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**FINANCIAL HIGHLIGHTS**

Rs. mn	2005-06	2004-05	% Change
Sales	<b>18,179</b>	16,154	<b>13%</b>
Operating profit	<b>1,762</b>	1,651	<b>7%</b>
Shareholders' funds	<b>5,491</b>	4,435	<b>24%</b>
Capital expenditure	<b>407</b>	432	<b>-6%</b>
Before exceptional items			
- Profit before tax	<b>1,958</b>	2,421	<b>-19%</b>
- Profit after tax	<b>1,428</b>	1,624	<b>-12%</b>
- Cash flow generation	<b>1,645</b>	1,814	<b>-9%</b>
After exceptional items			
- Profit before tax	<b>2,007</b>	2,202	<b>-9%</b>
- Profit after tax	<b>1,464</b>	1,487	<b>-2%</b>
- Cash flow generation	<b>1,681</b>	1,678	<b>0%</b>
Per equity share (Rs.)			
Earnings	<b>59.96</b>	60.59	<b>-1%</b>
Dividend	<b>15.00</b>	14.00	<b>7%</b>
Dividend + Tax	<b>17.10</b>	15.96	<b>7%</b>

## REPORT OF THE DIRECTORS

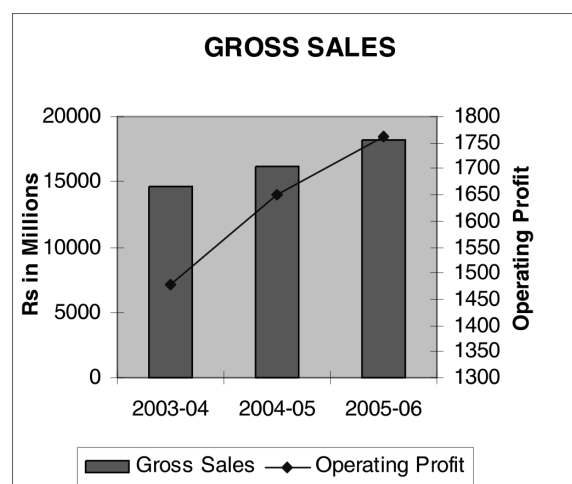
The Directors present their Annual Report together with the Statement of Accounts for the year ended March 31, 2006.

### I. FINANCIAL RESULTS

Particulars	Rs. Million	
	Year ended 31 <sup>st</sup> Mar, '06	Year ended 31 <sup>st</sup> Mar, '05
<b>Corporate Sales</b>	<b>18,179</b>	<b>16,154</b>
Operating Profit	1,762	1,651
Less: Interest	(21)	(21)
Add: Other Income	217	791
<b>Profit before tax and exceptional items</b>	<b>1,958</b>	<b>2,421</b>
Exceptional Items :		
Less: Compensation and amortisation of VRS costs	(111)	(134)
Less: Provision for diminution in value of investments	-	(325)
Less: Claims for corporate guarantee	-	(115)
Less: Loss on retiral of assets	-	(1)
Add: Profit / (loss) on sale of properties	117	(2)
Add: Profit on sale of brand	-	324
Add: Reversal of previous years' liabilities	43	34
<b>Profit before tax</b>	<b>2,007</b>	<b>2,202</b>
Less: Provision for taxation	543	715
<b>Net Profit</b>	<b>1,464</b>	<b>1,487</b>
Add: Profit brought forward	500	500
Add: Reversal of proposed dividend of previous year	-	11
<b>Profit available for appropriation</b>	<b>1,964</b>	<b>1,998</b>
Less: Dividend on equity shares	358	334
Less: Tax on dividend	50	47
Less: Transfer to General Reserve	1,056	1,117
<b>Profit carried forward</b>	<b>500</b>	<b>500</b>

### 2. COMPANY PERFORMANCE

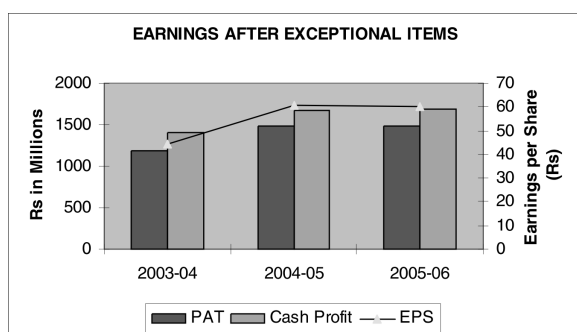
Your Company's gross sales turnover increased to Rs. 18,179 mn from Rs. 16,154 mn in the previous year, registering a growth of 13%. Operating profit at Rs. 1,762 mn increased by 7%, profit before tax and exceptional items at Rs. 1,958 mn declined by 19% against the previous year, impacted by the profit on sale of long term investments that accrued to 'other income' last year.



Your Company achieved these results despite significant increases in input cost, particularly sugar, fuel and oils, coupled with aggressive pricing in the industry. Your Company's focused initiatives on commercialising market place opportunities, supply chain efficiencies and overall cost management resulted in its top line growth and profitability. Operating margin at 10.3% in 2005-06 compared with 10.9% in the previous year, was impacted by the inflation in input costs.

Despite stiff competition, your Company stabilised and held its overall market share at 31.7% in volume and 38.8% in value for the last year.

Exports turnover during the year was Rs 111.71 mn against Rs. 71.65 mn in 2004-05, a growth of 56%.



The major exceptional items during the year were:

- Compensation and amortisation of VRS costs — Rs. 111 mn
- Profit on sale of properties — Rs. 117 mn

After considering all the exceptional items, Profit before tax and Net Profit works out to Rs. 2,007 mn and Rs. 1,464 mn respectively.

Earnings per share are Rs. 59.96 this year.

### 3. DIVIDEND

The Board of Directors is pleased to recommend a dividend of 150 % on the paid up equity share capital of the Company, which works out to Rs. 15 per share, for consideration and approval of the shareholders at the Annual General Meeting. The total payout of proposed dividend is Rs. 408 mn which includes the corporate dividend tax of Rs. 50 mn.

### 4. BUSINESS OUTLOOK

The overall buoyancy in the economy – higher disposable income and consumer willingness to spend, coupled with intense activity in the biscuit industry, both at national and local levels, has created an industry growth momentum of around 11-13%. This is likely to continue in the coming year as well.

However, the significant and unprecedented inflation in input costs, especially wheat, sugar,

oils and fuel, coupled with aggressive pricing in the marketplace are likely to stress industry margins in an increasingly competitive environment. Managing profitable growth against this background will be a key challenge for the management, who are gearing up to this task.

In this scenario, the essence of your Company's strategy is to identify the high value opportunities in the market and deliver against those through the effective integration of opportunities in the three vectors of brands, channels and geographies.

### 5. BRAND INVESTMENT

Your Company believes in giving the best value to consumers through its brands and constantly looks for ways to enhance the overall consumer experience. 2005-06 witnessed a boost in product innovation and renovation and as many as six new launches were executed and well received in the market.

The Company's largest brand – Tiger, was successfully renovated with the re-staging of Tiger Glucose and the fortification of Tiger Creams. New variants were introduced in Treat Duet and Pepper Chakkar was launched under the 50:50 brand umbrella. The Company also introduced MarieGold Doubles in a totally new to market format and a new range "Greetings" – an assortment of biscuits was introduced during Diwali, targeted at the large gifting opportunity.

Your Company also seized the growing opportunity in adjacent categories like Cakes and the launch of Cup Cakes was the first step in strengthening this business.

Additionally, new packaging formats were introduced in several markets to tap into attractive price points from consumers' perspective.

Your Company will continue to invest in its brands and deliver growth through an emphasis on brand activation, anchored by new product launches.

## **6. CAPACITY EXPANSION**

The new factory in Rudrapur, Uttaranchal was commissioned in record time and commercial production commenced in April 2005. Capacity was further augmented by commissioning an additional line in October 2005 and further expansion is under progress. Considering the buoyant demand for our products, capacities at other manufacturing locations were also expanded.

## **7. COST FOCUS AND SUPPLY CHAIN INITIATIVES**

Last year we reported that in order to ensure a cost effective and efficient supply chain, an end to end study was undertaken with the support of KPMG. This study was completed during the year under review and implementation of all projects commenced from the middle of the financial year. These initiatives resulted in significant benefits in terms of containing overall cost and improved efficiencies.

## **8. QUALITY STANDARDS**

Your Company is committed to ensuring that the Britannia brand continues to be synonymous with the highest quality standards. An independent management structure reporting directly to the Chief Executive Officer was created for quality management during the year to provide the focus and thrust needed for these initiatives. The Company continued to invest in creating the appropriate infrastructure and processes towards this objective.

The ISO 22000 standard for Food Safety Management Systems (FSMS) was released in September 2005. This is an integrated standard

which ensures that practices across the Company for the manufacture and distribution of its products meet the requisite Food Safety standards consistently. Your Company seized the opportunity to implement ISO 22000 in a phased manner across its manufacturing locations.

Several of our manufacturing units have already been approved for ISO 22000 certification and the rest will be covered in a phased manner. This is a milestone in our quest for quality as these are among the first food manufacturing units in our country to qualify for this standard.

## **9. INFORMATION TECHNOLOGY**

Your Company undertook a major initiative during the year to upgrade the SAP package to the latest released version. This gives us access to enhanced process features which are more productive and enable better response time and efficiencies. These features will be leveraged extensively during this year through continuous process improvements.

## **10. ENVIRONMENT AND SAFETY**

The thrust on conservation of energy and environment protection continued during the year. Energy conservation was achieved through use of alternate fuels, recycling of waste heat and reduction in waste generation.

Safety was given paramount importance in the operations and the year ended with no major incident causing grievous injury or fatality.

## **11. 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 an annexure to the Directors' Report.

## **12. 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' report on its compliance is attached to this Report.

## **13. DIRECTORS**

Field Marshal Sam Manekshaw who was to retire by rotation at the last Annual General Meeting did not wish to seek reappointment. However, considering the long association and the immense contributions made by Field Marshal Sam Manekshaw, your Board at its meeting held on 20<sup>th</sup> July 2005 appointed him as Director Emeritus. Your Company and the Board are thus privileged to have the continued association and guidance of Field Marshal Sam Manekshaw.

The Board appointed Dr. Vijay L Kelkar, Mr Emmanuel Faber, Mr Jeh N Wadia and Mr Keki Dadiseth as Additional Directors at their meetings held on 20<sup>th</sup> July 2005, 14<sup>th</sup> September 2005 and 31<sup>st</sup> May 2006. They will all hold office upto the date of the forthcoming Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company. Notices have been received by the Company from a member under Section 257 of the Companies Act, 1956 proposing the appointments of Dr. Vijay L Kelkar, Mr Emmanuel Faber, Mr Jeh N Wadia and Mr Keki Dadiseth as Directors of the Company.

During the year, Mr John Martin Miller resigned as a Director with effect from 27<sup>th</sup> January 2006. Your Board records its appreciation for the various contributions made by Mr Miller during his tenure as a Director. Your Board appointed

Mr Georges Casala as a Director with effect from 27<sup>th</sup> January 2006 in the casual vacancy caused by the resignation of Mr Miller.

Your Directors are pleased to report that at the meeting of the Board of Directors of the Company held on 31<sup>st</sup> May 2006, Ms Vinita Bali, Chief Executive Officer and Manager has been appointed as Managing Director effective 31<sup>st</sup> May 2006. The terms of her appointment are subject to the approval of the shareholders.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr Nusli N Wadia, Mr A K Hirjee and Mr Francois - Xavier Roger retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

## **14. PARTICULARS OF EMPLOYEES**

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2006 is also given in the annexure to this Report.

## **15. AUDITORS**

Messrs. Lovelock & Lewes who are willing to continue in office are recommended for reappointment as the Company's Auditors for the ensuing year.

## **16. DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i) In the preparation of annual accounts, the applicable accounting standards have



been followed and that there are no material departures;

- ii) They have, in selection of the accounting policies, consulted the statutory auditors and applied them consistently, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) 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;

- iv) They have prepared the annual accounts on a going concern basis.

## **17. ACKNOWLEDGEMENTS**

The Directors would like to thank all stakeholders, namely, shareholders, customers, 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**

31<sup>st</sup> May, 2006

Nusli N Wadia  
Chairman

## ANNEXURE TO THE REPORT OF THE DIRECTORS

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.

### A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures taken:

- i) Adoption of waste heat recovery in the new facility at Uttaranchal;
- ii) Migration to extended longer ovens in order to enhance plant throughput and achieve better efficiencies in baking fuel consumption;
- iii) Development and adoption of larger capacity mixers for optimising energy consumption;
- iv) Adoption of energy efficient factory lighting systems.

(b) Steps being taken to reduce energy consumption:

- i) Technology initiatives with the support of external agencies and in-house expertise to reduce fuel consumption;
- ii) Concept of Waste Heat Recovery will be extended to other manufacturing facilities;
- iii) Migration to piped natural gas based on availability.

(c) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

An estimated amount of Rs 30 mn is planned to be invested towards energy conservation measures in the areas of waste heat recovery at other manufacturing locations and for energy optimisation in the manufacturing process.

(d) Impact of measures taken under (a) & (b) above:

- i) Specific consumption of total electrical units was reduced from 193.80 units per tonne

to 159.79 units per tonne, resulting in a reduction of nearly 18% over the previous year;

- ii) Specific consumption of baking fuel was reduced from 27.91 therms/mt to 24.13 therms/mt thus resulting in a reduction by nearly 14% over the previous year. However, the frequent upward revisions in fuel prices due to global firming up of oil prices has resulted in increase in the total cost of baking fuel.

### POWER AND FUEL CONSUMPTION

For the year ended	<b>31<sup>st</sup> March, 2006</b>	31 <sup>st</sup> March, 2005
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#### ELECTRICITY

<b>a) Purchased (gwh)</b>	<b>11.89</b>	10.64
Total amount (Rs Mn)	<b>53.82</b>	50.42
Rate / Unit (Rs/kwh)	<b>4.53</b>	4.74
(1gwh = 1,000,000 kwh)		

#### b) Own generation

<b>i) Through Diesel Generator (gwh)</b>	<b>2.81</b>	1.41
Unit per Litre of Diesel Oil (kwh/Litre)	<b>3.13</b>	3.39
Cost / Unit (Rs/kwh)	<b>8.72</b>	6.31
(1gwh = 1,000,000 kwh)		

#### ii) Through steam turbine/generator

Units (KL)	<b>Nil</b>	Nil
Unit per ltr of fuel oil / gas	<b>Nil</b>	Nil
Cost / Unit (Rs /KL)	<b>Nil</b>	Nil

#### iii) Others / Internal generation (baking fuel consumption)

Quantity (Billion btu)	<b>222.05</b>	173.51
Total Cost (Rs Mn)	<b>124.71</b>	70.49
Rate / Unit (Rs/therm)	<b>56.16</b>	40.63

### Consumption per unit of production

#### Bakery Products

Biscuits (Mt)	<b>92016</b>	62170
Electricity (kwh/mt) *	<b>159.79</b>	193.80
Baking Fuel (Therms/mt) *	<b>24.13</b>	27.91

\* of equivalent production

The variation in the rate / cost per unit of electricity in 2005-06 against the previous year is due to higher cost of electricity, increase in cost of diesel and variation in the mix of products.

Lower consumption per unit of production in 2005-06 is as a result of the energy conservation / efficiency measures initiated.

## **B. TECHNOLOGY ABSORPTION**

Details of efforts made in technology absorption are given below.

### **Research and Development (R & D)**

#### **1. Core areas of Research by the Company.**

- i) Development of exciting new products and formats to cater to changing consumer needs.
- ii) Creation of value added products and packs for all consumer segments.
- iii) Cost reduction through superior process technology formulations.
- iv) Enhancement of process efficiency and reduction of wastage through improved technology and process control.
- v) Implementation of robust quality management systems.
- vi) Development of products with better nutritional qualities.
- vii) Innovation in packaging to achieve enhanced shelf life, convenience and consumer appeal.
- viii) Basic research in the area of analytical techniques, new raw materials, process technology and food safety.

#### **2. Benefits derived as a result of above R & D initiatives:**

- i) New products developed:
  - MarieGold - Doubles
  - Tiger Cream - Kesar Kulfi & Rose Milk variants

- 50-50 - Pepper Chakkar
- Renovated Tiger
- Range of Gift packs with exotic cookies
- Cup Cake

- ii) Implementation of alternate materials for cost competitiveness.
- iii) Cost reduction through better formulation, process control and packaging.
- iv) Reduction in wastage and energy consumption.

#### **3. Future plan of action:**

- i) Continued thrust on process and packaging technology.
- ii) Cost effectiveness through technology initiatives.
- iii) Development of products as per contemporary consumer trends - better taste, more nutrition and added convenience.
- iv) Development of environment friendly and energy efficient processes.
- v) Research in the areas of functional foods, nutrition and food safety.

#### **4. Expenditure on R&D**

	<b>31<sup>st</sup> Mar, 2006</b>
	<b>Rs. mn</b>
Capital	0.97
Recurring	23.28
Total	24.25
Total R & D expenditure as a % of total turnover	0.001%

#### **Technology absorption, adaptation and innovation**

- (a) Efforts, in brief, made towards technology absorption, adaptation and innovation.



- i) Development and implementation of leading technology to enable launch of new products.
- ii) Interaction with research institutes, equipment manufacturers and raw material and component vendors to continuously explore and leverage the technological advancements.
- iii) Introduction of better process equipment for improvement in quality and efficiency of operations.
- iv) Use of latest techniques and tools for research.

