Mumbai factory. Consequently, all the legal cases related to the closure of the factory, have been disposed off and an amount of ₹ 15.05 has been paid towards the VRS.

| For the year ended | 31 March 2012 | 31 March 2011 |
|---|-----------------|-----------------|
| Note 24 - Finance costs | | |
| Interest expense: | | |
| - Redeemable non-convertible bonus debentures | 33.60 | 33.51 |
| - Finance lease | 0.21 | 0.28 |
| - Bank and others | 4.26 | 3.96 |
| | 38.07 | 37.75 |
| Note 25 - Other expenses | | |
| Consumption of stores and spares | 8.52 | 7.00 |
| Power and fuel | 38.25 | 29.55 |
| Rent [Refer note 27 (a)] | 4.66 | 3.77 |
| Repairs and maintenance: | | |
| - Plant and equipment (a) | 9.01 | 8.04 |
| - Buildings (a) | 0.95 | 1.13 |
| - Others | 12.57 | 10.94 |
| Insurance | 0.87 | 1.06 |
| Rates and taxes, net | 22.04 | 17.93 |
| Carriage, freight and distribution | 315.93 | 287.09 |
| Auditors' remuneration (b): | | |
| - Audit fees | 0.39 | 0.45 |
| - Other services | 0.08 | 0.04 |
| - Expenses reimbursed | 0.08 | 0.11 |
| Advertising and sales promotion | 380.95 | 304.15 |
| Conversion charges | 418.96 | 332.83 |
| Foreign exchange loss | - | 0.79 |
| Miscellaneous | 153.49 | 102.45 |
| Bad debts and advances written off, net | 0.24 | 0.06 |
| Provision for doubtful receivables and loans and advances, net | - | 0.38 |
| Provision for diminution in value of investment, net [Refer note 12 (note (c) and (d))] | 2.35 | - |
| | 1,369.34 | 1,107.77 |
| (a) Includes stores and spares consumed | 5.80 | 4.98 |
| (b) Excluding service tax | | |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Note 26 Contingent liabilities and commitments:

(i) **Contingent liabilities:**

- (a) Claims / demands against the Company not acknowledged as debts including excise duty, income tax, sales tax and trade and other demands of ₹ 28.95 (previous year: ₹ 57.88).
- (b) Bank guarantee and letter of credit for ₹ 5.13 (previous year: ₹ 6.50).
- (c) Discounted cheques ₹ 0.32 (previous year: ₹ 45.70).

Notes:

- (i) Contingent liabilities disclosed above represent possible obligations where possibility of cash outflow to settle the obligations is not remote.
- (ii) The above does not include non-quantifiable industrial disputes and other legal disputes pending before various judicial authorities [Also refer note 28].

(ii) **Commitments:**

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 42.44 (previous year: ₹ 34.67).

- (b) The Company has furnished the following corporate guarantees:

| Banking facilities given to | Name of the bank | 31 March 2012 | 31 March 2011 |
|---|-----------------------------------|---------------|---------------|
| (i) Britannia and Associates (Mauritius) Private Limited, Mauritius | Royal Bank of Scotland, Singapore | 56.91 | 49.89 |
| | Bank of America | 127.20 | 111.50 |
| (ii) Britannia Dairy Private Limited | Bank of America | - | 60.00 |

Regarding items (i) and (ii) (b) 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 it is determinable only on occurrence of uncertain future events / receipt of judgements pending at various forums.

- (c) The Company has furnished the following letters of comfort / letters of awareness:

| Banking facilities given to | Name of the bank | 31 March 2012 | 31 March 2011 |
|--|------------------------|---------------|---------------|
| (i) Britannia Dairy Private Limited | HSBC Bank | 4.50 | 4.50 |
| (ii) Strategic Food International Co. LLC, Dubai | Royal Bank of Scotland | 52.71 | 46.02 |
| (iii) Al Sallan Food Industries Co. SAOC | Royal Bank of Scotland | 9.71 | 8.48 |

These letters are not to be construed as a guarantee issued by the Company.

Note 27 (a) Operating leases

The Company has certain operating leases for office facilities and residential premises (cancellable leases). Such leases are generally with the option of renewal against increased rent and premature termination of agreement. Rental expenses of ₹ 4.66 (previous year: ₹ 3.77) in respect of obligation under operating leases have been recognised in the statement of profit and loss.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

(b) Finance leases

The Company has taken motor vehicles on finance lease. The total minimum lease payments and present value of minimum lease payments are as follows:

| | 31 March 2012 | | 31 March 2011 | |
|--|------------------------|---|------------------------|---|
| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| Not later than 1 year | 0.31 | 0.22 | 1.03 | 0.87 |
| Later than 1 year and not later than 5 years | 0.62 | 0.58 | 0.92 | 0.76 |
| | <u>0.93</u> | <u>0.80</u> | <u>1.95</u> | <u>1.63</u> |

The difference between minimum lease payments and the present value of minimum lease payments of ₹ 0.13 (previous year: ₹ 0.32) represents interest not due. The lease liability is secured by the relevant vehicles acquired under lease.

Note 28 In accordance with Accounting Standard 29 - "Provisions, Contingent Liabilities and Contingent Assets", prescribed by the Companies (Accounting Standard), Rules 2006, certain classes of liabilities have been identified as provisions which have been disclosed as under:

| | 1 April 2011 | Additions * | Utilisation * | Reversals / adjustments * | 31 March 2012 |
|---|--------------|-------------|---------------|---------------------------|---------------|
| (a) Excise and service tax related issues | 32.05 | 10.01 | - | (15.05) | 27.01 |
| (b) Sales tax and other issues | 18.31 | 4.00 | - | (0.39) | 21.92 |
| (c) Trade and other issues | 35.12 | 2.73 | (17.79) | 10.29 | 30.35 |

| | 1 April 2010 | Additions * | Utilisation * | Reversals / adjustments * | 31 March 2011 |
|---|--------------|-------------|---------------|---------------------------|---------------|
| (a) Excise and service tax related issues | 26.28 | 5.79 | (0.02) | - | 32.05 |
| (b) Sales tax and other issues | 16.39 | 2.06 | - | (0.14) | 18.31 |
| (c) Trade and other issues | 48.16 | 2.15 | - | (15.19) | 35.12 |

(a) and (b) represents estimates made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities.

(c) represents provisions made for probable liabilities / claims arising out of commercial transactions with vendors /others. Further disclosures as required in Accounting Standard 29 are not made since it can be prejudicial to the interests of the Company.

* Included under various heads in the statement of profit and loss.

Note 29 In April 2007, the Commissioner of the 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 ₹ 12.12 (previous year: ₹ 12.12) 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 ₹ 12.12 (previous year: ₹ 12.12) 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.

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₹ in crores

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 its 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.

Note 30 (a) Sale of products (Manufactured goods)

| Product group | 31 March 2012 | 31 March 2011 |
|--------------------------------|-----------------|-----------------|
| Biscuits and high protein food | 3,794.54 | 3,249.33 |
| Bread, bread toast and rusk | 462.46 | 398.32 |
| Cake | 83.44 | 67.88 |
| Others | 4.73 | - |
| | <u>4,345.17</u> | <u>3,715.53</u> |

The above values does not include sale of raw materials for processing purposes (including wheat) and by-products on conversion of inputs aggregating to ₹ 52.12 (previous year: ₹ 54.78), which has been netted off with cost of material.

Sale of products (Traded goods)

| Product group | 31 March 2012 | 31 March 2011 |
|--------------------------------|---------------|---------------|
| Biscuits and high protein food | 397.90 | 354.79 |
| Bread, bread toast and rusk | 32.77 | 9.75 |
| Cake | 187.89 | 125.74 |
| Others | 41.93 | 24.78 |
| | <u>660.49</u> | <u>515.06</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

(b) Raw materials including packaging materials consumed

| Description | 31 March 2012 | 31 March 2011 |
|-----------------|-----------------|-----------------|
| Flour | 638.34 | 634.99 |
| Fats and oils | 471.59 | 363.61 |
| Sugar | 397.77 | 452.32 |
| Lamination roll | 243.03 | 212.72 |
| Others | 904.28 | 708.28 |
| | <u>2,655.01</u> | <u>2,371.92</u> |

| 31 March 2012 | | 31 March 2011 | | |
|---------------|-----------------|---------------|-----------------|---------------|
| Value | % | Value | % | |
| Imported | 1.05 | 0.04 | 166.35 | 7.01 |
| Indigenous | 2,653.96 | 99.96 | 2,205.57 | 92.99 |
| | <u>2,655.01</u> | <u>100.00</u> | <u>2,371.92</u> | <u>100.00</u> |

(c) Stores and spare parts consumed

| 31 March 2012 | | 31 March 2011 | | |
|---------------|--------------|---------------|--------------|---------------|
| Value | % | Value | % | |
| Imported | 0.28 | 1.96 | 0.09 | 0.75 |
| Indigenous | 14.04 | 98.04 | 11.89 | 99.25 |
| | <u>14.32</u> | <u>100.00</u> | <u>11.98</u> | <u>100.00</u> |

Note 31 Opening and closing stock of finished goods (Manufactured goods)

| | 31 March 2012 | 31 March 2011 |
|--------------------------------|---------------|---------------|
| (a) Opening stock | | |
| Biscuits and high protein food | 109.10 | 86.01 |
| Bread, bread toast and rusk | 3.52 | 4.71 |
| Cake | 1.34 | 2.22 |
| Others | 0.06 | 0.44 |
| | <u>114.02</u> | <u>93.38</u> |
| (b) Closing stock | | |
| Biscuits and high protein food | 107.86 | 109.10 |
| Bread, bread toast and rusk | 4.85 | 3.52 |
| Cake | 3.21 | 1.34 |
| Others | 2.53 | 0.06 |
| | <u>118.45</u> | <u>114.02</u> |

Note 32 Opening and closing stock of finished goods (Traded goods)

| | | |
|--------------------------------|-------------|-------------|
| (a) Opening stock | | |
| Biscuits and high protein food | 3.61 | 6.67 |
| Bread, bread toast and rusk | 0.52 | 0.32 |
| Cake | 2.80 | 2.90 |
| Others | 0.58 | 0.07 |
| | <u>7.51</u> | <u>9.96</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | 31 March 2012 | 31 March 2011 |
|---|----------------------|----------------------|
| (b) Closing stock | | |
| Biscuits and high protein food | 4.33 | 3.61 |
| Bread, bread toast and rusk | 1.22 | 0.52 |
| Cake | 2.77 | 2.80 |
| Others | 0.88 | 0.58 |
| | <u>9.20</u> | <u>7.51</u> |
| Note 33 Opening and closing stock of work-in-progress | | |
| (a) Opening stock | | |
| Biscuits and high protein food | 0.29 | 0.27 |
| | <u>0.29</u> | <u>0.27</u> |
| (b) Closing stock | | |
| Biscuits and high protein food | 1.42 | 0.29 |
| | <u>1.42</u> | <u>0.29</u> |
| Note 34 Expenditure in foreign currency | | |
| (a) Trade promotion and media related | 1.54 | 1.11 |
| (b) Professional fees | 0.10 | 0.16 |
| (c) Others | 0.33 | 0.30 |
| Note 35 Value of imports on C.I.F. basis | | |
| (a) Capital goods | 2.21 | 4.74 |
| (b) Raw materials | 14.48 | 100.93 |
| (c) Components and spare parts | 0.66 | 0.07 |
| Note 36 Earnings in foreign currency | | |
| (a) Exports at free on board value | 64.69 | 47.42 |
| (b) Royalty | 3.13 | 2.11 |
| (c) Others | 3.07 | 2.01 |
| Note 37 Dividend remitted in foreign currency (net of tax) | | |
| Relating to the year ended | 31 March 2011 | 31 March 2010 |
| Number of non-resident shareholders | 6 | 6 |
| Number of equity shares held (at ₹ 2/- per share) | 60,866,095 | 60,866,095 |
| Amount remitted | 39.57 | 30.43 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 38 Earnings per share | | |
| (a) Net profit attributable to the equity shareholders | 186.74 | 145.29 |
| (b) Weighted average number of equity shares outstanding during the year | 119,450,815 | 119,450,815 |
| (c) Effect of potential equity shares on employee stock option outstanding | 109,650 | 61,559 |
| (d) Weighted average number of equity shares outstanding for computing diluted earnings | 119,560,465 | 119,512,374 |
| Nominal value of equity shares (₹) | 2 | 2 |
| Basic earnings per share (₹) | 15.63 | 12.16 |
| Diluted earnings per share (₹) | 15.62 | 12.16 |

Note 39 Based on guiding principles in the Accounting Standard 17 - "Segment Reporting", the primary business segment of the Company is foods, comprising bakery and dairy products. As the Company operates in a single primary business segment, disclosure requirements are not applicable. The Company primarily caters to the domestic market and export sales are not significant and accordingly there is no reportable secondary segment.

Note 40 Related party disclosures under Accounting Standard 18

Relationships

- | | |
|--------------------------------|---|
| 1. Ultimate holding company | The Bombay Burmah Trading Corporation Limited |
| Holding company | Associated Biscuits International Limited (ABIL), UK |
| 2. Subsidiary companies | Al Sallan Food Industries Co. SAOC Boribunder Finance and Investments Private Limited Britannia and Associates (Dubai) Private Company Limited, Dubai Britannia and Associates (Mauritius) Private Limited, Mauritius Britannia Dairy Holdings Private Limited, Mauritius Britannia Dairy Private Limited Britannia Lanka Private Limited, Sri Lanka Daily Bread Gourmet Foods (India) Private Limited Flora Investments Company Private Limited Ganges Vally Foods Private Limited Gilt Edge Finance and Investments Private Limited International Bakery Products Limited J B Mangharam Foods Private Limited Manna Foods Private Limited Strategic Brands Holding Company Limited, Dubai Strategic Food International Co. LLC, Dubai Sunrise Biscuit Company Private Limited |
| 3. Fellow subsidiary companies | Bannatyne Enterprises Pte Limited, Singapore Dowbiggin Enterprises Pte Limited, Singapore Nacupa Enterprises Pte Limited, Singapore Spargo Enterprises Pte Limited, Singapore Valletort Enterprises Pte Limited, Singapore |
| 4. Associates | Klassik Foods Private Limited Nalanda Biscuits Company Limited |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Relationships

