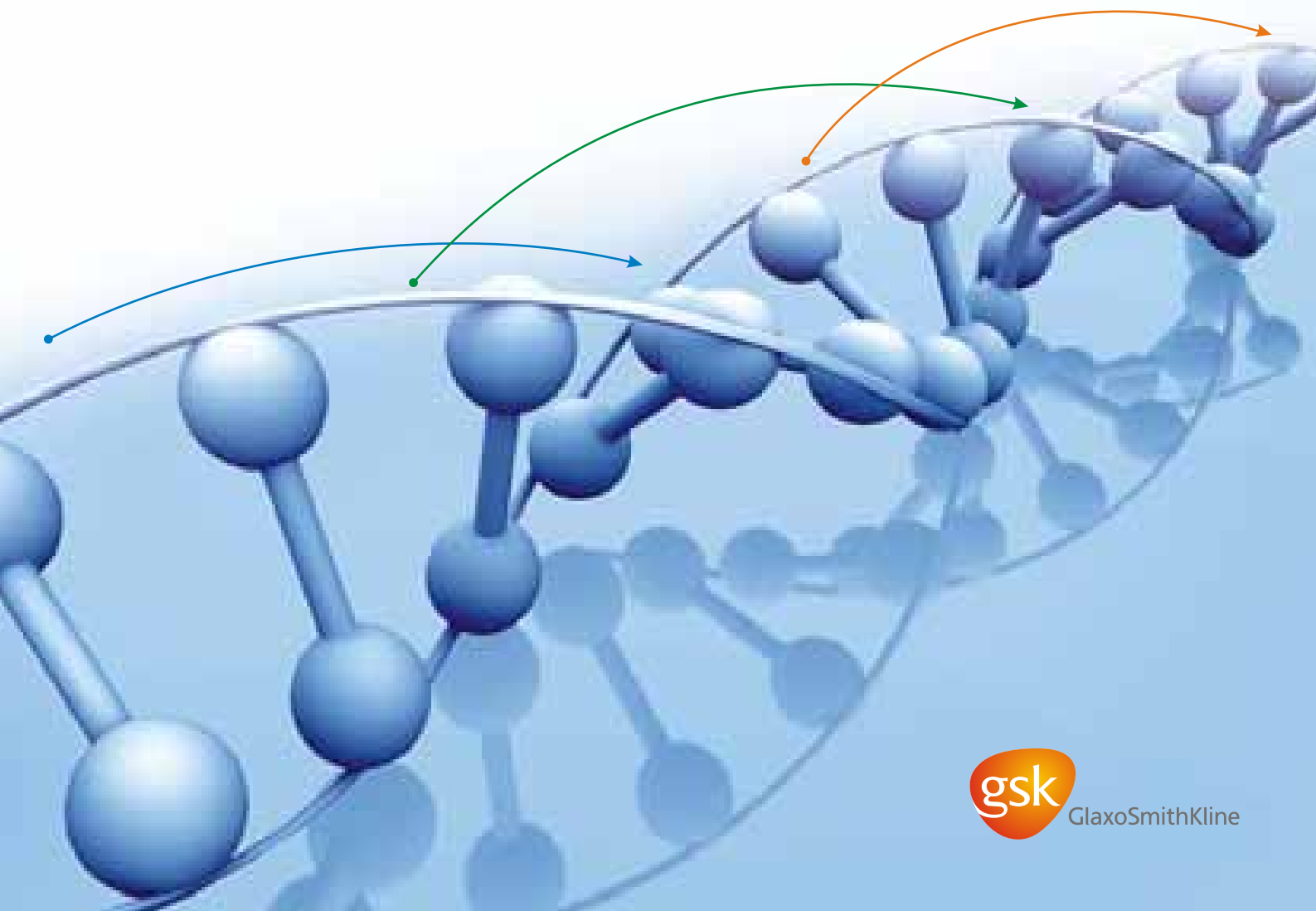


Embedding growth
into the corporate DNA



Board of Directors

(As on 14.02.2011)

Chairman

D. S. Parekh

Vice-Chairman

V. Thyagarajan

Managing Director

Dr. H. B. Joshipura

Directors

R. R. Bajaaj

Dr. A. Banerjee

P. V. Bhide (w.e.f. 28.10.2010)

S. Harford (w.e.f. 28.10.2010)

M. B. Kapadia

N. Kaviratne

V. Narayanan

P. V. Nayak

A. M. Nimbalkar (upto 27.04.2010)

R. C. Sequeira

D. Sundaram

General Manager - Administration &

Company Secretary

A. A. Nadkarni

Factories

- 2nd Pokhran Road, Thane

- Ambad, Nashik

Bankers

Citibank N.A.

Deutsche Bank

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

Auditors

Price Waterhouse & Co

252, Veer Savarkar Marg,

Shivaji Park, Dadar (West)

Mumbai 400 028

Solicitors

Gagrat & Co.

Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Unit: GlaxoSmithKline Pharmaceuticals Limited

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad 500 081

Tel No. 040-44655201/44655148

Email: kvpnair@karvy.com

Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Telephone: 022-24959415/434

Fax: 022-24981526

Email: ajay.a.nadkarni@gsk.com

Management Team

Managing Director

Dr. H. B. Joshipura

Senior Executive Directors

M. B. Kapadia

ñ Finance

ñ Corporate Communications,
Secretarial & Administration

Dr. A. Banerjee

ñ Technical

Executive Director

R. C. Sequeira

ñ Human Resources

Executive Vice-Presidents

Dr. S. Joglekar

ñ Medical & Clinical Research

M. K. Vasanth Kumar

ñ Supply Chain

Vice-Presidents

R. Bataria

ñ Pharmaceuticals

H. Buch

ñ Pharmaceuticals

S. Khanna

ñ Finance

S. Patel

ñ Legal & Corporate Affairs

C. T. Renganathan

ñ Pharmaceuticals

General Manager

S. Rajan

ñ Corporate Communications

Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Telephone: 022-24959595

Fax: 022-24959494

Website: www.gsk-india.com

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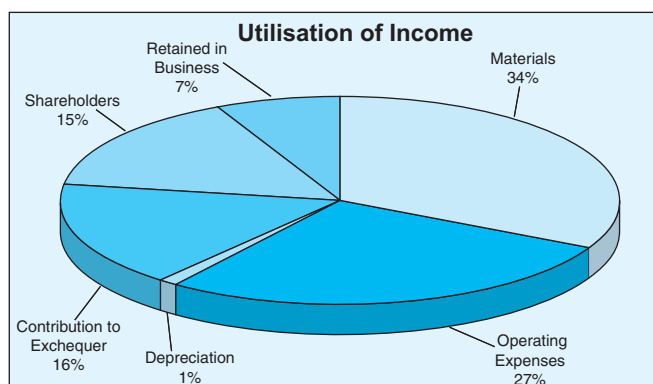
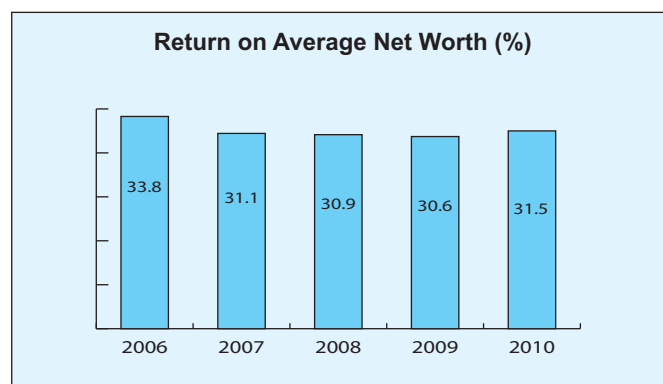
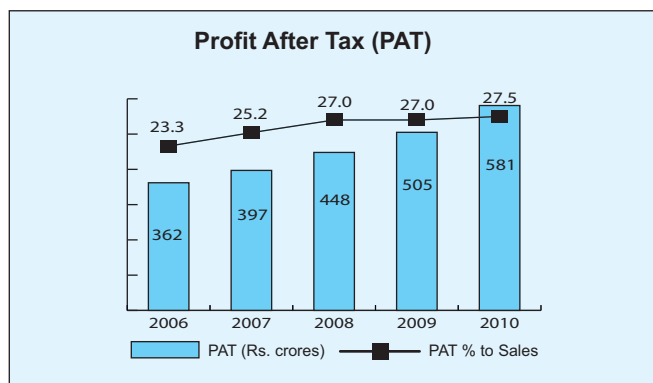
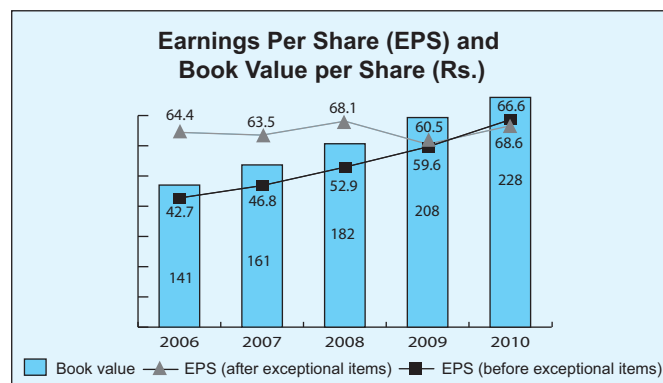
Performance Summary

(Amounts in Rupees Lakhs)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
PROFIT AND LOSS ACCOUNT										
Sales	2155,08	1912,77	1751,56	1712,84	1677,57	1575,89	1479,59	1191,69	1148,22	1097,37
Profit before tax	867,27	758,48	679,90	606,73	555,95	477,91	418,24	284,56	196,33	115,58
Tax	285,89	253,59	231,54	209,94	194,23	171,63	152,19	102,70	67,86	40,26
Profit after tax	581,38	504,89	448,36	396,79	361,72	306,28	266,05	181,86	128,47	75,32
Exceptional items (net of tax)	(17,69)	7,40	128,21	140,87	183,79	195,80	67,04	(9,63)	(30,41)	(31,34)
Net Profit	563,69	512,29	576,57	537,66	545,51	502,08	333,09	172,23	98,06	43,98
Dividends-equity	338,81	254,11	338,81	304,93	262,58	237,17	209,57	74,47	52,13	40,96
Tax on distributed profit	53,21	40,13	57,58	51,82	36,83	33,26	27,39	9,54	6,68	(5,16)
Retained Earnings	171,67	218,05	180,18	180,91	246,10	231,65	96,13	88,22	39,25	8,18
BALANCE SHEET										
Equity Capital	84,70	84,70	84,70	84,70	84,70	84,70	87,32	74,48	74,48	74,48
Reserves	1846,11	1674,45	1456,39	1276,21	1110,01	863,91	836,94	593,01	504,80	486,10
Net Worth	1930,81	1759,15	1541,09	1360,91	1194,71	948,61	924,26	667,49	579,28	560,58
Borrowings	5,16	5,42	5,65	5,77	5,54	4,85	3,85	2,86	1,98	9,71
Total Capital Employed	1935,97	1764,57	1546,74	1366,68	1200,25	953,46	928,11	670,35	581,26	570,29
Net Fixed Assets	117,65	114,17	100,35	92,90	94,46	96,94	91,49	99,38	115,40	137,62
Investments	160,35	190,91	751,87	1333,32	1139,41	913,06	776,82	409,12	162,00	151,68
Net Current Assets	1657,97	1459,49	694,52	(59,54)	(33,62)	(56,54)	59,80	161,85	303,86	280,99
OTHER KEY DATA										
Rupees per Rs.10/- Equity Share	40.00	30.00	22.00	18.00	17.00	14.00	13.00	10.00	7.00	5.50
DIVIDENDS	—	—	18.00	18.00	14.00	14.00	11.00	—	—	—
SPECIAL ADDITIONAL DIVIDEND	—	—	18.00	18.00	14.00	14.00	11.00	—	—	—
TOTAL	40.00	30.00	40.00	36.00	31.00	28.00	24.00	10.00	7.00	5.50
EARNINGS before exceptional items	68.64	59.61	52.93	46.84	42.70	35.69	30.47	24.42	17.25	10.11
EARNINGS after exceptional items	66.55	60.48	68.07	63.48	64.40	58.51	38.15	23.13	13.17	5.90
BOOK VALUE	227.96	207.69	181.95	160.67	141.05	112.00	105.85	89.63	77.78	75.27
Number of employees	4338	4006	3722	3620	3850	4016	4136	4271	4654	5338

NOTES

1. The Company has divested its Fine Chemicals business on 30th September, 2007 and its Animal Health business on 31st July, 2006.
2. The Company has bought back and extinguished 26,19,529 equity shares during 2005.
3. Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
4. The Marketing Undertaking of Megdoot Chemicals Limited has demerged into, and Croydon Chemical Works Limited has amalgamated with the Company from 1.1.2002.
5. SmithKline Beecham Pharmaceuticals (India) Limited merged with the Company from 1.1.2001.
6. Figures have been adjusted/regrouped wherever necessary in line with the financial statements, to facilitate comparison.

Charts



Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2010

1. Results for the year ended 31st December 2010

	Year ended 31 st December 2010 Rs. in Lakhs	Year ended 31 st December 2009 Rs. in Lakhs
SALES (Gross)	2155,08.20	1912,77.03
Less: Excise duty on Sales	43,43.95	42,00.31
NET SALES	2111,64.25	1870,76.72
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	867,26.60	758,48.20
Less: Provision for Taxation	285,88.43	253,58.88
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS	581,38.17	504,89.32
Exceptional Items (Net of Tax)	(17,69.36)	7,39.77
NET PROFIT AFTER TAX	563,68.81	512,29.09
Add: Balance brought forward from the previous year	1049,23.41	882,40.80
Amount available for disposal	1612,92.22	1394,69.89
APPROPRIATIONS :		
General Reserve	56,36.88	51,22.91
Equity Dividend	338,81.20	254,10.90
Distribution Tax on Dividend	53,21.33	40,12.67
Balance carried forward	1164,52.81	1049,23.41

2. Dividend

The Directors recommend a Dividend of Rs. 40 per Equity Share for the year (previous year: Rs.30 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs. 339 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 53 crores.

3. Management Discussion and Analysis

(a) Finance and Accounts

Your Company maintained its leadership position in the Pharmaceuticals market with Net Sales (net of Excise Duty), registering a growth of 12.9%. Profit After Tax and before Exceptional Items grew by 15.1%. Sales performance in all of the Company's diversified business units i.e. in the mass market and mass specialty segments, dermatologicals, oncology, critical care and vaccines helped to support sales growth. Despite significant investments in field force expansion, Profit before investment income and tax was maintained at 35% of Net Sales.

Cash generation from operations continues to remain favourable, driven by business performance and management of working capital. Your Company is constantly looking at ways and means of deploying the accumulated cash balances, which remain invested largely in Bank Deposits.

Your Company has not accepted any fixed deposits during the year. There was no outstanding towards unclaimed deposit payable to depositors as on 31st December 2010.

(b) Pharmaceuticals Business Performance and Outlook

Your Company continues to enjoy a leadership position in the categories in which its products are represented.

Mass Market activity comprising of acute care classic brands such as Calpol, Phexin, Cetzine, Neosporin, Cobadex CZS, Zyloric grew better than the market growth thus having robust evolution index as per SSA-IMS reports. Zemetril, a newly launched brand has climbed to No.1 rank in the represented category and recently launched Parit-D, Lilo, Cefspan are progressing well and have gained good market share.

Rural marketing activity “REACH” registered a robust growth over last year and results from the efforts of brand building and access to medicine are visible. Your Company is on way of expanding reach in mass markets to ensure capturing growth opportunities available in the market.

The Mass Specialty teams continued to record high growth and most of the key brands grew ahead of the market thereby gaining market share. Augmentin orals crossed the Rs. 100 crore mark helping Augmentin to retain the position as the No.1 anti-infective as per IMS report. The focus on hospital and tender business paid rich dividends with your Company further distancing itself from its nearest competitor and remaining a strong No.1 in the hospital segment as per IMS Hospital Audit.

Your Company’s major foray in the injectible antifungal segment saw some good entrenchment and success of the recently launched brand Mycamine. The rest of the critical and acute care portfolio did quite well during 2010 and is expected to grow further in the coming years.