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

- i) Innovative products and packs
- ii) Improvement in productivity
- iii) Reduction in process wastage

- iv) Reduction of formulation and material costs
- v) Improvement in packaging
- vi) Optimisation of energy consumption.

All the above were done indigenously.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Activities relating to exports:

- i) The Company is actively pursuing development of new export markets for its core products.
- ii) Total foreign exchange used and earned:

	<b>31<sup>st</sup> Mar, 2006</b>
	<b>Rs. mn</b>
Foreign exchange used	238.86
Foreign exchange earned	112.67

**STATEMENT OF PARTICULARS OF EMPLOYEES FORMING PART OF THE DIRECTORS' REPORT**

Sl. No.	Name	Age	Designation/ Nature of duties	Remuneration Received/ Receivable	Net Take Home pay after tax & P.F. deductions	Qualification	Experience	Date of Employ- ment	Previous Employment held
1	2	3	4	5	6	7	8	9	10
<b>A. EMPLOYED THROUGHOUT THE YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs. 2,400,000/-</b>									
1	Aurora G S	57	GM-Bakery Operations	3,007,427	1,836,051	B.E. (Mech), DSQC & OR	35	15-Sep-78	Chief Executive - Quality Malhotra International Ltd.
2	Bali V	50	Chief Executive Officer	18,425,943	10,117,763	M.B.A	26	1-Jan-05	Managing Principal Zyman Group, USA
3	Banerjee G	52	GM-Materials	3,219,508	1,964,890	B.E (Mech), M.Tech (IE & OR)	29	2-Aug-82	Manager - Raw Materials Dunlop India Ltd.
4	Chakraborty K	47	Corporate Engineering Services Manager	2,621,357	1,616,689	B.E. (Mech)	26	30-Oct-85	Maintenance Engineer National Carbon Company
5	Chakraborty S K	49	Head - International Business	3,115,251	1,952,527	B.Sc.(Hons.), M.Sc (Food Tech)	26	12-Nov-87	Quality Assurance Executive Glindia Ltd.
6	Gupta A K	51	GM-Accounts & Planning	3,684,287	2,236,781	B.Com, ACA	27	29-Dec-86	Chief Accountant Malhotra Distributors (P) Ltd.
7	Lal R K	56	VP & Head of Operations	5,517,740	3,056,042	B.Tech (Chem), Master of Applied Sciences	34	17-Jan-05	Usha Martin International Texas, USA
8	Mukherjee A	44	National Sales Manager	2,624,990	1,624,977	B.Com, PGDIM	20	1-Aug-86	-
9	Ramesh Shankar S	47	GM & Head of Human Resources	2,965,095	1,744,434	M.A., PGDM, LL.B	24	1-Mar-05	Chief Executive Span Eicher Designs Ltd.
10	Shridhar N	40	Chief Financial Officer	6,882,895	3,998,119	ACMA (London), AICWA, PGDMS	19	8-Apr-04	V P (Operations Finance) Coco-Cola India Inc.
11	Shyam Sunder P	55	VP& Head of Quality	3,729,554	2,261,740	B.Tech. PGDIE, FIPE	32	26-Apr-91	Resident Internal Auditor TELCO
<b>B. EMPLOYED FOR PART OF THE YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN RS.200,000/- PER MONTH.</b>									
1	Arora R	43	GM-Marketing	2,673,847	1,631,437	B.A (Econ), PGDBA	19	10-Jun-05	VP - Marketing Balsara Home Products
2	Arte V	44	VP & Head of Marketing	687,317	432,748	M.B.A	20	14-Feb-05	Director - Sales & Mass Marketing Cadbury India Ltd.
3	Chandra N	48	VP- Marketing, Sales & Innovation	4,447,752	2,358,998	B.Tech., PGDBA	24	1-Jul-05	Regional Brand Director Hindustan Lever Limited
4	Ghosh A K	58	Engg Manager D&M	1,588,506	1,210,477	B.E. (Elec)	34	1-Sep-72	Asst.Electrical Engineer MAMC.
5	Halve R B	42	Head - New Ventures	1,094,654	726,020	B.Com., MMS	19	26-Dec-05	Chief Executive Officer- Temptation Foods.
6	Kapoor R M	48	Exports Manager	1,630,308	1,156,491	B.Com.	25	28-Sep-81	-
7	Sen N	47	Chief Operating Officer	3,506,404	2,370,079	B.A (Hons.), DBA	27	1-Jul-80	Research Executive Marketing Research and Advisory Services
8	Tiwari V	48	GM - Bakery Operations	1,205,762	925,589	B.Tech (Mech.), DBM	27	2-Jul-79	-
9	Wakhle Rajiv	47	Head of Product Development	2,241,747	1,437,864	B.E (Mech)	25	4-Jun-01	Tiffany Foods Ltd. UAE

**REMUNERATION RECEIVED/ RECEIVABLE RELATES TO THE YEAR ENDED 31ST MARCH 2006 AND HAS BEEN CALCULATED IN COMPLIANCE WITH THE RELEVANT PROVISIONS OF THE COMPANIES ACT, 1956.**

**ALL APPOINTMENTS ARE/ WERE CONTRACTUAL . OTHER TERMS AND CONDITIONS ARE AS PER COMPANY'S RULES. NO EMPLOYEE IS A RELATIVE OF ANY DIRECTOR OF THE COMPANY.**



## MANAGEMENT DISCUSSION AND ANALYSIS

### A) INDUSTRY STRUCTURE AND DEVELOPMENT

Macro Economic and Industry specific indicators point to an enduring buoyancy in the biscuit market, characterised by greater choice for consumers and higher competitive intensity for key players. A significant driver of this growth, across categories, has been consumer migration from unbranded to branded products. The industry has attracted both national and local players which, on the one hand has stimulated demand and on the other has made the market even more price sensitive as pricing and promotions have become the key growth levers.

While consumer democracy and demographics favourably impact the overall prospects, other relevant trends like greater awareness of health and nutrition has further spurred the potential for growth. The changing retail landscape, led by growth of modern trade in urban markets and higher accessibility to rural markets, provide other growth opportunities.

Despite this consumption momentum, the market has witnessed static and in some cases declining price realisations, spurred by an intensely competitive environment, focusing on price as a key driver of demand creation. Going forward, this trend, coupled with the unprecedented and high inflation in commodity and fuel prices, will further stress the industry margin and profit pool. The challenge in this environment will therefore be to prioritise and focus resources on the high leverage opportunities.

### B) BUSINESS STRATEGY

Over the last year, your Company has stabilised market share both in volume and value terms at 31.7% and 38.8% respectively. Britannia brands have value leadership in 6 of the 7 categories in the biscuit market.

The essence of your Company's strategy is to identify and deliver on high value opportunities, through relevant and differentiated brands, underpinned by an effective and efficient supply chain. The overall goal is to get more people to prefer, buy and enjoy our brands more often, wherever they are. Therefore, investment in brands, to create competitive advantage, will be our top priority.

Notwithstanding the enormous increase in input cost, your Company will continue to implement its growth initiatives, to secure its long-term competitive position.

Your Company's goals also include fortifying the Bread, Cake and Rusk business nationally and expanding the export business to secure a greater width of international reach.

Your Company believes that an efficient supply chain is mission critical and to that end, several initiatives have been undertaken to build upon the momentum and experience of last year.

The goal is to create new ways to deliver value to consumers, customers, business partners, employees and shareowners. To that end, the recruitment and development of people will continue to be key priorities.

### C) SEGMENT PERFORMANCE

The primary business segment of the Company is bakery, which consists of biscuits, bread and cakes. Overall sales value increased 13% during the year and the segment growth was:

▪ Biscuit	—	12%
▪ Bread and Rusk	—	16%
▪ Cake	—	19%
▪ Export	—	56%

### D) OUTLOOK

The Indian economy continues to grow at a healthy pace of around 8%, on the back of

robust performance in manufacturing and service sectors. India's economic outlook remains encouraging; with both domestic demand and exports driving the current economic expansion. However, commodity and fuel prices are expected to remain bullish in the coming year, thereby stressing industry profitability.

Increased and intense competition, both at the national and regional level has stimulated the biscuit market growth. In the coming years, the market will become even more competitive with a lot of investment in capacity expansion supported by aggressive pricing and promotions to grow market share.

In this environment, the key challenge for the Company will be to improve economic profits without increasing the end cost to consumers. To address this, your Company is focusing on managing the mix of brands, packs and channels.

## **E) FINANCIAL AND OPERATIONAL PERFORMANCE**

Your Company registered a total sales value of Rs 18,179 mn which is 13% higher than the previous year. NOPAT was 19% higher, reflecting the effective management of operations.

Operating margins at 10.3% were achieved against the backdrop of rising commodity and fuel prices and a more competitive marketplace. Your Company's new factory at Rudrapur in Uttaranchal, rapidly ramped up production. The focus was on effective cost management across all operations of the Company as well as revenue management through the optimal mix of brands, packs and channels.

Despite the above initiatives PBT at Rs 2,007 Mn was lower than the previous year by 9% largely due to increasing input costs especially in the second half of the year.

The key financials are as under:

	<b>Rs in Mn</b>	
	<b>2005-06</b>	<b>2004-05</b>
Corporate Sales	<b>18,179</b>	16,154
Total Expenditure	<b>15,392</b>	13,466
Profit before exceptional items and tax	<b>1,958</b>	2,421
Exceptional items	<b>49</b>	(218)
Profit Before Tax	<b>2,007</b>	2,202
Income Tax	<b>(543)</b>	(715)
Profit After Tax	<b>1,464</b>	1,487

## **F) OPPORTUNITIES AND THREATS**

Your Company believes in giving the best value satisfaction to consumers through its brands and the experience they provide. During the year, most of the lead brands posted double digit growth, spurred by marketing and sales initiatives. Your Company now has 6 power brands in its portfolio with sales exceeding Rs 1,000 mn each. Additionally, product renovation and innovation have been leveraged to create new purchase and consumption occasions, e.g., Greetings was targeted at the huge gifting opportunity during Diwali and Christmas, 50:50 Pepper Chakker recognised the potential of biscuits as snacks and renovated Tiger gave consumers new reasons to buy and consume.

Your Company has also undertaken the task to review every element of cost in the value chain and improve the overall effectiveness of all its operations.

Your Company also made several representations through trade bodies to rationalise the VAT structure to more equitable levels, to reflect the mass consumption profile of biscuits. Currently biscuits attract a 12.5% VAT which is significantly higher than several other similar products.

## **G) RISKS AND CONCERNS**

Business risks, arising from exposure to agro based commodity price fluctuations continue



to be a major area of concern. The second half of the year experienced unprecedented rise in prices of wheat flour, oils, sugar and milk powder. The setting up of commodity exchanges have opened up markets for trading in these commodities, thereby giving a bullish push to prices. Going forward, prices are likely to be volatile and your Company is closely monitoring market price movements and how to deal with the risk they pose.

Fuel is widely used in the manufacturing and distribution of our products. The unprecedented rise in prices of petroleum products is another area of major uncertainty and risk. Your Company has taken various steps to use alternate fuels in manufacturing, optimise logistics costs through better planning and forecasting, in order to contain the impact of rising petroleum prices.

#### **H) INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company has an adequate system of internal control relating to purchase of raw materials, components, plant and machinery, equipment and other assets and for sale of goods, commensurate with its size and the nature of its business. The Company also has adequate systems and controls for

- Proper recording and safeguarding of assets.
- Maintaining proper accounting records and reliability of financial information.

Your Company continuously monitors its business risk control procedures through internal audit, which is periodically reviewed by the Audit Committee. Further, your Company has put in place an effective risk management framework as a business tool to proactively manage risks and address operational, environmental, quality and regulatory compliance.

Your Company undertook a major initiative during the year to upgrade SAP, thereby enabling it to be more productive through better response time and by providing real time

visibility of information across the country. This will be further leveraged during this year through continuous process improvements.

#### **I) HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

Your Company's philosophy is to create an open and transparent organisation, focused on building capability to deliver superior performance. Consequently, the performance management system has been revamped.

The employee relations scenario was peaceful and productivity and safety standards improved across the Company. A long-term settlement was finalised at Delhi factory through mutual discussions and the process to enter into a long-term settlement at Chennai factory has made substantial progress.

The Industrial Tribunal nullified the permission given by the Labour Commissioner for closure of Mumbai factory. A writ petition was filed in the Bombay High Court, which has been admitted and is pending final disposal. Meanwhile, efforts are in progress to settle the issue amicably through bilateral discussions with the workmen/union.

As of 31<sup>st</sup> March 2006, your Company had 2,566 employees 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, changes in Government regulations, tax regimes, economic developments in India and in countries in which the Company conducts business and other incidental factors.

## REPORT ON 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, integrity and strict regulatory compliance. With this end in view, this year's Annual Report contains relevant disclosures about the Board, Board Committees as also on the financial and stock performance and such other disclosures as required under revised clause 49 of the Listing Agreement.

### I. BOARD OF DIRECTORS

#### Composition, Attendance at Board Meetings and at the last Annual General Meeting, Outside Directorships and Board Committee Memberships.

Above information as at 31<sup>st</sup> March 2006 is tabulated hereunder:

Name of the Director	Attendance at Board Meetings	Attendance at last AGM held on 20 <sup>th</sup> July 2005	Outside Directorships #	No. of Committee Membership in Other Companies ##	Executive/ Non-Executive/ Independent
Mr. Nusli N Wadia	6	Present	9	Nil	Chairman - Non-Executive
Mr. Avijit Deb	4	Present	Nil	Nil	Non-Executive/ Independent
Mr. A K Hirjee	6	Present	9	5 (Chairman in 2)	Non-Executive
Mr. Simon Israel	2	Present	1	Nil	Non-Executive
Mr. Nimesh N Kampani	4	Present	7	4 (Chairman in 2)	Non-Executive/ Independent
Mr. S S Kelkar	6	Present	8	4	Non-Executive
Mr. Pratap Khanna	6	Present	Nil	Nil	Non-Executive/ Independent
Mr. Francois-Xavier Roger	5	Present	1	Nil	Non-Executive
Dr. Vijay L Kelkar **	4	—	8	2	Non-Executive/ Independent
Mr. Emmanuel Faber **	0	—	Nil	Nil	Non-Executive
Mr. Jeh N Wadia **	2	—	4	Nil	Non-Executive
Mr. Georges Casala ***	2	—	Nil	Nil	Non-Executive

Field Marshal Sam Manekshaw M C *	1	Present	9		Non-Executive/ Independent
Mr. John Martin Miller***	4	Present	Nil	Nil	Non-Executive

- # Excludes alternate directorship, directorship in foreign companies and private companies.
- # # Audit Committee and Shareholders'/ Investors' Grievance Committee of Public Limited Companies are only reckoned.
- \* Field Marshal Sam Manekshaw retired by rotation at the AGM held on 20<sup>th</sup> July 2005 and did not seek re-election. Subsequently, he was appointed as Director – Emeritus. As Director – Emeritus, he will have the privilege of attending the Board meetings of the Company so that the Company would have the benefit of his continued association and guidance.
- \*\* Dr. Vijay L Kelkar was appointed as an additional director on the Board on 20<sup>th</sup> July 2005. Mr. Emmanuel Faber and Mr. Jeh N Wadia were appointed to the Board as additional directors on 14<sup>th</sup> September 2005.
- \*\*\* Mr. John Martin Miller resigned from the Board of Directors on 27<sup>th</sup> Jan. 2006 and Mr. Georges Casala was co-opted on the Board in his place.

Subject to the approval of the shareholders, Ms. Vinita Bali has been appointed as the Managing Director of the Company w.e.f 31<sup>st</sup> May 2006. The Board has also co-opted Mr. Keki Dadiseth as an Additional Director w.e.f 31<sup>st</sup> May 2006.

## **BOARD MEETINGS**

During the year 2005-06, six (6) Board Meetings were held, the dates of those meetings being 26<sup>th</sup> May 2005, 20<sup>th</sup> July 2005, 14<sup>th</sup> Sept. 2005, 28<sup>th</sup> Oct. 2005, 27<sup>th</sup> January 2006 and 29<sup>th</sup> March 2006. The maximum gap between any two board meetings held during the year was not more than four (4) months.

## **2. BOARD COMMITTEES**

### **(a) Audit Committee:**

The Audit Committee, as on 31<sup>st</sup> March 2006, comprised of Mr. Nimesh N Kampani, Mr. Francois-Xavier Roger, Mr. Avijit Deb, Dr. Vijay L Kelkar and Mr. Pratap Khanna, all being Non-Executive Directors. Mr. Nimesh N Kampani, Independent Director is the Chairman of the Audit Committee. All the members of the Audit Committee are financially literate and Mr. Nimesh N Kampani and Dr. Vijay L Kelkar, both Non-Executive Independent Directors, are experts in the finance field.

Consequent upon his cessation as a Board member, Field Marshal Sam Manekshaw M C also ceased to be a member of the Audit Committee with effect from 20<sup>th</sup> July 2005. Dr. Vijay L Kelkar, a Non-Executive Independent Director, was inducted into Audit Committee w.e.f 20<sup>th</sup> July 2005. Mr. Pratap Khanna, a Non- Executive Independent Director, was inducted to the Committee on 18<sup>th</sup> January 2006 for the period upto the end of financial year 2005-06.