- | | |
|-----------------------------------|-------------------------------------|
| 5. Others | Britannia Sports (partnership firm) |
| 6. Key management personnel (KMP) | |
| Managing Director | Ms. Vinita Bali |

| <u>Related party transactions during the year:</u> | <u>Relationship</u> | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|---------------------|--------------------------|--------------------------|
| Investments made during the year in | | | |
| <u>Equity shares:</u> | | | |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | 14.13 | 13.25 |
| Sunrise Biscuit Company Private Limited | Subsidiary | 3.50 | 6.90 |
| Boribunder Finance and Investments Private Limited | Subsidiary | – | 2.00 |
| <u>Preference shares:</u> | | | |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | – | 13.63 |
| <u>Debentures:</u> | | | |
| International Bakery Products Limited | Subsidiary | 0.95 | – |
| Total | | 18.58 | 35.78 |
| | | | |
| Conversion of preference shares to equity shares | | | |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | – | 73.06 |
| | | | |
| Conversion of loan to equity shares | | | |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | – | 5.18 |
| | | | |
| Reduction in the value of investments | | | |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | – | 37.37 |
| | | | |
| Consideration received on capital reduction | | | |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | – | 0.16 |
| | | | |
| Investments written off on liquidation | | | |
| <u>Preference shares:</u> | | | |
| Britannia Lanka Private Limited, Sri Lanka [Refer note 12 (note (d))] | Subsidiary | 18.13 | – |
| | | | |
| Reversal of provision for corporate guarantee and other claims | | | |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | 1.40 | – |
| | | | |
| Provision for diminution made / (written back) | | | |
| Britannia Lanka Private Limited, Sri Lanka [Refer note 12 (note (d))] | Subsidiary | (18.28) | – |
| Britannia Dairy Private Limited [Refer note 12 (note (c))] | Subsidiary | (32.50) | – |
| Britannia and Associates (Mauritius) Private Limited, Mauritius [Refer note 12 (note (c))] | Subsidiary | 35.00 | – |
| Total | | (15.78) | – |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| <u>Related party transactions during the year:</u> | <u>Relationship</u> | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|-----------------------------|--------------------------|--------------------------|
| Redemption of debentures | | | |
| J B Mangharam Foods Private Limited | Subsidiary | 0.50 | 0.50 |
| Remittance of dividend | | | |
| Associated Biscuits International Limited (ABIL), UK | Holding company | 35.04 | 26.95 |
| Others | Fellow subsidiary companies | 4.53 | 3.48 |
| Total | | 39.57 | 30.43 |
| Purchase of shares | | | |
| Boribunder Finance and Investments Private Limited | Subsidiary | – | 0.30 |
| Flora Investments Company Private Limited | Subsidiary | – | 1.25 |
| Gilt Edge Finance and Investments Private Limited | Subsidiary | – | 1.60 |
| Total | | – | 3.15 |
| Purchase of finished goods / consumables and ingredients | | | |
| Strategic Food International Co. LLC, Dubai | Subsidiary | 0.01 | – |
| Al Sallan Food Industries Co. SAOC | Subsidiary | 0.01 | 0.10 |
| Sunrise Biscuit Company Private Limited | Subsidiary | 111.66 | 96.40 |
| Britannia Dairy Private Limited | Subsidiary | 0.28 | 0.31 |
| Nalanda Biscuits Company Limited | Associate | 67.07 | 80.47 |
| Total | | 179.03 | 177.28 |
| Conversion charges | | | |
| International Bakery Products Limited | Subsidiary | 17.21 | 13.53 |
| J B Mangharam Foods Private Limited | Subsidiary | 22.42 | 18.14 |
| Ganges Vally Foods Private Limited | Subsidiary | 15.38 | 13.54 |
| Manna Foods Private Limited | Subsidiary | 13.99 | – |
| Klassik Foods Private Limited | Associate | 4.98 | 4.79 |
| Total | | 73.98 | 50.00 |
| Sale of goods / consumables and ingredients | | | |
| Sunrise Biscuit Company Private Limited | Subsidiary | 1.97 | 0.51 |
| Strategic Food International Co. LLC, Dubai | Subsidiary | 1.69 | 1.39 |
| Britannia Dairy Private Limited | Subsidiary | 1.24 | 1.17 |
| Nalanda Biscuits Company Limited | Associate | 0.35 | 0.36 |
| Total | | 5.25 | 3.43 |
| Royalty income | | | |
| Strategic Food International Co. LLC, Dubai | Subsidiary | 3.13 | 2.11 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| <u>Related party transactions during the year:</u> | <u>Relationship</u> | <u>31 March 2012</u> | <u>31 March 2011</u> |
|--|---------------------|--------------------------|--------------------------|
| Interest and dividend income | | | |
| Manna Foods Private Limited | Subsidiary | 3.51 | – |
| J B Mangharam Foods Private Limited | Subsidiary | 0.08 | 0.10 |
| Sunrise Biscuit Company Private Limited | Subsidiary | 0.25 | 0.87 |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | 0.34 | 0.53 |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | 0.13 | – |
| Boribunder Finance and Investments Private Limited | Subsidiary | – | 0.01 |
| Klassik Foods Private Limited | Associate | – | 0.07 |
| Total | | 4.31 | 1.58 |
| Management contracts including reimbursement of expenses, net | | | |
| Associated Biscuits International Limited (ABIL), UK | Holding company | 0.05 | – |
| Ganges Vally Foods Private Limited | Subsidiary | – | 0.39 |
| International Bakery Products Limited | Subsidiary | – | 0.25 |
| J B Mangharam Foods Private Limited | Subsidiary | – | 0.57 |
| Sunrise Biscuit Company Private Limited | Subsidiary | – | 0.47 |
| Al Sallan Food Industries Co. SAOC | Subsidiary | – | (0.02) |
| Strategic Food International Co. LLC, Dubai | Subsidiary | – | (0.17) |
| Britannia Dairy Private Limited | Subsidiary | – | 0.22 |
| Nalanda Biscuits Company Limited | Associate | – | 0.47 |
| Klassik Foods Private Limited | Associate | – | 0.02 |
| Total | | 0.05 | 2.20 |
| Remuneration | | | |
| Ms Vinita Bali | KMP | 5.72 | 5.08 |
| Loan given during the year | | | |
| Sunrise Biscuit Company Private Limited | Subsidiary | 7.05 | – |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | 1.56 | 1.50 |
| Boribunder Finance and Investments Private Limited | Subsidiary | – | 3.19 |
| Manna Foods Private Limited | Subsidiary | 29.35 | 22.95 |
| Total | | 37.96 | 27.64 |
| Loan repaid during the year | | | |
| Sunrise Biscuit Company Private Limited | Subsidiary | – | 5.02 |
| Manna Foods Private Limited | Subsidiary | 1.08 | – |
| Boribunder Finance and Investments Private Limited | Subsidiary | 1.19 | 5.21 |
| Ms. Vinita Bali | KMP | – | 0.07 |
| Total | | 2.27 | 10.30 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| <u>Related party closing balances as on balance sheet date:</u> | <u>Relationship</u> | <u>31 March 2012</u> | <u>31 March 2011</u> |
|--|---------------------|--------------------------|--------------------------|
| Outstanding as at year end - net receivables / (payables) | | | |
| Associated Biscuits International Limited (ABIL), UK | Holding company | 0.05 | – |
| Boribunder Finance and Investments Private Limited | Subsidiary | – | 1.19 |
| Ganges Vally Foods Private Limited | Subsidiary | 0.20 | 0.22 |
| J B Mangharam Foods Private Limited | Subsidiary | (0.30) | 0.76 |
| International Bakery Products Limited | Subsidiary | 0.62 | 1.77 |
| Sunrise Biscuit Company Private Limited | Subsidiary | 12.41 | 3.36 |
| Manna Foods Private Limited | Subsidiary | 51.10 | 23.70 |
| Al Sallan Food Industries Co. SAOC | Subsidiary | (0.01) | – |
| Strategic Food International Co. LLC, Dubai | Subsidiary | 0.14 | 0.40 |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | 1.26 | 1.23 |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | 0.15 | 1.12 |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | 3.18 | 1.51 |
| Britannia Dairy Private Limited | Subsidiary | 0.29 | 0.09 |
| Nalanda Biscuits Company Limited | Associate | 1.41 | 1.57 |
| Klassik Foods Private Limited | Associate | 0.04 | 0.04 |
| Britannia Sports (partnership firm) | Others | 0.07 | 0.07 |
| Total | | 70.61 | 37.03 |
| Provision for doubtful loans / advances | | | |
| Manna Foods Private Limited | Subsidiary | 1.04 | 1.04 |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | – | 1.12 |
| Britannia Sports (partnership firm) | Others | 0.07 | 0.07 |
| Total | | 1.11 | 2.23 |
| Investment in debentures held | | | |
| J B Mangharam Foods Private Limited | Subsidiary | 0.75 | 1.25 |
| International Bakery Products Limited | Subsidiary | 6.77 | 5.82 |
| Total | | 7.52 | 7.07 |
| Investment in shares held | | | |
| Britannia Dairy Private Limited | Subsidiary | 76.02 | 76.02 |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | 93.28 | 79.15 |
| Sunrise Biscuit Company Private Limited | Subsidiary | 14.03 | 10.53 |
| Ganges Vally Foods Private Limited | Subsidiary | 0.72 | 0.72 |
| J B Mangharam Foods Private Limited | Subsidiary | 0.54 | 0.54 |
| International Bakery Products Limited | Subsidiary | 0.40 | 0.40 |
| Boribunder Finance and Investments Private Limited | Subsidiary | 2.08 | 2.08 |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | – | 18.28 |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | 20.67 | 20.67 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| <u>Related party closing balances as on balance sheet date:</u> | <u>Relationship</u> | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|---------------------|--------------------------|--------------------------|
| Klassik Foods Private Limited | Associate | 0.32 | 0.32 |
| Nalanda Biscuits Company Limited | Associate | 0.28 | 0.28 |
| Others | Subsidiary | 0.42 | 0.42 |
| Total | | 208.76 | 209.41 |
| Provision for diminution in value of investment | | | |
| Britannia Dairy Private Limited | Subsidiary | – | 32.50 |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | – | 18.28 |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | 35.00 | – |
| Total | | 35.00 | 50.78 |
| Guarantees / collaterals / contingent liability | | | |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | 184.11 | 161.39 |
| Britannia Dairy Private Limited | Subsidiary | – | 60.00 |
| Total | | 184.11 | 221.39 |
| Provision for corporate guarantee and other claims | | | |
| Britannia Lanka Private Limited, Sri Lanka | Subsidiary | – | 1.40 |
| Letter of awareness / comfort | | | |
| Strategic Food International Co. LLC, Dubai | Subsidiary | 52.71 | 46.02 |
| Al Sallan Food Industries Co. SAOC | Subsidiary | 9.71 | 8.48 |
| Britannia Dairy Private Limited | Subsidiary | 4.50 | 4.50 |
| Total | | 66.92 | 59.00 |
| Letter of financial and operational support | | | |
| Strategic Food International Co. LLC, Dubai | Subsidiary | | |
| Al Sallan Food Industries Co. SAOC | Subsidiary | | |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | Subsidiary | | |
| Strategic Brands Holding Company Limited, Dubai | Subsidiary | | |
| Daily Bread Gourmet Foods (India) Private Limited | Subsidiary | | |

Notes:

- (i) The above does not include related party transactions with retiral funds, as key management personnel who are trustees of the funds cannot individually exercise significant influence on the retiral funds transactions.
- (ii) The above information has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the auditors.
- (iii) SAP licenses held by the Company are also used by some of its subsidiaries.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Note 41 Employee benefits

(a) Post retirement benefit - Defined contribution plans

The Company has recognised an amount of ₹ 5.03 (previous year: ₹ 5.09) as expenses under the defined contribution plans in the statement of profit and loss for the year:

| | 31 March 2012 | 31 March 2011 |
|----------------------------------|---------------|---------------|
| Benefit (Contribution to) | | |
| Provident Fund * | 2.64 | 2.40 |
| Family Pension Scheme | 0.96 | 1.15 |
| Pension Fund | 1.43 | 1.54 |
| Total | 5.03 | 5.09 |

* With regard to the assets of the fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

(b) Post retirement benefit - Defined benefit plans

The Company makes annual contributions to the Britannia Industries Limited Covenanted Staff Gratuity Fund and Britannia Industries Limited Non Covenanted Staff Gratuity Fund, which are funded defined benefit plans for qualifying employees.

- (i) The Scheme in relation to Britannia Industries Limited Non Covenanted Staff Gratuity Fund provides for lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months subject to the maximum amount payable as per the Payment of Gratuity Act, 1972.
- (ii) The Scheme in relation to Britannia Industries Limited Covenanted Staff Gratuity Fund provides for lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months subject to the higher of maximum amount payable as per the Payment of Gratuity Act, 1972 and twenty months salary.

Vesting (for both the funds mentioned above) occurs only upon completion of five years of service, except in case of death or permanent disability. The present value of the defined benefit obligation and the related current service cost are measured using the projected unit credit method with actuarial valuation being carried out at balance sheet date.

| | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 | 31 March 2008 |
|---|------------------|------------------|------------------|------------------|------------------|
| 1. Reconciliation of opening and closing balances of the present value of the defined benefit obligation: | | | | | |
| Obligations at 1 April | 15.46 | 15.75 | 14.67 | 17.01 | 18.36 |
| Service cost | 0.94 | 1.01 | 0.94 | 0.97 | 0.78 |
| Interest cost | 1.28 | 1.26 | 1.17 | 1.36 | 1.47 |
| Benefits settled | (3.46) | (2.29) | (1.03) | (5.36) | (3.84) |
| Actuarial (gain) / loss | (0.28) | (0.27) | (0.02) | 0.69 | 0.24 |
| Obligations at year end 31 March | 13.93 | 15.46 | 15.75 | 14.67 | 17.01 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 | 31 March 2008 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2. Change in plan asset: | | | | | |
| Plan assets at 1 April at fair value | 17.50 | 16.61 | 14.15 | 16.01 | 16.39 |
| Expected return on plan assets | 1.44 | 1.33 | 1.13 | 1.28 | 1.31 |
| Actuarial gain / (loss) | (0.19) | 0.07 | (0.00) | (0.06) | (0.05) |
| Contributions | 1.01 | 1.79 | 2.36 | 2.28 | 2.20 |
| Benefits settled | (3.46) | (2.29) | (1.03) | (5.36) | (3.84) |
| Plan assets at 31 March at fair value | 16.30 | 17.50 | 16.61 | 14.15 | 16.01 |
| 3. Reconciliation of present value of the obligation and the fair value of the plan assets: | | | | | |
| Present value of obligation as at 31 March | 13.93 | 15.46 | 15.75 | 14.67 | 17.01 |
| Plan assets as at 31 March at fair value | 16.30 | 17.50 | 16.61 | 14.15 | 16.01 |
| Amount recognised in balance sheet asset / (liability) | 2.37 | 2.04 | 0.86 | (0.52) | (1.00) |
| 4. Expenses recognised in the statement of profit and loss: | | | | | |
| Current service cost | 0.94 | 1.01 | 0.94 | 0.97 | 0.78 |
| Interest cost | 1.28 | 1.26 | 1.17 | 1.36 | 1.47 |
| Expected return on plan assets | (1.44) | (1.33) | (1.13) | (1.28) | (1.31) |
| Actuarial (gain) / loss | (0.09) | (0.34) | (0.01) | 0.75 | 0.29 |
| Net cost | 0.68 | 0.61 | 0.97 | 1.80 | 1.23 |
| 5. Amount recognised in the balance sheet: | | | | | |
| Opening (asset) / liability | (2.04) | (0.86) | 0.52 | 1.00 | 1.97 |
| Expense as above | 0.68 | 0.61 | 0.97 | 1.80 | 1.23 |
| Employers' contribution paid | (1.01) | (1.79) | (2.36) | (2.28) | (2.20) |
| Closing (asset) / liability | (2.37) | (2.04) | (0.86) | 0.52 | 1.00 |
| 6. Investment details: | % Invested |
| Government of India securities | 27.08 | 25.45 | 22.96 | 22.45 | 0.95 |
| State Government securities | 20.00 | 15.91 | 18.04 | 15.02 | 1.39 |
| Public sector securities | 43.82 | 50.35 | 50.11 | 53.32 | 36.00 |
| Mutual funds | 0.78 | 0.63 | 0.85 | – | 23.97 |
| Special deposit scheme | 8.32 | 7.66 | 8.04 | 9.21 | 37.69 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 | 31 March 2008 |
|--|------------------|------------------|------------------|------------------|------------------|
| 7. Principal actuarial assumptions: | | | | | |
| Discount factor [Refer note (i) below] | 8.50% | 8.25% | 8% | 8% | 8% |
| Estimated rate of return on plan assets [Refer note (ii) below] | 8.50% | 8.25% | 8% | 8% | 8% |
| Attrition rate: | | | | | |
| Age related | 2% | 1% | 1% | 1% | 1% |
| Service related | 14% | 14% | 1% | 1% | 1% |
| Salary escalation rate | 5% | 5% | 5% | 5% | 5% |
| Retirement age (in years) | 58 | 58 | 58 | 58 | 58 |

Notes:

- (i) The discount rate is based on the prevailing market yield on Government Securities as at the balance sheet date for the estimated term of obligations.
- (ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.
- (iii) The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- (iv) The disclosure above includes amounts for both Britannia Industries Limited Covenanted Staff Gratuity Fund and Britannia Industries Limited Non Covenanted Staff Gratuity Fund.