Your Company has entered into Oncology business in 2008 with the successful launch of drug Tykerb. During the year your Company has taken the major step by reducing the price by 35% and made it affordable for more number of patients which has helped achieve growth and also received a positive response from the Oncologists. In 2011, your Company will continue its commitment to oncology with the introduction of innovative breakthrough products like Revolade for the treatment of Chronic Immune Thrombocytopenia and Votrient for the treatment of advanced metastatic Renal Cell Carcinoma.

In Cardiovascular business your Company continues to maintain the leadership with Lanoxin and strengthen the position with the in-licensed product Benitec from Daiichi, Japan. In addition your Company has entered into fast growing statin market with the introduction of both Atorvastatin & Rosuvastatin. In Diabetes Care segment your Company has respected the DCGI order and has withdrawn Rosiglitazone (Windia) from the market while re-assessing strategy for strengthening our presence in this segment.

The Dermatology business of your Company has recorded growth well ahead of the market growth and also continues to maintain the leadership in the segment. Topical antibiotics, antifungal, emollients, sunscreen and acne, the key therapy segments registered a strong growth. Betnovate range, the top brand of Dermatology portfolio continues to grow strongly. Stiefel promoted range has started making visible progress. Dermocalm, the calamine brand launched in second half of 2009, has gained quick market share and is now the 3rd lead brand in the category.

Your Company continues to be a leader in the Vaccines self pay market. Your company launched Flu vaccine and continues to do well with all new launches including Rotarix. Cervarix, a Cervical Cancer vaccine continues to grow in demand and is the market leader in the HPV Vaccines segment (IMS Vaccines Audit September 2010). Your Company plans to launch ‘Synflorix’- Pneumococcal vaccine for kids in 2011.

New products launched during the year included Mycamine inj (Micafungin) in-licensed from Astellas and Parit D capsules (Rabeprazole in combination with Domperidone) in-licensed from Eisai. Cefspan (Cefixime - oral antibiotic) was relaunched with good success. Other branded generics launched during the year were Modvate 3 cream (Beclomethasone in combination with Clotrimazole and Neomycin) and Modvate AF cream (Beclomethasone in combination with Clotrimazole) in Dermatology. Formulations of Atorvastatin and Rosuvastatin tablets were launched in Cardiology under the brand names “Lilo” and “Rosutec” respectively. The combination of Paracetamol with Tramadol was launched under the brand name “Calpol T”.

Exports recorded a sales turnover of Rs. 63 crores comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, France, Indonesia, Jordan, U. K. and Germany.

(c) Opportunities, risk, concerns and threats

As expected, India has been relatively insulated from the global recession, without any significant impact on the growth of the pharmaceutical industry. The industry growth is largely driven by chronic disease segments viz. cardiovascular, diabetes, asthma, cancer, and largely influenced by changing lifestyles. There are signs that health awareness has increased due to higher disposable incomes, urbanization and greater health insurance coverage, which could improve further with acceleration in Government spend on healthcare infrastructure. The adoption of

intellectual property rights has encouraged innovation. The industry continues to remain under price control; the scope and coverage of the Government's new pharmaceuticals policy cannot be ascertained, since it is pending review by the Government and remains an area of uncertainty for the pharmaceutical industry. It is hoped that Government will consider several representations made by industry associations in framing the new policy. Data Exclusivity/Data Protection remain a concern area for the industry.

(d) Research & Development and Regulatory Matters

GlaxoSmithKline continues to be committed to research and development of medicines that will improve the quality of life of people around the world and that truly make a difference to patients. The Clinical Operations group in India, which conducts clinical studies across a number of disease areas ranging from cancer, iron deficiency anaemia, coronary heart disease, osteoporosis, malaria, supports this global and local effort.

Your company is engaged in conducting 22 clinical trials of which 7 were initiated in 2010. A total of 216 patients participated in these studies. Most of the clinical studies initiated in 2010 were in Oncology. Your Company has trained more than 165 investigators at 73 clinical trial sites across India. Quality continues to be the key priority, and is evidenced by a number of successful internal compliance audits.

During the year under review, in order to support the launch of new drugs that would benefit and improve the quality of life of Indian patients suffering from various diseases, your Company submitted 7 NDAs (New Drug Applications) for various products including vaccines and 2 IND (Investigational New Drug) applications to the CDSCO (Central Drugs Standard Control Organization), Ministry of Health and Family Welfare, Government of India. Your Company has received approval for 6 NDAs and 1 IND from CDSCO, which paves the way for speedy introduction of new drugs. Additionally, to support the R&D efforts of GlaxoSmithKline, your Company submitted 6 global Clinical Trial applications to the CDSCO and have been granted approval to conduct 3 studies on the Indian population through the Clinical Operations group in India.

Some of the novel innovator products for oral use, approved by the regulatory agency in India during the year under review, include pazopanib (Votrient) an oncology product for the treatment of advanced renal cell carcinoma, eltrombopag (Revolade) for the treatment of immune thrombocytopenia (ITP), and ambrisentan (Volibris) for the treatment of pulmonary arterial hypertension. In addition, a new indication approved for the existing oncology product lapatinib (Tykerb) in combination with letrozole will be beneficial for Indian patients with metastatic breast cancer.

Efforts towards ensuring a speedy review and approval by regulatory authorities for these products will help achieve early access to new and innovative therapeutic options to patients in the country.

The Medical Affairs team is resourced to play a pivotal role in communicating cutting edge information for brand plans and engaging with external experts to ensure exchange of evidence-based scientific information. The Medical Affairs team also ensures that the highest ethical standards and medical governance principles are upheld during the promotion of products by the sales team.

(e) Internal Control Framework

Your Company conducts its business with integrity and high standards of ethical behavior, and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, supported by standard operating procedures, policies and guidelines, including suitable monitoring procedures and self-assessment exercises. In addition to external audit, the financial and operating controls of your Company at various locations are reviewed by the Internal Auditors, who report significant findings to the Audit Committee of the Board. Compliance with laws and regulations is also monitored.

Your Company's Code of Conduct sets out the fundamental standards to be followed by employees in their everyday actions. In accordance with the Code of Conduct, and Standards associated with the Code of Conduct, employees are required to become familiar with the legal requirements, policies and procedures applicable to their areas of operation, avoid conflicts of interest and are tasked with upward reporting of all unethical and illegal conduct. All employees are committed to the principle of performance with integrity and ensuring that activities comply with all applicable laws. Additionally, Managers are required to certify on an annual basis whether there have been any transactions which are fraudulent, illegal or violative of the Code of Conduct. Strong oversight and self monitoring policies and procedures demonstrate your Company's commitment to the highest standards of integrity.

(f) Human Resources

Capability Building, Talent Management and Employee Engagement remain the key focus of your company's Human Resource strategy. Your Company has continued to build on its capabilities in getting the right talent to support the different therapy areas in which it does business. These are backed by robust management training schemes, hiring of key management personnel, and sales training.

With the objective of engaging employees and providing them an opportunity to present their ideas, your Company has encouraged its employees to form voluntary empowered teams. These teams are provided the necessary support to present their ideas to the Senior Leadership/ Management Committee and encouraged to execute their ideas. Your Company has also recognized over 200 employees for their contribution towards GSK values, strategic imperatives and the corporate strategy through its AAA (Acknowledge, Appreciate, Applaud) Award recognition programme. A wellness and wellbeing service has also benefited a number of employees in coping with the day-to-day challenges of modern life. Pursuant to an internal employee survey, task forces have been formed to address issues around Communication, Speeding up Organisational Processes and Alignment of Objectives.

With a view to laying greater focus on leadership, your Company launched the global First Line Leadership programme aimed at building leadership capabilities amongst its first line managers particularly the more recent appointees.

On the Industrial Relations front, your Company continued to enjoy a cordial and harmonious relationship. The Company also launched a Career Ladder Scheme for its top performing Medical Representatives and re-designated them as Medical Business Associates. A Memorandum of Understanding has been signed with the Unions in Kolkata, Delhi and Chennai regions for their Kit Allowance entitlement.

Given your Company's growth plans, a large number of sales personnel were hired last year and the ramp-up is expected to continue in 2011. The sales training team delivered a record-breaking 42000 man days of classroom training to enhance selling skills and product knowledge. The use of the internet for Pathology-Product-Promotion Knowledge updates has also been actively utilized by most Business units to provide professional value updates to our doctor fraternity.

Your Company had a staff strength of 4338 employees as on 31st December, 2010 compared to 4006 employees at the end of the previous year.

(g) Procurement

The inflationary pressures in global commodity prices had its impact on raw and packing material costs. A combination of strategic commodity management and integration with global processes helped mitigate these price pressures to a large extent. An Operation Excellence Programme at vendor locations was successfully executed. Compliance with Environment, Health and Safety norms and promoting sustainability of natural resource usage at vendor's locations was a major focus area for vendor engagement. Support was provided to Sales management to improve the aesthetics of some products. Audit of vendor sites for global level quality compliance is aimed at making them partners for reliable supply, service and quality at the most economical cost.

Sourcing strategies were developed for spend optimization in the area of marketing promotional support items, promotional printing, air travel and events management. Key Supplier Reviews in strategic categories were conducted by engaging the business teams and use of a supplier performance matrix largely focused on compliance with processes, documentation and contracts.

(h) Manufacturing

Your company continues to invest in manufacturing capabilities and the supply network to support growth at optimum product cost. Nashik site has delivered 300 million Albendazole tablets to WHO as a part of the global Lymphatic Filariasis eradication programme. Continuous improvement initiatives using lean sigma principles and better process understanding has improved productivity at the sites. Both Nashik and Thane manufacturing sites continue to focus on waste reduction opportunities through optimising material usage and pack rationalization. There was considerable focus on improving Environment, Health and Safety and GMP compliance at both the sites during the year.

(i) Information Technology (IT) & Supply Chain

A mobile phone based field activity reporting initiative piloted last year was successfully launched during the year. The Medical representatives will now report their activity in near real time using mobile handsets, and this is expected to improve sales effectiveness. In support of the

business initiative of process simplification, IT enabled new processes for managing the tender business and web portals for reaching rural medical professionals have been developed.

Focused initiatives for Consensus Forecasting and Supply Chain Planning, aligned with global best practices, helped to improve supply chain efficiencies. Processes related to obsolescence management for destruction of stocks were reviewed and strengthened, as also cold chain assurance aimed at mitigating risk. A pilot was launched in the Southern region to provide inputs for network optimization in a GST scenario.

(j) Corporate Social Responsibility

During the year, your Company continued with its long term ongoing projects while undertaking many new social development initiatives.

Gramin Aarogya Vikas Sanstha (GAVS), a registered public trust promoted by the Company operates predominantly in tribal and remote villages around Nashik. GAVS covers six blocks of Peth Taluka, Nashik through its Mobile Clinic and three Medical centres.

Your Company in collaboration with Pratham an NGO, runs a shelter home in Behraich District, Uttar Pradesh which provides vulnerable children with opportunities for holistic development, mainstream them into the educational system and equip them with some vocational skills. The Rag Pickers project supported by your Company and implemented by Niramaya Health Foundation at Deonar Dumping ground aims at providing Primary healthcare services and quality Health Education to the rag picker children and their families, residing in and around the area. The Company continued its support to Institute for Indian Mother & Child (IIMC) a non-governmental voluntary organization, committed to promote child and maternal health and literacy set up with the mission to give support to the medical needs to the poorest and most backward people of West Bengal who have no access to basic healthcare and medicinal facilities. These children are not only provided medical facilities, but are also supported with nutritional supplements on a regular basis. The Company also continued its support to the aged by supporting the Helpline for Aged run by Dignity Foundation, while also providing for medical facilities to the rural geriatric population of Khurda district, Orissa.

During the year, the Company initiated a new project for Cancer detection among the rural underserved community by partnering with Bhaktivedanta Hospital in Thane district. This Hospital is devoted to giving holistic care by way of medical services and it services over 1.5 million people in its catchment areas within a radius of 10 kilometers. The Company also took up a new initiative with Navjyoti India Foundation formed by Dr. Kiran Bedi and is engaged in social upliftment and extending support to marginalized and vulnerable groups including women and children. Another new social initiative taken during the year was to train underserved women from difficult backgrounds as nursing assistants in collaboration with the Ramakrishna Mission, Chennai, one of the oldest centres of the Ramakrishna Mission. Education offered by the mission is free of cost to all, irrespective of religion, caste and creed. Additionally, your Company took up a project run through Life Trust a charitable Trust, established with a mission of improving quality of education in Municipal run secondary schools using technology and visual aids and supporting children with learning disabilities. Donation of essential medicines / products for humanitarian causes continued for important events organized for mass mobilization and participation. The Company supported the ISKCON Food Relief Foundation's Mid-Day meal project for Municipal school children in Mumbai and the St. Jude India Care Center for cancer affected children.

GSK plc is implementing the Personal Hygiene and Sanitation Education (PHASE) Programme in some selected municipality schools in Mumbai and shelter homes in Maharashtra, Gujarat, Rajasthan and Uttar Pradesh. Also, the global commitment to the elimination of Lymphatic Filariasis (LF) was strengthened with the setting up of a production facility for albendazole at your Company's plant in Nashik to produce 300 million treatments per annum.

(k) Cautionary Note

Certain statements in the "Management Discussion and Analysis" section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

4. Directors

Resignation

Mr. Ajit Nimbalkar resigned as Director from 27th April 2010. The Board places on record its appreciation of the valuable services rendered during his tenure as Director and for his contributions to the deliberations of the Board.

Appointments

The Board of Directors has appointed Mr. Pradeep Bhide as Non-Executive Independent Director with effect from 28th October 2010, in the casual vacancy caused by the resignation of Mr. Ajit Nimbalkar. The Board has also appointed Mr. Simon Harford as Non-Executive, Non - Retiring Director with effect from 28th October 2010.

Mr. P. V. Nayak, Mr. V. Narayanan and Mr. D. Sundaram retire by rotation and, being eligible, offer themselves for re-appointment.

5. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and 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 ended 31st December 2010 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care 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) that the Directors have prepared the annual accounts on a going concern basis.

6. Corporate Governance

Your Company is part of the GlaxoSmithKline plc group and conforms to norms of Corporate Governance adopted by them. As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, given in Annexure 'B', forms a part of this Report.

7. Auditors

Members are requested to re-appoint M/s. Price Waterhouse & Co, Chartered Accountants, as the Auditors of the Company and authorise the Audit Committee to fix their remuneration.

Pursuant to the Order by the Central Government under Section 233B of the Companies Act, 1956, the Board of Directors of your Company have appointed Messrs R. Nanabhoy & Co., Cost Accountants for conducting the audit of the cost accounting records maintained by the Company for its Bulk Drugs and Formulations.

8. General

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure 'A' forming part of this Report. The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the reports and accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company. Further, attached to the accounts of the Company are the Report and Audited Accounts of Biddle Sawyer Limited, a subsidiary company.

9. Appreciations and Acknowledgements

The Board places on record its appreciation of enormous contribution and support received by your Company from GlaxoSmithKline plc, by providing access to the latest innovative products, other products relevant to the local market, sales/marketing and training inputs, technological support and global business processes which have played an important role in helping your Company to become a leading player in the Indian pharmaceutical market.

The Directors express their appreciation for the contribution made by the employees to the significant improvement in the operations of the Company and for the support received from all other stakeholders, including shareholders, doctors, medical professionals, customers, suppliers and business partners.

On behalf of the Board of Directors

D.S. Parekh
Chairman

Mumbai, 14th February 2011

Annexure 'A' to the Directors' Report

I. Conservation of Energy:

Energy conservation activities continue to be at the forefront of manufacturing initiatives through regular review of energy generation & effective control on its utilisation. In support of the initiative on Climate Change, the focus is to reduce the 'carbon foot print' and improve energy efficiency.

- Nashik factory has achieved 6.5% reduction in Gigajoules consumption through various energy conservation initiatives.
- Energy Kaizen Week was organized at the Thane site involving all users of energy to identify opportunities of energy reductions. The Kaizen week generated many ideas and quick win actions resulting in efficient energy usage. The total saving potential was estimated at 6.6 GWhrs (20.7%) over the next three years delivering 14% reduction in the CO2 emission.