The role and terms of reference of the Audit Committee include overseeing the financial reporting process by selecting and establishing sound accounting policies, disclosure of financial information and reviewing the quarterly and annual financial statements, (review of annual financial statements also include review of directors responsibility statement, management discussion & analysis report, related party transactions, compliance with legal requirements, qualifications, if any, in the draft audit report) before

submission to the Board so as to ensure that such statements are correct, sufficient and credible, reviewing with the management the performance of statutory and internal auditors, review of internal audit reports, review the adequacy of internal audit function and discuss any significant findings with them, assessing and evaluating the risks and taking measures for mitigating the same and discussing with the internal auditors and statutory auditors, internal control and other matters specified under clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

During the year 2005-06, the Audit Committee held five (5) meetings, the dates of meetings being 26<sup>th</sup> May 2005, 20<sup>th</sup> July 2005, 13<sup>th</sup> Sept. 2005, 28<sup>th</sup> Oct. 2005 and 27<sup>th</sup> Jan. 2006.

The attendance of the members at the Audit Committee Meetings was as follows :

<b>Name</b>	<b>No. of Audit Committee Meetings Attended</b>
Mr. Nimesh N Kampani	4
Mr. Avijit Deb	4
Mr. Francois-Xavier Roger	3
Field Marshal Sam Manekshaw M C (upto 20.07.2005)	1
Dr. Vijay L Kelkar (w.e.f. 20.07.2005)	3
Mr. Pratap Khanna (w.e.f. 18.01.2006)	1

Mr. A K Hirjee, Non Executive Director is a permanent invitee to the Audit Committee and attended all the five meetings held during the year 2005-06. Mr. Nusli N Wadia, Mr. S S Kelkar, Mr. Simon Israel and Mr. John Martin Miller, Directors were also invited to attend the Audit Committee at various meetings.

The Chief Executive Officer and Manager of the Company, Ms. Vinita Bali, the Chief Finance Officer, Internal Auditor, Statutory Auditors and other Executives as considered appropriate, also attend the Audit Committee Meetings.

M/s. Deloitte, Haskins & Sells, Chartered Accountants, have been appointed as the internal auditors of the Company and their terms of reference is decided by the Audit Committee. The reports and findings of the internal auditor are periodically reviewed by the Audit Committee.

Mr. V Madan, who was appointed as the Company Secretary and Head of Legal on 6<sup>th</sup> June 2005, acts as the Secretary to the Audit Committee.

**(b) Remuneration Committee:**

The Remuneration Committee comprised of three Directors and was headed by Field Marshal Sam Manekshaw M.C., Non-Executive Independent Director, upto 20<sup>th</sup> July 2005;

Field Marshal Sam Manekshaw M.C  
Mr. Nusli N Wadia  
Mr. Simon Israel

Broad terms of reference of the Remuneration Committee include recommendation 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. There being no Managing Director/ Wholetime Director, no Remuneration Committee meeting was held during the year under review. All the members of the Remuneration Committee attended the Company's last Annual General Meeting held on 20<sup>th</sup> July 2005.

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

The Share Transfer & Shareholders'/ Investors' Grievance and Ethics/ Compliance Committee as at 31<sup>st</sup> March 2006 comprised of three (3) directors, namely:

Mr. A K Hirjee	-	Non-Executive Director – Chairman
Mr. S S Kelkar	-	Non-Executive Director
Mr. Nimesh N Kampani	-	Non-Executive Director

This Committee:

- (i) approves and monitors transfers, transmission, splitting, consolidation and rematerialisation of securities and issue of duplicate share certificates by the Company;
- (ii) looks into various issues relating to shareholders including redressal of complaints relating to transfer of shares, non-receipt of Balance Sheets, dividends, etc.; and
- (iii) ensures compliance of the Code of Conduct for Prevention of Insider Trading formulated by the Company as per the Securities and Exchange Board of India Regulations.

The Committee, which generally meets twice a month, met 24 times during the year.

The Company has not delegated the powers to approve share transfers, etc., to any officer of the Company since the Share Transfer & Shareholders'/ Investors' Grievance and Ethics/ Compliance Committee meets twice a month and the process of share transfer is completed within the stipulated time.

Name and designation of Compliance Officer: Mr. V Madan, Company Secretary and Head of Legal (Ms. Nandita Swarup, Legal Manager upto 6<sup>th</sup> June 2005)

No. of shareholders complaints received during the year	30
No. of complaints not resolved to the satisfaction of shareholders	Nil
No. of pending share transfers	Nil

The Company has attended to most of 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<sup>st</sup> March 2006.

**(d) Other Committees of the Board**

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

**(i) Investment Committee:**

The Investment Committee comprises Mr. Nusli N Wadia (Chairman), Mr. A. K. Hirjee and Mr. S S Kelkar, all being Non-Executive Directors.

The brief description of the terms of reference of the Investment Committee is to approve investments/ disinvestments of the funds of the Company within the limits prescribed by the Board from time to time.

During the year under review, several meetings of the Investment Committee were held.

**(ii) Nomination Committee:**

The Nomination Committee comprises of Mr. Nusli N Wadia, (Chairman and Non-Executive Director), Mr. Simon Israel (Non-Executive Director) and Mr. Nimesh N Kampani (Non-Executive and Independent Director).

The terms of reference of this Committee include identifying and recommending to the Board the appointment of the Managing Director/ Wholetime Director/ Chief Executive Officer of the Company.

Consequent to the appointment of Ms. Vinita Bali as the Chief Executive Officer of the Company and there being no need, no Nomination Committee meeting was held during the year under review.

**3. SUBSIDIARY COMPANIES**

The Company has no subsidiaries, hence no disclosures are required to be made by the Company in this regard.

**4. 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 (28) of Schedule 'U' to the accounts for the year 2005-06.

- (b)** The financial statements for the year 2005-06 have been prepared in accordance with the applicable accounting standards prescribed by the Institute of Chartered Accountants of India and there are no deviations.

- (c) During the year under review a detailed exercise on business risk management was carried out covering the entire spectrum of business operations and the Board has been informed about the risk assessment and minimisation procedures. Business risk evaluation and management is an ongoing process within the Company.
- (d) Public, Rights and Other Issues: During the year 2005-06, the Company did not make any public, rights or any other issue of securities.
- (e) Remuneration of Directors and Managers :

**Non Executive Directors:**

The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees and commission on net profits as may be determined by the Board for each year.

The sitting fees paid during the year 2005-06 are within the limits prescribed by the Govt. of India and Articles of the Company. The shareholders of the Company have approved the payment of commission at the AGM held on 20<sup>th</sup> July 2005. The amount of commission payable to individual non-executive directors is determined based on the amount of time spent and their attendance at the meetings of Board of Directors and its Committees.

No member of the Board of Directors is holding any shares of Company, other than Mr. Nusli N Wadia, Chairman and Mr. Pratap Khanna, Non Executive Director, who hold 450 and 31,228 shares respectively. Presently, the Company does not have any scheme for grant of stock options either to the Directors or to any of the employees. However, the Company is proposing to seek the approval of the shareholders for introduction of an Employee Stock Option Scheme at the ensuing Annual General Meeting.

Details of remuneration to Non-Executive Directors for the year 2005-2006 are given below:

<b>Name</b>	<b>Sitting Fees (Rs.)</b>	<b>Commission (Rs.)</b>	<b>Total (Rs.)</b>
Mr. Nusli N Wadia	60,000	4,800,000	4,860,000
Mr. Avijit Deb	60,000	674,000	734,000
Mr. A K Hirjee	95,000	1,400,000	1,495,000
Mr. Simon Israel	20,000	253,000	273,000
Mr. Nimesh N Kampani	86,000	842,000	928,000
Mr. S S Kelkar	101,000	1,400,000	1,501,000
Mr. Pratap Khanna	65,000	674,000	739,000
Field Marshal Sam Manekshaw M.C.*	15,000	168,000	183,000
Mr. John Martin Miller	20,000	505,000	525,000
Mr. Francois - Xavier Roger	70,000	758,000	828,000
Mr. Jeh N Wadia	20,000	168,000	188,000
Mr. Georges Casala	20,000	168,000	188,000
Dr. Vijay L Kelkar	55,000	632,000	687,000

\* This apart, an amount of Rs. 40,000/- was paid to Field Marshal Sam Manekshaw M.C. for attending the Board Meetings held, in his capacity as Director-Emeritus w.e.f. 20<sup>th</sup> July 2005.

On adoption of the accounts for the year ended 31<sup>st</sup> March 2006 by the shareholders at the Annual General Meeting to be held on 1<sup>st</sup> August 2006, the commission amounts, as mentioned above, would be paid, subject to deduction of tax.

The Non-Executive Directors did not have any other pecuniary relationship or transactions with the Company.

**Managers:**

Ms. Vinita Bali was appointed as a Manager under section 269 of the Companies Act, 1956 for a period of 5 years w.e.f 24<sup>th</sup> January 2005. The terms and conditions of appointment and remuneration applicable to her were fixed by the Board of Directors of the Company and an agreement dated 16<sup>th</sup> May 2005 was entered between the appointee and the Company. Subsequently, the appointment was approved by the shareholders at the last AGM held on 20<sup>th</sup> July 2005. Mr. Nikhil Sen relinquished office as Manager of the Company on 31<sup>st</sup> May 2005.

The details of remuneration paid/ payable to the Managers of the Company during the year 2005-06 were as follows:

<b>Name</b>	<b>Salary/ Benefits (Rs.)</b>	<b>Incentive Payable (Rs.)</b>	<b>Total (Rs.)</b>
Ms. Vinita Bali	19,084,250	6,500,000	25,584,250
Mr. Nikhil Sen	3,489,996	Nil	3,489,996

The remuneration to Ms.Vinita Bali comprises basic salary, incentive, allowances, performance award, contributions to provident fund, superannuation fund and gratuity. As per the agreement referred 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.

Remuneration paid to Mr. Nikhil Sen was as per the terms and conditions approved by the shareholders at the AGM held on 19<sup>th</sup> August 2004, which comprised of basic salary, perquisites and allowances, contributions to provident fund, superannuation fund and gratuity.

- (f) Management Discussion and Analysis Report: This has been separately attached to the Directors' Report.
- (g) Details of non-compliance by the Company, penalties, 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:

No penalties/ strictures have been imposed on the Company by any regulatory authority for non-compliance of any laws/ regulations relating to capital markets.

- (h) Code of Conduct: The Company has laid down a Code of Conduct for the members of the Board as well as for the employees of the Company, including senior management. The codes have also been posted on the Company's website, [www.britannia.co.in](http://www.britannia.co.in). The Managing Director has confirmed and declared that all the members of the Board and the senior management have affirmed compliance with the Code of Conduct.
- (i) Compliance Reports: The Board has noted and reviewed the compliance reports of all laws applicable to the Company, which were placed before each of its meeting held during the year 2005-06.

## 5. CEO / CFO CERTIFICATION

The Chief Executive Officer (CEO) and the General Manager – Accounts and Planning 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<sup>st</sup> March 2006. Mr. N Shridhar, the erstwhile Chief Financial Officer (CFO) relinquished his position w.e.f 17<sup>th</sup> April 2006 and in the absence of CFO, Mr. A K Gupta, who is discharging the finance function has certified to the Board.

## 6. GENERAL BODY MEETINGS

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

Date	Location	Time	Special Resolutions Passed
20 <sup>th</sup> July 2005	Hotel Oberoi Grand 15, Jawaharlal Nehru Road Kolkata – 700 013.	10.30 am	<ul style="list-style-type: none"> <li>Approval of remuneration payable to Non Executive Directors by way of commission on profits.</li> </ul>
19 <sup>th</sup> Aug. 2004	- do -	10.30 am	<ul style="list-style-type: none"> <li>Approval for buyback of 2,500,000 equity shares at a price not exceeding Rs. 650/- per share and outflow not exceeding Rs. 760 Mn.</li> <li>Re-appointment of M/s. Lovelock &amp; Lewes as Auditors of the Company.</li> </ul>
8 <sup>th</sup> Aug. 2003	- do -	10.30 am	<ul style="list-style-type: none"> <li>Approval for buyback of 2,500,000 equity shares at a price not exceeding Rs. 650/- per share and outflow not exceeding Rs. 780 Mn.</li> <li>Re-appointment of M/s. Lovelock &amp; Lewes as Auditors of the Company.</li> <li>Approval for delisting from the Bangalore and Cochin Stock Exchanges.</li> </ul>

### **Postal Ballot:**

During the year 2005-06, the Company neither conducted any postal ballot nor transacted any business requiring the approval of the shareholders by way of postal ballot. No business is being proposed to be transacted by postal ballot at the ensuing Annual General Meeting of the Company.

## **7. MEANS OF COMMUNICATION**

### **Quarterly, Half-Yearly and Annual Results**

Quarterly results including half-yearly results are published as per the Listing Agreement in leading newspapers, i.e., Financial Express (all editions) and Pratidin (Kolkata edition). The annual audited accounts are likewise published. The quarterly and the half-yearly report are not separately sent to each shareholder. The Company also uploads its results on its website, [www.britannia.co.in](http://www.britannia.co.in).

As per requirements of clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern, etc. are uploaded to the website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).

## **8. GENERAL SHAREHOLDER INFORMATION**

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

1<sup>st</sup> August 2006 - 10.30 am at Science City, Main Auditorium, JBS Haldane Avenue, Kolkata - 700 046.

### **(b) Financial calendar**

<b>Period</b>	<b>Approval of Quarterly results</b>
For the first quarter ending 30 <sup>th</sup> June 2006	4 <sup>th</sup> week of July 2006
For the second quarter and half year ending 30 <sup>th</sup> Sept. 2006	4 <sup>th</sup> week of October 2006
For the third quarter ending 31 <sup>st</sup> Dec. 2006	4 <sup>th</sup> week of January 2007
For the year ending 31 <sup>st</sup> March 2007	1 <sup>st</sup> or 2 <sup>nd</sup> week of June 2007

**(c) Book closure period** : 20<sup>th</sup> July 2006 to 1<sup>st</sup> August 2006, both days inclusive.

**(d) Dividend payment date** : Within 9<sup>th</sup> August 2006.

**(e) Listing on Stock Exchange** : The Company's equity shares are listed at:

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

Listing fees as prescribed, have been paid to all the aforesaid Stock Exchanges upto 31<sup>st</sup> March 2006.

### **(f) Stock Code**

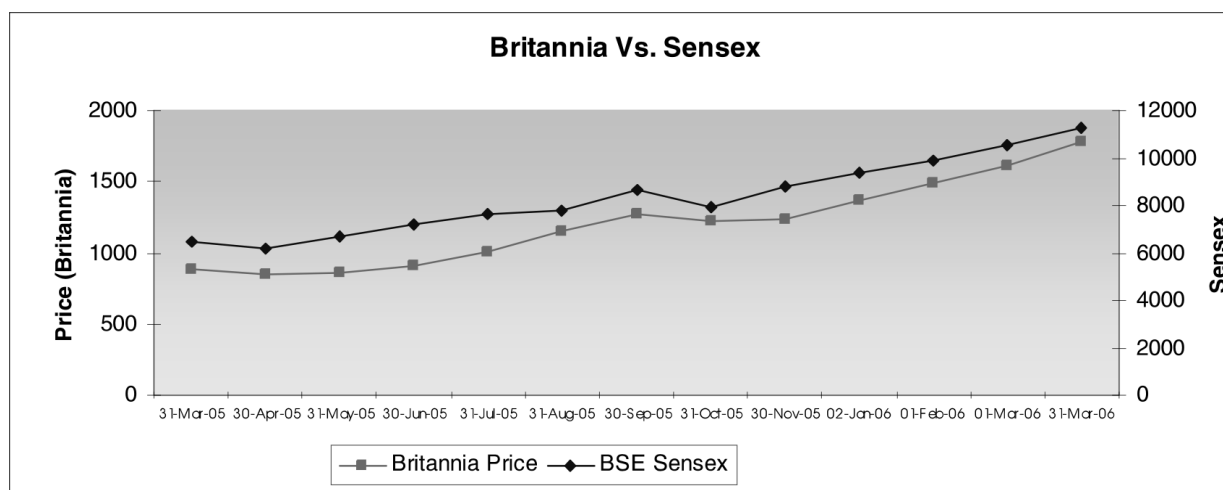
<b>Stock Exchange</b>	<b>Stock Code</b>
Bombay Stock Exchange	500825
Calcutta Stock Exchange	10000038
National Stock Exchange	BRITANNIA

**(g) Stock Price Data:**

Year/ Month	Bombay Stock Exchange (BSE) (in Rs.)		National Stock Exchange (NSE) (in Rs.)	
	High	Low	High	Low
<b>2005</b>				
April	889.00	799.95	880.00	812.00
May	889.00	802.05	880.00	830.50
June	915.00	803.60	918.00	861.95
July	1,100.00	902.00	1,060.00	890.00
August	1,160.00	1,000.00	1,165.10	968.00
September	1,453.30	1,139.30	1,456.75	1,125.00
October	1,349.90	1,110.00	1,347.00	1,100.05
November	1,292.95	1,103.80	1,300.00	1,156.80
December	1,370.00	1,220.00	1,387.65	1,225.00
<b>2006</b>				
January	1,550.00	1,349.00	1,568.90	1,345.10
February	1,549.00	1,406.00	1,560.00	1,453.00
March	1,800.00	1,515.00	1,805.00	1,521.00

During the year 2005-06, there was no trading of Company's stock on Calcutta Stock Exchange.

**(h) Stock Performance: (Comparison of closing price/ index value on the respective dates)**



- (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<sup>st</sup> March 2006, the Company has credited an aggregate amount of Rs. 958,220/- to the Investor Education and Protection Fund (IEPF).