Note 42 Disclosure as per clause 32 of the Listing Agreement in respect of loans and advances, the amount in the nature of loans outstanding at year end:

| | Outstanding as at | | Maximum outstanding during the year ended | |
|--|-------------------|------------------|--|------------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| Subsidiaries | | | | |
| Sunrise Biscuits Company Private Limited, net | 7.05 | - | 7.05 | 1.93 |
| Boribunder Finance and Investments Private Limited, net | - | 1.19 | 1.19 | 3.19 |
| Daily Bread Gourmet Foods (India) Private Limited, net | 3.06 | 1.50 | 3.06 | 1.50 |
| Britannia and Associates (Mauritius) Private Limited, Mauritius | - | - | - | 5.19 |
| Manna Foods Private Limited | 52.30 | 22.95 | 52.30 | 22.95 |
| Others | | | | |
| Purbasha Properties Private Limited (repayment schedule in excess of 7 years) | 3.89 | 4.13 | 4.15 | 4.33 |

Note 43 Derivative contracts

Foreign currency forward contracts

The Company has entered into foreign exchange forward contracts for hedging the foreign exchange fluctuation risks on foreign currency payables / loans, which has been accounted for in line with Accounting Standard 11- " The Effects of Changes in Foreign Exchange Rates". Accordingly, the amount receivable of ₹ 27.57 (previous year: ₹ 23.68) and loan payable of ₹ 20.08 (previous year: ₹ 20.08), relating to foreign exchange forward contracts for hedging have been netted off and disclosed under 'Long-term loans and advances' [Refer note 13].

The Company has designated certain foreign exchange forward contracts (relating to foreign currency

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

receivables and payables) outstanding as on 31 March 2012 as hedge of committed transaction. On that date, the Company had forward contracts amounting to USD 2,158,505 and EUR 66,000 (previous year: USD 1,448,372). As at the year end the unrealized exchange loss of ₹ 0.19 (previous year: ₹ Nil) (arrived on a mark to market basis) has been accounted for in line with the ICAI notification issued in March 2008.

Note 44 Figures in rupees have been rounded off to two decimal places to the nearest crore, unless otherwise stated.

Note 45 The financial statements are presented in ₹ crores (rounded off to two decimal places). Those items which are required to be disclosed and which were not presented in the financial statements due to rounding off to the nearest ₹ crores are given below:

| Note No. | Description | ₹ in '000 | |
|------------|--|------------------|------------------|
| | | 31 March 2012 | 31 March 2011 |
| 12. | Non-current investments: | | |
| | (a) Trade investments - Unquoted - Investments in debentures / bonds | | |
| | The Bengal Chamber of Commerce and Industry 6 1/2% Non-redeemable registered debentures 1962 | 4 | 4 |
| | (b) Other investments - Unquoted - Investments in equity instruments (fully paid) - Subsidiaries | | |
| | Britannia Lanka Private Limited [Face Value: SLR 10/-; Number of shares: Nil (previous year: 575)] | - | 2 |
| | (c) Other investments - Unquoted - Investments in partnership firms | | |
| | Britannia Sports * | 49 | 49 |
| | * The Company has an investment of ₹ 49,000/- (previous year: ₹ 49,000/-) in a partnership firm "Britannia Sports" having a capital of ₹ 100,000/- (previous year: ₹ 100,000/-) in which it holds 49% share of the profit and loss and the balance share is held by two subsidiary companies, Flora Investments Company Private Limited and Gilt Edge Finance and Investments Private Limited who hold 26% and 25% respectively. The Company has booked its proportionate share of partnership losses which is disclosed in the profit and loss account. | | |
| | (d) Other investments - Unquoted - Investments in equity instruments (fully paid) | | |
| | - The Fertilisers & Chemicals Travancore Limited [Face Value: ₹ 10/-; Number of shares: 500 (previous year: 500)] | 20 | 20 |
| | - Reliance Infrastructure Limited [Face Value: ₹ 10/-; Number of shares: 46 (previous year: 46)] | 28 | 28 |
| | - Reliance Capital Limited [Face Value: ₹ 10/-; Number of shares: 50 (previous year: 50)] | 17 | 17 |
| | - Timken India Limited [Face Value: ₹ 10/-; Number of shares: 50 (previous year: 50)] | 8 | 8 |
| 14. | Current investments: | | |
| | (a) Unquoted - Investments in mutual funds | | |
| | Reliance Liquid Fund Treasury Plan - Growth [Face Value: ₹ 10/-; Number of shares: 1,283 (previous year: Nil)] | 33 | - |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| | | ₹ in '000 | |
|----------|--|---------------------|------------------|
| Note No. | Description | 31 March 2012 | 31 March 2011 |
| 20. | Other income: | | |
| | (a) Dividend income - Long-term | - | 44 |
| 25. | Other expenses: | | |
| | (a) Miscellaneous | | |
| | Includes share of loss in the partnership firm - Britannia Sports | 8 | 7 |
| 40. | Related party disclosures under Accounting Standard 18: | | |
| | | Relationship | |
| | (a) Investments written off on liquidation - Equity shares: | | |
| | Britannia Lanka Private Limited, Sri Lanka | Subsidiary | 2 - |
| | (b) Interest and dividend income | | |
| | Ms. Vinita Bali | KMP | - 3 |
| | (c) Management contracts including reimbursement of expenses, net | | |
| | Manna Foods Private Limited | Subsidiary | - (21) |
| | (d) Share of loss in partnership firm | | |
| | Britannia Sports | Others | 8 7 |
| | (e) Outstanding as at year end - net receivables / (payables) | | |
| | - Al Sallan Food Industries Co. SAOC | Subsidiary | - (35) |
| | - Britannia Dairy Holdings Private Limited, Mauritius | Subsidiary | 46 46 |
| 41. | Employee benefits: | | |
| | (a) Post retirement benefit - Defined contribution plans - Benefit (Contribution to) | | |
| | Labour Welfare Fund | 4 | 5 |

Note 46 The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached
for **B S R & Co.**
Chartered Accountants
Firm registration number: 101248W

Natrajh Ramakrishna
Partner
Membership number: 32815
Place : Mumbai
Date : 28 May 2012

for and on behalf of the **Board of Directors:**

Chairman : Nusli N Wadia
Managing Director : Vinita Bali
Directors : Avijit Deb
A K Hirjee
Nimesh N Kampani
S S Kelkar
Nasser Munjee
Jeh N Wadia
Ness N Wadia

Chief Financial Officer : Raju Thomas
Company Secretary : P Govindan
Place : Mumbai
Date : 28 May 2012

Britannia Annual Report 2011-12

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BRITANNIA INDUSTRIES LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached consolidated balance sheet of Britannia Industries Limited ('the Company'), its subsidiaries and associates (collectively called 'the Group') as at 31 March 2012, the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements and other financial information of certain subsidiaries. These subsidiaries account for 9.48% of total assets, 3.60% of total revenues and other income and 14.89% of cash flows, as shown in these consolidated financial statements. Of the above:
 - a. The financial statements and other financial information of some of the subsidiaries incorporated outside India as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 9.45 % of total assets, 3.60 % of total revenue and other income and 14.43% of cash flows as shown in these consolidated financial statements. For the purposes of preparation of consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management of the said entities so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been reviewed by the other auditors and the limited review reports of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is based on the aforesaid limited review reports of these other auditors.
 - b. The financial statements and other financial information of the remaining subsidiaries have not been subject to audit either by us or other auditors and therefore unaudited financial statements for the year ended 31 March 2012 of these entities have been furnished to us by the Management. These subsidiaries account for 0.03 % of total assets, Nil % of total revenues and other income and 0.46% of cash flows as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statements, either individually or in the aggregate.
4. We also did not audit the financial statements of associates, whose financial statements reflect share of loss of the Company aggregating ₹ 0.08 crores for the year ended 31 March 2012.
5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements prescribed in the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and to the best of our information and according to the explanations given to us and on consideration of reports of other auditors on separate financial statements, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2012;
 - b. in the case of the consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and
 - c. in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

for B S R & Co.

Chartered Accountants

Firm registration Number: 101248W

Natraj Ramakrishna

Partner

Place: Mumbai

Date: 28 May 2012

Membership number: 32815

Britannia Annual Report 2011-12

CONSOLIDATED BALANCE SHEET

| As at | Note No. | 31 March 2012 | 31 March 2011 |
|------------------------------------|----------|------------------------|------------------------|
| ₹ in crores | | | |
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' funds | | | |
| (a) Share capital | 2 | 23.89 | 23.89 |
| (b) Reserves and surplus | 3 | 385.28 | 302.15 |
| | | <u>409.17</u> | <u>326.04</u> |
| (2) Minority interest | | 2.18 | 2.08 |
| (3) Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 61.70 | 476.74 |
| (b) Deferred tax liabilities (net) | 5 | 7.61 | 5.75 |
| (c) Other long-term liabilities | 6 | 20.47 | 16.68 |
| (d) Long-term provisions | 7 | 120.38 | 125.33 |
| | | <u>210.16</u> | <u>624.50</u> |
| (4) Current liabilities | | | |
| (a) Short-term borrowings | 8 | 117.02 | 127.57 |
| (b) Trade payables | 9 | 387.04 | 268.03 |
| (c) Other current liabilities | 10 | 589.78 | 170.88 |
| (d) Short-term provisions | 11 | 126.70 | 99.71 |
| | | <u>1,220.54</u> | <u>666.19</u> |
| TOTAL | | <u>1,842.05</u> | <u>1,618.81</u> |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | 12 | | |
| (i) Tangible assets | | 521.45 | 411.54 |
| (ii) Intangible assets | | 8.52 | 7.72 |
| (iii) Capital work-in-progress | | 111.26 | 12.82 |
| | | <u>641.23</u> | <u>432.08</u> |
| (b) Goodwill on consolidation, net | 12 | 94.42 | 85.63 |
| (c) Non-current investments | 13 | 35.96 | 142.37 |
| (d) Long-term loans and advances | 14 | 78.43 | 122.93 |
| (e) Other non-current assets | 30 | 12.12 | 12.12 |
| (2) Current assets | | | |
| (a) Current investments | 15 | 212.55 | 246.14 |
| (b) Inventories | 16 | 431.76 | 346.95 |
| (c) Trade receivables | 17 | 113.01 | 80.96 |
| (d) Cash and bank balances | 18 | 61.33 | 76.88 |
| (e) Short-term loans and advances | 19 | 161.24 | 72.75 |
| | | <u>979.89</u> | <u>823.68</u> |
| TOTAL | | <u>1,842.05</u> | <u>1,618.81</u> |
| Significant accounting policies | 1 | | |

See accompanying notes to financial statements

As per our report of even date attached
for **B S R & Co.**

Chartered Accountants

Firm registration number: 101248W

Natraj Ramakrishna

Partner

Membership number: 32815

Place : Mumbai

Date : 28 May 2012

for and on behalf of the Board of Directors:

Chairman : Nusli N Wadia

Managing Director : Vinita Bali

Directors : Avijit Deb

A K Hirjee

Nimesh N Kampani

S S Kelkar

Nasser Munjee

Jeh N Wadia

Ness N Wadia

Chief Financial Officer : Raju Thomas

Company Secretary : P Govindan

Place : Mumbai

Date : 28 May 2012

Britannia Annual Report 2011-12

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

| For the year ended | Note No. | 31 March 2012 | 31 March 2011 |
|---|----------|-----------------|-----------------|
| ₹ in crores | | | |
| I. Revenue from operations | | | |
| Sale of products | | 5,519.96 | 4,623.25 |
| Less: Excise duty | | (59.21) | (33.52) |
| Net sale of products | | 5,460.75 | 4,589.73 |
| Other operating revenues | 20 | 24.62 | 19.65 |
| | | 5,485.37 | 4,609.38 |
| II. Other income | 21 | 59.14 | 59.01 |
| III. Total revenue (I + II) | | 5,544.51 | 4,668.39 |
| IV. Expenses: | | | |
| Raw materials including packaging materials consumed | | 3,109.12 | 2,714.38 |
| Purchase of stock-in-trade | 22 | 437.68 | 328.91 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 23 | (14.03) | (15.68) |
| Employee benefits expense | 24 | 211.15 | 177.49 |
| Finance costs | 25 | 41.60 | 43.63 |
| Depreciation and amortisation expense | 12 | 61.83 | 64.91 |
| Other expenses | 26 | 1,430.58 | 1,167.60 |
| Total expenses | | 5,277.93 | 4,481.24 |
| V. Profit before tax (III - IV) | | 266.58 | 187.15 |
| VI. Tax expense: | | | |
| (1) Current tax | | | |
| Income tax | | 66.48 | 42.50 |
| Minimum alternative tax credit for earlier years | | - | (13.91) |
| Income tax for earlier years | | - | 12.35 |
| MAT credit entitlement | | (1.49) | - |
| (2) Deferred tax | | 1.86 | 12.00 |
| VII. Profit for the year before share of profits / (losses) of associates (net) and minority interest (V - VI) | | 199.73 | 134.21 |
| Share of net profit / (loss) of associates | | (0.08) | 0.07 |
| Share of loss / (profit) of minority | | (0.10) | 0.07 |
| VIII. Profit for the year | | 199.55 | 134.35 |
| IX. Earnings per equity share [Refer note 31] | | | |
| (1) Basic [nominal value of ₹ 2 each] | | 16.71 | 11.25 |
| (2) Diluted [nominal value of ₹ 2 each] | | 16.69 | 11.25 |
| Weighted average number of equity shares used in computing earnings per share: | | | |
| - Basic | | 119,450,815 | 119,450,815 |
| - Diluted | | 119,560,465 | 119,512,374 |
| Significant accounting policies | 1 | | |

See accompanying notes to financial statements

As per our report of even date attached
for **B S R & Co.**
Chartered Accountants
Firm registration number: 101248W

Natraj Ramakrishna
Partner
Membership number: 32815
Place : Mumbai
Date : 28 May 2012

for and on behalf of the Board of Directors:

Chairman : Nusli N Wadia
Managing Director : Vinita Bali
Directors : Avijit Deb
A K Hirjee
Nimesh N Kampani
S S Kelkar
Nasser Munjee
Jeh N Wadia
Ness N Wadia

Chief Financial Officer : Raju Thomas
Company Secretary : P Govindan
Place : Mumbai
Date : 28 May 2012