Some of the measures for optimising the usage, undertaken during the year are listed below-

Energy Conservation measures taken:

- Implementation of GEM trap initiative
- Rationalisation of distillation stills for WFI
- Replacement of old HVAC ducting insulation
- Energy efficient pumps for cooling water/boiler
- High efficiency coating system for Zinetac
- Use of EC motors for AHU
- Replacement of street light from HPMV to highly energy efficient LED bulb
- Installed wind driven turbo ventilator for exhausting air from production building
- Replaced old reciprocating compressor window air conditioner with highly energy efficient rotary compressor air conditioner
- All new equipment are procured with energy efficient induction motor

Apart from the above measures, continued efforts for monitoring of noise levels, recycling of waste and monitoring of gaseous emission from boiler helped sustain a high level of energy efficiency.

A) Power and Fuel Consumption

		Year Ended 31st December 2010	Year Ended 31st December 2009
1. Electricity			
(a) Purchased units	KWH'000	23,394.08	23,065.03
Total amount	Rs.Lacs	13,37.00	12,48.41
Rate/Unit	Rs.	5.72	5.41
(b) Own generation			
(i) Through DG			
Units	KWH'000	295.20	110.01
Units /Ltr of HSD	KWH'000	5.02	4.81
Cost per unit	Rs.	15.45	19.03
(ii) Coal		—	—
2. Furnace Oil, LDO & LSHS			
Quantity	KL	2,732.42	2,991.17
Total amount	Rs.Lacs	8,05.17	6,75.11
Average rate	Rs./KL	29,467.29	22,570.02
3. Others		—	—

B) Consumption PU of production

Particulars	UOM	Year ended 31st December 2010		Year ended 31st December 2009	
		Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	Units	8,46,710	78,253	5,32,894	78,971
Furnace Oil, LDO & LSHS	KLtrs	151.73	5.28	98.44	6.72

II. Research and Development (R&D)

The company has two R&D units, namely Chemistry Research & Development (CR&D) and Pharmaceutical Research & Development (PR&D). Both are approved by Department of Science and Industrial Research, Government of India.

A. Chemistry Research & Development (CR&D), Thane

CR&D at Thane carries out research services activities for the "Platform Technology & Services - Computational and Structural Chemistry" (PTS-CSC) group of GSK R&D, UK. These activities are in the area of early phase of drug discovery. The work consists of synthesis of monomers (or building blocks) and synthesis of final test compounds. Monomers are new organic molecules. These monomers are used up in array chemistry. Focused arrays to get drug analogues were conducted to get final test compounds. These are directly deposited into GSK library of new compounds for various assays catering to different therapeutic areas. Different arrays were carried out to get final test compounds.

B. Pharmaceutical Research and Development (PR&D)

GSK plc continued to augment its technology development capability at PR&D based at Nashik, by having the state-of-the art tablet compression capability to proactively assess any potential compression issues while developing the new products or tableting process. Additionally, the dispenser isolator was installed in PR&D to handle highly potent compounds. The selected scientists from this facility acquired the new skills in API evaluation and technical risk assessments from GSK plc. Thus, the facility has been fully equipped to use GSK's philosophy of science and risk based approach to ensure that the quality is built into the product design.

The facility is supporting new product introduction, product transfers and line extension developments. The facility works in collaboration with GSK's Technical Development facility at Mayenne, France. The facility also supports new source evaluation, process improvement, technical trouble shooting, pilot scale studies, process understanding and identification of "critical to quality" and "critical to process" parameters.

Specific areas in which R&D is carried on by the Company :

- Pharmaceutical R&D successfully evaluated new coating composition for aqueous coating of Zinetac 150mg tablets to increase the coating efficiency and to improve the tablet appearance.
- The department developed the line extensions of Allopurinol and Thyroxin tablets and the technology was successfully scaled up and transferred to manufacture the products at commercial scale.
- The department successfully developed the environment-friendly granulation process for Celin Chewable tablet and implemented it for commercial scale manufacturing to eliminate solvents from the process.

PR&D has played key role in supporting increased automation of packaging lines and productivity improvement projects at Nashik.

Benefits derived as a result of the above R&D:

PR&D efforts have helped to introduce new products to grow a diversified business and to deliver more value to the customer and reduce solvent emission (approx. 11 MT per year). It has also brought out an improvement in processes, product design and operating efficiencies. R&D work has also resulted in improved stability of products and cost reduction.

Future Plan of Action:

The Pharmaceutical R&D is planning to use software aided DOE (design of experiments) for developing and optimizing the manufacturing process for new products.

The main area of focus will be to use the trained resources on in-house manufacturing process improvements and support new product launches through collaborative work with various business partners.

The company is privileged to have access to various research databases used worldwide and to latest technologies developed by the GlaxoSmithKline Group

Expenditure on R&D:

	Rs. Lakhs
1. Capital	101.3
2. Recurring	443.4
Total:	544.7
Total R&D expenditure as a percentage of turn over	0.25%

Technology Absorption, Adaptation and Innovation:

- 1) PVA Based coating for Zinetac 150 was adapted which has resulted in the reduction in cost of goods & decrease in cycle time.
- 2) Development of Palletizer using innovative techniques to minimise manual handling.
- 3) Development & Installation of high speed ointment filling line.
- 4) Innovative technology for cartooning of "Betnelan" tablet strips.
- 5) Low cost automation to improve flow of PET bottles.

III. Foreign Exchange Earnings and Outgo

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

- (1) Exports amounted to Rs.6313 lakhs for the year.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs. 31437 lakhs (which includes amounts spent on import of raw and packing materials and finished goods aggregating to Rs. 18119 lakhs and Dividend payment of Rs.12875 lakhs) as compared to Rs.35185 lakhs in 2009. The foreign exchange earned was Rs.10799 lakhs mainly on account of exports and clinical research and data management as compared to Rs.12220 lakhs in 2009. Details have been given in Notes 20 to 23 in Schedule 17 to the financial statements.

Annexure 'B' to the Directors' Report

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. Company's philosophy on Code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. For several years, the Company has adopted a codified Corporate Governance Charter, which is in line with the best practice, as well as meets all the relevant legal and regulatory requirements. All Directors and employees are bound by Code of Conduct and the associated standards of Conduct that sets out the fundamental standards to be followed in all actions carried out on behalf of the Company.

2. Board of Directors

• Composition and size of the Board

The present strength of the Board is thirteen Directors. The Board comprises of Executive and Non - Executive Directors. The Non - Executive Directors bring independent judgement in the Board's deliberations and decisions. Four Directors, including the Managing Director, are Executive Directors. There are nine Non - Executive Directors, of which, six are Independent Directors.

Glaxo Group Limited, U.K., have rights enshrined in the Articles of Association relating to the appointment and removal of Directors not exceeding one-third of the total number.

• Board meetings and attendance

Six Board meetings were held in the year 2010 and the gap between two Board meetings did not exceed four months. The annual calendar of Board meetings is agreed upon at the beginning of each year.

The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board meeting are circulated at least three days prior to the meeting. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board to take informed decisions.

The dates on which meetings were held are as follows:

Sr.No.	Date of Meeting	Board Strength	No. of Directors present
1.	15 th February	12	12
2.	25 th March	12	11
3.	27 th April	12	11
4.	26 th July	11	11
5.	28 th October	11	11
6.	17 th December	13	13

- Attendance of each Director at the Board meetings and last Annual General Meeting (AGM) and the number of companies and committees where he is a Director / Member (as on the date of the Directors' Report)

Name of Director	Category of Directorship	Number of Board Meetings attended	Attendance at the last AGM held on 25 th March 2010	Number of Directorships in other companies (excluding Directorships in foreign and private companies)	Number of committee positions held in other companies	
					Chairman	Member
Mr. D. S. Parekh Chairman	Non-Executive	6	Yes	12*	3	2
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	6	Yes	1	Nil	2
Dr. H. B. Joshipura Managing Director	Executive	6	Yes	1	Nil	Nil
Mr. R. R. Bajaaj	Non-Executive & Independent	6	Yes	2	Nil	Nil
Dr. A. Banerjee	Executive	6	Yes	1	Nil	Nil
Mr. P. V. Bhide (w.e.f. 28.10.2010)	Non-Executive & Independent	1	N.A.	4	Nil	Nil
Mr. S. Harford (w.e.f. 28.10.2010)	Non- Executive	1	N.A.	Nil	Nil	Nil
Mr. M. B. Kapadia	Executive	6	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	6	Yes	4	3	Nil
Mr. V. Narayanan	Non-Executive & Independent	6	Yes	9	3	2
Mr. P. V. Nayak	Non-Executive & Independent	6	Yes	2	2	1
Mr. R. C. Sequeira	Executive	6	Yes	2	Nil	Nil
Mr. A. M. Nimbalkar (up to 27.4.2010)	Non-Executive & Independent	1	No	Nil	Nil	Nil
Mr. D. Sundaram	Non-Executive & Independent	6	Yes	4	2	1

* In addition, Mr. D. S. Parekh is Alternate Director on 4 Public Limited Companies.

- Directors with materially significant related party transactions, pecuniary or business relationship with the Company

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interests of the Company at large.

- Details of Directors being appointed /re-appointed

As per the Statute, two - third of the Directors should be retiring Directors. One - third of these retiring Directors are required to retire every year and if eligible, these Directors qualify for re-appointment.

Mr. P. V. Nayak, Mr. V. Narayanan and Mr. D. Sundaram retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A brief resume of Directors appointed/eligible for re-appointment along with the additional information required under Clause 49 (VI) (A) of the Listing Agreement is as under:

Mr. P. V. Bhide

Mr. Bhide, Science and Law graduate from Delhi University, has done his Master's in Business Administration from IGNOU. He is enrolled as an Advocate with Delhi Bar Council. Mr. Bhide Joined the Indian Administrative Service in 1973 and has served for 37 years. He held a series of increasingly senior positions at the State and Central levels. He worked as Secretary for Department of Finance and then Department of Energy of Andhra Pradesh. He was a Deputy Secretary / Director in the Department of Economic Affairs, Ministry of Finance and served as Advisor to India's Executive Director to the International Board for Reconstruction and Development, Washington. Mr. Bhide then served as Additional Secretary / Special Secretary in the Ministry of Home Affairs of the Government before being appointed as Secretary in the Department of Divestment with the Ministry of Finance. Mr. Bhide retired as Secretary, Department of Revenue, Ministry of Finance in January 2010, a position which he held from June 2007. He was appointed as Non- Executive Independent Director of the Company from 28th October 2010.

Mr. Bhide is a Director of Tube Investments Limited, L&T Finance Limited, NOCIL Limited and Heidelberg India Cement Limited.

Mr. S. Harford

Mr. Harford is an MBA from the University of Virginia's Darden School. He joined GSK plc as Senior Vice-President Finance, Emerging Markets in June 2009. Prior to joining GSK, he was Group Vice-President and Corporate Controller for Avon Products in New York. Prior to that, Simon worked at Eli Lilly and Company as Vice-President and Corporate Controller in Indianapolis, having joined the company in 1988. Since that time, he took on finance roles of increasing responsibility in the United States and various European countries including Chief Financial Officer, Italy from 1998 - 2000, Head of Investor Relations from 2001 - 2004 and Chief Financial Officer, Europe, Middle East and Africa from 2004 - 2006. He was appointed as Non-Executive, Non-Retiring Director of the Company from 28th October 2010.

Mr. P. V. Nayak

Mr. Nayak graduated with combined honours in Economics and Politics from the University of York, England. He then read law at Gray's Inn, London. From 1970 to 1989, he held several senior level positions in Anil Starch Products, Borosil Glass Works (a Corning subsidiary at that time) and Union Carbide. He also practiced management consultancy with A. F. Ferguson & Co. Mr. Nayak joined the Company in 1989 and was elevated to the Board in 1992. At the time of his retirement from service on 30th September 2003, he was Senior Executive Director in charge of Human Resources, Legal and Licensing, Corporate Communications, Administration and Agrivet Farm Care business. Earlier, he was also in charge of the Qualigens Fine Chemicals business. He was appointed as Non-Executive Director of the Company from 9th October 2003. At present, he holds 576 shares of the Company.

Mr. Nayak is a Director of Siemens Limited, Siemens Healthcare Diagnostics Limited, Virbac Animal Health India Private Limited and BNP Paribas Trustee (India) Private Limited. He is the Chairman of the Investor Grievance Committee and a Member of Audit Committee of Siemens Healthcare Diagnostics Limited. Mr. Nayak is a Member of the Investor Grievance Committee of Siemens Limited.

Mr. V. Narayanan

Mr. Narayanan has more than 50 years of experience in Management. He started his career as a Management Trainee in Hindustan Lever Limited and held several positions in the Sales and Marketing Division of that Company. Subsequently he was deputed to Lever Brothers U.K. for a Senior Management Position. On his return, he joined Pond's (India) Limited and was its Chairman and Managing Director for over 15 years. He is a Director of the Company since May 1995.

Mr. Narayanan has served on the Board of several well known companies including Hindustan Lever Limited, Bata India Limited, Fosters India Limited. He is currently on the Boards of Samtel Colour Limited, Sundram Fasteners Limited, UCAL Fuel Systems Limited, Samcor Glass Limited, Tamilnadu News Print & Papers Limited, Rane Holdings Limited and Rane (Madras) Limited and is the Chairman on the Board of M M Forgings Limited and Pond's Exports Limited. He is also a Director of Lafarge India Private Limited.

Mr. Narayanan is the Chairman of the Audit Committee of M M Forgings Limited, UCAL Fuel Systems Limited and Tamilnadu News Print & Papers Limited and a Member of the Audit Committee of Rane (Madras) Limited and Sundram Fasteners Limited.

A product of the Lawrence School and Loyola College Chennai, Mr. Narayanan has been associated with IIM Bangalore and Academy for Management Excellence, Chennai. He is a past president of the Indo American Chamber of Commerce.

Mr. D. Sundaram

Mr. Sundaram, 57, is a Commerce Graduate with a Post Graduate in Management Studies from Chennai. He is a fellow of the Institute of Cost and Management Accounts and has attended the Advanced Management Programme at Harvard Business School. Mr. Sundaram joined the Unilever group in India as Management Trainee in 1975 and has held increasingly senior roles within the Unilever group including Accounting, Commercial and Treasury at Mumbai, Finance Officer at Unilever (London) for Africa and Middle East Region, Finance Director and Board Member of Brooke Bond Lipton India Limited and Senior Vice-President (Finance), South Asia and Middle East Group based at London. Mr. Sundaram was appointed as Finance Director and Board Member of Hindustan Unilever Limited and subsequently elevated to Vice-Chairman and was also responsible for Pakistan, Bangladesh and Sri Lanka. Mr. Sundaram was awarded CFO of the year for the FMCG sector by CNBC TV 18 in 2006 and 2009. He is the Vice-Chairman and Managing Director of TVS Capital Funds Limited from 10th July 2009.

He is an Independent Director on the Board of State Bank of India, SBI Capital Market Ltd, TVS Electronics Ltd and Member of the Board of Governors of Institute of Financial Management and Research, Chennai. He is the Chairman of the Audit Committee of SBI Capital Market Ltd. and TVS Electronics Ltd and a Member of the Investor Grievance Committee of State Bank of India.

3. Audit Committee

• Terms of Reference

The terms of reference of this Committee are wide enough to cover the matters specified for audit committees under Clause 49 of the Listing Agreements, as well as in Section 292A of the Companies Act, 1956, and are as follows:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) to review with Management the financial statements at the end of a quarter, half year and the annual financial statements before submission to the Board for approval, focusing particularly on:
 - (i) matters required to be included in the Director's Responsibility Statement which form part of the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;

- (ii) changes, if any, in accounting policies and practices and reasons for the same;
 - (iii) major accounting entries involving estimates based on the exercise of judgment by management;
 - (iv) significant adjustments made in the financial statements arising out of audit findings;
 - (v) compliance with listing and other legal requirements relating to financial statements;
 - (vi) disclosure of any related party transactions; and
 - (vii) qualifications in the draft audit report.
- c) to consider the appointment or re-appointment of the statutory auditors, the audit fee, any questions of resignation or dismissal and payment to statutory auditors for any other services rendered by them;
 - d) to discuss with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern (in absence of management where necessary);
 - e) reviewing, with management, performance of statutory and internal auditors, adequacy of the internal control systems and discuss the same periodically with the statutory auditors, prior to the Board making its statement thereon;
 - f) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 - g) discussion with internal auditors on any significant findings and follow up thereon;
 - h) reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
 - i) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 - j) to review the functioning of the Whistle Blower mechanism, in case the same is existing;
 - k) to review the external auditors' audit reports and presentations and management's response thereto;
 - l) to ensure co-ordination between the internal and external auditors, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
 - m) to consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Company subscribes, or of any related codes, policies and procedures, which could have a material effect on the financial position or contingent liabilities of the Company;
 - n) to review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
 - o) to consider other topics, as defined by the Board;
 - p) to review the following information:
 - i) Management discussion and analysis of financial condition and results of operations;
 - ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - iii) Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - iv) Internal audit reports relating to internal control weaknesses; and
 - v) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

- Details of the composition of the Audit Committee and attendance of Members are as follows:

Six Audit Committee meetings were held in 2010. The Committee which was reconstituted on 15th February 2010 comprises of Independent and Non-Executive Directors and their meetings were held on 15th February, 25th March, 27th April, 26th July, 13th October and 28th October, 2010.