As at 31<sup>st</sup> March 2006, the Company's unpaid/ unclaimed dividend account has a balance of Rs. 11,918,303/-. Out of the above amount, the Company is required to transfer and credit to IEPF an amount of Rs. 994,505/- during the year 2006-07, being the unpaid amount on dividend declared in August 1999. Shareholders who have not claimed the dividend for the year 1999 are requested to claim the same immediately from the Company failing which the balance would be transferred to IEPF.

**(j) Registrar & Transfer Agents:**

M/s Sharepro Services (India) Pvt. Ltd. are the Registrar and Transfer Agents of the Company for both Physical and Electronic Shares and their address is as given below:

REGISTERED OFFICE	CONTACT PERSON
M/s. Sharepro Services (India) Pvt. Ltd. Unit: <b>Britannia Industries Limited</b> Above Bank of Baroda, Satam Estate, 3 <sup>rd</sup> Floor, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400 099.  Tel No. (022)-2821 5168, 2832 9828, 2821 5991, 2834 7719, 2834 8218. Fax No. (022)-2837 5646 E-mail : sharepro@vsnl.com	Ms. Indira P. Karkera, Senior Manager

Share transfers, where documents are 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 respective depositories i.e. (NSDL) and (CDSL) or to the shareholders, as the case may be, within 15 days of receipt.

**(k) (i) Distribution of shareholding as on 31<sup>st</sup> March 2006**

Group of Shares	No. of Shareholders	No. of Shares Held	% age to Total Shares
1 to 500	21,081	2,059,506	8.622
501 to 1000	540	387,138	1.620
1001 to 2000	273	395,375	1.655
2001 to 3000	100	244,940	1.025
3001 to 4000	51	182,334	0.763
4001 to 5000	35	156,537	0.655
5001 to 10000	81	552,140	2.311
10001 & above	88	19,912,193	83.349
<b>Total</b>	<b>22,249</b>	<b>23,890,163</b>	<b>100.000</b>

(ii) Shareholding pattern as on 31<sup>st</sup> March 2006

Category	No. of Shares Held	%age Shareholding
<b>A. Promoter's Holding</b>		
1. Promoters		
- Indian Promoters	750	0.00
- Foreign Promoters	12,173,219	50.96
2. Persons acting in concert	—	—
<b>Sub-Total</b>	<b>12,173,969</b>	<b>50.96</b>
<b>B. Non-Promoters holding</b>	<b>11,716,194</b>	<b>49.04</b>
3. Institutional Investors		
a. Mutual Funds and UTI	653,796	2.74
b. Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non - Government Institutions)	3,263,233	13.66
c. Foreign Institutional Investors (FIIs)	2,977,656	12.46
<b>Sub-Total</b>	<b>6,894,685</b>	<b>28.86</b>
4. Others		
a. Private Corporate Bodies	235,253	0.98
b. Indian Public	4,467,818	18.70
c. NRIs/OCBs	114,148	0.48
d. Any other	4,290	0.02
<b>Sub-Total</b>	<b>4,821,509</b>	<b>20.18</b>
<b>GRAND TOTAL</b>	<b>23,890,163</b>	<b>100.00</b>

(l) **Dematerialisation of Shares:** 10,034,910 shares representing 42.00% of the total equity capital were held in dematerialised form with the National Securities Depository Limited and Central Depository Services (India) Ltd. as on 31<sup>st</sup> March 2006. It may be noted that the foreign promoters of the Company hold 50.96% of total equity capital in physical form. If these shares are excluded, then 85.65% of the total equity capital can be said to be held in dematerialised form.

(m) **Outstanding GDRs/ Warrants, Convertible Bonds, conversion date and likely impact on Equity:**  
Not applicable.

(n) **Plant Locations:**

<b>Kolkata</b>	15, Taratola Road, Kolkata – 700 088.
<b>Delhi</b>	33, Lawrence Road, Delhi – 110 035.
<b>Chennai</b>	M T H Road, Padi, Chennai – 600 050
<b>Mumbai</b>	Reay Road (East), Mazagaon, Mumbai – 400 010.
<b>Uttaranchal</b>	Plot no. I Sector I, Integrated Industrial Estate (IIE), Pant Nagar, Tehsil/Taluk, Rudrapur Kichha, District Udham Singh Nagar, Uttaranchal.

**Plant at Mumbai :** Pursuant to Labour Commissioner's Order under Section 25-O of the Industrial Disputes Act, 1947, production at the Company owned plant at Mumbai was closed effective March 24, 2004. However, based on the appeal filed by the workers union, the Industrial Tribunal has reversed the Order of Labour Commissioner. The Company has preferred an appeal against the order of Industrial Tribunal. The Mumbai High Court has passed interim directions and the matter is pending disposal.

**(o) Address for correspondence:**

**Britannia Industries Limited**  
Registered Office:  
5/1A, Hungerford Street  
**Kolkata – 700 017.**

**Britannia Industries Limited**  
Executive Office :  
**OR** Britannia Gardens, Airport Road,  
Vimanapura,  
**Bangalore – 560 017.**

**(p) Adoption, Compliance and Non-adoption of Non-mandatory requirements**

**(i) The Board:**

The Company defrays the expenses of the Non-Executive Chairman's office incurred in the performance of his duties. The Company has not fixed the tenure of the Independent Directors on the Board. The details of the tenure of the independent directors are as follows:

<b>Name of the Independent Director</b>	<b>Date of First Appointment</b>
Mr. Pratap Khanna	8 <sup>th</sup> Sept. 1993
Mr. Avijit Deb	4 <sup>th</sup> June 1996
Mr. Nimesh N Kampani	30 <sup>th</sup> Mar. 2001
Dr. Vijay L Kelkar	20 <sup>th</sup> July 2005

**(ii) Remuneration Committee :**

The details pertaining to Remuneration Committee have been provided in point no. 2(b) of this Report.

**(iii) Shareholder Rights :**

The Company's quarterly and half yearly results are published in the newspapers and the results are also uploaded on its website, [www.britannia.co.in](http://www.britannia.co.in). Therefore, no individual communications are sent to the shareholders. However, based on request from the shareholders, if any, the Company would provide them individually.

**(iv) Audit Qualifications :**

There are no qualifications in the auditor's report on the accounts for the year 2005-06.

**(v) Others :**

The Company has not adopted point nos 5, 6 and 7 specified in Annexure I-D to the clause 49 of the Listing Agreement, namely, imparting training to the non executive directors and evaluation of their performance and whistle blower policy.

On behalf of the Board

**Nusli N Wadia**  
Chairman

June 12, 2006



## **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<sup>st</sup> March 2006.

for **Britannia Industries Limited**

**Vinita Bali**

Managing Director

June 12, 2006

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### **Auditor's 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 during the year ended 31<sup>st</sup> March 2006, as stipulated in Clause 49 of the Listing Agreement(s) of the said 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, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We state that as per the records maintained by the Company, no investor grievance(s) is remaining unattended/pending for a period exceeding one month.

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.

**USHA A NARAYANAN**

**Partner**

Membership Number 23997

for and on behalf of

Lovelock & Lewes

Chartered Accountants

June 12, 2006

## **AUDITORS' REPORT**

### **To the Shareholders of Britannia Industries Limited**

1. We have audited the attached Balance Sheet of Britannia Industries Limited as at 31<sup>st</sup> March, 2006, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- (b) in our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of those books;
- (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the 'Companies Act, 1956', of India (the 'Act'), to the extent applicable;
- (e) on the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of  
Lovelock & Lewes  
Chartered Accountants

**Usha A Narayanan**

Partner

Mumbai  
31<sup>st</sup> May, 2006

Membership Number - 23997

## **ANNEXURE TO THE AUDITORS' REPORT**

Referred to in paragraph 3 of our report of even date on the accounts for the year ended 31<sup>st</sup> March 2006, of Britannia Industries Limited.

1. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management, during the year and no material discrepancies between the book records and the physical inventory have been noticed.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act, and accordingly, clauses (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Order are not applicable.  
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act, and accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. (Read with para 4 above)
6. The Company has not accepted any deposits from the public under the provisions of Sections 58A and 58AA of the Act and the Rules framed thereunder.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at 31<sup>st</sup> March 2006 which have not been deposited on account of a dispute, are as follows—

**Rs '000**

Name of the Statute	Nature of Dues	Amount	Period to which the Dispute relates to		Forum Where the Dispute is Pending							
			From	To	Supreme Court	High Court	Tribunal	Comm./ Dy. Com. Appeals	Comm./ Jt. Com./ Dy Com./ Asst. Commr.	Assessing Officers/ Superintendent		
Excise Duty Act	Excise Duty Matters	12,793	2000	2001	12,793							
		644	1994	1994		644						
		7,712	1998	1999		7,712						
		26,778	1980	1989			26,778					
		163,970	1994	1999			163,970					
		5,733	1996	1999			5,733					
		1,087	1997	1999			1,087					
		5,705	2001	2001			5,705					
		101	1992	1992				101				
		49	1993	1994				49				
		110	1994	1994				110				
		420	1996	1996				420				
		122	1998	2002				122				
		9,206	2000	2005				9,206				
		805	1986	1991					805			
		574	1994	1994					574			
		1,195	1996	1997					1,195			
		39	1997	1998					39			
		803	1998	1999					803			
		771	1999	2000					771			
5	2000	2000					5					
1,562	2000	2001					1,562					
958	2000	2004					958					
47	2002	2003					47					
1,122	1994	1994							1,122			
27	1996	1996							27			

Name of the Statute	Nature of Dues	Amount	Period to which the Dispute relates to		Forum Where the Dispute is Pending							
			From	To	Supreme Court	High Court	Tribunal	Comm./ Dy. Com. Appeals	Comm./ Jt. Com./ Dy. Com./ Asst. Commr.	Assessing Officers/ Superintendent		
Sales Tax Act	Sales Tax/ Purchase Tax Matters	16	1997	1998		16						
		7,007	1996	1997								7,007
		1,199	1997	1998								1,199
		4,560	1997	1998								4,560
		133	1998	1999								133
		1,676	1999	2000								1,676
		6,710	2000	2001								6,710
		1,348	2001	2002								1,348
		1,018	1999	2000								1,018
		3,300	2000	2001								3,300
		1,515	2001	2002								1,515
		1,395	2002	2003								1,395
		2,466	1997	1998								2,466
		2,826	1998	1999								2,826
		498	1999	2000								498
		123	1999	2000								123
		52	2000	2001								52
7,421	2001	2002	7,421									
20,655	2002	2003	20,655									
2,105	2000	2001	2,105									
Income Tax Act	Income Tax Matters	875	1978	1979	875							
		69	1986	1987								69
		655	1987	1988								655
		9,398	1997	1998								9,398
		4,849	1995	1996								4,849
		8,111	2000	2001								8,111
		30,437	2002	2003								30,437

10. The Company has no accumulated losses as at 31<sup>st</sup> March, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. In our opinion, the Company has maintained adequate documents and records in the cases where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities other than employee housing loans which are unsecured.
13. The provisions of special statute applicable to chit fund and nidhi/mutual benefit fund/society are not applicable to the Company.



14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company. Reference is drawn to Note 15 of Schedule U of the Financial statements for claim on Corporate Guarantee given to another Company.
16. The Company has obtained packing credit loan which has been utilized for working capital purposes.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For and on behalf of Lovelock & Lewes  
Chartered Accountants

**Usha A Narayanan**

Partner

Membership Number - 23997

Mumbai  
31<sup>st</sup> May, 2006

## BALANCE SHEET

As at	Schedule	31 <sup>st</sup> March, 2006 Rs. '000	31 <sup>st</sup> March, 2005 Rs. '000
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	A	238,902	238,902
Reserves and surplus	B	<u>5,251,994</u>	<u>4,196,341</u>
		<u>5,490,896</u>	<u>4,435,243</u>
<b>Loan funds</b>			
Secured	C	16,200	61,379
Unsecured		<u>77,383</u>	-
		<u>93,583</u>	<u>61,379</u>
<b>Deferred tax liability, net</b>	U(4)	<u>16,913</u>	<u>33,516</u>
		<u><b>5,601,392</b></u>	<u><b>4,530,138</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	D	3,153,666	2,503,463
Less: Accumulated depreciation and amortisation		<u>1,748,063</u>	<u>1,543,940</u>
Net block		<u>1,405,603</u>	<u>959,523</u>
Capital work-in-progress and advances		<u>110,782</u>	<u>378,876</u>
		<u>1,516,385</u>	<u>1,338,399</u>
<b>Investments</b>	E	3,598,641	3,300,767
<b>Current assets, loans and advances</b>			
Inventories	F	1,847,956	1,341,899
Sundry debtors	G	208,516	443,147
Cash and bank balances	H	353,395	163,062
Other current assets	I	5,558	2,185
Loans and advances	J	<u>940,652</u>	<u>631,468</u>
		<u>3,356,077</u>	<u>2,581,761</u>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	K	2,247,006	2,059,717
Provisions	L	<u>783,313</u>	<u>973,431</u>
		<u>3,030,319</u>	<u>3,033,148</u>
<b>Net current assets</b>		<u>325,758</u>	<u>(451,387)</u>
<b>Miscellaneous expenditure ( to the extent not written off or adjusted )</b>	M	<u>160,608</u>	<u>342,359</u>
		<u><b>5,601,392</b></u>	<u><b>4,530,138</b></u>
Significant accounting policies and notes on accounts	U		

The schedules referred to above and the notes thereon form an integral part of the financial statements.

In terms of our report of even date

**For and on behalf of**  
**Lovelock & Lewes**  
**Chartered Accountants**

**Usha A Narayanan**  
**Partner**  
**Membership Number : 23997**

**Place : Mumbai**  
**Date : 31<sup>st</sup> May, 2006**

**Chairman** : **Nusli N Wadia**  
**Directors** : **Georges Casala**  
: **A.K. Hirjee**  
: **Nimesh N Kampani**  
: **S.S. Kelkar**  
: **Vijay L Kelkar**  
: **Pratap Khanna**  
: **Francois - Xavier Roger**  
: **Jeh N Wadia**  
**Managing Director** : **Vinita Bali**  
**Company Secretary** : **V Madan**

## PROFIT AND LOSS ACCOUNT

For the year ended	Schedule	31 <sup>st</sup> March, 2006 Rs. '000	31 <sup>st</sup> March, 2005 Rs. '000
<b>INCOME</b>			
Gross sales		18,179,211	16,154,485
Less : Excise duty [Refer note 11 of Schedule U]		1,045,828	1,059,008
Net sales		<u>17,133,383</u>	<u>15,095,477</u>
Other income	N	216,847	791,010
		<u>17,350,230</u>	<u>15,886,487</u>
<b>EXPENDITURE</b>			
Consumption of materials	O	10,049,609	8,876,269
Staff cost	P	730,661	710,453
Expenses	Q	4,343,508	3,637,999
Depreciation and amortisation	D	217,228	189,707
Financial expenses	R	50,861	51,492
		<u>15,391,867</u>	<u>13,465,920</u>
<b>Profit before taxation and exceptional items</b>		<b>1,958,363</b>	<b>2,420,567</b>
Exceptional items	S	(48,765)	218,160
<b>Profit before taxation</b>		<b>2,007,128</b>	<b>2,202,407</b>
Income tax	T	542,864	714,712
<b>Profit after taxation</b>		<b>1,464,264</b>	<b>1,487,695</b>
Profit brought forward		500,000	500,000
Reversal of proposed dividend of previous year		-	10,777
<b>Profit available for appropriation</b>		<b>1,964,264</b>	<b>1,998,472</b>
<b>Appropriation</b>			
Transfer to general reserve		1,055,653	1,117,102
Final dividend		358,352	334,462
Tax on final dividend		50,259	46,908
Profit carried forward		500,000	500,000
		<u>1,964,264</u>	<u>1,998,472</u>
Basic / diluted earnings per share (Rs.)		59.96	60.59
Significant accounting policies and notes on accounts	U		

The schedules referred to above and the notes thereon form an integral part of the financial statements.  
In terms of our report of even date

**For and on behalf of  
Lovelock & Lewes  
Chartered Accountants**

<b>Chairman</b>	: <b>Nusli N Wadia</b>
<b>Directors</b>	: <b>Georges Casala</b>
	: <b>A.K. Hirjee</b>
	: <b>Nimesh N Kampani</b>
	: <b>S.S. Kelkar</b>
	: <b>Vijay L Kelkar</b>
	: <b>Pratap Khanna</b>
	: <b>Francois - Xavier Roger</b>
	: <b>Jeh N Wadia</b>
<b>Managing Director</b>	: <b>Vinita Bali</b>
<b>Company Secretary</b>	: <b>V Madan</b>

**Usha A Narayanan  
Partner  
Membership Number : 23997**

**Place : Mumbai  
Date : 31<sup>st</sup> May, 2006**

## CASH FLOW STATEMENT

For the year ended	31 <sup>st</sup> March, 2006 Rs. '000	31 <sup>st</sup> March, 2005 Rs. '000
<b>Cash flow from operating activities</b>		
Profit before taxation	2,007,128	2,202,407
<b>Adjustments for :</b>		
Depreciation and amortisation	217,228	189,707
Compensation and amortisation of voluntary retirement scheme (VRS)	111,478	134,026
Reversal of previous years' liabilities	(42,821)	(34,514)
Foreign exchange / forward cover gain (net)	(504)	(17,754)
Loss on retiral of assets	-	1,436
Claims for corporate guarantee	-	115,000
Provision for diminution in value of investments	-	325,000
Profit on sale of investments (net)	(82,298)	(583,678)
Profit on sale of fixed assets (net)	(117,639)	(323,007)
Investment income	(63,824)	(61,774)
Interest income	(8,382)	(11,645)
Interest expense	21,379	21,035
<b>Operating profit before working capital changes</b>	<b>2,041,745</b>	<b>1,956,239</b>
(Increase) in inventory	(506,057)	(119,435)
(Increase) / decrease in sundry debtors	(89,297)	79,962
(Increase) / decrease in other current assets and loans and advances	(271,656)	54,497
Increase in current liabilities and provisions	283,494	855,310
<b>Cash generated from operations</b>	<b>1,458,229</b>	<b>2,826,573</b>
Payment of VRS / terminal / other compensation benefit	(79,994)	(90,112)
Payment on account of claims for corporate guarantee	(111,914)	-
Income taxes paid	(617,314)	(775,000)
<b>Net cash provided from operating activities</b>	<b>649,007</b>	<b>1,961,461</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(406,628)	(431,745)
Proceeds from sales of fixed assets	452,981	6,359
Purchase of investments	(1,349,999)	(1,628,185)
Proceeds from sales of investments	852,297	2,240,881
Proceeds from redemption of debentures	5,000	7,500
Interest received	8,382	11,645
Investment income	63,824	61,774
<b>Net cash used in investing activities</b>	<b>(374,143)</b>	<b>268,229</b>

## CASH FLOW STATEMENT (Continued)

For the year ended	31 <sup>st</sup> March, 2006 Rs. '000	31 <sup>st</sup> March, 2005 Rs. '000
<b>Cash flow from financing activities</b>		
Repayments of secured loans (net)	(45,179)	(330,486)
Interest paid	(12,491)	(7,810)
Shares buy back	-	(778,113)
Proceeds from unsecured loans	77,383	-
Dividend paid including tax thereon	(381,370)	(296,462)
<b>Net cash used in financing activities</b>	<b>(361,657)</b>	<b>(1,412,871)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(86,793)</b>	<b>816,819</b>
<b>Cash equivalent at the beginning of the period</b>	<b>1,506,065</b>	<b>689,246</b>
<b>Cash equivalent at the end of the period (Refer note (ii) below)</b>	<b>1,419,272</b>	<b>1,506,065</b>

### Notes

(i) The above cash flow statement has been prepared under Indirect method as per Accounting Standard 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

(ii) Cash equivalent at the end of the period

	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
Cash and bank balances includes Rs. 11,923 (Previous year: Rs. 11,118) in dividend accounts which is restrictive in nature.	353,395	163,062
Current investments in mutual funds	1,062,623	1,339,749
Inter corporate deposits included in loans and advances	3,254	3,254
	<b>1,419,272</b>	<b>1,506,065</b>

(iii) Figures in bracket indicate cash outgo, except for adjustments for operating activities.