Britannia Annual Report 2011-12

CONSOLIDATED CASH FLOW STATEMENT

₹ in crores

| For the year ended | 31 March 2012 | 31 March 2011 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Profit before tax | 266.58 | 187.15 |
| Adjustments for: | | |
| Depreciation and amortisation | 61.83 | 64.91 |
| Profit on sale of investments, net | (9.22) | (8.62) |
| Profit on sale of fixed assets, net | (16.22) | (13.16) |
| Dividend income | (0.36) | (0.59) |
| Interest income | (28.68) | (20.86) |
| Interest expense | 41.60 | 43.63 |
| Operating profit before working capital changes | 315.53 | 252.46 |
| (Increase) / decrease in inventories | (82.14) | (42.63) |
| (Increase) / decrease in trade receivables | (25.75) | (7.58) |
| (Increase) / decrease in loans and advances and other assets | (44.19) | 74.11 |
| (Increase) / decrease in bank balances (other than cash and cash equivalents) | 0.78 | 2.57 |
| Increase / (decrease) in liabilities and provisions | 133.39 | 51.33 |
| Cash generated from operations | 297.62 | 330.26 |
| Income taxes paid, net of refund | (51.50) | (33.80) |
| Net cash provided by operating activities | 246.12 | 296.46 |
| Cash flows from investing activities | | |
| Purchase of fixed assets (including finance leased assets) | (265.92) | (89.73) |
| Proceeds from sale of fixed assets | 22.82 | 16.65 |
| (Purchase) / sale of investments, net | 149.22 | (13.45) |
| Inter-corporate deposits placed, net | - | (50.00) |
| Consideration paid on acquisition (net of cash balance taken over) | - | (0.26) |
| Interest received | 28.74 | 18.35 |
| Dividend received | 0.36 | 0.59 |
| Net cash used in investing activities | (64.78) | (117.85) |
| Cash flows from financing activities | | |
| Repayment of secured loans, net | (2.24) | (89.27) |
| Interest paid | (41.21) | (43.04) |
| Proceeds / (repayment) of unsecured loans, net | (34.90) | 36.06 |
| Dividend paid including tax thereon | (90.06) | (69.55) |
| Net cash used in financing activities | (168.41) | (165.80) |
| Net increase in cash and cash equivalents | 12.93 | 12.81 |
| Cash and cash equivalents at the beginning of the year | 39.09 | 26.28 |
| Cash and cash equivalents at the end of the year (Refer note below) | 52.02 | 39.09 |

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CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

₹ in crores

| For the year ended | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note: | | |
| Cash and cash equivalent at the end of the year | 53.66 | 68.44 |
| Book overdraft [Refer note 10] | - | (29.31) |
| Effect of exchange rate changes | (1.64) | (0.04) |
| | 52.02 | 39.09 |

As per our report of even date attached for **B S R & Co.**

Chartered Accountants

Firm registration number: 101248W

Natraj Ramakrishna

Partner

Membership number: 32815

Place : Mumbai

Date : 28 May 2012

for and on behalf of the **Board of Directors:**

Chairman : Nusli N Wadia

Managing Director : Vinita Bali

Directors : Avijit Deb

A K Hirjee

Nimesh N Kampani

S S Kelkar

Nasser Munjee

Jeh N Wadia

Ness N Wadia

Chief Financial Officer : Raju Thomas

Company Secretary : P Govindan

Place : Mumbai

Date : 28 May 2012

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

₹ in crores

Note 1 Significant accounting policies

(a) **Basis of preparation of consolidated financial statements**

The consolidated financial statements relate to Britannia Industries Limited ('the Company') and its subsidiaries and associates ('the Group'). The consolidated financial statements are prepared in accordance with Accounting Standard 21 - "Consolidated Financial Statements" and Accounting Standard 23 - "Accounting for Investments in Associates in Consolidated Financial Statement" prescribed by the Companies (Accounting Standard), Rules 2006. The consolidated financial statements are prepared by adopting uniform accounting policies between the group companies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Appropriate disclosure, as applicable, is made of significant deviations from the Company's accounting policies, which have not been adjusted.

(b) **Subsidiaries and associate companies considered in the consolidated financial statements:**

| Name of the company | Country of incorporation | Proportion of ownership interest (in %) | Proportion of voting power held directly or indirectly (in %) |
|---|--------------------------|---|---|
| Subsidiary companies: | | | |
| Boribunder Finance and Investments Private Limited | India | 100.00 | 100.00 |
| Flora Investments Company Private Limited | India | 40.53 | 100.00 |
| Gilt Edge Finance and Investments Private Limited | India | 46.13 | 100.00 |
| Ganges Vally Foods Private Limited | India | 51.00 | 51.00 |
| International Bakery Products Limited | India | 100.00 | 100.00 |
| J B Mangharam Foods Private Limited | India | 100.00 | 100.00 |
| Manna Foods Private Limited | India | 100.00 | 100.00 |
| Sunrise Biscuit Company Private Limited | India | 99.16 | 99.16 |
| Britannia and Associates (Mauritius) Private Limited | Mauritius | 100.00 | 100.00 |
| Britannia and Associates (Dubai) Private Co. Limited | Dubai, UAE | 100.00 | 100.00 |
| Al Sallan Food Industries Co. SAOC | Oman | 65.46 | 65.46 |
| Strategic Food International Co. LLC, Dubai | Dubai, UAE | 100.00 | 100.00 |
| Strategic Brands Holding Company Limited | Dubai, UAE | 100.00 | 100.00 |
| Daily Bread Gourmet Foods (India) Private Limited | India | 100.00 | 100.00 |
| Britannia Lanka Private Limited | Sri Lanka | 100.00 | 100.00 |
| Britannia Dairy Private Limited | India | 100.00 | 100.00 |
| Britannia Dairy Holdings Private Limited | Mauritius | 100.00 | 100.00 |
| Associates: | | | |
| Klassik Foods Private Limited | India | 26.02 | 26.02 |
| Nalanda Biscuits Company Limited | India | 35.00 | 35.00 |
| The following companies limited by guarantee, are also considered for consolidation: | | | |
| Britannia Employees General Welfare Association Private Limited | India | | |
| Britannia Employees Medical Welfare Association Private Limited | India | | |
| Britannia Employees Educational Welfare Association Private Limited | India | | |

(c) **Principles of consolidation**

- (i) These consolidated financial statements have been prepared by consolidation of the financial statements of the Company and its subsidiaries on a line-by-line basis after fully eliminating the inter-company transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

- (ii) Accounting for investments in associate companies has been carried out under the equity method of accounting prescribed under Accounting Standard 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" wherein goodwill / capital reserve arising at the time of acquisition, and the Group's share of profit or loss after the date of acquisition have been adjusted in the investment value.

The following associate companies and partnership firm (where control exists) are excluded from consolidation as they are not significant:

| Name of the entity | Relationship | Country of incorporation |
|---------------------------------------|---------------------------------------|--------------------------|
| Britannia Sports | Partnership firm where control exists | India |
| Vasna Agrex and Herbs Private Limited | Associate | India |
| Snacko Bisc Private Limited | Associate | India |

(d) Basis of accounting and preparation of financial statements

The consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting to comply in all material aspects with the applicable accounting principles in India, the mandatory Accounting Standards prescribed by the Companies (Accounting Standard), Rules 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Securities and Exchange Board of India (SEBI).

The financial statements of Britannia and Associates (Mauritius) Private Limited, Britannia Dairy Holdings Private Limited, Klassik Foods Private Limited, Nalanda Biscuits Company Limited and Britannia Lanka Private Limited have been incorporated in the consolidated financial statements of Britannia Industries Limited based on unaudited financial statements.

(e) Use of estimates

The preparation of consolidated financial statements, in conformity with generally accepted accounting principles in India requires, that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statement and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(f) Fixed assets

Tangible assets

Tangible assets are stated at their cost of acquisition or construction less accumulated depreciation. Cost includes inward freight, duties, taxes and expenses incidental to acquisition and installation or construction, net of refundable duties, levies and taxes where applicable. The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

Intangible assets

- (i) Intangible assets are stated at cost of acquisition less accumulated amortisation.
- (ii) Goodwill arising on consolidation represents the excess of cost to the Group of its investment in a subsidiary company over the Group's portion of net worth of the subsidiary, and is net of capital reserve.

(g) Depreciation and amortisation

Depreciation in respect of all the assets is provided on straight line method. The rates of depreciation prescribed in Schedule XIV to the Act are considered as minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life / remaining useful life.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Vehicles acquired on finance lease are depreciated over a period of 5 years.

With effect from 1 April 2010, the Company has revised the estimated useful life for computers to four years (from six years used earlier), based on a review of useful life of such assets.

Assets costing individually upto ₹ 5,000/- are fully depreciated in the year of addition.

Leasehold land is amortised over the period of primary lease.

Tangible assets

Expected range of useful life of assets of Group is as mentioned below:

Buildings : 20 - 30 years,

Plant and equipment : 10 - 30 years,

Computers (part of office equipment) : 4 - 6 years, and

Furniture and fixtures : 4 - 16 years

In respect of assets held by J B Mangharam Foods Private Limited and Ganges Vally Foods Private Limited, depreciation is provided on a written-down-value basis over its expected useful life. The written down value of assets as on 31 March 2012 amounts to ₹ 4.06 and ₹ 3.13 (previous year: ₹ 4.16 and ₹ 3.67) for J B Mangharam Foods Private Limited and Ganges Vally Foods Private Limited respectively. The impact of the depreciation computed under the straight line method is not material.

Intangible assets

Expected useful life of assets of Group is as mentioned below:

Know-how : 3 years

Marketing infrastructure : 3 years

Non-compete rights : 2 years

Computer software : 6 years

Goodwill arising on consolidation is evaluated for impairment periodically. (Also refer point (h) below)

(h) Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset, including intangible, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

(i) Leases

Assets acquired under lease where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of lease at lower of the fair value and present value of minimum lease payments. Assets taken on finance lease are depreciated over its estimated useful life or the lease term whichever is lower.

Assets acquired under lease where the significant portion of risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the statement of profit and loss on accrual basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

(j) Inventories

Inventories are valued at the lower of cost (including prime cost, excise duty and other overheads incurred in bringing the inventories to their present location and condition) and estimated net realisable value, after providing for obsolescence, where appropriate. The comparison of cost and net realisable value is made on an item-by-item basis. The net realisable value of materials in process is determined with reference to the selling prices of related finished goods. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

Raw materials, packing materials and stores and spares are valued at cost computed on monthly moving weighted average basis. The cost includes purchase price, inward freight and other incidental expenses net of refundable duties, levies and taxes, where applicable.

Materials-in-process is 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.

In respect of following subsidiaries, inventories are valued at cost, computed under first-in-first-out basis. The value of these inventories are as given below:

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| J B Mangharam Foods Private Limited | - | 0.58 |
| Sunrise Biscuit Company Private Limited | - | 5.43 |
| Britannia Dairy Private Limited | 19.48 | 9.90 |

During the current year J B Mangharam Foods Private Limited and Sunrise Biscuit Company Private Limited have changed the method of inventory valuation from first-in-first-out method to weighted average cost method. The impact of the aforesaid change is not material.

(k) Trade receivables and loans and advances

Sundry debtors and loans and advances are stated after making adequate provision for doubtful debts and advances.

(l) Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are stated at lower of cost and fair value for each investment individually.

(m) Revenue recognition

Revenue from sale of goods (including sale of scrap) is recognised on transfer of all significant risks and rewards of ownership to the buyer. The amount recognised as sale is exclusive of sales tax and net of trade discounts and sales returns. Sales are presented both gross and net of excise duty.

Income from royalty and services is accounted for based on contractual agreements.

Dividend income is accounted for in the year in which the right to receive the same is established.

Interest on investments is booked on a time-proportion basis taking into account the amounts invested and the rate of interest.

(n) Foreign currency transactions

Transactions in foreign currency are recorded at exchange rates prevailing on the respective dates of the relevant transactions. Monetary assets and liabilities denominated in foreign currency are restated at exchange

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

rates prevailing at the balance sheet date. The gains or losses resulting from such transactions are adjusted to the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at fair value / net realisable value are translated at the exchange rate prevalent at the date when the fair value / net realisable value was determined. Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

The Group uses foreign exchange forward contracts to cover its exposure towards movements in foreign exchange rates. The Group does not use the foreign exchange forward contract for trading or speculative purposes.

Premium or discount arising at the inception of forward contracts against the underlying assets is amortised as expense or income over the life of contract. Exchange differences on forward contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change.

(o) Derivative contracts

Based on the principle of prudence as provided in Accounting Standard 1- "Disclosure of accounting policies", the Group assesses losses, if any, by marking to market all its outstanding derivative contracts [other than those accounted under Accounting Standard 11 - "Effects of changes in foreign exchange rates" (Refer point (n) above)] at the balance sheet date and provides for such losses. The net gain, if any, based on the said evaluation is not accounted for in line with the Institute of Chartered Accountants of India notification issued in March 2008 in relation to such transactions.

(p) Taxes on income

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences, which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward business loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The Group offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal income-tax during the specified period.

(q) Employee benefits

(i) Short-term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits, which include benefits like salaries, wages, short-term compensated absences and performance incentives and are recognised as expenses in the period in which the employee renders the related service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

(ii) Post-employment benefits:

Contributions to defined contribution schemes such as Provident Fund, Pension Fund etc., are recognised as expenses in the period in which the employee renders the related service. In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Company. The interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. In respect of contributions made to government administered Provident Fund, the Company has no further obligations beyond its monthly contributions. The Company also provides for post employment defined benefit in the form of gratuity and medical benefits. The cost of providing benefit is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

The Britannia Industries Limited Covenanted Staff Pension Fund Trust ('BILCSPF') and Britannia Industries Limited Officers' Pension Fund Trust ('BILOPF') were established by the Company to administer pension schemes for its employees. These trusts are managed by the Trustees. The Pension 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 that date, if he has opted for the membership of the Scheme. The Company makes a contribution of 15% of salary in respect of the members each month to the trusts. On retirement, subject to the vesting conditions as per the rules of the trust, the member becomes eligible for pension, which is paid from annuity purchased in the name of the member by the trusts.

In case of Al Sallan Food Industries Co. SAOC, the provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

In case of Strategic Food International Co. LLC, Dubai, provision for staff terminal benefits is calculated in accordance with the UAE Federal Labour 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. This difference in accounting policy from the Group's accounting policy as mentioned above does not have a material impact on the financial statements.

(iii) Other long-term employee benefits:

All employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related services are determined based on actuarial valuation carried out at each balance sheet date. Provision for long-term compensated absences is based on actuarial valuation carried out as at 1 January every year.

(iv) Voluntary retirement scheme benefits:

Voluntary retirement scheme benefits are recognised as an expense in the year they are incurred.

(r) Borrowing costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are accounted as an expense in the statement of profit and loss.

(s) Employee share based payments

The Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

(t) Provisions and contingent liabilities

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

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 where the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

(u) Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for the share splits.