Name	Designation	Category of Directorship	Attendance out of six meetings held
Mr. D. Sundaram (w.e.f. 15.02.2010)	Chairman	Non-Executive & Independent	6
Mr. D .S. Parekh	Member	Non-Executive	6
Mr. V. Thyagarajan (w.e.f. 15.02.2010)	Member	Non- Executive	5
Mr. P .V. Nayak	Member	Non-Executive & Independent	6
Mr. N. Kaviratne	Member	Non-Executive & Independent	6
Mr. V. Narayanan (up to 15.02.2010)	Member	Non-Executive & Independent	1
Mr. R. R. Bajaj (up to 15.02.2010)	Member	Non-Executive & Independent	1

The Managing Director, the Finance Director, other Executive Directors, the Statutory Auditors and Internal Auditors are invitees to the meeting.

The Chairman of the Audit Committee, Mr. D. Sundaram, was present at the Annual General Meeting of the Company held on 25th March 2010.

4. Remuneration to Directors

A Senior Management Performance Review Committee determines / reviews the remuneration, performance and related bonuses of management / compensation of Executive Directors. The Committee comprises of Independent and Non-Executive Directors.

Independent and Non-Executive Directors other than Directors who are in the employment of the GlaxoSmithKline Group Companies are paid sitting fees of Rs.10,000 per meeting as remuneration and commission not exceeding in the aggregate 1% of the profits of the Company per annum.

The details of the remuneration paid to the Directors during the year 2010 are given below:

(Rs. in lakhs)

Executive Directors	Salary	Performance Bonus	Perquisites and Allowances	Contribution to Provident Fund and Superannuation Fund	Total
Dr. H. B. Joshipura	117.07	48.57	58.42	31.61	255.67
Mr. M. B. Kapadia	63.68	27.73	45.57	17.19	154.17
Dr. A. Banerjee	45.25	18.20	19.64	12.22	95.31
Mr. R. C. Sequeira	34.36	10.18	33.45	9.28	87.27

(Rs. in lakhs)

Independent and Non-Executive Directors	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	7.00	4.50	11.50
Mr. R. R. Bajaj	5.00	1.30	6.30
Mr. V. Narayanan	5.00	1.20	6.20
Mr. P. V. Nayak	5.00	1.60	6.60
Mr. N. Kaviratne	5.00	1.50	6.50
Mr. V. Thyagarajan	5.00	1.40	6.40
Mr. A. M. Nimbalkar (up to 27.4.2010)	1.60	0.10	1.70
Mr. D. Sundaram	5.00	1.50	6.50
Mr. P. V. Bhide (w.e.f. 28.10.2010)	0.85	0.10	0.95

payable in 2011

Notes:

- The agreement between the Company and each of the Executive Directors is for a period of five years or upto normal retirement date, whichever is earlier. Either party to the agreement is entitled to terminate the agreement by giving not less than three months notice (six months notice in case of Managing Director) in writing to the other party.
- Performance bonus is paid as a percentage of salary, based on certain pre-agreed performance parameters.
- All the Directors of the Company, excluding the Managing Director, Directors in the whole-time employment of the Company and Directors who are in the employment of the GlaxoSmithKline Group Companies are entitled to receive commission collectively up to a maximum of one percent of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 for such period and such amount as may be decided by the Board of Directors from time to time.
- Presently, the Company does not have a scheme for grant of its stock options either to the Executive Directors or employees. However, the Executive Directors and some senior employees of the Company are entitled to Stock Options, Share Value Plan and Performance Share Plan of GlaxoSmithKline plc. During the year, in addition to the above, Dr. H. B. Joshipura, Mr. M. B. Kapadia, Dr. A. Banerjee and Mr. R. C. Sequeira were paid an amount of Rs. 23,77,582, Rs. 15,11,961, Rs. 11,61,674 and Rs. 8,55,886 respectively under the GlaxoSmithKline plc. Share Value Plan and Performance Share Plan.
- None of the Directors other than those listed above are paid remuneration.
- Mr. D. S. Parekh and Mr. P. V. Nayak hold 612 and 576 shares of the Company, respectively. None of the other Non-Executive Directors hold any shares of the Company.

5. Investors / Shareholders Grievance Committee

The composition of the Investors / Shareholders Grievance Committee is as follows:

Name of the Member	Designation	Category of Directorship
Mr. D. S. Parekh	Chairman	Non-Executive
Mr. R. R. Bajaj	Member	Non-Executive & Independent
Dr. H. Joshipura	Member	Executive
Mr. M. B. Kapadia (up to 15.02.2010)	Member	Executive
Mr. P. V. Bhide (w.e.f. 28.10.2010)	Member	Non-Executive & Independent

During the year under review, the Committee met on the 26th July 2010 and all the members attended the meeting.

Name, designation and address of the Compliance Officer:

Mr. Ajay Nadkarni
 Company Secretary
 Dr. Annie Besant Road
 Mumbai-400 030
 Phone: (022) 2495 9433
 Fax: (022) 2498 1526
 Email ID: ajay.a.nadkarni@gsk.com

The complaints received during the year are as follows:

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	-	1	-	2	3
Stock Exchanges	-	2	1	-	3
Shareholders	9	10	7	7	33
Total	9	13	8	9	39

During the year, the above complaints regarding non-receipt of shares sent for transfer demat queries and non-receipt of dividend warrants and annual reports were received from the shareholders, all of which have been resolved. The Company had no transfers pending at the close of the financial year.

6. General Body Meetings

- Details of the location of the last three Annual General Meetings (AGM) and details of the resolutions passed or to be passed by Postal Ballot:

Date	Year	Venue	Time
25 th March 2010	2009	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai – 400 020	3.00 p.m.
2 nd April 2009	2008		3.00 p.m.
21 st April 2008	2007		3.00 p.m.

All the resolutions, including special resolutions set out in the respective Notices were passed by the shareholders. No Postal Ballots were used for voting at the meeting held during the year under review.

At the forthcoming AGM, there is no item on the agenda that needs approval by Postal Ballot.

7. Disclosure

- There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.
- Transactions with related parties are disclosed in Note 26 of Schedule 17 to the financial statements in the Annual Report.
- During the last three years, there were no strictures or penalties imposed by either the Securities and Exchange Board of India or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.
- The Codes of Conduct applicable to all Directors and employees of the Company have been posted on the Company's website. For the year under review, all Directors and senior management personnel of the Company have confirmed their adherence to the provisions of the said Codes.
- The Company has put in place a Whistle Blower Policy pursuant to which employees of the Company can raise their concerns relating to the fraud, malpractice or any other activity or event which is against the interest of the Company.

8. Means of Communication

- The quarterly and half-yearly results are published in widely circulating national and local dailies such as The Economic Times and Business Standard, in English and Maharashtra Times, in Marathi. These are not sent individually to the shareholders.

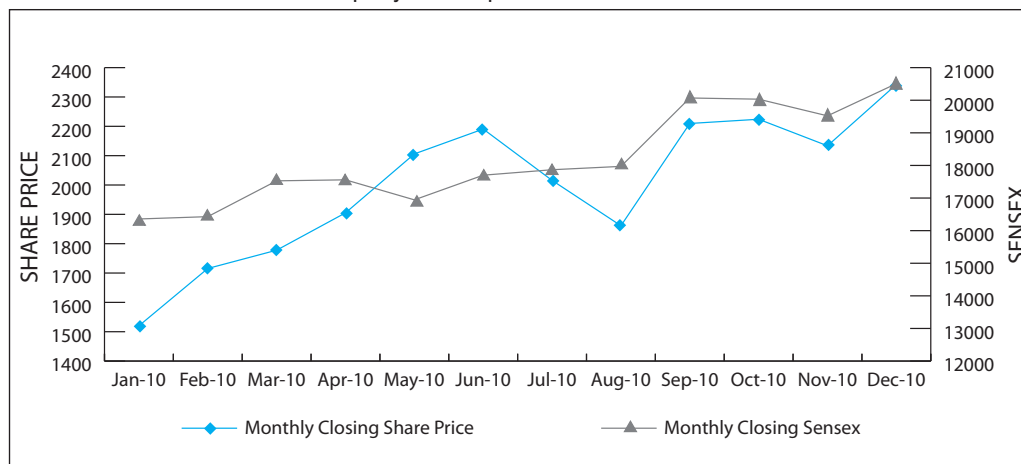
- The Company's results and official news releases are displayed on the Company's website. The Company's website address is www.gsk-india.com. The Company had meeting with and made presentations to institutional investors and analysts once during the year.
- The Management Discussion and Analysis Report forms a part of this Annual Report.

9. **General Shareholder Information**

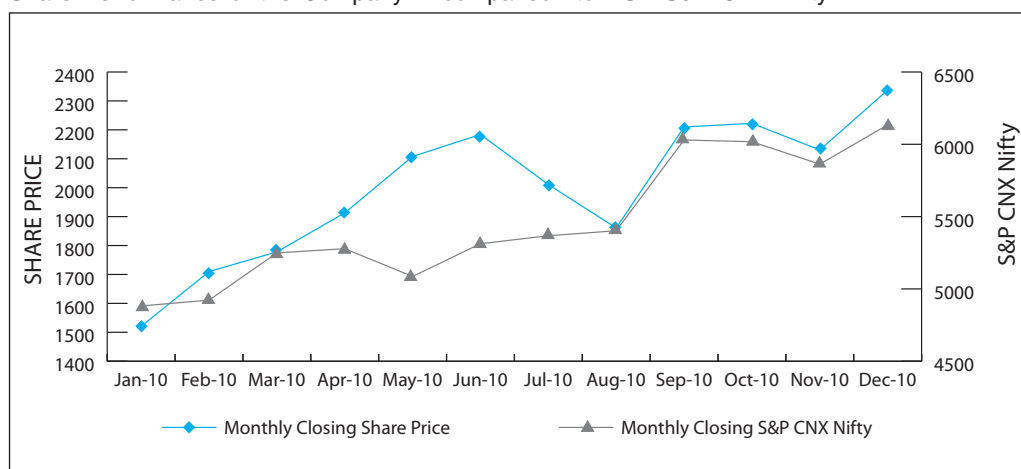
- AGM: Date, Time and Venue 29th March 2011 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020
- Financial Year
 - i) January to December
 - ii) First Quarter Results - First week of May
 - iii) Half-yearly Results - First week of August
 - iv) Third Quarter Results - First week of November
 - v) Results for the year ending 31st December 2011 - February 2012
- Date of Book Closure 16th March 2011 to 29th March 2011 (both days inclusive)
- Dividend Payment date(s) On 30th March 2011
- Listing on Stock Exchange The Stock Exchange, Mumbai, and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1st April 2010 to 31st March 2011.
- Stock Code – Physical 500660 on The Stock Exchange, Mumbai
GLAXO on The National Stock Exchange
- Demat ISIN Number for NSDL and CDSL INE 159A01016
- High/low of market price of the Company's shares traded along with the volumes on the Stock Exchange, Mumbai and on the National Stock Exchange during the calendar year 2010 is furnished below :

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of shares)	High (Rupees)	Low (Rupees)	Volume (No. of shares)
January 2010	1,741.00	1,490.10	94910	1,694.95	1,490.10	372906
February 2010	1,731.00	1,500.00	202301	1,731.00	1,501.00	778852
March 2010	1,785.00	1,650.00	247626	1,790.00	1,681.05	1124516
April 2010	1,940.00	1,750.00	167897	1,930.20	1,750.15	378727
May 2010	2,271.00	1,818.00	152473	2,274.95	1,862.00	750102
June 2010	2,230.00	2,008.00	100225	2,339.00	2,005.00	623901
July 2010	2,215.00	2,000.00	165598	2,219.85	1,998.00	697143
August 2010	2,058.00	1,850.00	309669	2,078.00	1,842.40	529512
September 2010	2,284.90	1,876.05	143245	2,290.00	1,860.70	853219
October 2010	2,391.00	2,210.00	139682	2,399.90	2,210.00	655480
November 2010	2,341.00	1,905.00	55261	2,334.90	1,890.00	379563
December 2010	2,369.00	2,075.00	65601	2,364.50	2,024.05	306720

- Share Performance of the Company in comparison to BSE Sensex



- Share Performance of the Company in comparison to NSE S&P CNX Nifty



- Equity History

Particulars	No. of shares issued (of Rs. 10 each)	Year of issue
Original Holding	18,00,000	1924
Bonus Issue	2,00,000	1947
Bonus Issue	10,00,000	1962
Bonus Issue	24,00,000	1968
Public Issue	18,00,000	1969
Bonus Issue	36,00,000	1977
Bonus Issue	36,00,000	1980
Public cum Rights Issue	56,00,000	1983
Shares allotted to Group Companies	44,89,800	1993
Rights Issue	53,97,700	1993
Bonus Issue	2,98,87,500	1995
Shares issued pursuant to the amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited (SBPIL) with the Company in the ratio of one share of the Company for every two shares of SBPIL issued on 30 th November 2001	1,47,00,000	2001
Shares issued pursuant to the amalgamation of Burroughs Wellcome (India) Limited (BWIL) with the Company in the ratio of fourteen shares of the Company for every ten shares of BWIL issued on 29 th October 2004	1,28,47,546	2004
Buy back of equity shares	(26,19,529)	2005
Total	8,47,03,017	

- List of top ten shareholders of the Company other than Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton Investment Limited who hold 35.99%, 6.94%, 3.97% and 3.77% shares respectively.

Sr. No.	Name of Shareholder	% to Equity
1.	Life Insurance Corporation of India	6.17
2.	Aberdeen Asset Managers Limited A/C Aberdeen International India Opportunities Fund (Mauritius) Limited	3.58
3.	Aberdeen Asset Managers Limited A/C Aberdeen Global - Asia Pacific Equity Fund	1.74
4.	Aberdeen Asset Managers Limited A/C Aberdeen Global – Emerging Markets Equity Fund	1.36
5.	Life Insurance Corporation of India - Market Plus	1.31
6.	General Insurance Corporation of India	1.18
7.	HDFC Standard Life Insurance Company Limited	1.05
8.	Aberdeen Delaware Business Trust Emerging Markets Equity Fund	0.97
9.	Aberdeen Asset Managers Limited A/C Aberdeen Investment FIMDS OCVC-Asia Pacific Fund	0.96
10.	The Oriental Insurance Company Limited	0.81

- The distribution of shareholding as on 31.12.2010 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	27331	25.67	337581	0.40
26 to 50	17566	16.50	758687	0.90
51 to 100	22911	21.53	1867231	2.20
101 to 500	35614	33.46	6859084	8.10
501 to 1000	2081	1.96	1455303	1.72
1001 to 10000	795	0.75	1701082	2.01
10001 and above	139	0.13	71724049	84.67
Grand Total	106437	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2010

Category	No. of Shares	%
Glaxo Group Limited, U.K.	30485250	35.99
Eskaylab Limited, U.K.	5880000	6.94
Burroughs Wellcome International Limited, U.K.	3360000	3.97
Castleton Investment Limited	3192238	3.77
Insurance Companies, FIs & Banks	10407473	12.29
FIIIs, NRIs, OCBs	13830441	16.33
Mutual Funds	3271612	3.86
Domestic Companies	1585893	1.87
Resident Individuals	12690110	14.98
Total	84703017	100.00

- Registrars and Share Transfer Agents

Karvy Computershare Private Limited
 Unit: GlaxoSmithKline Pharmaceuticals Limited
 Plot No 17-24, Vittal Rao Nagar, Madhapur,
 Hyderabad 500 081
 Tel No.: 040 - 44655201 / 44655148
 Fax No.: 040 - 23420814
 Contact Person(s): Mr. M. R. V. Subrahmanyam /
 Mr. Premkumar Nair
 Email ID: kvpnair@karvy.com
- Share transfer system

All the transfers received are processed by the Registrars and Share Transfer Agents and are approved by the Share Transfer Committee, which normally meets twice in a month or more depending on the volume of transfers. Share transfers are registered and returned within maximum of 18 days from the date of lodgment if documents are complete in all respects.
- Dematerialisation of shares and liquidity

45.67% of the paid-up capital has been dematerialised as on 31.12.2010. Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleon Investment Limited, who jointly hold 50.67% of the paid-up share capital of the Company, continue to hold their shares in the physical form.
- Outstanding GDRs/ADRs/ Warrants or any convertible instruments conversion date and likely impact on equity

Not issued.
- Plant locations

The Company's plants are located at Thane and Nashik (Maharashtra).
- Address for correspondence

Shareholders' correspondence should be addressed to the Company's Registrars and Share Transfer Agents at the address mentioned above.