(iv) Previous year's figures have been regrouped / rearranged wherever necessary.

This is the cash flow statement referred to in our report attached.

For and on behalf of  
Lovelock & Lewes  
Chartered Accountants

Usha A Narayanan  
Partner  
Membership Number : 23997

Place : Mumbai  
Date : 31<sup>st</sup> May, 2006

Chairman	:	Nusli N Wadia
Directors	:	Georges Casala
	:	A.K. Hirjee
	:	Nimesh N Kampani
	:	S.S. Kelkar
	:	Vijay L Kelkar
	:	Pratap Khanna
	:	Francois - Xavier Roger
	:	Jeh N Wadia
Managing Director	:	Vinita Bali
Company Secretary	:	V Madan

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

<b>SCHEDULE A - SHARE CAPITAL</b>	<b>Shares of Rs. 10 each</b>	<b>31<sup>st</sup> March, 2006 Rs. '000</b>	<b>31<sup>st</sup> March, 2005 Rs. '000</b>
<b>Authorised</b>			
Equity shares	<b>50,000,000</b>	<b>500,000</b>	<b>500,000</b>
<b>Issued and subscribed</b>			
Equity shares for cash fully paid	1,917,455	19,175	19,175
For consideration other than cash pursuant to a contract fully paid	35,779	358	358
As bonus shares by capitalisation of reserves and share premium fully paid	25,897,216	258,972	258,972
Equity shares bought back	(3,960,287)	(39,603)	(39,603)
	Year	No. of shares	
	2001-02	1,000,000	
	2002-03	946,174	
	2003-04	792,226	
	2004-05	1,221,887	
		<b>23,890,163</b>	<b>238,902</b>
			<b>238,902</b>

<b>SCHEDULE B - RESERVES AND SURPLUS</b>	<b>General Reserve</b>	<b>Capital Redemption Reserve</b>	<b>Profit and Loss</b>	<b>Total</b>	<b>Rs. '000 Previous year</b>
As at 31 <sup>st</sup> March, 2005	3,656,738	39,603	500,000	4,196,341	4,059,133
Addition:					
Transfer from Profit and Loss Account	1,055,653	-	500,000	1,555,653	1,617,102
Transfer from General Reserve	-	-	-	-	12,219
	<b>4,712,391</b>	<b>39,603</b>	<b>1,000,000</b>	<b>5,751,994</b>	<b>5,688,454</b>
Deduction :					
Premium relating to equity shares bought back	-	-	-	-	765,894
Intangible assets adjusted against General Reserve	-	-	-	-	214,000
Transfer to Capital Redemption Reserve*	-	-	-	-	12,219
Transfer to General Reserve	-	-	500,000	500,000	500,000
As at 31 <sup>st</sup> March, 2006	<b>4,712,391</b>	<b>39,603</b>	<b>500,000</b>	<b>5,251,994</b>	<b>4,196,341</b>

\* Represents amounts transferred from General Reserve as required under the provisions of the Companies Act, 1956 relating to buyback of equity shares.

<b>SCHEDULE C - LOAN FUNDS</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
<b>Secured</b>		
<b>From bank</b>		
Bank overdraft [Secured by hypothecation by way of first charge on book debts, receivables, stocks and stores]	-	61,379
<b>From others</b>		
Finance lease obligations [Secured by hypothecation of assets taken on lease]	16,200	-
	<b>16,200</b>	<b>61,379</b>
<b>Unsecured</b>		
<b>From bank</b>		
Export packing credit Includes interest accrued and due Rs. 362 (Previous year: Rs. Nil) Amount repayable within one year Rs. 77,383 (Previous year: Rs. Nil)	77,383	-
	<b>77,383</b>	<b>-</b>
	<b>93,583</b>	<b>61,379</b>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE D - FIXED ASSETS

Rs. '000

	Gross block at cost			Accumulated depreciation and amortisation				Net book value	
	As at 31 <sup>st</sup> Mar, 05	Additions/ Adjustments	Deductions	As at 31 <sup>st</sup> Mar, 06	As at 31 <sup>st</sup> Mar, 05	For the year	Deductions/ Adjustments	As at 31 <sup>st</sup> Mar, 06	As at 31 <sup>st</sup> Mar, 05
<b>Own assets</b>									
<b>Tangible assets</b>									
Freehold land	26,968	-	1,632	25,336	-	-	-	25,336	26,968
Leasehold land (a)	799	51,406	-	52,205	-	563	-	51,642	799
Buildings (b)	317,024	144,569	9,314	452,279	89,339	11,085	2,016	353,871	227,685
Plant and machinery	1,969,535	423,364	11,058	2,381,841	1,339,901	183,404	8,700	867,236	629,634
Data processing equipments	135,088	29,879	458	164,509	80,325	16,270	416	68,330	54,763
Furniture and fittings	52,121	7,619	1,974	57,766	33,203	3,683	1,958	22,838	18,918
Motor vehicles	1,455	620	83	1,992	1,172	264	15	571	283
<b>Intangible assets (c)</b>									
Trademarks	324	-	-	324	-	-	-	324	324
Designs	149	-	-	149	-	-	-	149	149
<b>Assets taken on finance lease</b>									
Motor vehicles	2,503,463	657,457	24,519	3,136,401	1,543,940	215,269	13,105	1,390,297	959,523
	-	17,265	-	17,265	-	1,959	-	15,306	-
	-	17,265	-	17,265	-	1,959	-	15,306	-
<b>Total</b>	<b>2,503,463</b>	<b>674,722</b>	<b>24,519</b>	<b>3,153,666</b>	<b>1,543,940</b>	<b>217,228</b>	<b>13,105</b>	<b>1,405,603</b>	<b>959,523</b>
Previous year	2,735,089	97,527	329,153	2,503,463	1,460,670	189,707	106,437	-	-
Add : Capital work-in-progress including advances on capital account				Rs. 11,205 (Previous year: Rs. 61,869)				110,782	378,876
								<b>1,516,385</b>	<b>1,338,399</b>

**Notes**

- Agreement in respect of leasehold land at one factory is in the process of renewal.
- Buildings include fully paid unquoted shares and bonds in respect of ownership flats in 9 Co-operative Housing Societies (Previous year: 11 Co-operative Housing Societies); 949 shares (Previous year: 1199 shares) of Rs. 50 each, and Nil shares (Previous year: 10 shares) of Rs. 100 each, Rs. 83 interest free non-redeemable loan stock bonds (Previous year: Rs. 70) and 50 interest-free loan stock bonds (Previous year: 50 interest free loan stock bonds) of Rs. 100 each.
- Represents net value of intangible assets for which impairment was carried out as per transitory provisions of Accounting Standard 28 issued by The Institute of Chartered Accountants of India on 1<sup>st</sup> April, 2004. No depreciation was calculated for the year as this represents a value less than 95% of the original cost after the impairment.

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

		<b>Rs. '000</b>	
<b>SCHEDULE E - INVESTMENTS (Continued)</b>		<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
<b>Long term</b>			
<b>Unquoted</b>			
<b>Trade</b>	: The Bengal Chamber of Commerce and Industry 6 1/2 % Non-redeemable registered debentures 1962.	4	4
<b>Non-trade:</b>			
<b>Shares (Fully paid )</b>	Flora Investments Company Private Limited 84,987 equity shares of Rs. 10 each (Previous year : 84,987 equity shares of Rs. 10 each).	1,025	1,025
	Boribunder Finance and Investments Private Limited 51,111 equity shares of Rs. 10 each (Previous year : 51,111 equity shares of Rs. 10 each).	679	679
	Gilt Edge Finance and Investments Private Limited 69,861 equity shares of Rs. 10 each (Previous year : 69,861 equity shares of Rs. 10 each).	847	847
	Uttam Biscuit Company Private Limited 33,600 equity shares of Rs. 10 each (Previous year : 33,600 equity shares of Rs. 10 each).	2,769	2,769
	J.B. Mangharam Foods Private Limited 108,036 equity shares of Rs. 10 each (Previous year : 108,036 equity shares of Rs. 10 each).	5,186	5,186
	Sunrise Biscuit Company Private Limited 119,880 equity shares of Rs. 10 each (Previous year : 119,880 equity shares of Rs. 10 each).	1,942	1,942
	Nalanda Biscuit Company Limited 60,000 equity shares of Rs. 10 each (Previous year : 60,000 equity shares of Rs. 10 each).	1,385	1,385
	Ganges Vally Foods Private Limited 144,000 equity shares of Rs. 10 each (Previous year : 144,000 equity shares of Rs. 10 each).	1,440	1,440
	Manna Foods Private Limited 90,000 equity shares of Rs. 10 each (Previous year : 90,000 equity shares of Rs. 10 each).	900	900
	International Bakery Products Limited 115,000 equity shares of Rs. 10 each (Previous year : 115,000 equity shares of Rs. 10 each).	1,150	1,150

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Rs. '000	
SCHEDULE E - INVESTMENTS (Continued)		31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
	Klassik Foods Private Limited 3,130 equity shares of Rs. 100 each (Previous year : 3,130 equity shares of Rs. 100 each).	2,880	2,880
	Britannia New Zealand Foods Private Limited 2,832,200 equity shares of Rs. 10 each (Previous year : 2,832,200 equity shares of Rs. 10 each).	575,246	575,246
	Britannia New Zealand Foods Private Limited 2,940,000 10% Non cumulative redeemable preference shares of Rs. 10 each (Previous year : 2,940,000 10% Non cumulative redeemable preference shares of Rs. 10 each).	29,400	29,400
	Britannia New Zealand Holdings Private Limited, Mauritius 1,000 equity shares of USD 1 each (Previous year : 1,000 equity shares of USD 1 each)	44	44
<b>Debentures</b>	J.B. Mangharam Foods Private Limited 275,000 6% Secured redeemable non convertible debentures of Rs 100 each fully paid. (Previous year : 325,000 6% Secured redeemable non convertible debentures of Rs. 100 each fully paid). Redeemed during the year 50,000 (Previous year : 75,000) 6% Secured redeemable non convertible debentures of Rs. 100 each fully paid.	27,500	32,500
	International Bakery Products Limited 582 0% Unsecured convertible debentures of Rs. 100,000 each fully paid. (Previous year : 582 0% Unsecured convertible debentures of Rs. 100,000 each fully paid).	58,200	58,200
<b>Others</b>	HDFC Multiple Yield Fund - Growth 36,156,885 units of Rs. 10 each (Previous year : 35,000,000 units of Rs. 10 each) Purchased during the year 36,156,885 units of Rs. 10 each. Sold during the year 35,000,000 units of Rs. 10 each.	400,000	350,000
	Franklin Templeton India Monthly Income Plan A - Growth Nil (Previous year : 14,764,157 units of Rs. 10 each) Sold during the year 14,764,157 units of Rs. 10 each.	-	250,000

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Rs. '000	
SCHEDULE E - INVESTMENTS (Continued)		31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
	DSP Merrill Lynch Savings Plus Moderate - Growth Nil (Previous year : 7,219,753 units of Rs. 10 each) Sold during the year 7,219,753 units of Rs. 10 each.	-	90,000
	HDFC Monthly Income Plan - Short term - Growth Nil (Previous year : 7,325,337 units of Rs. 10 each) Sold during the year 7,325,337 units of Rs. 10 each.	-	80,000
	HDFC Multiple Yield Fund 2005 - Growth 30,000,000 units of Rs. 10 each (Previous year : Nil) Purchased during the year 30,000,000 units of Rs. 10 each.	300,000	-
	Kotak Fixed Maturity Plan Series I - Growth 25,000,000 units of Rs. 10 each (Previous year: 25,000,000 units of Rs. 10 each)	250,000	250,000
	Grindlays Fixed Maturity 4th Plan B - Growth 25,000,000 units of Rs. 10 each (Previous year: 25,000,000 units of Rs. 10 each)	250,000	250,000
	Grindlays Fixed Maturity 16th Plan - Growth 25,000,000 units of Rs. 10 each (Previous year : Nil) Purchased during the year 25,000,000 units of Rs. 10 each	250,000	-
	Grindlays Fixed Maturity Plan Plus Series-I- Growth 15,000,000 units of Rs. 10 each (Previous year : Nil) Purchased during the year 15,000,000 units of Rs. 10 each	150,000	-
	Birla Fixed Term Plan Series A - Growth 30,000,000 units of Rs. 10 each (Previous year: 30,000,000 units of Rs. 10 each)	300,000	300,000
	Tata Fixed Horizon Fund Series I 15,000,000 units of Rs. 10 each (Previous year : Nil) Purchased during the year 15,000,000 units of Rs. 10 each	150,000	-
	Tata Fixed Horizon Fund Series 2 10,000,000 units of Rs. 10 each (Previous year : Nil) Purchased during the year 10,000,000 units of Rs. 10 each	100,000	-
<b>Capital in a partnership firm</b>	Britannia Sports - Partnership firm [Refer note 5 of Schedule U]	49	49
		<u>2,860,646</u>	<u>2,285,646</u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Rs. '000	
SCHEDULE E - INVESTMENTS (Continued)		31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>Quoted Trade</b>	:	-	-
<b>Non-trade Shares (Fully paid)</b>	:		
	HDFC Bank Limited	372	372
	37,200 equity shares of Rs. 10 each (Previous year: 37,200 equity shares of Rs. 10 each).		
	Aggregate market value of quoted investments Rs. 28,803 (Previous year: Rs. 20,246)	<u>372</u>	<u>372</u>
<b>Current Unquoted Non-trade</b>	:		
	Prudential ICICI Liquid Plan Institutional Plus-Dividend Reinvestment Daily Nil (Previous year: 41,252,358 units of Rs. 10 each) Purchased during the year 21,118,971 units of Rs. 10 each Reinvested during the year 790,267 units of Rs. 10 each Sold during the year 63,161,596 units of Rs. 10 each.	-	488,902
	Prudential ICICI Liquid Plan Super Institutional Plan-Dividend Reinvestment Daily 4,059,184 units of Rs. 10 each (Previous year: Nil) Purchased during the year 30,855,967 units of Rs. 10 each Reinvested during the year 203,217 units of Rs. 10 each Sold during the year 27,000,000 units of Rs. 10 each	40,592	-
	Grindlays Cash Fund Institutional Plan B - Dividend Reinvestment Daily Nil (Previous year: 15,491,233 units of Rs. 10 each) Purchased during the year 40,000,000 units of Rs. 10 each Reinvested during the year 385,532 units of Rs. 10 each Sold during the year 55,876,765 units of Rs. 10 each	-	154,912
	JM High Liquidity - Super Institutional Plan - Dividend Reinvestment Daily Nil (Previous year: 3,997,586 units of Rs. 10 each) Purchased during the year 10,981,880 units of Rs. 10 each Reinvested during the year 210,068 units of Rs. 10 each Sold during the year 15,189,534 units of Rs. 10 each	-	40,042
	Birla Cash Plus Institutional Premium Plan-Dividend Reinvestment Daily 6,035,264 units of Rs. 10 each (Previous year: 863,848 units of Rs. 10 each) Purchased during the year 21,956,786 units of Rs. 10 each Reinvested during the year 167,708 units of Rs. 10 each Sold during the year 16,953,078 units of Rs. 10 each	60,470	8,655