(v) Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Group are segregated.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| As at | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 2 - Share capital | | |
| Authorised | | |
| Equity shares | 50.00 | 50.00 |
| [250,000,000 equity shares of ₹ 2/- each (previous year: 250,000,000 equity shares of ₹ 2/- each)] | | |
| Issued, subscribed and paid up | | |
| Equity shares fully paid | 23.89 | 23.89 |
| [119,450,815 equity shares of ₹ 2/- each (previous year: 119,450,815 equity shares of ₹ 2/- each)] * | | |
| * Of the total fully paid up equity shares: 60,866,095 equity shares of ₹ 2/- each (previous year: 60,866,095 equity shares of ₹ 2/- each) are held by the subsidiaries of The Bombay Burmah Trading Corporation Limited, the ultimate holding company [Refer note (a) below]. | | |
| Rights, preferences and restrictions attached to the equity shares: | | |
| <ul style="list-style-type: none"> - The Company has only one class of shares referred to as equity shares having a par value of ₹ 2/-. Each holder of equity shares is entitled to one vote per share. - The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. - During the year ended 31 March 2012, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 8.5/- (previous year: ₹ 6.5/-). The total dividend appropriation for the year ended 31 March 2012 amounted to ₹ 118 (previous year: ₹ 90.24) including corporate dividend tax of ₹ 16.47 (previous year: ₹ 12.60). - In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. | | |
| Details of shareholders holding more than 5% of total number of shares, including amount [Refer note (b) below]. | | |
| Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year [Refer note (c) below]. | | |
| Under the Britannia Employee Stock Option Scheme the total number of options that can be granted is 875,000. Out of this, 375,000 options have been granted, however no option has been exercised [Refer note (d) below]. | | |
| | 23.89 | 23.89 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Notes:

- (a) Shares in respect of equity in the Company held by its ultimate holding company, including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate:

| | 31 March 2012 | | 31 March 2011 | |
|---|-------------------|--------------|-------------------|--------------|
| | Number of shares | Amount | Number of shares | Amount |
| Holding company | | | | |
| Associated Biscuits International Limited, UK | 53,904,500 | 10.78 | 53,904,500 | 10.78 |
| Subsidiaries of holding company | | | | |
| Bannatyne Enterprises Pte Limited, Singapore | 1,391,555 | 0.28 | 1,391,555 | 0.28 |
| Dowbiggin Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| Nacupa Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| Spargo Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| Valletort Enterprises Pte Limited, Singapore | 1,392,510 | 0.28 | 1,392,510 | 0.28 |
| | 60,866,095 | 12.18 | 60,866,095 | 12.18 |

- (b) Details of shareholders' holding more than 5% of total number of shares:

| | 31 March 2012 | | 31 March 2011 | |
|---|------------------|-----------|------------------|-----------|
| | Number of shares | % holding | Number of shares | % holding |
| Associated Biscuits International Limited, UK | 53,904,500 | 45.13% | 53,904,500 | 45.13% |
| Arisaig Partners (Asia) Pte Ltd. | 9,967,985 | 8.34% | 8,890,655 | 7.44% |
| HDFC Trustee Company Limited | 6,868,168 | 5.75% | 7,187,602 | 6.02% |
| Life Insurance Corporation of India | 5,834,054 | 4.88% | 6,373,783 | 5.34% |

- (c) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year:

| | 31 March 2012 | | 31 March 2011 | |
|--|------------------|--------|------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| Opening balance at the beginning of the reporting year | 119,450,815 | 23.89 | 119,450,815 | 23.89 |
| Movement during the reporting year | – | – | – | – |
| Closing balance at the end of the reporting year | 119,450,815 | 23.89 | 119,450,815 | 23.89 |

- (d) During the financial year 2008-09, the Company introduced Britannia Industries Limited Employee Stock Option Scheme ('the Scheme'). As per the Scheme, the Remuneration / Compensation Committee grants options to the employees and Executive Directors of the Company. The vesting period of the option is one year from the date of grant. Options granted under the Scheme can be exercised within a period of three years from the date of vesting. Exercise of an option is subject to continued employment.

Under the Scheme, the Company granted 15,000 options on 29 October 2008 at an exercise price of ₹ 1,125.30/-; 15,000 options on 27 May 2009 at an exercise price of ₹ 1,698.15/- and 20,000 options on 27 May 2010 at an exercise price of ₹ 1,668.55/- to the Managing Director of the Company. Each option represents one equity share of ₹ 10/- each. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors or Remuneration / Compensation Committee in which options were granted, on the stock exchange having higher trading volume.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Exercise prices as stated above are adjusted downwards by ₹ 170/- per share for options granted on 29 October 2008 and 27 May 2009, being the face value of bonus debentures issued pursuant to the Scheme of Arrangement approved by the Honourable Calcutta High Court on 11 February 2010.

The number of options have been appropriately adjusted, consequent upon the sub-division of the equity shares [Refer note (e) below].

The Company has further granted 125,000 options on 27 May 2011 at an exercise price of ₹ 391.75/- to the Managing Director of the Company after the aforesaid adjustments.

Method used for accounting of share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock options to employees and Executive Directors of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price (without considering the impact of ₹ 170/- on account of issue of bonus debentures) of the option. Since the options under the Scheme were granted at the market price, the intrinsic value of the option is ₹ Nil. Consequently the accounting value of the option (compensation cost) is also ₹ Nil.

Movement in the options under the Scheme:

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Options outstanding at the beginning of the year | 250,000 | 150,000 |
| Options granted during the year | 125,000 | 100,000 |
| Options vested during the year | 100,000 | 75,000 |
| Options exercised during the year | Nil | Nil |
| Options lapsed during the year | Nil | Nil |
| Shares under option at the end of the year | 375,000 | 250,000 |
| Exercisable at the end of the year | 250,000 | 150,000 |
| Weighted average price per option (₹) | 318.91 | 282.49 |

Fair Value Methodology:

Options have been valued based on Fair Value Method of accounting as described under guidance note on Accounting for Employee Share-based Payments using Black-Scholes valuation option-pricing model, using the market values of the Company's shares as quoted on the National Stock Exchange.

The key assumptions used in Black-Scholes model for calculating fair value of options under the Scheme as on the date of grant are as follows:

| Particulars | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| No. of options granted | 125,000 | 100,000 |
| Date of grant | 27 May 2011 | 27 May 2010 |
| Vesting period (years) | 1 | 1 |
| Expected life of option (years) | 3 | 3 |
| Expected volatility | 24.11% | 26.95% |
| Risk free rate | 8.46% | 6.56% |
| Expected dividends expressed as a dividend yield | 1.66% | 1.80% |
| Weighted-average fair values of options per share (₹) | 94.21 | 81.24 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Had the compensation cost for the Scheme been determined based on fair value approach, the Company's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

| Particulars | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Net profit (as reported) | 199.55 | 134.35 |
| Less: Stock-based compensation expense determined under fair value based method, net of Intrinsic Value (without considering tax impact) | 1.14 | 0.78 |
| Net profit (pro-forma) considered for computing EPS (pro-forma) | 198.41 | 133.57 |
| Basic earnings per share (as reported) (₹) | 16.71 | 11.25 |
| Basic earnings per share (pro-forma) (₹) | 16.61 | 11.18 |
| Diluted earnings per share (as reported) (₹) | 16.69 | 11.25 |
| Diluted earnings per share (pro-forma) (₹) | 16.59 | 11.18 |

- (e) In the Annual General Meeting held on 9 August 2010, the shareholders of the Company approved the sub-division of equity shares, where in each equity share with a face value of ₹ 10/- has been subdivided into 5 equity shares with a face value of ₹ 2/- each. The effective date for the sub-division was 10 September 2010.

Note 3 - Reserves and surplus

| | General reserve | Capital redemption reserve | Capital reserve | Surplus | Foreign currency translation reserve | As at 31 March 2012 |
|--|----------------------|----------------------------|--------------------|----------------------|--------------------------------------|----------------------|
| Balance at the beginning of the year | 214.96 | 3.96 | 0.63 | 86.72 | (4.12) | 302.15 |
| Additions: | | | | | | |
| Net profit after tax transferred from the statement of profit and loss | - | - | - | 199.55 | - | 199.55 |
| Foreign currency translation adjustment | - | - | - | - | 1.58 | 1.58 |
| Transfer from surplus | 18.68 | - | - | - | - | 18.68 |
| | <u>233.64</u> | <u>3.96</u> | <u>0.63</u> | <u>286.27</u> | <u>(2.54)</u> | <u>521.96</u> |
| Deductions: | | | | | | |
| Transfer to general reserve | - | - | - | 18.68 | - | 18.68 |
| Proposed dividend * | - | - | - | 101.53 | - | 101.53 |
| Tax on proposed dividend | - | - | - | 16.47 | - | 16.47 |
| Balance at the end of the year | <u><u>233.64</u></u> | <u><u>3.96</u></u> | <u><u>0.63</u></u> | <u><u>149.59</u></u> | <u><u>(2.54)</u></u> | <u><u>385.28</u></u> |

- * The Board of Directors of the Company has recommended a dividend of ₹ 8.5/- per share of face value of ₹ 2/- amounting to ₹ 101.53 for the financial year ended 31 March 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | General reserve | Capital redemption reserve | Capital reserve | Surplus | Foreign currency translation reserve | As at 31 March 2011 |
|--|-----------------|----------------------------|-----------------|---------------|--------------------------------------|---------------------|
| Balance at the beginning of the year | 200.43 | 3.96 | 0.63 | 57.14 | (3.24) | 258.92 |
| Additions: | | | | | | |
| Net profit after tax transferred from the statement of profit and loss | - | - | - | 134.35 | - | 134.35 |
| Foreign currency translation adjustment | - | - | - | - | (0.88) | (0.88) |
| Transfer from surplus | 14.53 | - | - | - | - | 14.53 |
| | <u>214.96</u> | <u>3.96</u> | <u>0.63</u> | <u>191.49</u> | <u>(4.12)</u> | <u>406.92</u> |
| Deductions: | | | | | | |
| Transfer to general reserve | - | - | - | 14.53 | - | 14.53 |
| Proposed dividend * | - | - | - | 77.64 | - | 77.64 |
| Tax on proposed dividend | - | - | - | 12.60 | - | 12.60 |
| Balance at the end of the year | <u>214.96</u> | <u>3.96</u> | <u>0.63</u> | <u>86.72</u> | <u>(4.12)</u> | <u>302.15</u> |

* The Board of Directors of the Company had recommended a dividend of ₹ 6.5/- per share of face value of ₹ 2/- amounting to ₹ 77.64 for the financial year ended 31 March 2011.

| As at | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 4 - Long-term borrowings | | |
| (i) Secured | | |
| (a) Bonds / debentures [Refer note 10 note (a) for details of security, maturity period, repayment terms and rate of interest] | - | 406.13 |
| (b) Term loans From banks [Refer note (a) below] | 26.42 | 24.28 |
| (c) Long-term maturities of finance lease obligations [Refer note 10 (b) for details of security, maturity period, repayment terms and rate of interest] [Secured by hypothecation of assets (vehicles) taken on lease] | 0.59 | 0.83 |
| | <u>27.01</u> | <u>431.24</u> |
| (ii) Unsecured | | |
| (a) Term loans From banks [Refer note (b) below] | 34.69 | 45.50 |
| | <u>61.70</u> | <u>476.74</u> |

Notes:

- (a) The interest free soft loan from Government of Oman through Oman Development Bank is repayable in 13 years which starts from 1 August 2006 and ends on 1 August 2018. Loan is secured by first ranking mortgage on all the tangible assets of the Al Sallan Food Industries Co. SAOC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

(b) Term loan includes:

- (i) External commercial borrowings of ₹ 27.57 (previous year: ₹ 23.68) repayable in 60 months from 19 September 2008 being the date of origination of loan. Rate of interest being 7.1%.
- (ii) Loan of ₹ 7.12 (previous year: ₹ 21.82) availed by Britannia and Associates (Mauritius) Private Limited to fund its acquisition and support working capital requirement of Strategic Food International Co. LLC, Dubai, Strategic Brands Holding Limited and Al Sallan Food Industries Co. SAOC. The term loan is repayable in 16 equal quarterly instalments commencing at the end of three years from the last drawdown which was 23 March 2007. The loan is secured by an irrevocable and unconditional corporate guarantee from Britannia Industries Limited. Interest rate is 3 months applicable LIBOR + markup as agreed with the bank.

Note 5 - Deferred tax liabilities (net)

Disclosure as per Accounting Standard 22 - "Accounting for taxes on income" – Major components of deferred tax assets and liabilities on account of timing differences are as follows:

| As at | 31 March 2012 | | 31 March 2011 | |
|---|---------------|---------------|---------------|---------------|
| | Asset | Liability | Asset | Liability |
| Depreciation | – | 32.93 | – | 30.63 |
| Voluntary retirement scheme, terminal compensation benefits | 6.73 | – | 6.07 | – |
| Statutory payments | 13.93 | – | 10.86 | – |
| Provisions allowed on payments, write off | 3.89 | – | 7.04 | – |
| Others | 0.77 | – | 0.91 | – |
| | <u>25.32</u> | <u>32.93</u> | <u>24.88</u> | <u>30.63</u> |
| | | <u>(7.61)</u> | | <u>(5.75)</u> |

| As at | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 6 - Other long-term liabilities | | |
| Deposits from customers | 20.47 | 16.68 |
| | <u>20.47</u> | <u>16.68</u> |
| Note 7 - Long-term provisions | | |
| Employee benefits | 3.89 | 3.84 |
| Others: | | |
| Excise related issues (a) | 27.01 | 32.05 |
| Sales tax and other issues (a) | 21.92 | 18.31 |
| Trade and other issues (a) | 30.02 | 33.39 |
| Provision for income tax | 37.54 | 37.74 |
| | <u>120.38</u> | <u>125.33</u> |

(a) Refer note 29.

Note 8 - Short-term borrowings

Unsecured

| | | |
|--------------|---------------|---------------|
| From banks * | 117.02 | 127.57 |
| | <u>117.02</u> | <u>127.57</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

* Includes:

- (i) Loan of ₹ Nil (previous year: ₹ 25). This loan was outstanding at the end of the previous year and was repaid in full at the end of the tenure of the loan on 15 April 2011. The loan carried a rate of interest of 7.5%. Britannia Industries Limited, the holding company has given a corporate guarantee of ₹ Nil (previous year: ₹ 60) towards the loan.
- (ii) Loan of ₹ 117.02 (previous year: ₹ 102.57) availed by Britannia and Associates (Mauritius) Private Limited to support working capital requirement of Strategic Food International Co. LLC, Dubai, Strategic Brands Holding Limited and Al Sallan Food Industries Co. SAOC. The loan is secured by an irrevocable and unconditional corporate guarantee from Britannia Industries Limited and carries an interest rate of one year applicable LIBOR + markup as agreed with the bank. Date of maturity of the loan is 13 July 2012.

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 9 - Trade payables | | |
| Due to micro, small and medium enterprises | 4.50 | 2.84 |
| Others | 382.54 | 265.19 |
| | <u>387.04</u> | <u>268.03</u> |
| Note 10 - Other current liabilities | | |
| Current maturities of long-term debt [Refer note (a) below] | 425.24 | 13.62 |
| Current maturities of finance lease obligations [Refer note (b) below] | 0.25 | 0.91 |
| Interest accrued but not due on borrowings | 1.91 | 1.73 |
| Unclaimed debenture interest * | 0.76 | 0.55 |
| Unpaid dividends * | 2.00 | 1.82 |
| Other payables: | | |
| - Book overdraft | - | 29.31 |
| - Advance from customers | 14.54 | 13.17 |
| - Creditors for capital goods | 12.87 | 3.72 |
| - Other liabilities | 132.21 | 106.05 |
| | <u>589.78</u> | <u>170.88</u> |

* Investor Education and Protection Fund shall be credited when due.

Note:

(a) Includes:

- (i) 23,890,163 - 8.25% Redeemable non-convertible bonus debentures of ₹ 406.13 of face value of ₹ 170/- each, fully paid up.

Secured by way of first mortgage created on identified immovable property and first charge on Company's movable assets restricted to inventories and plant and equipment. The book value (net) of plant and equipment and inventories as on 31 March 2012 of the Company amounts to ₹ 256.19 (previous year: ₹ 223.89) and ₹ 382.28 (previous year: ₹ 311.20) respectively.

Redeemable in full at the end of 36 months from 22 March 2010 being the date of allotment.

The Committee of the Board of Directors ('the Board'), at its meeting held on 22 March 2010, pursuant to the Scheme of Arrangement ('the Scheme') sanctioned by the Honourable Calcutta High Court on 11 February 2010 under Section 391(2) of the 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

the ratio of one debenture of the face value of ₹ 170/- 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. The Scheme was earlier approved by the Board at its meeting held on 27 May 2009 and by the shareholders at the general meeting 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. 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 Calcutta High Court.