Contact Person(s) : Mr. M. R. V. Subrahmanyam /
 Mr. Premkumar Nair

Shareholders may also contact Mr. Ajay Nadkarni, Company Secretary, at the Registered office of the Company for any assistance.
 Tel.Nos. 2495 9595 Extension 433/415
 Email ID : ajay.a.nadkarni@gsk.com

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited, for the year ended 31st December, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the 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 an 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 14th February, 2011

Auditors' Report

TO THE MEMBERS OF GLAXOSMITHKLINE PHARMACEUTICALS LIMITED

1. We have audited the attached Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the 'company'), as at 31st December, 2010, and the related Profit and Loss Account and 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 the 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 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 as required by law have been kept by the company 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 sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st December, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2010 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 31st December, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Mumbai, 14th February, 2011

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GlaxoSmithKline Pharmaceuticals Limited on the financial statements for the year ended 31st December, 2010]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets, other than the situation of furniture and office equipment, for which the situation recorded is the location of the company's different establishments.
- (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 materials in transit, has been physically verified by the management during the year. Further, a major portion of inventory lying with third parties has been physically verified by the management during the year. 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. In our opinion, 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 covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.
- (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. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and 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 we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the company for the current year.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of the products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
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 generally regular in depositing 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 in India.
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of wealth tax, customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax, sales tax, service tax and excise duty as at 31st December, 2010 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount* Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
The Income-tax Act, 1961	Income-tax including interest, as applicable	19,93.26	#Assessment Years 2006-2007 and 2007-2008	Appellate Authority – up to Commissioner's level
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	9,46.33	Several demands pertaining to the period 1983-1984 to 2009-2010	Appellate Authority – up to Commissioner's level
		9,71.40	Several demands pertaining to the period 1990-1991 to 2005-2006	Tribunal
The Finance Act, 1994	Service tax	2,55.45	January 2001 to December 2002 and May 2006 to January 2007	Tribunal
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	1,10.14	Several demands pertaining to the period March 1992 to November 2007	Appellate Authority – up to Commissioner's level
		2,89.17	Several demands pertaining to the period October 1994 to January 2007	Tribunal
		30.12	1977 to 1980	The High Court of Judicature at Bombay

* Net of amounts paid including under protest

Out of total dues of Rs. 19,93.26 lakhs, an amount of Rs. 5,70.00 lakhs has been deposited subsequent to the year end.

10. The company has no accumulated losses as at 31st December, 2010 and 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 explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion and according to the information and explanations given to us, the company has not obtained any term loans that were not applied for the purpose for which these were raised.
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 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.
20. The company has not raised any money by public issues 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 material fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 14th February, 2011

GlaxoSmithKline Pharmaceuticals Limited

Balance Sheet as at 31st December, 2010

Schedule								Rupees in lakhs		Previous year Rupees in lakhs		
SOURCES OF FUNDS												
SHAREHOLDERS' FUNDS												
Capital	..	..	..	..	..	..	1	84,70.30		84,70.30	
Reserves and surplus	..	..	..	..	..	..	2	1846,10.80	1930,81.10	1674,44.52	1759,14.82
LOAN FUNDS												
Unsecured loans	..	..	..	..	..	..	3		5,16.19		5,41.86
TOTAL								..	1935,97.29		1764,56.68	
APPLICATION OF FUNDS												
FIXED ASSETS								4				
Gross block	..	..	..	..	..	..		318,39.96		289,17.81	
Less : Depreciation	..	..	..	..	..	..		209,46.65		196,37.02	
Net block	..	..	..	..	..	..		108,93.31		92,80.79	
Capital work-in-progress	..	..	..	..	..	..		8,72.09	117,65.40	21,35.73	114,16.52
INVESTMENTS								..	160,35.22		190,91.09	
DEFERRED TAX								6				
Deferred tax assets	..	..	..	..	..	..		65,13.53		52,27.93	
Deferred tax liabilities	..	..	..	..	..	..		8,74.00	56,39.53	7,58.69	44,69.24
CURRENT ASSETS, LOANS AND ADVANCES												
Inventories	..	..	..	..	..	..	7	281,53.75		253,01.69	
Sundry debtors	..	..	..	..	..	..	8	47,02.65		53,73.47	
Cash and bank balances	..	..	..	..	..	..	9	1948,07.69		1672,60.05	
Other current assets	..	..	..	..	..	..	10	52,82.12		29,53.41	
Loans and advances	..	..	..	..	..	..	11	118,86.69		105,53.53	
									2448,32.90		2114,42.15	
Less : CURRENT LIABILITIES AND PROVISIONS												
Liabilities	..	..	..	..	..	..	12	356,71.08		316,66.23	
Provisions	..	..	..	..	..	..	13	490,04.68		382,96.09	
									846,75.76		699,62.32	
NET CURRENT ASSETS								..	1601,57.14		1414,79.83	
TOTAL								..	1935,97.29		1764,56.68	
Notes to the Financial Statements								17				

The schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman D. S. PAREKH
Managing Director Dr. H. B. JOSHIPURA
Senior Executive Director M. B. KAPADIA
Company Secretary A. A. NADKARNI

GlaxoSmithKline Pharmaceuticals Limited

Profit and Loss Account for the year ended 31st December, 2010

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
INCOME			
Sales (Gross)		2155,08.20	1912,77.03
Less : Excise duty on sales		43,43.95	42,00.31
Net sales		2111,64.25	1870,76.72
Other income	14	147,10.72	120,22.85
TOTAL INCOME		2258,74.97	1990,99.57
EXPENDITURE			
Materials	15	777,00.39	692,22.50
Operating and other expenses	16	596,85.16	523,92.01
Depreciation		17,62.82	16,36.86
TOTAL EXPENDITURE		1391,48.37	1232,51.37
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS ..		867,26.60	758,48.20
Provision for taxation			
Current tax		289,51.67	274,35.02
Deferred tax		(3,63.24)	(22,61.14)
		285,88.43	251,73.88
Fringe benefits tax		—	1,85.00
NET PROFIT AFTER TAXATION		581,38.17	504,89.32
AND BEFORE EXCEPTIONAL ITEMS			
EXCEPTIONAL ITEMS (net of tax)		(17,69.36)	7,39.77
(Refer note 15 on Schedule 17)			
NET PROFIT		563,68.81	512,29.09
Balance brought forward		1049,23.41	882,40.80
AVAILABLE FOR APPROPRIATION		1612,92.22	1394,69.89
APPROPRIATIONS			
Proposed dividend.		338,81.20	254,10.90
Tax on distributed profit		53,21.33	40,12.67
		392,02.53	294,23.57
Transfer to general reserve		56,36.88	51,22.91
BALANCE CARRIED FORWARD		1164,52.81	1049,23.41
Earnings per share before exceptional items (basic and diluted) (Rs.)		68.64	59.61
Earnings per share (basic and diluted) (Rs.)		66.55	60.48
Face value of shares Rs. 10 each. (Refer note 30 on Schedule 17)			
Notes to the Financial Statements	17		

The schedules referred to above form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman D. S. PAREKH
Managing Director Dr. H. B. JOSHIPURA
Senior Executive Director M. B. KAPADIA
Company Secretary A. A. NADKARNI

GlaxoSmithKline Pharmaceuticals Limited

Cash Flow Statement for the year ended 31st December, 2010

	Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	867,26.60	758,48.20
<i>Adjustments for :</i>		
Depreciation	17,62.82	16,36.86
Interest expense	62.15	36.60
Provision / write off for doubtful debts, loans and advances (net)	50.07	1,35.76
Unrealised loss / (gain) on foreign exchange	(1.91)	28.46
Profit on sale / disposal of fixed assets (net)	(49.04)	(38.41)
Profit on sale / redemption of investments	(1.81)	—
Provision written back as no longer required	(7,93.24)	(2,72.39)
Interest income	(97,33.05)	(82,27.49)
Dividend income	(18,00.00)	(18,00.00)
Operating profit before working capital changes	762,22.59	673,47.59
<i>Adjustments for :</i>		
Inventories	(28,52.06)	(24,63.48)
Trade and other receivables	(7,12.41)	(2,81.08)
Trade payables and other liabilities	46,70.53	49,66.48
Cash generated from operations	773,28.65	695,69.51
Direct taxes paid (net of refunds) (including fringe benefits tax)	(304,67.15)	(177,43.00)
Cash flow before exceptional items	468,61.50	518,26.51
<i>Exceptional items:</i>		
Payment for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	—	(7,12.00)
Compensation for surrender of rental premises	—	1,25.00
Non recurring expenses for merger / rationalisation initiatives	(1,06.50)	(9,09.51)
Net cash from operating activities	A 467,55.00	503,30.00
b. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(21,39.44)	(30,36.66)
Sale of fixed assets	76.78	56.87
Sale of property (Exceptional item)	—	8,92.50
Sale / redemption of investments	30,01.82	560,10.22
Interest received	74,60.20	97,58.77
Dividend received	18,00.00	18,00.00
Net cash from investing activities	B 101,99.36	654,81.70
c. CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of borrowings	(25.67)	(23.08)
Interest paid	(67.56)	(34.72)
Dividend paid	(253,02.73)	(336,67.18)
Tax on distributed profit	(40,12.67)	(54,52.20)
Net cash used in financing activities	C (294,08.63)	(391,77.18)
Net increase in cash and cash equivalents	(A + B + C) 275,45.73	766,34.52
Cash and cash equivalents as at 1st January, 2010 (opening balance)	1672,73.07	906,38.55
Cash and cash equivalents as at 31st December, 2010 (closing balance)	1948,18.80	1672,73.07
Net increase in cash and cash equivalents	275,45.73	766,34.52
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	1948,07.69	1672,60.05
Unrealised loss on foreign currency	11.11	13.02
Total cash and cash equivalents	1948,18.80	1672,73.07

2. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

This is the Cash Flow Statement referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Schedules to the Financial Statements

1 CAPITAL

AUTHORISED

9,00,00,000 equity shares of Rs.10 each

ISSUED

8,47,07,710 equity shares of Rs.10 each, fully paid up . .

SUBSCRIBED AND PAID-UP

8,47,03,017* equity shares of Rs.10 each, fully paid up . .

* excludes 3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited (4,693 equity shares of Rs.10 each of the Company) held in abeyance.

Rupees in lakhs	
	90,00.00
	84,70.77
	84,70.30

Previous year
Rupees in lakhs

90,00.00

84,70.77

84,70.30

Of the above shares:

(i) 4,29,17,488 equity shares are held by the ultimate holding company GlaxoSmithKline plc, U.K. through its subsidiaries.

Prior to the buy back of equity shares#:

(ii) 1,28,47,546 equity shares were allotted as fully paid-up pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company.

(iii) 1,47,00,000 equity shares were allotted as fully paid-up pursuant to the Scheme of Arrangement for Amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited with the Company.

(iv) 4,06,87,500 equity shares were allotted as fully paid-up bonus shares by capitalisation of share premium and reserves.

(v) 15,00,000 equity shares were allotted as fully paid-up pursuant to contracts without payments being received in cash.

The Company bought back and extinguished 26,19,529 equity shares in 2005.

2 RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2010	Additions	Deductions	As at 31st December 2010	As at 31st December 2009
Capital Reserve	1,65.51	—	—	(c) 1,65.51	1,65.51
Capital Redemption Reserve	2,61.95	—	—	(d) 2,61.95	2,61.95
General Reserve	620,93.65	(a) 56,36.88	—	677,30.53	620,93.65
Profit and Loss Account - Surplus	1049,23.41	(b) 115,29.40	—	1164,52.81	1049,23.41
TOTAL	1674,44.52	171,66.28	—	1846,10.80	1674,44.52
Previous Year Total	1456,39.00	218,05.52	—	1674,44.52	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

(c) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile Burroughs Wellcome (India) Limited Rs. 0.51 lakhs.

(d) On account of buy back of equity shares.

Schedules to the Financial Statements — continued

3 UNSECURED LOANS

Interest free sales tax loan from SICOM Limited	..	..
TOTAL	..	

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
4,90.52	25.67	5,16.19	25.67
4,90.52	25.67	5,16.19	25.67
	5,16.19		5,41.86

4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2010	Additions	Deductions	As at 31st December 2010	As at 1st January 2010	For the Year	On Deductions	As at 31st December 2010	As at 31st December 2010	As at 31st December 2009
Freehold land	20.81	—	—	20.81	—	—	—	—	20.81	20.81
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	27,64.71	35.17	0.21	27,99.67	13,09.75	64.34	0.21	13,73.88	14,25.79	14,54.96
Leasehold buildings	32,73.12	3,55.93	—	36,29.05	15,29.81	1,24.51	—	16,54.32	19,74.73	17,43.31
Plant and machinery	187,64.52	25,50.08	3,53.54	209,61.06	138,05.29	11,88.69	3,47.40	146,46.58	63,14.48	49,59.23
Furniture and fittings	33,21.92	2,57.28	19.96	35,59.24	24,98.66	2,21.16	11.85	27,07.97	8,51.27	8,23.26
Vehicles	7,28.46	2,04.62	1,07.22	8,25.86	4,93.51	1,64.12	93.73	5,63.90	2,61.96	2,34.95
TOTAL	289,17.81	34,03.08	4,80.93	318,39.96	196,37.02	17,62.82	4,53.19	209,46.65	108,93.31	
Previous year	282,14.59	18,96.38	11,93.16	289,17.81	191,74.79	16,36.86	11,74.63	196,37.02		92,80.79
Work-in-progress at cost and advance payments against capital expenditure									8,72.09	21,35.73
TOTAL									117,65.40	114,16.52

Note:

(a) Freehold buildings include investments representing ownership of residential flats (Refer note 7 on Schedule 17).

Schedules to the Financial Statements — continued

5 INVESTMENTS

LONG TERM (at Cost)

IN GOVERNMENT SECURITIES

Quoted

7.40% Government of India Securities, 2012

Face value Rs. 25,00 lakhs	25,66.73	26,13.66
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Unquoted

National Savings Certificate	0.17	0.17
(Lodged with Government authorities)							

IN SUBSIDIARY COMPANY

Unquoted

Biddle Sawyer Limited							
9,60,000 Equity Shares of Rs. 10 each fully paid	..	..	..			47,61.30	47,61.30

TRADE

Unquoted

Biotech Consortium India Limited							
50,000 Equity Shares of Rs. 10 each fully paid	..	..	..			5.00	5.00
Dinette Exclusive Club Private Limited							
500 Equity Shares of Rs. 100 each fully paid	..	..	..			0.50	0.50

OTHER THAN TRADE

Quoted

Export Import Bank of India							
Nil, (Previous year : 200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each)	..	..	..			—	20,00.00
Housing Development Finance Corporation Limited							
100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each	..					10,00.00	10,00.00
350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	..					34,90.90	34,90.90
Indian Railway Finance Corporation Limited							
Nil, (Previous year : 50, 6.20% Bonds, 2010 of Rs. 10,00,000 each)	..					—	5,01.66
20, 9.76% Bonds, 2012 of Rs. 10,00,000 each	..	..	..			2,00.71	2,01.14
LIC Housing Finance Limited							
Nil, (Previous year : 25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each)	..	..	..	..	..	—	5,02.16
100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	..					10,01.05	10,01.27
100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	..					10,00.88	10,01.26

Schedules to the Financial Statements — continued

5 INVESTMENTS

		Rupees in lakhs	Previous year Rupees in lakhs
National Bank for Agriculture and Rural Development			
100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each		10,00.00	10,00.00
Power Finance Corporation Limited			
100, 9.80% Bonds, 2012 of Rs. 10,00,000 each		10,07.98	10,12.06
Reliance Industries Limited			
Nil, (Previous year : 148 Equity Shares of Rs. 10 each fully paid)		—	0.01
Reliance Capital Limited			
Nil, (Previous year : 3 Equity Shares of Rs. 10 each fully paid)		—	*
Reliance Communications Limited			
Nil, (Previous year : 74 Equity Shares of Rs. 5 each fully paid)		—	*
Reliance Infrastructure Limited			
Nil, (Previous year : 5 Equity Shares of Rs. 10 each fully paid)		—	*
Reliance Natural Resources Limited			
Nil, (Previous year : 74 Equity Shares of Rs. 5 each fully paid)		—	*
* Less than Rs. 1,000			
TOTAL		160,35.22	190,91.09
Aggregate of Unquoted Investments - At Book value		47,66.97	47,66.97
Aggregate of Quoted Investments - At Book value		112,68.25	143,24.12
- At Market value		112,73.18	146,32.43
There are no investments purchased and sold / redeemed during the year.			