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	<b>Rs. '000</b>	
<b>SCHEDULE E - INVESTMENTS (Continued)</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Sundaram Money Fund Institutional - Dividend Reinvestment Daily Nil (Previous year: 9,037,135 units of Rs. 10 each) Reinvested during the year 80,904 units of Rs. 10 each Sold during the year 9,118,039 units of Rs. 10 each	-	91,233
Kotak Liquid Institutional Premium - Dividend Reinvestment Daily 16,601,289 units of Rs. 10 each (Previous year: 11,723,603 units of Rs. 10 each) Purchased during the year 136,296,447 units of Rs. 10 each Reinvested during the year 689,008 units of Rs. 10 each Sold during the year 132,107,769 units of Rs. 10 each	203,002	143,357
Principal Cash Management Fund Institutional Plus Plan - Dividend Reinvestment Daily 4,022,633 units of Rs. 10 each (Previous year: 12,124,865 units of Rs. 10 each) Purchased during the year 30,020,462 units of Rs. 10 each Reinvested during the year 556,046 units of Rs. 10 each Sold during the year 38,678,740 units of Rs. 10 each	40,229	121,256
Templeton India TMA Super Institutional Plus- Dividend Reinvestment Daily 284,064 units of Rs. 1,000 each (Previous year: Nil) Purchased during the year 284,025 units of Rs. 1,000 each Reinvested during the year 39 units of Rs. 1,000 each	284,136	-
DSP Merrill Lynch Liquidity Institutional Fund - Dividend Reinvestment Daily 223,242 units of Rs. 1,000 each (Previous year: Nil) Purchased during the year 319,936 units of Rs. 1,000 each Reinvested during the year 3,286 units of Rs. 1,000 each Sold during the year 99,980 units of Rs. 1,000 each	223,287	-
HDFC Cash Management Call Plan - Dividend Reinvestment Daily 8,717,058 units of Rs. 10 each (Previous year: Nil) Purchased during the year 8,715,637 units of Rs. 10 each Reinvested during the year 1,421 units of Rs. 10 each	90,889	-

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	Rs. '000	
SCHEDULE E - INVESTMENTS (Continued)	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
Reliance Liquidity Fund- Dividend Reinvestment Daily 11,998,044 units of Rs. 10 each (Previous year: Nil) Purchased during the year 11,996,281 units of Rs. 10 each Reinvested during the year 1,763 units of Rs. 10 each	120,018	-
HSBC Cash Fund - Institutional Plus- Dividend Reinvestment Daily Nil (Previous year: 17,089,174 units of Rs. 10 each) Purchased during the year 33,980,971 units of Rs. 10 each Reinvested during the year 768,519 units of Rs. 10 each Sold during the year 51,838,664 units of Rs. 10 each	-	170,988
Deutsche Insta Cash Plus Fund Institutional Plan - Dividend Reinvestment Daily Nil (Previous year: 6,009,996 units of Rs. 10 each) Purchased during the year 17,991,715 units of Rs. 10 each Reinvested during the year 219,014 units of Rs. 10 each Sold during the year 24,220,725 units of Rs. 10 each	-	60,217
ING Vysya Liquid Fund Institutional - Dividend Reinvestment Daily Nil (Previous year: 5,013,531 units of Rs. 10 each) Purchased during the year 8,343,410 units of Rs. 10 each Reinvested during the year 102,723 units of Rs. 10 each Sold during the year 13,459,664 units of Rs. 10 each	-	50,166
Chola Liquid Institutional - Dividend Reinvestment Daily Nil (Previous year: 1,000,623 units of Rs. 10 each) Purchased during the year 12,978,466 units of Rs. 10 each Reinvested during the year 219,702 units of Rs. 10 each Sold during the year 14,198,791 units of Rs. 10 each	-	10,021
	<u>1,062,623</u>	<u>1,339,749</u>
<b>Total investments</b>	<u>3,923,641</u>	<u>3,625,767</u>
Less : Provision for diminution in value of investment [Refer note 16 of schedule U]	(325,000)	(325,000)
	<u>3,598,641</u>	<u>3,300,767</u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	Rs. '000	
	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>SCHEDULE F - INVENTORIES</b>		
Stores and spare parts	58,865	43,736
Packing materials	246,201	153,111
Raw materials	1,099,776	824,354
Finished goods	439,029	316,869
Materials in process	2,641	1,688
	<u>1,846,512</u>	<u>1,339,758</u>
Loose tools	1,444	2,141
	<u><b>1,847,956</b></u>	<u><b>1,341,899</b></u>

	Rs. '000	
	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>SCHEDULE G - SUNDRY DEBTORS</b>		
<b>Secured</b>		
Considered good:		
Over six months	277	1,767
Others	26,937	18,678
	<u>27,214</u>	<u>20,445</u>
<b>Unsecured</b>		
Considered good:		
Over six months	25,461	17,991
Others @	155,841	404,711
	<u>181,302</u>	<u>422,702</u>
Considered doubtful:		
Over six months	17,010	21,485
	<u>198,312</u>	<u>444,187</u>
Less: Provision for doubtful debts	17,010	21,485
	<u>181,302</u>	<u>422,702</u>
	<u><b>208,516</b></u>	<u><b>443,147</b></u>

@ - Includes Rs. 1,737 (Previous year: Rs. 9,070) due from an associate company having common directors.

	Rs. '000	
	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>SCHEDULE H - CASH AND BANK BALANCES</b>		
Cash in hand	1,247	1,301
Cheques on hand	88,885	88,684
With scheduled banks		
- Current accounts	110,289	61,959
- Deposit accounts	141,051	-
- Dividend accounts	11,923	11,118
	<u><b>353,395</b></u>	<u><b>163,062</b></u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	Rs. '000	
<b>SCHEDULE I - OTHER CURRENT ASSETS</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Assets held for sale	1,847	1,847
Others	3,711	338
	<u>5,558</u>	<u>2,185</u>

	Rs. '000	
<b>SCHEDULE J - LOANS AND ADVANCES</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
<b>Secured</b> Advances recoverable in cash or in kind or for value to be received (secured by bank guarantee)	401,395	-
<b>Unsecured</b> Considered good :		
Advances recoverable in cash or in kind or for value to be received #	423,755	573,603
Advance tax and tax deducted at source net of provision for tax	85,543	45,146
Balances with excise and customs authorities	29,959	12,719
Considered doubtful:		
Advances	107,870	108,351
	<u>1,048,522</u>	<u>739,819</u>
Less : Provision for doubtful advances	107,870	108,351
	<u>940,652</u>	<u>631,468</u>

# Includes -

Amount due from an associate company having common directors Rs. 60 (Previous year: Rs. Nil)  
Amount due by manager Rs. 1,349 (Previous year: Rs. Nil), an officer Rs. 197 (Previous year: Rs. Nil), and an erstwhile officer Rs. Nil (Previous year: Rs. 362).

Maximum amount due at any time during the year by manager Rs. 1,500 (Previous year: Rs. 233), an officer Rs. 207 (Previous year: Rs. Nil) and an erstwhile officer Rs. Nil (Previous year: Rs. 987).

	Rs. '000	
<b>SCHEDULE K - CURRENT LIABILITIES</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Book overdraft	112,080	185,491
Sundry creditors		
- Due to small scale industrial undertakings [Refer note 7 of Schedule U]	12,535	6,693
- Others	851,114	729,668
Other liabilities	1,259,359	1,126,752
Unclaimed dividend (less than 7 years)	11,918	11,113
	<u>2,247,006</u>	<u>2,059,717</u>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

		Rs. '000	
		31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>SCHEDULE L - PROVISIONS</b>			
Excise related demands [Refer note 9(a) of Schedule U]		160,163	91,947
Sales tax demands [Refer note 9(b) of Schedule U]		61,627	96,788
Other provisions [Refer note 9(c) of Schedule U]		84,776	192,267
Retirement benefits		67,638	60,791
Terminal compensation benefit		-	150,268
Fringe benefit tax		498	-
Proposed dividend		358,352	334,462
Tax on proposed dividend		50,259	46,908
		<b>783,313</b>	<b>973,431</b>
<b>Rs. '000</b>			
<b>SCHEDULE M - MISCELLANEOUS EXPENDITURE</b>			
<b>(to the extent not written off or adjusted)</b>			
		31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
Voluntary retirement compensation (VRS) and terminal compensation benefits			
Balance at the beginning of the year		342,359	463,006
Add: VRS paid during the year		45,794	13,379
Less: Amortisation for VRS during the year [Refer note 1(p) of Schedule U]		41,610	134,026
Less: Adjustment on account of terminal compensation benefits [Refer note 6 of Schedule U]		185,935	-
Balance at the end of the year		<b>160,608</b>	<b>342,359</b>
<b>Rs. '000</b>			
<b>SCHEDULE N - OTHER INCOME</b>			
		31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
Profit / (loss) on sale of equity shares, units of mutual fund (non-trade) #	Long term	82,597	578,718
	Current	(299)	362
Dividend income from equity shares, units of mutual funds (non-trade)	Long term	514	164
	Current	63,310	61,610
Bank and other interest (gross)	Long term	1,843	3,750
[Tax deducted Rs. 2,024 (Previous year: Rs. 1,762)]	Current	6,539	7,895
Foreign exchange / forward cover gain (net)		504	17,754
Profit on sale of fixed assets (net)		217	219
Other receipts		51,622	120,538
Surrender of tenancy rights		10,000	-
		<b>216,847</b>	<b>791,010</b>

# Net of loss on diminution in value of long term mutual funds Rs. Nil (Previous year: Rs. 250) and loss on diminution in value of short term mutual funds Rs. Nil (Previous year: Rs. 172)

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	<b>Rs. '000</b>	
	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
<b>SCHEDULE O - CONSUMPTION OF MATERIALS</b>		
(i) Consumption of raw material including packing material		
Opening stock	977,465	757,354
Add: Purchases	9,661,922	7,710,883
Less: Closing stock	1,345,977	977,465
	<u>9,293,410</u>	<u>7,490,772</u>
(ii) Finished goods purchased	879,136	1,296,600
(iii) (Decrease) / increase in finished goods and materials in process		
Opening stock		
Finished goods	316,869	413,729
Materials in process	1,688	1,996
Closing stock		
Finished goods	439,029	316,869
Materials in process	2,641	1,688
	<u>(123,113)</u>	<u>97,168</u>
Excise duty on increase / (decrease) of finished goods	176	(8,271)
	<u><b>10,049,609</b></u>	<u><b>8,876,269</b></u>
		<b>Rs. '000</b>
<b>SCHEDULE P - STAFF COST</b>		
	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Salaries, wages, bonus	621,862	619,866
Contribution to provident and other funds	69,809	60,116
Workmen and staff welfare expenses	38,990	30,471
	<u><b>730,661</b></u>	<u><b>710,453</b></u>
		<b>Rs. '000</b>
<b>SCHEDULE Q - EXPENSES</b>		
	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Stores and spare parts consumed	36,831	33,663
Power and fuel	227,024	140,311
Repairs and maintenance of plant and machinery (a)	66,427	42,558
Repairs and maintenance of buildings (a)	11,671	16,330
Rent	13,894	20,063
Rates and taxes (net) (b)	201,272	225,660
Insurance	19,683	14,459
Carriage, freight and distribution (net)	1,026,285	570,110
Auditors' remuneration		
Audit fees	2,000	2,000
Other services	875	875
Expenses reimbursed	208	349
Advertising and sales promotion (net)	1,071,221	1,008,266
Conversion cost (net) (b)	1,330,699	1,156,674
Miscellaneous (net) (c) and (d)	343,402	355,775
Bad debts written off	5,571	1,544
Provision for doubtful debts and advances (net)	(4,474)	61,636
Services shared with a joint venture for utilising common facilities	(9,081)	(12,274)
	<u><b>4,343,508</b></u>	<u><b>3,637,999</b></u>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	<b>Rs. '000</b>	
<b>SCHEDULE Q - EXPENSES (Continued)</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
(a) Includes stores consumed	9,065	21,123
(b) Includes claims from contract packers in respect of certain taxes	2,174	40,501
(c) Includes share of loss in the partnership firm "Britannia Sports" [Refer note 5 of Schedule U]	75	427
(d) Includes donations to political parties		
Bhartiya Janata Party	-	8,000
Maharashtra Pradesh Congress Committee	-	4,500

	<b>Rs. '000</b>	
<b>SCHEDULE R - FINANCIAL EXPENSES</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Interest		
Bank	6,896	7,691
Finance lease	1,315	-
Others	13,168	13,344
Bank and other charges	29,482	30,457
	<b>50,861</b>	<b>51,492</b>

	<b>Rs. '000</b>	
<b>SCHEDULE S - EXCEPTIONAL ITEMS</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Compensation and amortisation of voluntary retirement scheme [Refer note 6 of Schedule U]	111,478	134,026
Profit on sale of brand	-	(323,928)
Provisions and liabilities no longer required written back (net) [Refer notes 12 & 15 of Schedule U]	(42,821)	(34,514)
(Profit) / loss on sale of properties	(117,422)	1,140
Loss on retiral of assets	-	1,436
Corporate guarantee on behalf of associate company	-	115,000
Diminution in value of investments	-	325,000
	<b>(48,765)</b>	<b>218,160</b>

	<b>Rs. '000</b>	
<b>SCHEDULE T - INCOME TAX</b>	<b>31<sup>st</sup> March, 2006</b>	<b>31<sup>st</sup> March, 2005</b>
Current income tax [Refer note 13 of Schedule U]	520,804	730,402
Fringe benefit tax	23,312	-
Wealth tax	582	1,500
Deferred income tax, net	(1,834)	(17,190)
	<b>542,864</b>	<b>714,712</b>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE U : NOTES TO ACCOUNTS

**I Significant accounting policies**

**(a) Basis of accounting and preparation of financial statements**

The Company adopts the historical cost concept and accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) for the preparation of its accounts and complies with accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

**(b) Use of estimates**

The preparation of financial statements, in conformity with GAAP 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 statements 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.

**(c) Fixed assets**

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

**(d) Depreciation and amortisation**

Depreciation in respect of all the assets acquired upto 30<sup>th</sup> June, 1984, is provided on written down value method. For additions on or after 1<sup>st</sup> July, 1984, straight line method has been used. Depreciation rates are estimated by the Company and are as specified in the amended Schedule XIV of the Companies Act, 1956, except relating to vehicles which is depreciated over a period of five years. Assets costing less than Rs. 5,000 are fully depreciated in the year of addition.

Leasehold land is amortised over the period of primary lease.

The assets identified and retired based on technical evaluation and held for disposal are stated at estimated net realisable value.

**(e) Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset including intangibles 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 profit and loss account.

**(f) Leases**

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

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

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

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

**(g) Inventories**

Inventories are valued at the lower of cost and estimated net realisable value, after providing for obsolescence, where appropriate.

Raw materials, packing material and stores and spares are valued at cost, computed on a moving weighted average basis. The cost includes purchase price, inward freight and other incidental expenses net of CENVAT and VAT credit 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.

Loose tools are written off over 10 years from the year of purchase.

**(h) Sundry debtors and Loans and advances**

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

**(i) Investments**

Long term investments are stated at cost. A provision for permanent 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 market value.

**(j) Revenue recognition**

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales tax, VAT and excise duties (on goods manufactured and outsourced).

Income from royalty and services 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.

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

**(k) Commodity hedging contracts**

The realised gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year are recognised in the profit and loss account. However, in respect of contracts, the pricing period of which extends beyond the balance sheet, suitable provision for likely loss, if any, is made.

**(l) Research and development**

Research and development expenses of revenue nature are charged off in the period in which they are incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

**(m) Foreign currency transactions**

The transactions in foreign currency are accounted at the exchange rate prevailing on the date of transactions. The exchange difference arising from foreign currency transactions and premium on forward contracts are amortised as expenses or income over the life of the contract, except that exchange differences related to the acquisition of fixed assets are adjusted in the carrying amount of related fixed assets. Foreign currency monetary assets and monetary liabilities at the balance sheet date are translated at the rates of exchange prevailing on that date.

Profit / loss arising on cancellation or renewal of forward exchange contracts is recognised in the profit and loss account of the period.

**(n) Taxes on income**

**(i) Current taxation**

Provision for current income tax is made based on the tax liability computed after considering tax allowances and exemptions.

**(ii) Fringe benefit tax**

Fringe benefit tax is determined at current applicable rates on expense falling within the ambit of 'Fringe benefit', as defined under the Income Tax Act, 1961.

**(iii) Deferred taxation**

Deferred income tax is provided, on all timing differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purpose. Deferred tax asset or liability is recognised only for those timing differences that originate during the tax holiday period but reverse after the tax holiday period.

Deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available, against which they can be realised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE U : NOTES TO ACCOUNTS (Continued)

Amounts in Rs. '000

**(o) Retirement benefits**

The liabilities in respect of retirement benefits are provided / regularly contributed to appropriate authorities / various Provident Funds, Pension Funds and Gratuity Funds and are charged against revenue based on contributions as a fixed percentage of salaries / actuarial valuations carried out at the year end in accordance with applicable rules.

Provision for leave encashment is made on the basis of an actuarial valuation carried out by an independent actuary as at the year end.

**(p) Miscellaneous expenditure**

Compensation under the Company's Voluntary Retirement Scheme (VRS) and terminal compensation benefit is amortised over a period of 60 months from the month of payment. The unamortised amount is recognised as 'Miscellaneous Expenditure – to the extent not written off or adjusted'.