- (ii) The current maturities of interest free soft loan from Government of Oman through Oman Development Bank of ₹ 1.32 (previous year: ₹ 1.16) is repayable in 13 years which starts from 1 August 2006 and ends on 1 August 2018. Loan is secured by first ranking mortgage on all the tangible assets of the Al Sallan Food Industries Co. SAOC.
- (iii) The term loan of ₹ 17.79 (previous year: ₹ 12.46) availed by Britannia and Associates (Mauritius) Private Limited to fund its acquisition and support working capital of Strategic Food International Co. LLC, Dubai, Strategic Brands Holding Limited and Al Sallan Food Industries Co. SAOC. The term loan is repayable in 16 equal quarterly instalments commencing at the end of three years from the last drawdown which was 23 March 2007. The loan is secured by an irrevocable and unconditional corporate guarantee from Britannia Industries Limited. Interest rate is 3 months applicable LIBOR + markup as agreed with the bank.
- (b) Rate of interest, number of repayment instalments and period of maturity for finance lease obligations ranges from 11.7% to 16.9%, 2 to 16 and 1 year to 4 years respectively.

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 11 - Short-term provisions | | |
| Provision for employee benefits | 7.22 | 9.42 |
| Others: | | |
| Provision for income tax | 1.48 | 0.05 |
| Proposed dividend | 101.53 | 77.64 |
| Tax on dividend | 16.47 | 12.60 |
| | 126.70 | 99.71 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12 - Fixed assets

₹ in crores

| Description | Gross block at cost | | | Accumulated depreciation and amortisation / impairment | | | Net block | | | |
|---------------------------------------|---------------------|---------------------|-----------|--|---------------------|--------------------|---------------------|------------------------------|---------------------|---------------------|
| | As at 1 April 2011 | Exchange difference | Additions | Deletions | As at 31 March 2012 | As at 1 April 2011 | Charge for the year | On deletions during the year | As at 31 March 2012 | As at 31 March 2011 |
| Tangible assets | | | | | | | | | | |
| Own assets | 5.23 | - | 4.60 | - | 9.83 | - | - | - | 9.83 | 5.23 |
| Freehold land | 12.26 | - | 11.89 | - | 24.15 | - | - | - | 23.63 | 11.95 |
| Leasehold land | 141.40 | 7.73 | 39.11 | 2.23 | 186.01 | 5.10 | 6.07 | 0.74 | 110.53 | 76.35 |
| Buildings | 687.89 | 23.90 | 100.85 | 43.75 | 768.89 | 390.37 | 16.47 | 39.25 | 413.02 | 297.52 |
| Plant and equipment | 10.01 | 0.95 | 2.14 | 0.45 | 12.65 | 4.57 | 0.96 | 0.34 | 5.98 | 5.44 |
| Furniture and fittings | 1.90 | 0.17 | 1.34 | 0.68 | 2.73 | 1.33 | 0.15 | 0.60 | 1.71 | 0.57 |
| Motor vehicles | 40.58 | 0.27 | 3.91 | 0.87 | 43.89 | 27.25 | 0.28 | 0.80 | 12.62 | 13.33 |
| Office equipment | | | | | | | | | | |
| Leased assets | | | | | | | | | | |
| Motor vehicles | 2.97 | - | 0.25 | 2.06 | 1.16 | 1.82 | - | 1.70 | 0.57 | 1.15 |
| | 902.24 | 33.02 | 164.09 | 50.04 | 1,049.31 | 490.70 | 22.96 | 43.43 | 527.86 | 411.54 |
| Intangible assets | | | | | | | | | | |
| Trademarks | 0.05 | - | - | 0.01 | 0.04 | 0.01 | - | 0.01 | 0.03 | 0.04 |
| Designs | 0.01 | - | - | - | 0.01 | - | - | - | 0.01 | 0.01 |
| Computer software | 7.79 | - | 5.00 | - | 12.79 | 2.81 | - | - | 4.31 | 4.98 |
| Knowhow | 10.10 | - | - | - | 10.10 | 9.09 | - | - | 10.10 | 1.01 |
| Marketing infrastructure | 16.90 | - | - | - | 16.90 | 15.22 | - | - | 16.90 | 1.68 |
| Non compete rights | 24.46 | - | - | - | 24.46 | 24.46 | - | - | 24.46 | - |
| | 59.31 | - | 5.00 | 0.01 | 64.30 | 51.59 | - | 0.01 | 55.78 | 7.72 |
| Goodwill on consolidation, net | 961.55 | 33.02 | 169.09 | 50.05 | 1,113.61 | 542.29 | 22.96 | 43.44 | 583.64 | 419.26 |
| | 93.14 | 8.79 | - | - | 101.93 | 7.51 | - | - | 7.51 | 85.63 |
| Total | 1,054.69 | 41.81 | 169.09 | 50.05 | 1,215.54 | 549.80 | 22.96 | 43.44 | 624.39 | 504.89 |
| Previous year | 1,010.54 | (1.86) | 74.63 | 28.62 | 1,054.69 | 511.20 | (1.18) | 25.13 | 111.26 | 12.82 |
| Add: Capital work-in-progress | | | | | | | | | 735.65 | 517.71 |

Notes:

- Agreements in respect of leasehold land at two factories of the Company (previous year: two factories) are in the process of renewal.
- Redeemable Non-convertible bonus debentures issued on 22 March 2010 have been secured by way of first mortgage created on identified immovable property and first charge on Company's movable assets restricted to inventories and plant and equipment.
- Buildings include:
 - Fully paid unquoted shares and bonds in respect of ownership of flats in 2 Co-operative Housing Societies (previous year: 3 Co-operative Housing Societies); 509 shares (previous year: 519 shares) of ₹ 50/- each, and 50 interest free loan stock bonds (previous year: 50 interest free loan stock bonds) of ₹ 100/- each.
 - Net book value ₹ 5.77 (previous year: ₹ 6.56) constructed on a land leased from the government (UAE) which is renewable each year in relation to Strategic Food International Co. LLC, Dubai (SFIC). The lessor [Government (UAE)] would be required to give the tenant (SFIC) a notice of one year for termination of the lease.
 - Net book value ₹ 13.51 (previous year: ₹ 12.61) constructed on a land leased from the Public Establishment for Industrial Estates (Sohar Industrial Estate) for a period of 25 years from 1 January 1994, which is renewable thereafter for a further period of 25 years in relation to Al Sallan Food Industries Co. SAOC (ASFI).
- Net book value of tangible assets included in the above schedule pertaining to ASFI amounts to ₹ 38.97 (previous year: ₹ 35.22). Substantially all the tangible assets of ASFI are mortgaged as security against the government term loan and other term loans amounting to ₹ 27.75 (previous year: ₹ 25.44).
- Goodwill on consolidation comprises goodwill ₹ 102.98 (previous year: ₹ 94.19) and capital reserve ₹ 1.05 (previous year: ₹ 1.05).
- In the previous year, due to the revision of the estimated useful life for computers (part of office equipment) to four years, additional depreciation charged aggregates to ₹ 2.08.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| As at | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 13 - Non-current investments | | |
| At cost less provision for other than temporary diminution | | |
| <u>Long-term</u> | | |
| <u>Unquoted</u> | | |
| Non-trade investments | | |
| Investments in equity instruments - Associates | 1.44 | 1.52 |
| Less: Provision for diminution in value of investments | 0.01 | 0.01 |
| | 1.43 | 1.51 |
| Investments in insurance policy | 5.99 | 5.99 |
| Investments in partnership firms | 0.01 | 0.01 |
| | 7.43 | 7.51 |
| <u>Quoted</u> | | |
| Non-trade investments | | |
| Investments in debentures / bonds | 25.00 | 131.12 |
| Investments in equity instruments | 3.53 | 3.74 |
| | 28.53 | 134.86 |
| | 35.96 | 142.37 |
| Note 14 - Long-term loans and advances | | |
| <u>Unsecured</u> | | |
| Considered good: | | |
| - Capital advances | 21.85 | 14.31 |
| - Deposits | 6.84 | 5.23 |
| - Other loans and advances: | | |
| Advances recoverable in cash or in kind or for value to be received | 43.05 | 32.35 |
| Advance income tax and tax deducted at source | 5.20 | 11.05 |
| Inter-corporate deposits | - | 60.00 |
| Minimum alternative tax credit entitlement | 1.49 | - |
| Considered doubtful: | | |
| - Loans / advances recoverable in cash or in kind or for value to be received | 6.07 | 8.42 |
| | 84.50 | 131.35 |
| - Less: Provision for doubtful loans / advances | 6.07 | 8.42 |
| | 78.43 | 122.93 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 15 - Current investments | | |
| Lower of cost or fair value | | |
| <u>Current</u> | | |
| <u>Unquoted</u> | | |
| Non-trade investments | | |
| Investment in certificate of deposits | 24.88 | 34.73 |
| Investments in mutual funds | 81.54 | 211.41 |
| | 106.42 | 246.14 |
| <u>Long-term</u> | | |
| <u>Quoted</u> | | |
| Non-trade investments | | |
| Investments in debentures / bonds | 106.13 | - |
| | 106.13 | - |
| | 212.55 | 246.14 |
| Aggregate market value of quoted current investments | 106.13 | - |
| Note 16 - Inventories | | |
| Raw materials | 215.30 | 144.32 |
| Packing materials | 44.02 | 49.53 |
| Work-in-progress | 1.63 | 0.81 |
| Finished goods | 140.70 | 126.73 |
| Stock-in-trade | 9.20 | 7.51 |
| Stores and spare parts | 20.91 | 18.05 |
| | 431.76 | 346.95 |
| Note 17 - Trade receivables | | |
| <u>Unsecured</u> | | |
| Considered good: | | |
| Over six months | 1.72 | 2.13 |
| Others | 111.29 | 78.83 |
| | 113.01 | 80.96 |
| Considered doubtful: | | |
| Over six months | 4.78 | 4.53 |
| Others | 5.99 | 5.05 |
| | 123.78 | 90.54 |
| Less: Provision for doubtful debts | 10.77 | 9.58 |
| | 113.01 | 80.96 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| As at | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Note 18 - Cash and bank balances | | |
| Cash and cash equivalents: | | |
| - Cash on hand | 0.60 | 0.72 |
| - Cheques on hand | 20.22 | 22.32 |
| - Current accounts | 32.84 | 45.39 |
| Other bank balances: | | |
| - Unpaid dividend accounts | 2.00 | 1.82 |
| - Unclaimed debenture interest | 0.76 | 0.55 |
| - Deposit accounts held against bank guarantees [Refer note (a) below] | 4.91 | 6.08 |
| | 61.33 | 76.88 |

Note:

(a) Deposit accounts held against bank guarantees includes bank deposits with more than 12 months maturity amounting to ₹ 1.89 (previous year: ₹ 1.55).

| As at | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 19 - Short-term loans and advances | | |
| Unsecured | | |
| Considered good: | | |
| - Deposits | 3.84 | 2.47 |
| - Other loans and advances | | |
| Advances recoverable in cash or in kind or for value to be received | 82.51 | 48.62 |
| Advance income tax and tax deducted at source | 5.60 | - |
| Inter-corporate deposits | 60.00 | - |
| Minimum alternative tax credit entitlement | 1.80 | 15.30 |
| Employee benefits - gratuity, net [Refer note 34 (b)] | 0.91 | 0.93 |
| Balances with customs, port trust, excise, etc | 2.31 | 1.10 |
| Interest accrued but not due | 4.27 | 4.33 |
| Considered doubtful: | | |
| - Loans / advances recoverable in cash or in kind or for value to be received | 2.80 | 2.70 |
| | 164.04 | 75.45 |
| Less: Provision for doubtful loans / advances | 2.80 | 2.70 |
| | 161.24 | 72.75 |

| For the year ended | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| Note 20 - Other operating revenues | | |
| Royalty income | 2.25 | 2.39 |
| Scrap sales | 16.02 | 15.70 |
| Other receipts | 0.53 | 0.99 |
| Other provisions and liabilities no longer required written back, net | 5.82 | 0.57 |
| | 24.62 | 19.65 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| For the year ended | 31 March 2012 | 31 March 2011 |
|--|----------------|----------------|
| Note 21 - Other income | | |
| Interest income | | |
| Long-term | 19.31 | 9.91 |
| Current | 9.37 | 10.95 |
| Dividend income | | |
| Current | 0.36 | 0.59 |
| Net gain / (loss) on sale of investments | | |
| Long-term | 5.04 | 1.40 |
| Current | 4.18 | 7.22 |
| Other non-operating income: | | |
| - Profit on sale of fixed assets | 16.22 | 13.16 |
| - Foreign exchange gain, net | 0.72 | - |
| - Provisions and liabilities no longer required written back, net | 0.71 | 11.79 |
| - Other receipts | 3.23 | 3.99 |
| | 59.14 | 59.01 |
| Note 22 - Purchase of stock-in-trade | | |
| Biscuits and high protein food | 228.26 | 200.86 |
| Bread, bread toast and rusk | 26.46 | 8.40 |
| Cake | 159.15 | 105.03 |
| Others | 23.81 | 14.62 |
| | 437.68 | 328.91 |
| Note 23 - Changes in inventories of finished goods, work-in-progress and stock-in-trade | | |
| Opening stock: | | |
| - Finished goods | 126.73 | 108.75 |
| - Stock-in-trade | 7.51 | 9.96 |
| - Work-in-progress | 0.81 | 0.34 |
| Closing stock: | | |
| - Finished goods | 140.70 | 126.73 |
| - Stock-in-trade | 9.20 | 7.51 |
| - Work-in-progress | 1.63 | 0.81 |
| | (16.48) | (16.00) |
| Less: Excise duty on opening stock of finished goods | (1.43) | (1.11) |
| Add: Excise duty on closing stock of finished goods | 3.88 | 1.43 |
| Increase / (decrease) | 2.45 | 0.32 |
| | (14.03) | (15.68) |
| Note 24 - Employee benefits expense | | |
| Salaries and wages | 174.94 | 156.39 |
| Contribution to provident and other funds | 9.55 | 9.12 |
| Staff welfare expenses | 11.46 | 10.53 |
| Voluntary retirement scheme expenditure [Refer note (a) below] | 15.20 | 1.45 |
| | 211.15 | 177.49 |

Note:

- (a) Pursuant to the consent order in the writ petition no. 2659/2005, before the Honourable Bombay High Court, the Company has accepted the application for Voluntary Retirement Scheme ('VRS') offered to all workmen at the Reay Road Mumbai factory. Consequently, all the legal cases related to the closure of the factory, have been disposed off and an amount of ₹ 15.05 has been paid towards the VRS.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| For the year ended | 31 March 2012 | 31 March 2011 |
|--|-----------------|-----------------|
| Note 25 - Finance costs | | |
| Interest expense: | | |
| - Redeemable non-convertible bonus debentures | 33.60 | 33.51 |
| - Finance lease | 0.23 | 0.29 |
| - Bank and others | 7.77 | 9.83 |
| | 41.60 | 43.63 |
| Note 26 - Other expenses | | |
| Consumption of stores and spares | 11.26 | 9.07 |
| Power and fuel | 72.87 | 56.54 |
| Rent [Refer note 28 (a)] | 6.83 | 6.70 |
| Repairs and maintenance: | | |
| - Plant and equipment (a) | 11.73 | 10.11 |
| - Buildings (a) | 1.75 | 1.84 |
| - Others | 13.24 | 11.42 |
| Insurance | 1.75 | 1.94 |
| Rates and taxes, net | 25.47 | 20.71 |
| Carriage, freight and distribution | 332.23 | 301.14 |
| Auditors' remuneration (b): | | |
| - Audit fees | 0.47 | 0.46 |
| - Other services | 0.07 | 0.04 |
| - Expenses reimbursed | 0.10 | 0.13 |
| Advertising and sales promotion | 419.60 | 332.84 |
| Conversion charges | 355.24 | 287.45 |
| Foreign exchange loss | - | 0.78 |
| Miscellaneous | 177.43 | 125.98 |
| Bad debts and advances written off, net | 0.32 | 0.07 |
| Provision for doubtful receivables and loans / advances, net | 0.22 | 0.38 |
| | 1,430.58 | 1,167.60 |
| (a) Includes stores consumed | 7.58 | 5.06 |
| (b) Excluding service tax | | |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Note 27 Contingent liabilities and commitments:

(i) **Contingent liabilities:**

- (a) Claims / demands against the Group not acknowledged as debts including excise, income tax, sales tax and trade and other demands of ₹ 30.04 (previous year: ₹ 60.38).
- (b) Bank guarantee and letter of credit for ₹ 10.67 (previous year: ₹ 8.68).
- (c) Discounted cheques ₹ 3.16 (previous year: ₹ 47.55).