Schedules to the Financial Statements — continued

6 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following items:

Assets

Liability for Drugs Prices Equalisation Account	..	..	3,48.52	3,56.63
Provision for employee benefits	..	..	22,03.54	13,51.04
Costs of voluntary retirement schemes	..	..	9.75	14.67
Provision for doubtful debts, loans and advances	..	..	2,93.73	3,07.93
Provision for pricing of formulations	..	..	2,06.10	2,10.89
Interest received on Income-tax refund considered as taxable under the Income-tax Act, 1961	..	..	21,52.01	22,02.06
Expenses allowable for tax purposes when paid	..	..	12,99.88	7,84.71
TOTAL	..	..	65,13.53	52,27.93

Liabilities

Depreciation	..	..	7,73.60	6,55.96
Fixed assets held for sale	..	..	1,00.40	1,02.73
TOTAL	..	..	8,74.00	7,58.69
TOTAL	..	..	56,39.53	44,69.24

7 INVENTORIES

(Inventories have been valued at lower of cost and net realisable value)

Stores and spares	..	..	4,53.53	3,59.40
Raw and packing materials	..	..	62,30.87	54,91.93
Work-in-progress	..	..	51,76.51	41,85.82
Finished goods	..	..	162,92.84	152,64.54
TOTAL	..	..	281,53.75	253,01.69

8 SUNDRY DEBTORS

(Unsecured)

			Doubtful	Good	Doubtful	Good
Outstanding for over six months	..	..	7,57.45	87.89	7,21.71	1,04.38
Others	..	..	—	46,14.76	28.82	52,69.09
			7,57.45	47,02.65	7,50.53	53,73.47
Less : Provision for doubtful debts	..	..	(7,57.45)	—	(7,50.53)	—
			—	47,02.65	—	53,73.47
TOTAL	..	..		47,02.65		53,73.47

9 CASH AND BANK BALANCES

Cash on hand	..	..	4.41	4.08
Remittances in transit (Refer note 2(iii) on Schedule 17)	..	..	5.92	5.92
With scheduled banks				
Current account	..	..	57,27.94	74,65.32
Fixed deposit account	..	..	1888,25.00	1574,00.00
Call / margin money deposit	..	..	2,44.42	23,84.73
TOTAL	..	..	1948,07.69	1672,60.05

Schedules to the Financial Statements — continued

10 OTHER CURRENT ASSETS

	Rupees in lakhs	Previous year Rupees in lakhs
Interest accrued on investments / deposits	49,79.87	26,51.16
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower)	3,02.25	3,02.25
TOTAL ..	52,82.12	29,53.41

11 LOANS AND ADVANCES

	Doubtful	Good	Doubtful	Good
(Unsecured)				
Loans and advances recoverable in cash or in kind or for value to be received				
Sundry deposits	—	24,01.53	—	23,09.19
Other advances	1,26.81	72,84.75	1,55.43	63,75.64
Less : Provision for doubtful advances	(1,26.81)	—	(1,55.43)	—
	—	96,86.28	—	86,84.83
Balance with customs, excise and port trust on current accounts ..	—	20,62.89	—	17,31.18
Fringe benefits tax (Refer note 32 on Schedule 17)	—	1,37.52	—	1,37.52
	—	118,86.69	—	105,53.53
TOTAL ..		118,86.69		105,53.53

12 CURRENT LIABILITIES

Sundry creditors				
Micro and Small enterprises (Refer note 10 on Schedule 17) ..	1,68.12		—	
Others	330,23.82	331,91.94	291,37.53	291,37.53
Subsidiary company		1,69.94		3,21.72
Unpaid dividend *		12,59.97		11,51.80
Unpaid matured fixed deposits *		—		1.32
Warrants issued but not encashed - Fixed deposit interest *		—		4.63
Drugs Prices Equalisation Account		10,49.23		10,49.23
TOTAL ..		356,71.08		316,66.23

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

13 PROVISIONS

For current taxation (Refer note 31 on Schedule 17)	28,62.57	44,51.71
For proposed equity dividend	338,81.20	254,10.90
For tax on distributed profit	56,27.24	43,18.58
For employee benefits [includes actuarial loss of Rs. 11,96.08 lakhs recognised in the year (previous year - actuarial gain of Rs. 22,10.78 lakhs)]	66,33.67	41,14.90
TOTAL ..	490,04.68	382,96.09

Schedules to the Financial Statements — continued

14 OTHER INCOME

					Rupees in lakhs	Previous year Rupees in lakhs
Service income						
Clinical research and data management	..	..	..	..	40,21.79	43,95.92
Other services	..	..	..	..	10,76.03	9,06.70
Expenses relating to the above	..	..	..	..	(42,91.53)	(45,50.32)
					8,06.29	7,52.30
Export related benefits (net)	..	..	..	..	81.93	1,21.96
Exchange gain (net)	..	..	..	..	1,42.60	—
Consignment sales commission	..	..	..	..	2,28.56	2,75.65
Rent received	..	..	..	..	63.90	56.73
Profit on sale / disposal of fixed assets (net)	..	..	..	..	49.04	38.41
Manufacturing charges recovery	..	..	..	..	2,29.95	99.69
Provision written back as no longer required	..	..	..	..	7,93.24	2,72.39
Others	..	..	..	..	8,44.31	4,14.83
					32,39.82	20,31.96
Treasury income						
Dividend income from subsidiary company	..	..	..	..	18,00.00	18,00.00
Interest income (Gross):						
On deposits with banks	..	..	..	..	85,43.38	57,30.82
On loans	..	..	..	..	20.82	19.52
On investments - Government securities and other than trade						
- long term [net of premium write-off of Rs. 55.86 lakhs (Previous year Rs. 86.06 lakhs)]	..	..	..	..	11,39.07	23,71.38
- current	..	..	..	..	—	85.97
Others	..	..	..	..	29.78	19.80
					97,33.05	82,27.49
Less : Interest expense:						
Security deposits	..	..	..	..	(28.48)	(36.52)
Others	..	..	..	..	(33.67)	(0.08)
					(62.15)	(36.60)
					96,70.90	81,90.89
TOTAL	..				147,10.72	120,22.85
Tax deducted at source :						
On interest	..	..	..	..	6,45.84	11,21.38
Others	..	..	..	..	4,73.74	2,68.52
					11,19.58	13,89.90

15 MATERIALS

Raw and packing materials consumed	..	..	..	..	419,82.25	396,66.04
Purchase of finished goods	..	..	..	..	377,37.13	327,97.13
(Increase) / decrease in work-in-progress and finished goods:						
Opening stock						
Work-in-progress	..	..	..	..	41,85.82	36,90.35
Finished goods	..	..	..	..	152,64.54	125,19.34
					194,50.36	162,09.69
Less: Closing stock						
Work-in-progress	..	..	..	..	51,76.51	41,85.82
Finished goods	..	..	..	..	162,92.84	152,64.54
					214,69.35	194,50.36
TOTAL	..				777,00.39	692,22.50

Schedules to the Financial Statements — continued

16 OPERATING AND OTHER EXPENSES

					Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	..	..	..	..	216,97.46	188,05.09	
Contributions to : Provident and pension funds	..	..	..	..	11,71.56	10,62.62	
Gratuity funds	..	..	..	..	1,39.41	1,65.77	
Staff welfare	..	..	..	..	10,76.81	9,01.12	209,34.60
Sales promotion	..	..	..	..	96,09.61	95,02.44	
Selling commission on exports	..	..	..	..	4.66	3.46	
Stock point commission	..	..	..	..	10,25.03	9,27.20	
Freight (net)	..	..	..	..	34,28.05	26,78.95	
Travelling	..	..	..	..	40,13.07	34,91.40	
Provision / write off for doubtful debts, loans and advances (net)	..	..	..	..	50.07	1,35.76	
Exchange loss (net)	..	..	..	..	—	2,22.92	
Manufacturing charges	..	..	..	..	47,16.44	40,94.46	
Repairs - Buildings	..	..	..	..	4,12.91	3,33.09	
- Plant and Machinery	..	..	..	..	12,10.46	11,08.29	
- Others	..	..	..	..	22.35	29.29	14,70.67
Consumption of stores and spares	..	..	..	..	3,45.52	4,01.96	
Power, fuel and water	..	..	..	..	26,75.37	24,65.64	
Rent	..	..	..	..	9,85.17	8,72.28	
Rates and taxes	..	..	..	..	8,96.59	8,51.82	
Printing, postage and telephones	..	..	..	..	12,57.82	10,70.38	
Sales training, briefing and conference	..	..	..	..	19,39.78	11,93.25	
Excise duty	..	..	..	..	(2,38.86)	(1,87.61)	
Insurance	..	..	..	..	2,93.21	2,34.77	
Remuneration to auditors :							
Statutory audit fees	..	..	..	..	35.57	35.57	
In other capacity in respect of :							
Tax audit fees	..	..	..	..	6.62	6.62	
Audit of tax accounts	..	..	..	..	22.06	22.06	
Other services	..	..	..	..	23.99	23.99	
Reimbursement of expenses	..	..	..	..	1.56	1.23	
					89.80	89.47	
Cost audit fees	..	..	..	..	4.50	4.50	93.97
Date-expired stocks	..	..	..	..	21,88.95	20,15.60	
Commission to non whole-time Directors	..	..	..	..	39.45	36.30	
Directors' sitting fees	..	..	..	..	13.20	10.00	
Clinical trial supplies	..	..	..	..	3,85.09	9,31.02	
Miscellaneous	..	..	..	..	44,66.49	38,84.99	
Reimbursement / (Recovery) of expenses (net) (Refer note 14 on Schedule 17)	..	..	..	..	56.72	(3,93.90)	
Expenses relating to service income (Refer Schedule 14)	..	..	..	..	(42,91.53)	(45,50.32)	
TOTAL	..	..	..	..	596,85.16	523,92.01	

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India, the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the other relevant provisions of the Companies Act, 1956.

(b) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.

Depreciation is provided on the straight-line method over the useful life of the assets as under:

Buildings	29 years
Plant and Machinery other than Gas Installations	10 years
Gas Installations	6 years
Personal Computers and Laptops	3 years
Other Computer Equipment	4 years
Furniture and Fittings	10 years
Vehicles	4 years

Depreciation on capital projects of Rs.100 lakhs or more is provided pro-rata for the number of months availability for use and for other assets for the full year. Depreciation on sale / disposal of assets is provided pro-rata up to the end of the month of sale / disposal.

An asset purchased on or after 1st April, 1993 and where the actual cost does not exceed Rs. 5,000 (other than on turnkey contracts) is depreciated at the rate of 100%.

Leasehold land is not amortised.

Leasehold improvements are amortised over the period of the lease.

Assets identified and evaluated technically as obsolete and held for disposal are stated at lower of book value and estimated net realisable value / salvage value.

(c) Investments

Long term investments are stated at cost, except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current investments are stated at lower of cost and fair value. The premium on account of investments in debentures / bonds and Government of India Securities held as long-term investments is recognised over the life of the security.

(d) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on first-in first-out (FIFO) basis. The cost of work-in-progress (other than those lying at third party manufacturing sites which is valued at material cost) and finished goods comprises of raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(e) Revenue Recognition

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts and sales tax.

(f) Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account. Premium in respect of forward contracts is accounted over the period of the contract.

(g) Proposed Dividend

Dividend proposed by the Board of Directors is provided for in the books of account pending approval at the Annual General Meeting.

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS (*continued*)

(h) Research and Development

Revenue expenditure on research and development is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.

(i) Excise Duty

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of Central Value Added Tax (CENVAT) credits in respect of materials consumed for sales is deducted from cost of materials consumed.

(j) Long-term Incentive

In terms of a long-term incentive plan, the eligible members of the senior management are entitled to receive an incentive payment at the end of a three year 'restricted period', provided they remain in continuous employment with the Company for the aforesaid period. The value of such incentive is based on the price of shares of GlaxoSmithKline plc, U.K. An amount equal to one-third of the aggregate approximate value of the incentive is recognised as expense each year based on the fair value of such shares.

(k) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(l) Employee Benefits

(a) Long-term Employee Benefits

In case of Defined Contribution plans, the Company's contributions to these plans are charged to the Profit and Loss Account as incurred. Liability for Defined Benefit plans (except for Provident fund which is charged based on contributions) is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used for measuring the liability is the Projected Unit Credit method. The obligations are measured as the present value of estimated future cashflows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of plan assets is the Company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date. The liability for leave encashment and compensated absences is provided on the basis of valuation, as at Balance Sheet date, carried out by an independent actuary.

(b) The expenditure on voluntary retirement schemes is charged to the Profit and Loss Account in the year in which it is incurred.

(c) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Profit and Loss Account in the year in which they arise.

- 1 The Company received a demand for Rs. 71,79 lakhs from the Central Government contained in its orders dated 18th June, 1990 and 16th November, 1990 in respect of prices relating to Betamethasone bulk drugs and formulations therefrom. These orders were challenged by the Company by a writ petition in the Hon'ble High Court at Delhi. After hearing the submissions of the Company, as well as the Government, in the writ petition, the Hon'ble High Court by its judgement and order dated 19th October, 2001, was pleased to set aside the impugned demands raised by the Central Government. The claim to interest made by the Government vide its letter dated 29th October, 1996, demanding interest of Rs. 117,66 lakhs for the period 12th May, 1981 to 17th October, 1996 thereby, does not survive. The Hon'ble High Court has also directed that the Company be given an opportunity to present its case with full facts to enable the Central Government to raise a fresh demand. The Company has sent a letter to the Government giving details of the quantities based on which the demand has to be raised as per the judgement of the Hon'ble High Court at Delhi and has intimated to the Government that according to the Company, after considering the set offs which the Company has claimed, the amount payable would be Rs. 18,68 lakhs. The Company had accrued a liability of Rs. 18,68 lakhs of which an amount of Rs. 8,19 lakhs has been paid to the Government in the earlier years. Accordingly, the Company has retained the liability of Rs. 10,49 lakhs in the Balance Sheet.

The Central Government's special leave petition in the Supreme Court against the Delhi High Court's judgement and order dated 19th October, 2001 was admitted. The Supreme Court has heard the special leave petition and reserved orders.

- 2 Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):

- (i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and/or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails.

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of remuneration to the Managing Director and three whole time Directors amounting to Rs. 10.93 lakhs for the year ended 31st August, 1986, which was in accordance with the minimum remuneration provided in the agreement entered into with them prior to erstwhile BWIL becoming public, which required such Government of India's sanction. The approval is still awaited.
- (iii) Remittances in transit represent monies deposited by customers in favour of erstwhile BWIL with banks in Zambia - Rs. 0.31 lakhs and in Tanzania - Rs. 5.61 lakhs, the remittance of which is pending clearance of the authorities in those countries.

3 Matters in respect of erstwhile SmithKline Beecham Pharmaceuticals (India) Limited:

- (i) Rs. 1,44.44 lakhs received from Beckman Instruments International S.A. on account of disputed alleged additional commission has been included under Sundry Creditors and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under Loans and Advances. The Company is contesting the matter with the concerned authorities.
- (ii) Refund of surtax Rs. 96.81 lakhs, and interest thereon amounting to Rs. 48.52 lakhs, received during 1994, have not been adjusted against the provision for tax in the books of account and recognised as income respectively, since the Income tax department had filed a reference application against the income tax tribunal's order which was pending before the High Court of Karnataka. The Company has received an order dated 18th April, 2007 from the High Court of Karnataka which is partially in the Company's favour. On the basis of the aforesaid order, Income Tax Appellate Tribunal (ITAT), Bangalore will pass an order giving directions. On receipt of the ITAT order, the Company will take appropriate steps in the matter.