**(q) 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 will not, require an outflow of resources. When there is a possible or a present obligation the likelihood of outflow of resources is remote, no provision or disclosure is made.

**2 Capital commitments and contingent liabilities :**

**(a)** Commitments for capital expenditure not provided for Rs. 91,441 (Previous year: Rs. 150,438).

**(b)** Contingent liabilities for :

(i) Bank guarantee, letter of credit and letter of comfort for Rs. 51,662 (Previous year: Rs. 105,962).

(ii) Discounted cheques Rs. 338,863 (Previous year Rs. 278,187).

(iii) Claims / demand against the Company not acknowledged as debts including excise, income tax, sales tax and trade demands Rs. 242,137 (Previous year: Rs. 183,752).

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

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

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

- (c) The Company has furnished letter of awareness to Hongkong & Shanghai Banking Corporation who have granted banking facilities of Rs. 600,000 (Previous year: Rs. 600,000) to Britannia New Zealand Foods Private Limited. This letter is not to be construed as a guarantee issued by the Company.

**3 (a) Operating leases**

Assets on operating lease which represents motor vehicles aggregate to Rs. 5,707 (Previous year: Rs. 6,106). The charge on account of lease rental to profit and loss account for the year is Rs. 1,063 (Previous year: Rs. 2,184).

Future obligations of lease rentals applicable to above leased assets aggregate to Rs. 4,742 (Previous year: Rs. 6,191) are due :

	<b>As at 31<sup>st</sup> March, 2006</b>	<b>As at 31<sup>st</sup> March, 2005</b>
Not later than 1 year	1,343	1,449
Later than 1 year and not later than 5 years	3,399	4,742
	<u>4,742</u>	<u>6,191</u>

In respect of buildings occupied as tenant, the aggregate lease rental is charged as rent in the profit and loss account.

**(b) Finance leases**

The Company has taken motor vehicles under finance leases. The total minimum lease payments and present value of minimum lease payments as at 31<sup>st</sup> March, 2006 are as follows :

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
Not later than 1 year	3,099	2,997
Later than 1 year and not later than 5 years	12,058	9,400
Later than 5 years	1,783	1,123
	<u>16,940</u>	<u>13,520</u>

The lease liability is secured by the relevant vehicles acquired under lease.

There is no contingent rent for operating and finance leases.

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

- 4 Accounting for taxes on income disclosure as per Accounting Standard 22. Major components of deferred tax assets and liabilities on account of timing differences as at 31<sup>st</sup> March, 2006 are :

	Asset		Liability	
	As at 31 <sup>st</sup> March, 2006	As at 31 <sup>st</sup> March, 2005	As at 31 <sup>st</sup> March, 2006	As at 31 <sup>st</sup> March, 2005
Depreciation	-	-	143,122	170,600
Voluntary retirement scheme, terminal compensation benefits	-	6,767	8,762	-
Statutory payments	133,474	117,715	-	-
Provisions allowed on payments, write off	1,497	12,602	-	-
	<b>134,971</b>	<b>137,084</b>	<b>151,884</b>	<b>170,600</b>
<b>Deferred tax liability (net)</b>			<b>16,913</b>	<b>33,516</b>

- 5 The Company has an investment in a partnership firm "Britannia Sports" having a capital of Rs. 100 (Previous year Rs. 100) in which it holds 49% share of the profit and loss and the balance share is held by two associate 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.

- 6 Pursuant to Labour Commissioner's Order under Section 25 O (1) of the Industrial Disputes Act, 1947, production at the Company owned facility in Mumbai was closed effective March 24, 2004.

As per the Order of the Mumbai High Court, the Company as on the date of the balance sheet has paid an amount of Rs. 58,317 (Previous year: Rs. 40,805) equivalent to eligible compensation under Section 25 O (1) of the Industrial Disputes Act, 1947.

Further, based on the appeal filed by the workers union, the Industrial Tribunal has reversed the Order of the Labour Commissioner. The Company has preferred an appeal against the Order of the Industrial Tribunal. As per interim direction of the Mumbai High Court, the Company has paid Rs. 11,550 (Previous year: Nil) as compensation equivalent to 50% of the last drawn amount.

The Company has made the above payments as compensation under the Industrial Disputes Act, 1947 and pending final resolution of the matter reversed an amount of Rs. 185,935 as terminal compensation which was hitherto amortised over 60 months.

- 7 The names of small scale industries to whom the Company owes dues outstanding for more than 30 days at the Balance Sheet date, are:

Tulsyan Enterprises Pvt Ltd, Pioneer Packaging Industries Pvt Ltd, Dhaulagiree Polyolefins Pvt Ltd, Sriram Coconut Products, Calcutta Paper Industries, Dascon, Radio Equipment Company, Cargo International Packaging, IPI India, MP Converters Pvt Ltd, Meghdoot Corrugators & Packers Pvt Ltd, New Modern Traders, Prakash Packaging Industries, Winpack Industries Pvt Ltd, Aruna Industrial Corporation, Balaji Cartons, Balaji Packaging Industries, Chettiar Industrial Corporation, Classic Cartons, Paper Prints and Products, Kwaliti Packaging Industries, Sunchit Enterprises, Khosla Precisions and Saptagiri Packaging.

The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company and relied upon by the auditors.

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**8** Details of investments purchased, reinvested and sold during the year :

**Government and Trust Securities**

Nil

**Others**

**Unquoted**

Other than trade

	Mutual Funds	Number of Units			Face value per unit (Rs.)
		Purchased	Reinvested	Sold	
1	Prudential ICICI Institutional Short Term Plan - Dividend Reinvestment Fortnightly	4,565,793	26,659	4,592,452	10
2	Kotak Floater (Institutional Premium) - Dividend Reinvestment Weekly	5,993,687	148,479	6,142,166	10
3	Kotak Bond (Short Term) - Dividend Reinvestment Monthly	3,962,789	31,584	3,994,373	10
4	Sundaram Money Fund Super Institutional - Dividend Reinvestment Daily	18,877,132	154,300	19,031,432	10
5	Sundaram Floater Institutional - Dividend Reinvestment Daily	8,953,531	56,736	9,010,267	10
6	Principal Floating Rate Short Term Institutional Premium Plan - Dividend Reinvestment Daily	1,999,860	48,221	2,048,081	10
7	Principal Income Fund Short Term Institutional Premium Plan - Dividend Reinvestment Daily	4,574,817	21,057	4,595,874	10
8	HSBC Floating Rate Fund Institutional Plus - Dividend Reinvestment Daily	3,994,727	21,435	4,016,162	10
9	Deutsche Floating Rate Fund Institutional Plan - Dividend Reinvestment Weekly	1,948,330	26,063	1,974,393	10
10	Deutsche Short Maturity Fund - Dividend Reinvestment Weekly	4,884,196	22,439	4,906,635	10
11	ING Vysya Floating Rate Fund Institutional - Dividend Reinvestment Daily	8,409,726	183,847	8,593,573	10
12	Templeton India TMA Institutional Plus - Dividend Reinvestment Daily	39,996	53	40,049	1,000

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

	Mutual Funds	Number of Units			Face value per unit (Rs.)
		Purchased	Reinvested	Sold	
13	Templeton Floating Rate Short Term - Dividend Reinvestment Weekly	7,985,574	107,535	8,093,109	10
14	Templeton Floating Rate Short Term Institutional - Dividend Reinvestment Weekly	8,116,255	-	8,116,255	10
15	DSP Merrill Lynch Floating Rate Fund - Dividend Reinvestment Daily	3,994,217	95,787	4,090,004	10
16	ABN AMRO Cash Fund Institutional - Dividend Reinvestment Daily	2,000,000	6,523	2,006,523	10
17	ABN AMRO Cash Fund Institutional Plus - Dividend Reinvestment Daily	11,999,900	88,497	12,088,397	10
18	TATA Liquid Super High Investment Fund - Dividend Reinvestment Daily	143,562	184	143,746	10
19	HDFC Cash Management Fund Savings Plus Plan - Dividend Reinvestment Weekly	44,512,828	189,797	44,702,625	10
20	DSP Merrill Lynch Liquidity Fund - Dividend Reinvestment Daily	11,111,336	36,242	11,147,578	10

**Amounts in Rs. '000**

- 9** In accordance with Accounting Standard 29 - "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, certain classes of liabilities have been identified as provision and accordingly regrouped separately as under :

	As at 31 <sup>st</sup> March, 2005	Additions / adjustments	Utilisation	Reversals	As at 31 <sup>st</sup> March, 2006
(a) Excise related issues	91,947	80,847	881	11,750	160,163
(b) Sales tax and other dues	96,788	12,398	166	47,393	61,627
(c) Trade and other demands	192,267	7,509	111,914	3,086	84,776

(a) and (b) represents estimates made for probable liabilities arising out of pending disputes/litigations with various regulatory authorities. The timing of the outflow with these matters depends on the position of law and the settlement of which is not expected to exceed 2-3 years in most cases.

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

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE U : NOTES TO ACCOUNTS (Continued)

Amounts in Rs. '000

10.

(a) Gross sales

Product group	Quantity		Value	
	2005-06	2004-05	2005-06	2004-05
	Tonnes	Tonnes		
Biscuits and high protein food	346,863	311,853	16,759,336	14,926,882
Bread and rusk	51,967	48,133	917,207	788,248
Cake	4,621	3,813	422,045	355,653
Others (including scrap sales)			80,623	83,702
			<b>18,179,211</b>	<b>16,154,485 *</b>

The above does not include sale of wheat / by-products on conversion of inputs.

\* Net of secondary freight

(b) Raw materials including packing materials consumed

Description	Quantity		Value	
	2005-06	2004-05	2005-06	2004-05
	Tonnes	Tonnes		
Flour	260,152	222,651	2,608,781	2,134,533
Fats and Oils	51,359	40,906	2,016,697	1,738,282
Sugar	85,367	70,339	1,443,089	1,035,546
Lamination roll	4,992	4,278	1,013,777	863,293
Others			2,211,066	1,719,118
			<b>9,293,410</b>	<b>7,490,772</b>

	2005-06		2004-05	
	Value	%	Value	%
Imported	16,343	0.18	296,577	3.96
Indigenous	9,277,067	99.82	7,194,195	96.04
	<b>9,293,410</b>	<b>100.00</b>	<b>7,490,772</b>	<b>100.00</b>

(c) Stores and spare parts consumed

	2005-06		2004-05	
	Value	%	Value	%
Imported	39,764	86.64	39,502	72.10
Indigenous	6,132	13.36	15,284	27.90
	<b>45,896</b>	<b>100.00</b>	<b>54,786</b>	<b>100.00</b>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

- 11** With a view to harmonise the reporting of excise duty relating to outsourced products in line with that of in-house manufactured products, excise duty relating to third party manufactured products has been reduced from conversion charges and purchase of finished goods and adjusted as appropriate, in sales. Consequently, conversion charges and purchase of finished goods are net of excise duty amounting to Rs. 733,922 (Previous year: Rs. 699,687) and Rs. 45,921 (Previous year: Rs. 72,262) respectively. After adjusting for the movement in opening and closing inventories of such products, sales is lower by Rs. 779,668 (Previous year: Rs. 780,221). This reclassification has no impact on the net profit reported either for the current or the previous year.
- 12** The Company has written back a net amount of Rs. 39,735 (Previous year: Rs. 34,514) in respect of liabilities to certain packers and others which has been withdrawn and / or settled during the year.
- 13** Provisions for income tax for the current year is after provision in respect of earlier years of Rs. 15,150 [Previous year: (Rs. 114,819)].
- 14** Salaries, wages and bonus and contribution to provident and other funds are net of recoveries of Rs. 20,983 and Rs. 2,387 respectively for seconded staff costs (Previous year Rs. 25,701 and Rs. 2,702 respectively).
- 15** The Company has extinguished the provision of Rs. 115,000 for claims against the Company on account of corporate guarantee given on behalf of an associate in previous years which has resulted in a net reversal of Rs. 3,086 in exceptional items.
- 16** In accordance with Accounting Standard 13 - "Accounting for Investments", issued by the Institute of Chartered Accountants of India, the Company has retained provision of Rs. 325,000 (Previous year: Rs. 325,000) for diminution, other than temporary, on long term investment made in equity shares of a joint venture company.
- 17** Directors' and Managers' remuneration of Rs. 48,272 (Previous year : Rs. 23,396) includes:
- Fees and estimated cost of benefits Rs. 29,191 (Previous year : Rs. 5,935).
  - Contribution to Provident Fund, Pension Fund, Gratuity Fund Rs. 2,038 (Previous year: Rs.1,077).
  - Perquisites or benefits in cash or in kind Rs. 633 (Previous year : Rs. 192).
  - Commission to Non-wholetime Directors Rs. 10,000 (Previous year : Rs. 13,000), net of reversal of last years' liability of Rs. 5,000 (Previous year: Rs. 4,000).
  - Rs. Nil (Previous year: Rs. 2,867) for Manager's appointment / remuneration requiring approval of shareholders.

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

**Statement of computation of net profits as per Section 349 of the Companies Act, 1956.**

	Value
Profit before taxation	2,007,128
Add :	
Managers' remuneration	38,272
Commission to Non - wholetime Directors	10,000
Depreciation and amortisation as per accounts	217,228
VRS and terminal compensation benefits	111,478
	2,384,106
Less :	
Profit on sale of investments (net)	82,298
Provision for doubtful debts and advances written back	4,474
Provisions no longer required written back	42,821
Payment for claims on account of corporate guarantee	111,914
Depreciation and amortisation as per Section 350 of the Companies Act, 1956	215,484
Profit on sale of properties disallowed under Section 350	115,404
Profit on sale of assets disallowed under Section 350	451
Profit under Section 349 of the Companies Act, 1956	1,811,260
Non - wholetime Directors' commission at 1%	18,113
Managers' remuneration @ 10%	181,126

**Notes :**

1. Contribution 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.
2. Nikhil Sen was manager upto 31<sup>st</sup> May, 2005.

**18 Licensed and installed capacities per annum**

<b>Product group</b>	(in tonnes)			
	Licensed Capacity 2005-06	Licensed Capacity 2004-05	Installed Capacity 2005-06	Installed Capacity 2004-05
Biscuits and high protein food	-	-	156,000	111,000
Bread and rusk	-	-	-	12,000
Cake	-	-	-	5,500

The Government vide Notification No : S.O.298(E) dated 3<sup>rd</sup> April, 1997 has omitted biscuits from the list of items reserved for the small scale sector.

The Company has added a capacity of 45,000 tonnes during the year at Uttaranchal.

Installed Capacities are as certified by the Management including Mumbai factory [Refer note 6 of Schedule U].

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

19 Production*			(in tonnes)	
	Product group		2005-06	2004-05
	Biscuits and high protein food		333,151	279,279
	Bread and rusk		44,556	44,031
	Cake		2,446	2,039
			<u>380,153</u>	<u>325,349</u>
* Includes third party processing: Biscuits and high protein foods - 244,840 tonnes (Previous year: 219,021 tonnes), Bread and rusk - 44,556 tonnes (Previous year: 44,031 tonnes) and Cake - 2,446 tonnes (Previous year: 2,039 tonnes).				
20 Opening and Closing stocks of Finished goods	2005 - 06		2004 - 05	
	Quantity Tonnes	Value	Quantity Tonnes	Value
(a) Opening stock				
	8,142	313,463	10,578	400,946
Biscuits and high protein food	-	-	102	6,621
Bread and rusk	107	3,406	65	6,162
Cake		<u>316,869</u>		<u>413,729</u>
(b) Closing stock				
	10,820	429,147	8,142	313,463
Biscuits and high protein food	60	2,573	-	-
Bread and rusk	121	7,309	107	3,406
Cake		<u>439,029</u>		<u>316,869</u>
21 Consumption of materials includes purchase of finished goods 30,723 tonnes (Previous year: 43,753 tonnes).				
22 Expenditure in foreign currencies (gross):			2005 - 06	2004 - 05
Travelling, software licenses and others			15,384	5,423
23 Value of imports on C.I.F. basis :				
a) Capital goods			24,018	62,108
b) Raw materials			23,967	258,349
c) Components and spare parts			5,066	2,749
24 Earnings in foreign exchange from :				
a) Exports at F.O.B.			111,714	71,645
b) Others - Freight and Insurance			954	1,997
- Miscellaneous			-	2,202
c) Sale of trademark			-	323,928

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE U : NOTES TO ACCOUNTS (Continued)**

**Amounts in Rs. '000**

**25** Dividend remitted to non-resident shareholders during the financial year (net of tax):

	2005	2004
Relating to the year ended 31 <sup>st</sup> March		
No. of shareholders	6	6
No. of shares	12,173,219	12,173,219
Amount remitted - Value	170,425	133,905

**26** Earnings per share

	2005 - 06	2004 - 05
Profit attributable to the equity shareholders	1,464,264	1,487,695
Less: Exceptional items, net of tax	31,861	21,514
	1,432,403	1,466,181
Weighted average number of equity shares outstanding during the year	23,890,163	24,199,109
Nominal value of equity shares (Rs.)	10	10
Earnings per share	61.29	61.48
Earnings per share adjusted for buyback of 2004-2005	61.29	61.48
Earnings per share after adjustment of exceptional items	59.96	60.59

Note : Exceptional items represent reversal of previous years' liabilities.

**27** Based on guiding principles given in the Accounting Standard on Segment Reporting (AS -17), the primary business segment of the Company is bakery which consists of biscuit, bread, cake and rusk. 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.