Notes:

- (i) Contingent liabilities disclosed above represent possible obligations where possibility of cash outflow to settle the obligations is not remote.
- (ii) The above does not include non-quantifiable industrial disputes and other legal disputes pending before various judicial authorities [Also refer note 29].

(ii) **Commitments:**

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 44.81 (previous year: ₹ 58.55).

Note 28 (a) Operating leases

The Group has certain operating leases for land, office facilities and residential premises (cancellable as well as non cancellable leases). Such leases are generally with the option of renewal against increased rent and premature termination of agreement (except non cancellable leases). Rental expenses of ₹ 6.60 (previous year: ₹ 6.53) and ₹ 0.23 (previous year: ₹ 0.17) in respect of obligation under cancellable and non cancellable operating leases respectively have been recognised in the statement of profit and loss. With respect to Al Sallan Food Industries Co. SAOC, the Company has taken on lease 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.

Future obligations of lease rentals applicable to above leased assets aggregate to ₹ 1.39 (previous year: ₹1.33) and are due:

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| Not later than 1 year | 0.23 | 0.17 |
| Later than 1 year and not later than 5 years | 0.82 | 0.69 |
| More than five years | 0.34 | 0.47 |
| | <u>1.39</u> | <u>1.33</u> |

(b) **Finance leases**

The Group has taken motor vehicles under finance leases. The total minimum lease payments and present value of minimum lease payments as at 31 March 2012 are as follows:

| | 31 March 2012 | | 31 March 2011 | |
|--|------------------------|---|------------------------|---|
| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| Not later than 1 year | 0.34 | 0.25 | 1.08 | 0.91 |
| Later than 1 year and not later than 5 years | 0.64 | 0.59 | 1.00 | 0.83 |
| | <u>0.98</u> | <u>0.84</u> | <u>2.08</u> | <u>1.74</u> |

The difference between minimum lease payments and the present value of minimum lease payments of ₹ 0.14 (previous year: ₹ 0.34) represents interest not due. The lease liability is secured by the relevant vehicles acquired under lease.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

Note 29 In accordance with Accounting Standard 29 - "Provisions, contingent liabilities and contingent assets", prescribed by the Companies (Accounting Standard), Rules 2006, certain classes of liabilities have been identified as provisions which have been disclosed as under:

| | 1 April 2011 | Additions * | Utilisation * | Reversals / adjustments * | 31 March 2012 |
|--------------------------------|--------------|-------------|---------------|------------------------------|---------------|
| (a) Excise related issues | 32.05 | 10.01 | – | (15.05) | 27.01 |
| (b) Sales tax and other issues | 18.31 | 4.00 | – | (0.39) | 21.92 |
| (c) Trade and other issues | 33.39 | 2.73 | (17.79) | 11.69 | 30.02 |

| | 1 April 2010 | Additions * | Utilisation * | Reversals / adjustments * | 31 March 2011 |
|--------------------------------|--------------|-------------|---------------|------------------------------|---------------|
| (a) Excise related issues | 26.24 | 5.83 | (0.02) | – | 32.05 |
| (b) Sales tax and other issues | 16.39 | 2.06 | – | (0.14) | 18.31 |
| (c) Trade and other issues | 38.04 | 2.14 | – | (6.79) | 33.39 |

(a) and (b) represents estimates made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities.

(c) represents provisions made for probable liabilities / claims arising out of commercial transactions with vendors / others. Further disclosures as required in Accounting Standard 29 are not made since it can be prejudicial to the interests of the Group.

* Included under various heads in the statement of profit and loss.

Note 30 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 ₹ 12.12 (previous year: ₹ 12.12) 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 ₹ 12.12 (previous year: ₹ 12.12) 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

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.

Note 31 Earnings per share

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| (a) Net profit attributable to the equity shareholders | 199.55 | 134.35 |
| (b) Weighted average number of equity shares outstanding during the year | 119,450,815 | 119,450,815 |
| (c) Effect of potential equity shares on employee stock option outstanding | 109,650 | 61,559 |
| (d) Weighted average number of equity shares outstanding for computing diluted earnings per share [(b)+(c)] | 119,560,465 | 119,512,374 |
| Nominal value of equity shares (₹) | 2 | 2 |
| Basic earnings per share (₹) | 16.71 | 11.25 |
| Diluted earnings per share (₹) | 16.69 | 11.25 |

Note 32 Based on guiding principles given in the Accounting Standard 17 – “Segment Reporting”, the primary business segment of the Group is foods, comprising bakery and dairy products. As the Group operates in a single primary business segment, disclosure requirements are not applicable. The Group primarily caters to the domestic market (India) and export sales are not significant. The Group’s revenues from domestic markets aggregating to ₹ 5,204.34 (previous year: ₹ 4,396.71); assets located in India aggregating to ₹ 1,586.23 (previous year: ₹ 1,408.51) and capital expenditure in India aggregating ₹ 262.72 (previous year: ₹ 76.01).

Note 33 Related party disclosures under Accounting Standard 18

Relationships

- | | |
|-----------------------------------|--|
| 1. Ultimate holding company | The Bombay Burmah Trading Corporation Limited |
| Holding company | Associated Biscuits International Limited (ABIL), UK |
| 2. Fellow subsidiary companies | Bannatyne Enterprises Pte Limited, Singapore |
| | Dowbiggin Enterprises Pte Limited, Singapore |
| | Nacupa Enterprises Pte Limited, Singapore |
| | Spargo Enterprises Pte Limited, Singapore |
| | Valletort Enterprises Pte Limited, Singapore |
| 3. Associates | Klassik Foods Private Limited |
| | Nalanda Biscuits Company Limited |
| | Vasna Agrex and Herbs Private Limited |
| 4. Key management personnel (KMP) | |
| Managing Director | Ms. Vinita Bali |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| <u>Related party transactions:</u> | <u>Relationship</u> | <u>Year ended 31 March 2012</u> | <u>Year ended 31 March 2011</u> |
|--|---------------------|-------------------------------------|-------------------------------------|
| Remittance of dividend | | | |
| Associated Biscuits International Limited | Holding company | 35.04 | 26.95 |
| Others | Fellow subsidiary | 4.53 | 3.48 |
| Total | | 39.57 | 30.43 |
| Purchase of finished goods | | | |
| Nalanda Biscuits Company Limited | Associate | 67.07 | 80.47 |
| Management contracts including reimbursement of expenses, net | | | |
| Nalanda Biscuits Company Limited | Associate | – | 0.47 |
| Klassik Foods Private Limited | Associate | – | 0.02 |
| Associated Biscuits International Limited | Holding company | 0.05 | – |
| Total | | 0.05 | 0.49 |
| Conversion charges | | | |
| Klassik Foods Private Limited | Associate | 4.98 | 4.79 |
| Interest and dividend income | | | |
| Klassik Foods Private Limited | Associate | – | 0.07 |
| Remuneration | | | |
| Ms. Vinita Bali | KMP | 5.72 | 5.08 |
| Loan repaid during the year | | | |
| Ms. Vinita Bali | KMP | – | 0.07 |
| Share of current year profit / (loss) | | | |
| Klassik Foods Private Limited | Associate | (0.02) | (0.03) |
| Nalanda Biscuits Company Limited | Associate | (0.06) | 0.10 |
| Total | | (0.08) | 0.07 |
| Sale of goods / consumables and ingredients | | | |
| Nalanda Biscuits Company Limited | Associate | 0.35 | 0.36 |
| Outstanding as at year end - net receivables / (payables) | | | |
| Klassik Foods Private Limited | Associates | 0.04 | 0.04 |
| Nalanda Biscuits Company Limited | Associates | 1.41 | 1.57 |
| Associated Biscuits International Limited | Holding company | 0.05 | – |
| Total | | 1.50 | 1.61 |
| Investments (including goodwill) | | | |
| Klassik Foods Private Limited | Associates | 1.04 | 1.06 |
| Nalanda Biscuits Company Limited | Associates | 0.39 | 0.45 |
| Vasna Agrex and Herbs Private Limited | Associates | 0.01 | 0.01 |
| Total | | 1.44 | 1.52 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| <u>Related party transactions:</u> | <u>Relationship</u> | <u>Year ended 31 March 2012</u> | <u>Year ended 31 March 2011</u> |
|---------------------------------------|---------------------|-------------------------------------|-------------------------------------|
| Provision for Investment | | | |
| Vasna Agrex and Herbs Private Limited | Associates | 0.01 | 0.01 |

Notes:

- (i) The above does not include related party transactions with retiral funds, as key management personnel who are trustees of the funds cannot individually exercise significant influence on the retiral funds transactions.
- (ii) The above information has been determined to the extent such parties have been identified on the basis of information available with the Group and relied upon by the auditors.

Note 34 Employee benefits

(a) Post retirement benefit - Defined contribution plans

The Group has recognised an amount of ₹ 7.02 (previous year: ₹ 6.99) as expenses under the defined contribution plans in the statement of profit and loss for the year:

| | <u>31 March 2012</u> | <u>31 March 2011</u> |
|----------------------------------|----------------------|----------------------|
| Benefit (Contribution to) | | |
| Provident Fund * | 3.75 | 3.65 |
| Family Pension Scheme | 1.24 | 1.25 |
| Pension Fund | 1.48 | 1.55 |
| ESI | 0.55 | 0.54 |
| Total | 7.02 | 6.99 |

* With regard to the assets of the Fund and the return on the investments, the Group does not expect any deficiency in the foreseeable future.

(b) Post retirement benefit - Defined benefit plans

The Company makes annual contributions to the Britannia Industries Limited Covenanted Staff Gratuity Fund and Britannia Industries Limited Non Covenanted Staff Gratuity Fund, which are funded defined benefit plans for qualifying employees.

- (i) The Scheme in relation to Britannia Industries Limited Non Covenanted Staff Gratuity Fund provides for lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months subject to the maximum amount payable as per the Payment of Gratuity Act, 1972.
- (ii) The Scheme in relation to Britannia Industries Limited Covenanted Staff Gratuity Fund provides for lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months subject to the higher of maximum amount payable as per the Payment of Gratuity Act, 1972 and twenty months salary.

Vesting (for both the funds mentioned above) occurs only upon completion of five years of service, except in case of death or permanent disability. The present value of the defined benefit obligation and the related current service cost are measured using the projected unit credit method with actuarial valuation being carried out at balance sheet date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 | 31 March 2008 |
|---|------------------|------------------|------------------|------------------|------------------|
| 1. Reconciliation of opening and closing balances of the present value of the defined benefit obligation: | | | | | |
| Obligations at 1 April | 20.35 | 20.09 | 18.72 | 20.25 | 21.20 |
| Service cost | 1.28 | 1.31 | 1.22 | 1.34 | 0.99 |
| Interest cost | 1.68 | 1.61 | 1.48 | 1.68 | 1.70 |
| Benefits settled | (3.73) | (2.79) | (1.13) | (5.52) | (4.11) |
| Actuarial (gain) / loss | 0.03 | 0.13 | 0.04 | 0.98 | 0.47 |
| On acquisition | – | – | (0.24) | – | – |
| Obligations at the year end 31 March | 19.61 | 20.35 | 20.09 | 18.72 | 20.25 |
| 2. Change in plan assets: | | | | | |
| Plan assets at 1 April at fair value | 21.28 | 20.19 | 17.36 | 18.67 | 18.59 |
| Expected return on plan assets | 1.76 | 1.62 | 1.37 | 1.49 | 1.49 |
| Actuarial gain / (loss) | (0.16) | 0.07 | 0.10 | (0.07) | (0.03) |
| Contributions | 1.37 | 2.20 | 2.76 | 2.79 | 2.72 |
| Benefit settled | (3.73) | (2.79) | (1.13) | (5.52) | (4.11) |
| On acquisition | – | – | (0.27) | – | – |
| Plan assets at 31 March at fair value | 20.52 | 21.28 | 20.19 | 17.36 | 18.67 |
| 3. Reconciliation of present value of the obligation and the fair value of the plan assets: | | | | | |
| Present value of obligation as at 31 March | 19.61 | 20.35 | 20.09 | 18.72 | 20.25 |
| Plan assets at 31 March at fair value | 20.52 | 21.28 | 20.19 | 17.36 | 18.67 |
| Amount recognised in balance sheet asset / (liability) | 0.91 | 0.93 | 0.09 | (1.36) | (1.58) |
| 4. Expenses recognised in the statement of profit and loss: | | | | | |
| Current service cost | 1.28 | 1.31 | 1.22 | 1.34 | 0.99 |
| Interest cost | 1.68 | 1.61 | 1.48 | 1.68 | 1.70 |
| Expected return on plan assets | (1.76) | (1.62) | (1.37) | (1.49) | (1.49) |
| Actuarial (gain) / loss | 0.19 | 0.06 | (0.06) | 1.05 | 0.50 |
| Net cost | 1.39 | 1.36 | 1.27 | 2.58 | 1.69 |
| 5. Amount recognised in the balance sheet: | | | | | |
| Opening asset / (liability) | (0.93) | (0.09) | 1.36 | 1.58 | 2.61 |
| On acquisition | – | – | 0.03 | – | – |
| Expense as above | 1.39 | 1.36 | 1.27 | 2.58 | 1.69 |
| Employers contribution paid | (1.37) | (2.20) | (2.76) | (2.79) | (2.72) |
| Closing (asset) / liability | (0.91) | (0.93) | (0.09) | 1.36 | 1.58 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

| | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 | 31 March 2008 |
|--|------------------|------------------|------------------|------------------|------------------|
| | % Invested |
| 6. Investment details: | | | | | |
| Government of India securities | 21.51 | 20.93 | 18.89 | 18.30 | 0.81 |
| State Government securities | 15.89 | 13.08 | 14.84 | 12.24 | 1.19 |
| Public sector securities | 34.80 | 41.41 | 41.23 | 43.46 | 30.87 |
| Mutual funds | 0.62 | 0.52 | 0.70 | – | 20.56 |
| Special deposit scheme | 6.61 | 6.30 | 6.62 | 7.51 | 32.32 |
| Others | 20.57 | 17.76 | 17.72 | 18.49 | 14.25 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 7. Principal actuarial assumptions: | | | | | |
| Discount factor [Refer note (i) below] | 8.50% | 8.25% | 8% | 8% | 8% |
| Estimated rate of return on plan assets [Refer note (ii) below] | 8.50% | 8.25% | 8% | 8% | 8% |
| Attrition rate: | | | | | |
| Age related | 2% | 1% | 1% | 1% | 1% |
| Service related | 14% | 14% | 1% | 1% | 1% |
| Salary escalation rate | 5% | 5% | 5% | 5% | 5% |
| Retirement age (in years) | 58 | 58 | 58 | 58 | 58 |

Notes:

- (i) The discount rate is based on the prevailing market yield on Government Securities as at the balance sheet date for the estimated term of obligations.
- (ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Group's policy for plan asset management.
- (iii) The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- (iv) The disclosure above includes amounts for both Britannia Industries Limited Covenanted Staff Gratuity Fund and Britannia Industries Limited Non Covenanted Staff Gratuity Fund and amounts relating to other group companies.
- (c) The charge for retirement benefits of Al Sallan Food Industries Co. SAOC and Strategic Food International Co. LLC, Dubai has been calculated in accordance with the laws applicable in their countries of incorporation which amounts to ₹ 1.14 (previous year: ₹ 0.77).