						Rupees in lakhs	Previous year Rupees in lakhs
4	Contingent Liabilities not provided for:						
	(i)	Cheques discounted with banks	..	..	..	2,20.69	3,97.41
	(ii)	In respect of claims made against the Company not acknowledged as debts by the Company					
	-	Sales tax matters	..	..	..	25,99.21	29,73.24
	-	Excise matters	..	..	..	4,38.97	7,98.19
	-	Service tax matters	..	..	..	1,29.20	2,42.18
	-	Labour matters	..	..	..	41,65.07	37,41.03
	-	Other legal matters	..	..	..	10,63.57	8,62.09
		which net of current tax amount to -	..	..	..	56,07.07	56,87.90
	(iii)	Taxation matters in respect of which appeals are pending					
	-	Tax on matters in dispute	..	..	..	124,59.24	110,78.74
	-	Other consequential matters (net of tax)	..	..	..	3,74.39	3,74.39

Notes:

Future cash outflows in respect of (i) above are dependant on the return of cheques by banks.

Future cash outflows in respect of (ii) and (iii) above are determinable on receipt of decisions / judgements pending with various forums / authorities.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

		Rupees in lakhs	Previous year Rupees in lakhs
5	Uncalled liability on partly paid shares:		
	- in Hill Properties Limited	0.12	0.12
	Note:		
	Future cash outflow is dependent on the call to be made by Hill Properties Limited.		
6	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	4,60.77	3,80.21
7	Fixed Assets include the following investments representing ownership of residential flats :		
	- 5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited	7.22	7.22
	- 10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited	2.00	2.00
	- 10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited	48.13	48.13
	- 5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited	23.62	23.62
	- 10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited	33.31	33.31
	- 20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited	45.59	45.59
	- 5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited	67.00	67.00
	- 20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited	19.32	19.32
8	Loans and Advances include amounts due from a Director * and an officer of the Company	—	11.19
	the maximum amount due during the year was	—	15.28
	* Loan granted prior to appointment as a whole time Director.		
9	(a) Directors' Remuneration		
	Salaries	4,95.16	4,36.97
	Payments under the long-term incentive plan	59.07	31.85
	Perquisites	8.06	6.96
	Contribution to provident and superannuation funds	70.30	61.34
	Commission to non whole-time Directors	39.45	36.30
	Directors' sitting fees	13.20	10.00
		<u>6,85.24</u>	<u>5,83.42</u>
	- excludes contribution to gratuity fund, which is based on an actuarial valuation and the amount recognised as expense for the year under the long-term incentive plan.		
	Pension to past Directors	5.23	3.61

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

		Rupees in lakhs	Previous year Rupees in lakhs
(b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956:			
Net Profit	.. .. .	563,68.81	512,29.09
Add / (Deduct) :			
Directors' remuneration	.. .. .	6,85.24	5,83.42
Depreciation as per the Profit and Loss Account	.. .. .	17,62.82	16,36.86
Depreciation under Section 350 of the Companies Act, 1956	.. .. .	(14,14.97)	(12,97.23)
Provision / write off for doubtful debts, loans and advances (net)	.. .. .	50.07	1,35.76
Bad debts written off against provision for doubtful debts, loans and advances	.. .. .	(71.75)	(5,39.67)
Profit on sale / disposal of fixed assets (net)	.. .. .	(49.04)	(38.41)
Profit on sale / redemption of investments	.. .. .	(1.81)	—
Exceptional items:			
- Profit on sale of property	.. .. .	—	(8,92.43)
- Compensation for surrender of rental premises	.. .. .	—	(1,25.00)
Taxation for the year (including on exceptional items)	.. .. .	277,07.72	260,97.80
Net Profit	.. .. .	850,37.09	767,90.19
Maximum remuneration permissible under the Companies Act, 1956 at 10%	.. .. .	85,03.71	76,79.02
Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1%	.. .. .	8,50.37	7,67.90
Commission payable for the year restricted to	.. .. .	39.45	36.30
10 There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.			
The above information and that given in Schedule 12 - "Current Liabilities" regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.			
11 The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2010 and the provision based on the figures for the remaining nine months up to 31st December, 2010, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2010 to 31st March, 2011.			
12 Other income in Schedule 14 includes profit on sale / redemption of long term investments Rs. 1.81 lakhs (Previous year - Nil).			
13 The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,43.39 lakhs (Previous year - Rs. 4,66.82 lakhs).			
14 "Reimbursement / (Recovery) of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 2,63.35 lakhs (Previous year - Rs. 7,02.62 lakhs), from subsidiary company Rs. 4,88.05 lakhs (Previous year - Rs. 5,12.25 lakhs), from Stiefel India Private Limited Rs. 13.85 lakhs (Previous year - Nil), from GlaxoSmithKline Pte Limited Rs. 59.41 lakhs (Previous year - Rs. 28.03 lakhs), from GlaxoSmithKline S.A.E - Nil (Previous year - Rs. 15.29 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 14.51 lakhs (Previous year - Rs. 25.54 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 8,95.89 lakhs (Previous year - Rs. 8,89.83 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.			
15 Exceptional items :			
(i) Expenses for rationalisation initiatives	.. .. .	(2,20.47)	(10,37.52)
(ii) Profit on sale of property	.. .. .	—	8,92.43
(iii) Compensation for surrender of rental premises	.. .. .	—	1,25.00
(iv) Expenses for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	.. .. .	—	(7,12.00)
(v) Actuarial Gain/(Loss) on employee benefits	.. .. .	(11,96.08)	22,10.78
(vi) Provision made on account of revised gratuity limits	.. .. .	(12,33.52)	—
Taxation on the above			
Current tax	.. .. .	73.66	12.52
Deferred tax	.. .. .	8,07.05	(7,51.44)
		(17,69.36)	7,39.77

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Installed Capacities (per annum)

Class of Goods	Unit	Installed Capacity (a)	
		2010	2009
Chemicals (including Bulk Drugs)	Tonnes	184	184
Formulations			
Liquids - Orals, Topicals and Parenterals	Kilo litres	8,400	8,400
Antibiotic Vials	Thousands	5,000	5,000
Tablets and Capsules	Million	7,150	7,150
Solids including Powders and Ointments	Tonnes	2,600	2,225

- (a) Installed capacities of the formulation factories of the Company (based on a five day week except where continuous processes are involved and on a single shift basis) are as certified by the Management and have not been verified by the Auditors, this being a technical matter.
- (b) Licensed capacity is not indicated as industrial licensing for all bulk drugs, intermediates and their formulations stands abolished in terms of Press Note No. 4 (1994 Series) dated 25th October, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.

17 Detailed information in respect of opening and closing stocks, production, purchases and sales in respect of each class of goods produced and traded:

Class of Goods	Unit	Stocks at Commencement		Production	Purchases		Sales		Stocks at Close	
		Quantity	Rupees in Lakhs		Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs
Chemicals (including Bulk Drugs)	Tonnes	4 (35)	6,90.71 (6,83.66)	8 (15)	26 (34)	1,41.85 (2,71.12)	36 (79)	53,39.86 (57,96.18)	2 (4)	12,88.43 (6,90.71)
Formulations (including Vitamin Feed Supplements)										
Liquids- Orals, Topicals and Parenterals	Kilo litres	1179 (1194)	28,67.15 (23,36.37)	6721 (6445)	1420 (1163)	36,88.18 (35,59.90)	8003 (7606)	350,91.04 (311,74.79)	1302 (1179)	28,57.13 (28,67.15)
Antibiotic Vials	Thousands	1555 (1885)	9,55.12 (12,39.03)	3069 (5153)	7973 (4631)	52,32.52 (25,61.55)	10637 (10108)	148,49.13 (134,47.46)	1952 (1555)	15,59.15 (9,55.12)
Tablets and Capsules	Million	1269 (1081)	56,42.56 (48,54.76)	9344 (9075)	626 (665)	116,67.86 (116,02.12)	10211 (9542)	962,64.89 (866,56.24)	1021 (1269)	44,50.03 (56,42.56)
Solids including Powders and Ointments	Tonnes	381 (371)	22,17.13 (20,15.70)	3135 (2419)	987 (854)	47,09.35 (44,35.18)	3926 (3251)	453,93.30 (394,32.00)	560 (381)	32,03.92 (22,17.13)
Vaccines	Thousands	888 (417)	23,47.31 (10,01.53)	— (—)	2459 (2456)	88,61.96 (80,53.79)	2478 (1954)	152,41.13 (123,34.51)	808 (888)	22,23.12 (23,47.31)
Aerosol Cans	Thousands	472 (243)	5,44.56 (3,88.29)	235 (266)	907 (1203)	12,19.20 (14,32.67)	1288 (1228)	27,84.66 (24,35.85)	297 (472)	4,51.92 (5,44.56)
Cosmetics	Kilo litres	— (—)	— (—)	— (—)	19 (—)	1,29.64 (—)	10 (—)	1,65.01 (—)	9 (—)	50.82 (—)
Soaps	Tonnes	— (—)	— (—)	— (—)	104 (—)	3,75.91 (—)	49 (—)	3,79.18 (—)	55 (—)	2,08.32 (—)
Purchase of physician samples		— (—)	— (—)	— (—)	— (—)	17,10.66 (8,80.80)	— (—)	— (—)	— (—)	— (—)
TOTAL			152,64.54 (125,19.34)			377,37.13 (327,97.13)		2155,08.20 (1912,77.03)		162,92.84 (152,64.54)

Notes:

- Figures in brackets are in respect of the previous year.
- The closing stock quantities stated above are after adjustments for in-transit breakages / damages and date expired stocks. Closing stock quantities, if derived from opening stocks, production, purchases and sales would be different due to these adjustments.
- Actual production includes quantities produced in the factories of third parties on loan licenses.
- Sales quantities include free issues.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

		Rupees in lakhs	Previous year Rupees in lakhs
18	Break-up of raw and packing materials consumed		
	Raw materials	305,05.63	295,18.59
	Packing materials	114,76.62	101,47.45
	Note : No single raw or packing material accounts for more than 10% of total consumption		
		<u>419,82.25</u>	<u>396,66.04</u>
19	Consumption of raw and packing materials		
		%	%
	Purchased indigenously	71.84 301,60.19	70.13 278,18.45
	Imported by the Company (including duty and other charges) ..	28.16 118,22.06	29.87 118,47.59
		<u>100.00 419,82.25</u>	<u>100.00 396,66.04</u>
20	C.I.F. value of imports in respect of:		
	Raw and packing materials	103,64.59	100,88.69
	Finished Goods	77,54.45	73,06.08
	Components and spare parts for machinery	12.26	15.54
	Capital goods	93.03	2,22.59
		<u>182,24.33</u>	<u>176,32.90</u>
21	Remittance in foreign currency on account of dividend	2009	2008
	On 3,04,85,250 equity shares to Glaxo Group Limited, U.K. ..	91,45.58	121,94.10
	On 58,80,000 equity shares to Eskaylab Limited, U.K.	17,64.00	23,52.00
	On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K.	10,08.00	13,44.00
	On 31,92,238 equity shares to Castleton Investment Limited, Mauritius	9,57.67	12,76.90
22	Expenditure in foreign currency on account of : (on payment basis)		
	- Travelling	72.82	92.89
	- Selling commission on exports	2.06	5.06
	- Others	2,62.46	2,86.88
		<u>3,37.34</u>	<u>3,84.83</u>
23	Earnings in foreign exchange on account of :		
	F.O.B. value of exports including through merchant exporters ..	63,13.09	71,49.78
	Recovery of expenses	36.37	51.30
	Clinical research and data management	40,21.79	43,95.92
	Research and development	2,80.39	2,94.41
	Others	1,47.20	3,28.25
		<u>107,98.84</u>	<u>122,19.66</u>

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Employee Benefits

The disclosures as required by Accounting Standard 15, Employee benefits (revised 2005), notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are as given below :

1 Brief description of the Plans

The Company has various schemes for long-term benefits such as provident fund, superannuation, gratuity and post retirement medical. In case of funded schemes, the funds are recognised by the Income tax authorities and administered through trustees / appropriate authorities. The Company's defined contribution plans are superannuation and employees' pension scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions. The Company's defined benefit plans include gratuity and post retirement medical. In terms of the Guidance on implementing the revised AS 15, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, the provident fund set up by the Company is treated as a defined benefit plan since the Company has to meet the interest shortfall, if any. However, as at the year end, no shortfall remains unprovided for. As advised by an independent actuary, it is not practical or feasible to actuarially value the liability considering that the rate of interest as notified by the Government can vary annually. Further, the pattern of investments for investible funds is as prescribed by the Government. Accordingly, other related disclosures in respect of provident fund have not been made. The employees of the Company are also entitled to leave encashment and compensated absences as per the Company's policy.

					Rupees in lakhs	Previous year Rupees in lakhs
2	<u>Charge to the Profit and Loss Account based on contributions:</u>					
	Superannuation	..	..	..	..	3,95.54
	Employees' pension scheme	..	..	..	..	2,61.35
	Provident fund	..	..	..	..	5,14.67
						<u>11,71.56</u>
3	The liability for leave encashment and compensated absences as at year end is Rs. 23,82.44 lakhs (Previous year - Rs. 19,01.89 lakhs).					
4	Disclosures for defined benefit plans as on 31st December 2010 :					

	Rupees in lakhs		Previous Year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(i) <u>Change in Defined Benefit Obligation</u>				
Opening defined benefit obligation	28,05.36	22,13.01	32,94.62	30,13.60
Current service cost	1,21.25	31.69	1,65.24	50.42
Interest cost	2,29.96	1,74.55	1,98.77	1,75.49
Actuarial loss / (gain)	5,77.67	5,36.88	(5,19.62)	(9,12.70)
Past Service Cost	12,33.52	—	—	—
Benefits paid	(2,95.50)	(1,49.79)	(3,33.65)	(1,13.80)
Closing defined benefit obligation	<u>46,72.26</u>	<u>28,06.34</u>	<u>28,05.36</u>	<u>22,13.01</u>
(ii) <u>Change in Fair Value of Assets</u>				
Opening fair value of plan assets	29,45.50		26,13.10	
Expected return on plan assets	2,11.75		1,98.29	
Actuarial gain / (loss)	1,75.62		3,25.63	
Contributions by employer	1,90.00		1,42.13	
Benefits paid	(2,95.50)		(3,33.65)	
Closing fair value of plan assets	<u>32,27.37</u>		<u>29,45.50</u>	

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rupees in lakhs		Previous Year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(iii) <u>Amount recognised in the Balance Sheet</u>				
Present value of obligations as at year end	46,72.26	28,06.34	28,05.36	22,13.01
Fair value of plan assets as at year end	32,27.37		29,45.50	
Amount not recognised as an asset	—		0.05	
Net (asset) / liability recognised as at year end	<u>14,44.89</u>	<u>28,06.34</u>	<u>(140.09)</u>	<u>22,13.01</u>
(iv) <u>Expenses recognised in the Profit and Loss Account</u>				
Current service cost	1,21.25	31.69	1,65.24	50.42
Interest on defined benefit obligation	2,29.96	1,74.55	1,98.77	1,75.49
Expected return on plan assets	(2,11.75)		(1,98.29)	
Net actuarial loss / (gain) recognised in the current year	4,02.05	5,36.88	(8,45.25)	(9,12.70)
Past Service Cost	12,33.52	—	—	—
Effect of the limit in Para 59(b) of the revised AS 15	(0.05)		0.05	
Total expense	<u>17,74.98</u>	<u>7,43.12</u>	<u>(6,79.48)</u>	<u>(6,86.79)</u>
(v) <u>Asset information</u>				
Government of India Securities	39%		39%	
Corporate Bonds	29%		34%	
Special Deposit Scheme	22%		24%	
Others	10%		3%	
(vi) <u>Principal actuarial assumptions used</u>				
Discount rate (p.a.)	8.15%	8.15%	8.20%	8.20%
Expected rate of return on plan assets (p.a.)	7.50%		7.50%	
Annual increase in health care premiums (p.a)		5%		5%
(vii) <u>Effect of change in Assumed Health Care Cost Trend rate</u>				
<u>1% increase</u>				
Effect on the aggregate of service cost and interest cost		30.87		26.36
Effect on defined benefit obligation		2,98.93		2,41.12
<u>1% decrease</u>				
Effect on the aggregate of service cost and interest cost		(25.83)		(20.68)
Effect on defined benefit obligation		(2,51.34)		(1,92.91)
(viii) Expected employer's contribution for the next year	2,00.00	1,89.06	3,00.00	1,32.37

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

Rupees in lakhs

(ix) Net asset / liability recognised in the Balance Sheet
(including experience adjustment impact)

Gratuity

Defined benefit obligation

Plan assets

Deficit / (Surplus)

Experience adjustments on plan liabilities

Experience adjustments on plan assets

Post retirement medical and other benefits

Defined benefit obligation

Plan assets

Deficit / (Surplus)

Experience adjustments on plan liabilities

Experience adjustments on plan assets

	2010	2009	2008	2007
Defined benefit obligation	46,72.26	28,05.36	32,94.62	25,38.38
Plan assets	32,27.37	29,45.50	26,13.10	28,54.40
Deficit / (Surplus)	14,44.89	(1,40.14)	6,81.52	(3,16.02)
Experience adjustments on plan liabilities	1,58.29	2,19.12	1,99.47	58.90
Experience adjustments on plan assets	1,75.62	3,25.63	(16.85)	(1,17.80)
Defined benefit obligation	28,06.34	22,13.01	30,13.60	20,33.94
Plan assets	—	—	—	—
Deficit / (Surplus)	28,06.34	22,13.01	30,13.60	20,33.94
Experience adjustments on plan liabilities	5,20.13	(77.38)	74.05	(1,53.14)
Experience adjustments on plan assets	—	—	—	—

25 The Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

26 **Related Party disclosures**

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are given below:

1 Relationships (during the year):

(i) Shareholders (the GlaxoSmithKline (GSK) Group shareholding) in the Company

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company / ultimate holding company of the above shareholders *

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham plc, U.K.