**28** Related party disclosures under Accounting Standard 18:

**Relationships**

1. Party where control exists Associated Biscuits International Ltd.
2. Other related parties with whom transactions have taken place during the year
  - Joint Venture Company Britannia New Zealand Foods Private Ltd.  
Britannia New Zealand Holdings Private Ltd.,Mauritius  
Boribunder Finance and Investments Private Ltd.  
Britannia Sports (partnership firm)  
Flora Investments Company Private Ltd.  
Ganges Vally Foods Private Ltd.  
Gilt Edge Finance and Investments Private Ltd.  
International Bakery Products Ltd.  
J B Mangharam Foods Private Ltd.  
Klassik Foods Private Ltd.  
Kwality Biscuits Private Ltd.(Sold on 31<sup>st</sup> March, 2005)  
Manna Foods Private Ltd.  
Nalanda Biscuit Company Ltd.  
Sunrise Biscuit Company Private Ltd.  
Uttam Biscuit Company Private Ltd.
  - Associates
3. Key Management Personnel (KMP) Ms. Vinita Bali, Chief Executive Officer  
Mr. Nikhil Sen, Chief Operating Officer
4. Relatives of Key Management Personnel Nil

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**Schedule U : Notes to accounts (continued)**

**Related party disclosure**

**Rs. '000**

	Relationship	Year ended 31 <sup>st</sup> March, 2006	Year ended 31 <sup>st</sup> March, 2005
<b>Sale of investment</b>			
Kwality Biscuits Private Limited	Associates	-	4,598
<b>Investments made</b>			
International Bakery Products Limited	Associates	-	58,200
Others	Joint Venture	-	44
		<u>-</u>	<u>58,244</u>
<b>Debentures redeemed</b>			
J B Mangharam Foods Private Limited	Associates	5,000	7,500
<b>Provision for diminution in value of investments</b>			
Britannia New Zealand Foods Private Limited	Joint Venture	-	325,000
<b>Remittance of dividend</b>			
Associated Biscuits International Limited	Party where control exists	150,943	133,784
<b>Purchase of finished goods</b>			
Ganges Vally Foods Private Limited	Associates	298,791	232,056
International Bakery Products Limited	Associates	17,983	-
Sunrise Biscuit Company Private Limited	Associates	83,707	310,387
<b>Total</b>		<u>400,481</u>	<u>542,443</u>
<b>Purchase of consumables and ingredients</b>			
Ganges Vally Foods Private Limited	Associates	1,721	-
Britannia New Zealand Foods Private Limited	Joint Venture	1,036	2,519
Sunrise Biscuit Company Private Limited	Associates	29,935	-
<b>Total</b>		<u>32,692</u>	<u>2,519</u>
<b>Royalty and shared service income etc.</b>			
Britannia New Zealand Foods Private Limited	Joint Venture	24,320	36,834
<b>Processing charges paid</b>			
International Bakery Products Limited	Associates	120,957	111,682
J B Mangharam Foods Private Limited	Associates	177,022	158,725
Klassik Foods Private Limited	Associates	91,813	100,881
Nalanda Biscuit Company Limited	Associates	72,756	61,066
Uttam Biscuit Company Private Limited	Associates	72,917	90,669
Others	Associates	87,384	54,841
<b>Total</b>		<u>622,849</u>	<u>577,864</u>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**Schedule U : Notes to the accounts (continued)**

**Related party disclosure**

**Rs. '000**

	Relationship	Year ended 31 <sup>st</sup> March, 2006	Year ended 31 <sup>st</sup> March, 2005
<b>Interest and dividend income</b>			
Boribunder Finance and Investments Private Limited	Associates	1,473	1,473
J B Mangharam Foods Private Limited	Associates	1,843	3,750
Sunrise Biscuit Company Private Limited	Associates	-	2,936
Others	Associates	528	214
<b>Total</b>		<b>3,844</b>	<b>8,373</b>
<b>Guarantees and collaterals given</b>			
Ganges Vally Foods Private Limited	Associates	-	860
<b>Guarantees and collaterals taken back</b>			
International Bakery Products Limited	Associates	-	2,205
Manna Foods Private Limited	Associates	-	219
Uttam Biscuit Company Private Limited	Associates	-	2,655
<b>Total</b>		<b>-</b>	<b>5,079</b>
<b>Reimbursement of Trademark registration expenses</b>			
Britannia New Zealand Holdings Private Limited	Joint Venture	5,024	-
<b>Management contracts including secondment of employees (net)</b>			
Britannia New Zealand Foods Private Limited	Joint Venture	2,745	12,457
Ganges Vally Foods Private Limited	Associates	2,938	2,456
International Bakery Products Limited	Associates	2,039	1,269
J B Mangharam Foods Private Limited	Associates	2,727	3,583
Manna Foods Private Limited	Associates	2,642	881
Others	Associates	2,954	1,367
<b>Total</b>		<b>16,045</b>	<b>22,013</b>
<b>Reversals of previous years' liabilities</b>			
Ganges Vally Foods Private Limited	Associates	-	17,828
J B Mangharam Foods Private Limited	Associates	53	3,539
Manna Foods Private Limited	Associates	87	310
Sunrise Biscuit Company Private Limited	Associates	-	32,973
Others	Associates	-	5,947
<b>Total</b>		<b>140</b>	<b>60,597</b>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**Schedule U : Notes to the accounts (continued)**

**Related party disclosure**

**Rs. '000**

	Relationship	Year ended 31 <sup>st</sup> March, 2006	Year ended 31 <sup>st</sup> March, 2005
<b>Inter corporate deposits repaid</b>			
Flora Investments Company Private Limited	Associates	200	-
<b>Advances made/converted</b>			
Ganges Vally Foods Private Limited	Associates	20,000	-
International Bakery Products Limited	Associates	979	16,150
Others	Associates	-	2,856
<b>Total</b>		<b>20,979</b>	<b>19,006</b>
<b>Advances repaid / adjusted</b>			
J B Mangharam Foods Private Limited	Associates	-	8,458
Manna Foods Private Limited	Associates	-	7,692
<b>Total</b>		<b>-</b>	<b>16,150</b>
<b>Scrap sales</b>			
Ganges Vally Foods Private Ltd.	Associates	1,313	-
<b>Provisions for claims/ expenses</b>			
Kwality Biscuits Private Limited	Associates	-	40,501
Klassik Foods Private Limited	Associates	-	104
<b>Total</b>		<b>-</b>	<b>40,605</b>
<b>Remuneration</b>			
Ms Vinita Bali	KMP	33,591	2,493
Mr Nikhil Sen	KMP	3,507	7,061
<b>Total</b>		<b>37,098</b>	<b>9,554</b>
<b>Loan given during the year</b>			
Ms Vinita Bali	KMP	1,500	-
<b>Loan repaid (inclusive of interest)</b>			
Ms Vinita Bali	KMP	194	-
Mr Nikhil Sen	KMP	-	233
<b>Total</b>		<b>194</b>	<b>233</b>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**Schedule U : Notes to the accounts (continued)**

**Related party disclosure**

**Rs. '000**

	Relationship	Year ended 31 <sup>st</sup> March, 2006	Year ended 31 <sup>st</sup> March, 2005
<b>Share of loss in partnership firm</b>			
Britannia Sports	Associates	75	427
<b>Sale of goods</b>			
Britannia New Zealand Foods Private Limited	Joint Venture	20,715	6,312
<b>Sale of assets- trademark license</b>			
Britannia New Zealand Foods Private Limited	Joint Venture	-	323,928
<b>Purchase of assets</b>			
Kwality Biscuits Private Limited	Associates	-	1,740
<b>Outstanding as at year end</b>			
<b>Net receivables / (payables)</b>			
Boribunder Finance and Investments Private Limited	Associates	-	1,473
Britannia New Zealand Foods Private Limited	Joint Venture	10,143	7,465
Britannia New Zealand Holdings Private Limited	Joint Venture	46	323,974
Flora Investments Company Private Limited	Associates	1,092	1,092
Ganges Vally Foods Private Limited	Associates	24,989	21,631
Kwality Biscuits Private Limited	Associates	-	(19,405)
Nalanda Biscuit Company Limited	Associates	(1,682)	(375)
Sunrise Biscuit Company Private Limited	Associates	42,378	62,899
Others	Associates	27,635	(30,915)
<b>Total</b>		<b>104,601</b>	<b>367,839</b>
<b>Provision for doubtful advances</b>			
Boribunder Finance and Investments Private Limited	Associates	24,542	24,542
Britannia Sports (partnership firm)	Associates	1,174	1,174
Manna Foods Private Limited	Associates	10,403	10,403
Sunrise Biscuit Company Private Limited	Associates	20,000	20,000
<b>Total</b>		<b>56,119</b>	<b>56,119</b>
<b>Investment in debentures</b>			
J B Mangharam Foods Private Limited	Associates	27,500	32,500
International Bakery Products Limited	Associates	58,200	58,200
<b>Total</b>		<b>85,700</b>	<b>90,700</b>
<b>Guarantees / collaterals / contingent liability</b>			
Ganges Vally Foods Private Limited	Associates	903	903
Kwality Biscuits Private Limited	Associates	20,250	20,250
Manna Foods Private Limited	Associates	355	355
<b>Total</b>		<b>21,508</b>	<b>21,508</b>

**SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**Schedule U : Notes to the accounts (continued)**

**Related party disclosure**

**Rs. '000**

	Relationship	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>Investments</b>			
Britannia New Zealand Foods Private Limited	Joint venture	604,646	604,646
Others	Associates / Joint venture	20,296	20,296
<b>Total</b>		<b>624,942</b>	<b>624,942</b>
<b>Provision for Investment</b>			
Britannia New Zealand Foods Private Limited	Joint venture	325,000	325,000
<b>Letter of Awareness</b>			
Britannia New Zealand Foods Private Limited	Joint venture	600,000	600,000

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.

**29** Disclosure as per clause 32 of the listing agreement in respect of loans and advances in the nature of loans to associates outstanding at year end:

	Outstanding		Maximum outstanding	
	Year ended 31 <sup>st</sup> March, 2006	Year ended 31 <sup>st</sup> March, 2005	Year ended 31 <sup>st</sup> March, 2006	Year ended 31 <sup>st</sup> March, 2005
Sunrise Biscuit Company Private Ltd.	36,700	57,230	57,230	58,547
Klassik Foods Private Ltd.	-	-	-	4,013
Flora Investments Company Private Ltd.	1,092	1,092	1,092	1,092
Boribunder Finance and Investments Private Ltd.	-	1,472	1,472	1,472
Gilt Edge Finance and Investments Private Ltd.	1,922	1,922	1,922	1,922

**30** Figures in Rupees have been rounded off to the nearest thousand.

**31** Previous year's figures have been regrouped / rearranged, wherever necessary.

<b>Chairman</b>	:	<b>Nusli N Wadia</b>
<b>Directors</b>	:	<b>Georges Casala</b>
	:	<b>A.K. Hirjee</b>
	:	<b>Nimesh N Kampani</b>
	:	<b>S.S. Kelkar</b>
	:	<b>Vijay L Kelkar</b>
	:	<b>Pratap Khanna</b>
	:	<b>Francois - Xavier Roger</b>
	:	<b>Jeh N Wadia</b>
<b>Managing Director</b>	:	<b>Vinita Bali</b>
<b>Company Secretary</b>	:	<b>V Madan</b>

**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No.	02964	State Code	21
Balance Sheet Date	31/03/06		

**II. Capital raised during the year ( Rs. '000 )**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III. Position of Mobilisation and Deployment of Funds ( Rs. '000 )**

Total Liabilities	5,601,392	Total Assets *	5,601,392
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**Sources of Funds**

Paid-up Capital	238,902
Reserves & Surplus	5,251,994
Secured Loans	16,200
Unsecured Loans	77,383
Deferred Tax Liability, net	16,913

**Application of Funds**

Net Fixed Assets	1,516,385
Investments	3,598,641
Net Current Assets*	325,758
Misc. Expenditure	160,608

\* Net of Current Liabilities and Provisions.

**IV. Performance of the Company (Rs. '000)**

Turnover (including other income)	17,350,230
Total expenditure including exceptional items	15,343,102
Profit before tax	2,007,128
Profit after tax	1,464,264
Earnings per share in Rs.	59.96
Dividend rate %	150 %

**V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)**

Item Code No. ( ITC Code )	190530.03 190530.09	Product Description	Biscuit
Item Code No. ( ITC Code )	190510.00	Product Description	Bread
Item Code No. ( ITC Code )	190590.10	Product Description	Cake

Figures in Rupees have been rounded off to the nearest thousand.

Previous year's figures have been regrouped / rearranged wherever necessary.

**STATEMENT OF VALUE ADDED**

	<b>2005-06</b>	<b>Rs. mn 2004-05</b>
Sales including excise duty	18,179	16,154
Sales tax on turnover	<u>1,984</u>	<u>1,645</u>
Gross revenue	20,163	17,799
Less : Bought in materials and services	<u>14,375</u>	<u>12,763</u>
Value added	5,788	5,036
Add : Net income from other sources	197	770
Available for distribution	<u>5,985</u>	<u>5,806</u>

	<b>2005-06</b>		<b>2004-05</b>	
	<b>Rs. mn</b>	<b>%</b>	<b>Rs. mn</b>	<b>%</b>
To employees as salaries and wages, contribution to retirement benefit and welfare expenses	731	12.2	710	12.3
To Government as taxes on profit, excise duty, sales tax on turnover and tax on dividend	3,623	60.5	3,466	59.6
To shareholders as dividend	358	6.0	334	5.8
To funds retained including depreciation, etc. for development	1,273	21.3	1,296	22.3
	<u>5,985</u>	<u>100</u>	<u>5,806</u>	<u>100</u>

## SIGNIFICANT RATIOS

			2005-06	2004-05
<b>MEASURES OF INVESTMENT</b>				
Return on equity	$\frac{\text{Profit after tax}}{\text{Equity shareholders' funds}}$	%	26.7	33.5
Book value per share	$\frac{\text{Shareholders' funds}}{\text{Number of equity shares}}$	Rs.	229.8	185.7
Dividend cover	$\frac{\text{Earnings per share}}{\text{Dividend (plus tax) per share}}$	times	3.5	3.8
<b>MEASURES OF PERFORMANCE</b>				
Profit margin	$\frac{\text{Profit before tax \& exceptional item}}{\text{Sales + Other Income}}$	%	11.3	15.2
Debtors turnover	$\frac{\text{Sales}}{\text{Debtors + Bills receivable}}$	times	87.2	36.5
Stock turnover	$\frac{\text{Sales}}{\text{Stock}}$	times	9.8	12.0
<b>MEASURES OF FINANCIAL STATUS</b>				
Debt ratio	$\frac{\text{Borrowed capital}}{\text{Equity shareholders' funds}}$	%	1.7	1.4
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	times	1.1	0.9
Tax ratio	$\frac{\text{Tax provision}}{\text{Profit before tax}}$	%	27.0	32.5

**TEN YEAR FINANCIAL STATISTICS : 1997 - 2006**

Rs. million

Year ended 31 <sup>st</sup> March	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Assets employed</b>										
Fixed assets less depreciation & amortisation	853	1,277	1,353	1,306	1,588	1,632	1,481	1,283	1,338	<b>1,516</b>
Investments	731	912	1,293	1,470	2,156	3,104	2,969	2,913	3,301	<b>3,599</b>
Net current assets	78	7	18	65	257	592	747	43	(485)	<b>309</b>
Miscellaneous expenditure	-	-	-	122	163	217	260	463	342	<b>161</b>
	<b>1,662</b>	<b>2,196</b>	<b>2,664</b>	<b>2,963</b>	<b>4,164</b>	<b>5,545</b>	<b>5,457</b>	<b>4,702</b>	<b>4,496</b>	<b>5,585</b>
<b>Financed by</b>										
Equity shares	186	186	186	279	279	269	259	251	239	<b>239</b>
Reserves & surplus	838	1,026	1,308	1,586	2,123	3,430	3,653	4,059	4,196	<b>5,252</b>
Loan funds	638	984	1,170	1,098	1,762	1,846	1,545	392	61	<b>94</b>
	<b>1,662</b>	<b>2,196</b>	<b>2,664</b>	<b>2,963</b>	<b>4,164</b>	<b>5,545</b>	<b>5,457</b>	<b>4,702</b>	<b>4,496</b>	<b>5,585</b>
<b>Profits and appropriations</b>										
Sales	7,523	8,478	10,301	11,698	13,325	14,510	13,491	14,705	16,154	<b>18,179</b>
Profit before depreciation, amortisation and tax	368	542	735	962	1,211	1,463	1,690	2,187	2,610	<b>2,175</b>
Depreciation and amortisation	73	118	159	172	189	240	261	224	190	<b>217</b>
Profit before tax and exceptional items	295	424	576	790	1,022	1,223	1,429	1,963	2,420	<b>1,958</b>
Exceptional items	-	-	-	19	(117)	(1,368)	(44)	119	217	<b>(49)</b>
Profit before tax *	295	424	576	771	1,139	2,591	1,473	1,844	2,203	<b>2,007</b>
Taxation	116	135	180	261	434	559	482	656	715	<b>543</b>
Profit after tax	179	289	396	510	705	2,032	991	1,188	1,488	<b>1,464</b>
Dividends	74	93	102	125	153	201	251	272	334	<b>358</b>
Tax on dividend	7	9	11	14	16	-	32	35	47	<b>50</b>
Debenture Redemption Reserve	-	-	-	-	47	14	18	-	-	<b>-</b>
Retained earnings	98	187	283	371	489	1,564	692	910	1,117	<b>1,056</b>

\* Includes impact on account of transfer of dairy business of Rs. 1,257 mn during the year ended 31<sup>st</sup> March, 2002.