Note 35 With respect to Al Sallan Food Industries Co. SAOC, the Company's income tax assessments for the year 2003 to 2011 have not been agreed with the Secretariat General for Taxation at the Ministry of Finance, Oman. 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 Company's financial position as at 31 March 2012. No tax has been recognised due to carried forward accumulated losses of prior years.

Note 36 Derivative contracts

Foreign currency forward contracts

The Company has entered into foreign exchange forward contracts for hedging the foreign exchange fluctuation risks on foreign currency payables / loans, which has been accounted for in line with Accounting Standard 11 - "The Effects of Changes in Foreign Exchange Rates". Accordingly, the amount receivable of ₹ 27.57 (previous year: ₹ 23.68) and loan payable of ₹ 20.08 (previous year: ₹ 20.08), relating to foreign exchange forward

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

₹ in crores

contracts for hedging have been netted off and disclosed under 'Long-term loans and advances' [Refer note 14].

The Company has designated certain foreign exchange forward contracts (relating to foreign currency receivables and payables) outstanding as on 31 March 2012 as Hedge of committed transaction. On that date, the Company had forward contracts amounting to USD 2,158,505 and EUR 66,000 (previous year: USD 1,448,372). As at the year end the unrealized exchange loss of ₹ 0.19 (previous year: ₹ Nil) (arrived on a mark to market basis) has been accounted for in line with the ICAI notification issued in March 2008.

Note 37 During the previous year, as per the approval by the Honourable Karnataka High Court, vide order no. 8771/11, for reduction of equity share capital of Daily Bread Gourmet Foods (India) Private Limited, face value of ₹ 10 each, has been restated to ₹ 4 each and equivalent value has been incorporated in investments.

Note 38 Disclosure as per clause 32 of the Listing Agreement in respect of loans and advances, the amount in the nature of loans outstanding at year end:

| | Outstanding as at | | Maximum outstanding during the year ended | |
|--|-------------------|---------------|---|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| Purbasha Properties Private Limited (repayment schedule in excess of 7 years) | 3.89 | 4.13 | 4.15 | 4.33 |

Note 39 Figures in rupees have been rounded off to two decimal places to the nearest crore, unless otherwise stated.

Note 40 The financial statements are presented in ₹ crores (rounded off to two decimal places). Those items which are required to be disclosed and which were not presented in the financial statements due to rounding off to the nearest ₹ crores are given below:

| Note No. | Description | ₹ in '000 | |
|----------|--|---------------|---------------|
| | | 31 March 2012 | 31 March 2011 |
| 13. | Non-Current investments: | | |
| | (a) Unquoted - Trade investments - Investments in debentures / bonds | 4 | 4 |
| 15. | Current investments: | | |
| | (a) Quoted - Non-trade investments - Investments in debentures / bonds | - | 39 |
| 33. | Related party disclosures under Accounting Standard 18: | | |
| | Relationship | | |
| | (a) Interest and dividend income | | |
| | Ms. Vinita Bali | - | 3 |
| 34. | Employee benefits: | | |
| | (a) Post retirement benefit - Defined contribution plans - Benefit (Contribution to) | | |
| | Labour Welfare Fund | 7 | 4 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 41 The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached
for **B S R & Co.**
Chartered Accountants
Firm registration number: 101248W

Natraj Ramakrishna
Partner
Membership number: 32815
Place : Mumbai
Date : 28 May 2012

for and on behalf of the **Board of Directors:**

Chairman : Nusli N Wadia
Managing Director : Vinita Bali
Directors : Avijit Deb
A K Hirjee
Nimesh N Kampani
S S Kelkar
Nasser Munjee
Jeh N Wadia
Ness N Wadia
Chief Financial Officer : Raju Thomas
Company Secretary : P Govindan
Place : Mumbai
Date : 28 May 2012

STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

In accordance with the General Circular No: 2/2011 dated 8 February 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiaries are not being attached with the Annual Accounts of the Company. This Annual Report contains Consolidated Financial Statements of the Company and its subsidiaries / associates prepared in accordance with the relevant Accounting Standards and the same has been duly audited by the Statutory Auditors. The Annual Accounts of the following subsidiary companies and the related information will be made available to the shareholders of the Company and its subsidiary companies on request and will also be kept open for inspection by the shareholders at the Registered Office of the Company and the subsidiary companies concerned.

| S. No. | Name of the Subsidiary Company | Reporting Currency | Exchange Rate (Closing Rate) | Exchange Rate (Average Rate) | Capital * | Reserves * | Total Assets (including investments) * | Total Liabilities excluding shareholders funds * | Investments (except investment in subsidiaries) * | Turnover (Revenue from Operations + Other Income) # | Profit before Tax # | Provision for Tax # | Profit after Tax # | Proposed Dividend # | Country |
|--------|--|--------------------|------------------------------|------------------------------|-----------|------------|--|--|---|---|---------------------|---------------------|--------------------|---------------------|---------------|
| 1 | Boribunder Finance and Investments Private Limited | INR | 1.00 | 1.00 | 21,710 | (17,574) | 4,312 | 176 | 309 | 731 | 443 | 44 | 399 | - | India |
| 2 | Britannia Dairy Private Limited | INR | 1.00 | 1.00 | 117,800 | (7,207) | 391,653 | 281,060 | 25,000 | 2,934,705 | 155,132 | - | 1,55,132 | - | India |
| 3 | Britannia Employees' Educational Welfare Association Private Limited | INR | 1.00 | 1.00 | 1,752 † | 1,010 | 2,811 | 49 | - | 140 | 113 | 35 | 78 | - | India |
| 4 | Britannia Employees' General Welfare Association Private Limited | INR | 1.00 | 1.00 | 1,750 † | 883 | 2,699 | 66 | - | 132 | 105 | 32 | 73 | - | India |
| 5 | Britannia Employees' Medical Welfare Association Private Limited | INR | 1.00 | 1.00 | 1,800 † | 683 | 2,526 | 43 | 40 | 115 | 88 | 27 | 61 | - | India |
| 6 | Daily Bread Gourmet Foods Private Limited | INR | 1.00 | 1.00 | 206,726 | (159,399) | 126,096 | 78,769 | - | 240,889 | (14,605) | - | (14,605) | - | India |
| 7 | Flora Investments Company Private Limited | INR | 1.00 | 1.00 | 2,843 | 14,663 | 17,991 | 485 | 26 | 459 | 370 | 74 | 296 | - | India |
| 8 | Ganges Vally Foods Private Limited | INR | 1.00 | 1.00 | 6,000 | 34,404 | 64,762 | 24,358 | - | 153,782 | 3,042 | 1,060 | 1,982 | - | India |
| 9 | Gilt Edge Finance and Investments Private Limited | INR | 1.00 | 1.00 | 2,498 | 15,448 | 18,420 | 474 | 25 | 236 | 146 | 33 | 113 | - | India |
| 10 | International Bakery Products Limited | INR | 1.00 | 1.00 | 5,000 | 7,004 | 101,745 | 89,741 | 40 | 155,633 | 1,221 | (405) | 1,626 | - | India |
| 11 | J B Mangharam Foods Private Limited | INR | 1.00 | 1.00 | 4,502 | 35,044 | 77,617 | 38,071 | 54 | 234,325 | 27,567 | 11,373 | 16,194 | - | India |
| 12 | Mamma Foods Private Limited | INR | 1.00 | 1.00 | 3,750 | (3,210) | 572,595 | 572,055 | 1,729 | 102,260 | 808 | 238 | 570 | - | India |
| 13 | Sunrise Biscuit Company Private Limited | INR | 1.00 | 1.00 | 141,995 | 9,298 | 350,712 | 199,419 | - | 936,921 | (1,162) | (230) | (932) | - | India |
| 14 | Al Sallan Food Industries Co. SAOC | OMR | 132.12 | 124.28 | 264,240 | (679,118) | 718,379 | 1,133,257 | - | 1,073,220 | (16,334) | - | (16,334) | - | Oman |
| 15 | Strategic Food International Co. LLC, Dubai | AED | 13.85 | 13.01 | 270,075 | (331,902) | 1,235,475 | 1,297,302 | - | 1,883,683 | (43,360) | - | (43,360) | - | Dubai |
| 16 | Britannia and Associates (Dubai) Private Company Limited | USD | 50.88 | 47.89 | 14 | (96,341) | 2,304,674 | 2,401,001 | - | 24,026 | (14,033) | - | (14,033) | - | Dubai - JAFZA |
| 17 | Britannia and Associates (Mauritius) Private Limited ## | USD | 50.88 | 47.89 | 988,074 | (18,970) | 2,407,289 | 1,438,185 | - | 39,462 | 3,028 | - | 3,028 | - | Mauritius |
| 18 | Britannia Dairy Holdings Private Limited ## | USD | 50.88 | 47.89 | 377,173 | (136,960) | 252,802 | 12,589 | - | - | (18,409) | - | (18,409) | - | Mauritius |
| 19 | Strategic Brands Holding Company Limited | USD | 50.88 | 47.89 | 14 | (2,737) | 31 | 2,754 | - | - | (842) | - | (842) | - | Dubai - JAFZA |

* Converted using closing exchange rate.

Converted using average exchange rate.

† Represents contribution.

Consolidated based on unaudited accounts.

Britannia Annual Report 2011-12

SIGNIFICANT RATIOS

| | | | 2011-12 | 2010-11 |
|-------------------------------------|---|-------|---------|---------|
| Measures of Investment | | | | |
| Return on equity | $\frac{\text{Net profit}}{\text{Shareholders' funds}}$ | % | 35.9 | 32.2 |
| Book value per share | $\frac{\text{Shareholders' funds}}{\text{Number of equity shares}}$ | ₹ | 43.5 | 37.8 |
| Dividend cover | $\frac{\text{Earnings per share (Basic)}}{\text{Dividend (plus tax) per share}}$ | times | 1.6 | 1.6 |
| Measures of Performance | | | | |
| Profit margin | $\frac{\text{Profit before tax}}{\text{Revenue from operations + Other income}}$ | % | 5.0 | 4.6 |
| Debtors turnover | $\frac{\text{Sale of products}}{\text{Trade receivables}}$ | times | 96.0 | 73.9 |
| Stock turnover | $\frac{\text{Sale of products}}{\text{Inventories (Finished goods + Stock-in-trade)}}$ | times | 39.2 | 34.8 |
| Measures of Financial Status | | | | |
| Debt equity ratio | $\frac{\text{Long-term borrowings + Current maturities of long-term debt and finance lease obligations}}{\text{Shareholders' funds}}$ | % | 83.6 | 95.6 |
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities – Current maturities of long-term debt and finance lease obligations}}$ | times | 1.5 | 1.5 |
| Tax ratio | $\frac{\text{Provision for tax}}{\text{Profit before tax}}$ | % | 26.0 | 26.6 |

Britannia Annual Report 2011-12

TEN YEAR FINANCIAL STATISTICS : 2003 - 2012

| | ₹ in crores | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| As at / Year ended 31 March | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Assets employed | | | | | | | | | | |
| Fixed assets less depreciation and amortisation | 148.12 | 128.30 | 133.84 | 151.64 | 214.40 | 250.68 | 283.86 | 291.47 | 315.40 | 458.82 |
| Investments (non-current and current) | 296.85 | 291.32 | 330.08 | 359.86 | 320.05 | 380.83 | 423.10 | 490.64 | 545.00 | 428.94 |
| Other assets, net | 74.65 | 4.29 | (48.50) | 30.89 | 59.57 | 207.17 | 116.10 | 43.76 | 22.34 | 66.78 |
| Miscellaneous expenditure | 25.99 | 46.30 | 34.24 | 16.06 | 25.58 | 23.23 | 26.64 | - | - | - |
| | 545.61 | 470.21 | 449.66 | 558.45 | 619.60 | 861.91 | 849.70 | 825.87 | 882.74 | 954.54 |
| Financed by | | | | | | | | | | |
| Equity shares | 25.90 | 25.11 | 23.89 | 23.89 | 23.89 | 23.89 | 23.89 | 23.89 | 23.89 | 23.89 |
| Reserves and surplus | 365.26 | 405.91 | 419.63 | 525.20 | 590.93 | 731.92 | 800.65 | 372.36 | 427.41 | 496.15 |
| Loan funds (long-term borrowings and current maturities of long-term debt & finance lease obligations) | 154.45 | 39.19 | 6.14 | 9.36 | 4.78 | 106.10 | 25.16 | 429.62 | 431.44 | 434.50 |
| | 545.61 | 470.21 | 449.66 | 558.45 | 619.60 | 861.91 | 849.70 | 825.87 | 882.74 | 954.54 |
| Profits and appropriations | | | | | | | | | | |
| Sale of products | 1,349.06 | 1,470.53 | 1,615.45 | 1,817.92 | 2,317.21 | 2,616.98 | 3,142.89 | 3,426.64 | 4,230.59 | 5,005.66 |
| Profit before depreciation, amortisation and tax | 168.94 | 218.73 | 261.03 | 217.56 | 151.38 | 253.56 | 286.61 | 204.96 | 242.65 | 299.69 |
| Depreciation and amortisation | 26.05 | 22.40 | 18.97 | 21.72 | 25.27 | 29.08 | 33.46 | 37.54 | 44.59 | 47.32 |
| Profit before tax and exceptional items | 142.89 | 196.33 | 242.06 | 195.84 | 126.11 | 224.48 | 253.15 | 167.42 | 198.06 | 252.37 |
| Exceptional items | 4.44 | (11.94) | (21.82) | 4.88 | (7.70) | 7.78 | (20.63) | (46.64) | - | - |
| Profit before tax | 147.33 | 184.39 | 220.24 | 200.72 | 118.41 | 232.26 | 232.52 | 120.78 | 198.06 | 252.37 |
| Tax | 48.17 | 65.59 | 71.47 | 54.29 | 10.76 | 41.26 | 52.12 | 4.27 | 52.77 | 65.63 |
| Net profit | 99.16 | 118.80 | 148.77 | 146.43 | 107.65 | 191.00 | 180.40 | 116.51 | 145.29 | 186.74 |
| Dividend | 25.11 | 27.23 | 33.45 | 35.84 | 35.84 | 43.00 | 95.56 | 59.73 | 77.64 | 101.53 |
| Tax on dividend | 3.22 | 3.49 | 4.69 | 5.03 | 6.09 | 7.31 | 16.24 | 9.92 | 12.60 | 16.47 |
| Profit for the year after dividend and tax thereon | 70.83 | 88.08 | 110.63 | 105.56 | 65.72 | 140.69 | 68.60 | 46.86 | 55.05 | 68.74 |



25

YEARS OF SPREADING HAPPINESS

1986

The launch of Good Day, first produced in the company's Kolkata factory, redefined what consumers could get from a biscuit. Good Day created 'the cookie' with its tantalising aroma, delicious crumbly bite and the taste of real butter. And consumers loved it!



1996

Having crossed the Rs. 100 crore mark, Good Day indulged its consumers even more with the launch of two new delightful variants - Cashew and Pista, presenting an irresistible choice.



2006

By this time, Good Day was selling all across India - in big cities and small, in all towns and villages, through about 20 lakh shops. And sales crossed Rs. 500 crores. People enjoyed it everywhere, served it to guests with pride, and wanted more!

2012

Today, in its 25th year, Good Day sells 45 lakh packs every day - spreading joy and happiness that all can share. And, there is more choice with the addition of Choco-Nut, Choco-Chip, Fresh Bake Butterscotch and Chocolate & Nuts. Good Day now spreads cheer not just across India but also in North America, the Middle East and several other countries.





AT
THE HEART
OF BRITANNIA

Zindagi
mein Life

ZINDAGI MEIN LIFE



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