Wellcome Limited, U.K.

Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

* no transactions during the year

(ii) Subsidiary of the Company

Biddle Sawyer Limited, a wholly owned subsidiary of the Company

(iii) Other related parties in the GlaxoSmithKline (GSK) Group where common control exists and with whom the Company had transactions during the year:

SmithKline Beecham Private Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited, Pakistan

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

Laboratoire GlaxoSmithKline S.A.S., France

GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia

GlaxoSmithKline Export Limited, U.K.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline LLC, U.S.A

Stiefel India Private Limited, India

US Pharmaceuticals, U.S.A.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

(iv) Directors and members of GSK India Management Team and their relatives:

Dr. A. Banerjee	Mr. P.V. Nayak
Mr. A.M. Nimbalkar (up to 27th April, 2010)	Mr. R. Bartaria
Mr. C.T. Renganathan	Mr. R.C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. D. Sundaram	Mr. S. Harford (w.e.f 28th October, 2010) *
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. H. Buch	Mr. Sunder Rajan
Mr. M.B. Kapadia	Mr. S. Khanna
Mr. M.K. Vasanth Kumar	Mrs. S. Patel
Mr. N. Kaviratne	Mr. V. Narayanan
Mr. P. Bhide (w.e.f 28th October, 2010)	Mr. V. Thyagarajan

* no transactions during the year

2 The following transactions were carried out with the related parties in the ordinary course of business.

(i) Dividend paid to parties referred to in item 1(i) above:

	Rupees in lakhs	
	2010	2009
Glaxo Group Limited, U.K.	91,45.58	121,94.10
Eskaylab Limited, U.K.	17,64.00	23,52.00
Burroughs Wellcome International Limited, U.K.	10,08.00	13,44.00
Castleton Investment Limited, Mauritius	9,57.67	12,76.90

(ii) Details relating to parties referred to in items 1(ii) and 1(iii) above:

	Rupees in lakhs			
	Subsidiary of the company (ii)		Other companies in the GSK Group (iii)	
	2010	2009	2010	2009
1 Purchase of materials/finished goods	—	—	164,81.24	132,21.19
2 Sale of materials/finished goods	—	—	52,54.39	58,50.74
3 Purchase of Fixed Assets	—	—	—	31.08
4 Expenses recharged to other companies	4,59.07	4,43.57	11,08.68	15,45.73
5 Research and development recoveries	—	—	2,80.39	2,94.41
6 Expenses recharged by other companies	—	—	13,53.93	11,45.65
7 Manufacturing charges recovered	37.02	29.69	1,92.93	70.00
8 Consignment sales commission received	1,37.31	1,28.53	51.26	1,19.02
9 Clinical research and data management recoveries	—	—	40,21.79	43,95.92
10 Dividend received	18,00.00	18,00.00	—	—
11 Outstanding (payables)/receivables at the year end (net) #	(1,69.94)	(3,21.72)	(9,93.99)	(17,60.26)

Previous year includes expenses incurred for acquisition of distribution rights from a third party, of products of Stiefel India Private Limited, a company under common control, amounting to Rs. 7,12.00 lakhs

Transactions with the above parties are accounted in the respective current accounts.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

(iii) Disclosure in respect of material transactions with parties referred to in item 1(iii) above:

	Rupees in lakhs 2010	Rupees in lakhs 2009
(a) Purchase of materials/finished goods		
GlaxoSmithKline Asia Private Limited, India	54,02.81	33,00.17
GlaxoSmithKline Export Limited, U.K.	87,33.51	78,72.35
(b) Sale of materials/finished goods		
GlaxoSmithKline Trading Services Limited, Ireland	45,58.48	41,17.72
(c) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	9,61.48	12,01.19
(d) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,80.39	2,94.41
(e) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	9,88.17	9,85.35
GlaxoSmithKline Trading Services Limited, Ireland	2,85.66	—
(f) Manufacturing charges recovered		
GlaxoSmithKline Asia Private Limited, India	1,92.93	70.00
(g) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	51.26	1,19.02
(h) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	15,78.23	12,82.45
GlaxoSmithKline Services Unlimited, U.K.	24,43.56	31,13.47
(i) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(12,91.09)	(8,85.36)
GlaxoSmithKline Consumer Healthcare Limited, India	6,58.32	5,51.37
GlaxoSmithKline Biologicals S.A., Belgium	26.40	(34.46)
GlaxoSmithKline Export Limited, U.K.	(17,97.29)	(21,26.46)
GlaxoSmithKline Trading Services Limited, Ireland	4,12.60	1,85.35
GlaxoSmithKline Services Unlimited, U.K.	8,89.38	5,56.00

(iv) Details relating to persons referred to in item 1(iv) above:

	Rupees in lakhs 2010	Rupees in lakhs 2009
1 Remuneration/commission/sitting fees	10,13.01	9,19.85
2 Payments under the long-term incentive plan	96.42	72.40
3 Interest income on loans given	1.68	1.90
4 Rent for residential flat	0.79	5.00
5 Outstanding loans receivable	40.16	54.51

(v) Disclosure in respect of material transactions with persons referred to in item 1(iv) above:

	Rupees in lakhs 2010	Rupees in lakhs 2009
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	2,55.67	2,26.51
Mr. M.B. Kapadia	1,54.17	1,43.50
(b) Payments under the long-term incentive plan		
Dr. H.B. Joshipura	23.78	3.54
Mr. M.B. Kapadia	15.12	17.25
Dr. A. Banerjee	11.62	11.07
Dr. S. Joglekar	10.82	—

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rupees in lakhs 2010	Rupees in lakhs 2009
(c) Interest income on loans given		
Dr. A. Banerjee	0.24	0.34
Mr. H. Buch	0.24	0.24
Mr. M.K. Vasanth Kumar	0.52	0.59
Mr. R. Bartaria	0.19	0.19
Mr. S. Khanna	0.22	0.26
Mrs. S. Patel	0.27	0.28
(d) Rent for residential flat		
Dr. A. Banerjee	0.79	0.72
(e) Outstanding loans receivable		
Mr. H. Buch	7.86	7.99
Mr. M.K. Vasanth Kumar	12.19	13.89
Mr. R. Bartaria	6.26	6.36
Mr. S. Khanna	4.77	5.88
Mrs. S. Patel	9.08	9.20

- 27 The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows :

	Rupees in lakhs							
Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	Australian Dollar	Canadian Dollar	Swiss Franc
Receivables	2,03.91 (48.19)	12,84.55 (12,76.91)	1,16.24 (91.05)	2.00 (3.61)	0.31 (1.76)	— —	— (0.04)	— (1.52)
Payables	9,04.21 (8,94.12)	15,76.95 (21,58.97)	55.85 (35.67)	1.98 (1.80)	— —	26.96 (41.75)	— —	— —

(Figures in brackets pertain to the year 2009)

- 28 Disclosures as required by Accounting Standard 19, "Leases", notified under sub-section (3C) of Section 211 of the Companies Act, 1956, are given below:
- (i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.
- (ii) Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 16.
- 29 Amount recognised as expense for the year under the long-term incentive plan is Rs. 1,29.14 lakhs (Previous year - Rs. 1,72.64 lakhs).
- The total carrying amount of the corresponding liability at the year end is Rs. 3,06.43 lakhs (Previous year - Rs. 3,21.26 lakhs).
- 30 Earnings per share
- Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

			Previous year
Profit after taxation and before exceptional items	Rupees in lakhs	581,38.17	504,89.32
Profit after taxation	Rupees in lakhs	563,68.81	512,29.09
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	68.64	59.61
Earnings per share (Basic and Diluted)	Rs.	66.55	60.48
Face value per share	Rs.	10	10

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS *(continued)*

- 31 Provision for taxation represents provisions in excess of payments of Rs. 2243,53.05 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation. (Previous year - Rs. 1938,85.90 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation).
- 32 Fringe benefits tax represents payments in excess of provisions of Rs. 30,37.48 lakhs (Previous year - Rs. 30,37.48 lakhs).
- 33 Previous year's figures have been regrouped wherever necessary.

Signatures to the Schedules 1 to 17 which form an integral part of the Financial Statements.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

0 1 1 5 1

Balance Sheet Date

3 1 1 2 1 0

State Code

1 1

II. Capital raised during the year (Amount rupees in thousands)

Public Issue

N I L

Bonus Issue

N I L

Right Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount rupees in thousands)

Total Liabilities (including shareholders' funds)

2 7 9 1 4 7 0 5

Sources of Funds

Paid-Up Capital

8 4 7 0 3 0

Secured Loans

N I L

Application of Funds

Net Fixed Assets

1 1 7 6 5 4 0

Net Current Assets*

1 6 5 7 9 6 6 7

Accumulated Losses

N I L

*including net deferred tax asset

Total Assets

2 7 9 1 4 7 0 5

Reserves and Surplus

1 8 4 6 1 0 8 0

Unsecured Loans

5 1 6 1 9

Investments

1 6 0 3 5 2 2

Miscellaneous Expenditure

N I L

IV. Performance of Company (Amount rupees in thousands)

Turnover (Sales and Other Income)

2 2 5 8 7 4 9 7

Profit before tax and exceptional items

8 6 7 2 6 6 0

Earning Per Share in Rs.
before exceptional items

6 8 . 6 4

Total Expenditure

1 3 9 1 4 8 3 7

Profit after tax before exceptional items

5 8 1 3 8 1 7

Profit after tax after exceptional items

5 6 3 6 8 8 1

Earning Per Share in Rs.
after exceptional items

6 6 . 5 5

Dividend Rate

4 0 0 %

Balance Sheet Abstract and Company's General Business Profile (*continued*)

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

Item Code No. (ITC Code)	3 0 0 4 1 0 . 0 0
Product Description	P O T A S S I U M
	C L A V U L A N A T E W I T H
	A M O X Y C I L L I N
Item Code No. (ITC Code)	3 0 0 4 3 9 . 0 8
Product Description	B E T A M E T H A S O N E
Item Code No. (ITC Code)	3 0 0 4 9 0 . 3 3
Product Description	R A N I T I D I N E

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Mumbai, 14th February, 2011

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary company	Financial year ending of the subsidiary	Number of equity shares held	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts.
Biddle Sawyer Limited	31.12.2010	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 14,88.35	Rs. lakhs —	Rs. lakhs 90,14.55	Rs. lakhs —

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Mumbai, 14th February, 2011

Biddle Sawyer Limited

Directors' Report to the Members

Your Directors are pleased to present the 65th Annual Report and the audited accounts of the Company for the year ended 31st December 2010.

Financial Results

	Year ended 31 st December 2010	Year ended 31 st December 2009
	Rs. in lakhs	Rs. in lakhs
Net Sales and other income	42,65.52	39,78.00
Profit before taxation and exceptional items	22,34.96	20,68.25
Provision for Tax	7,46.76	7,12.16
Deferred Tax charge/ (credit)	(0.15)	(0.66)
Net profit after tax	14,88.35	13,56.75
Add: Balance brought forward	67,73.64	76,58.48
Balance carried forward	60,07.24	67,73.64

Dividend

In view of the Interim Dividend of Rs. 187.50 per share declared during the year, the Directors do not recommend a final Dividend for the year.

Operations

The Net Sales for the year ended 31st December 2010 were Rs. 39.41 crores as compared to Rs. 37.00 crores for the previous year registering a growth of 6.5%. The Profit before Tax and Exceptional Items was Rs. 22.35 crores as compared to Rs. 20.68 crores for the previous year.

Directors

Dr. A. Banerjee retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Directors' Responsibility Statement

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and 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 ended 31st December 2010 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care 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;
- that the Directors have prepared the annual accounts on a going concern basis.

Information Pursuant to Section 217 of the Companies Act, 1956

There are no employees covered within the purview of the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956, as amended by Companies (Particulars of Employees) Rules, 1975.

Additional information on Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed.

Appointment of Auditors

Members are requested to re- appoint Cornelius and Davar, Chartered Accountants, as the Auditors of the Company for the ensuing year and fix their remuneration.

Appreciation

The Directors place on record their appreciation of the co-operation received from the Company's suppliers and trade associates during the year.

For and on behalf of the Board

Mumbai,
Dated: 14th February 2011

Dr. H. B. Joshipura
Chairman

Annexure to Directors' Report

A. CONSERVATION OF ENERGY:

- Energy Conservation Measures taken : Nil
- Additional proposal or activities, if any : Nil
- Impact of measures taken : Nil
- Total energy consumption and energy Conservation per unit of production : As per form A annexed hereto.

B. TECHNOLOGY ABSORPTION:

- Efforts made in technology absorption : As per Form B annexed hereto.

FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO CONSUMPTION OF ENERGY

I. Power and Fuel Consumption:

	Year ended 31 st December 2010	Year ended 31 st December 2009
1. Electricity:		
a) Purchased	Nil	Nil
Units Kwh		
Total Amount Rs.		
Rate/Unit Rs.		
b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil & LSHS	Nil	Nil
4. Others	Nil	Nil

II. Consumption per Unit of Production Standard:

Electricity (Units):

There is no specific standard as the consumption per unit depends on product mix of formulations (capsules, liquids, tablets etc.)

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO TECHNOLOGY ABSORPTION

- Specific Areas in which R&D is carried out by the Company : Nil
- Benefits derived as a result of the above R&D : Nil
- Future plan of action : Nil
- Expenditure on R&D

31st December 2010
Rs. in lakhs

1) Capital	Nil
2) Recurring	Nil
3) Total	Nil
4) Total R&D expenditure as percentage of total turnover	Nil

Technology absorption, adaption and innovation

- Efforts in brief made towards technology absorption, adaption and innovation:

Adaptive development of products and processes with the objective of cost reduction.

- Benefits derived as a result of above efforts:

Product improvement and cost reduction which are reflected in the quality and stability of products.

- In case of imported technology (imported during the last 5 years)

- Technology Imported – NA
- Year of Import – NA
- Has technology been fully absorbed – NA
- If not fully absorbed, areas where this has not taken place, reasons therefor, and future plan of action – NA

C. FOREIGN EXCHANGE EARNING AND OUTGO

- Activities relating to exports : Initiative taken to explore the exports markets.
- Total Foreign Exchange earned and used:

31st December 2010
Rs. in lakhs

1) Foreign Exchange earned	Nil
2) Foreign Exchange outgo- CIF Value of imports	961.54

Auditors' Report

To Members of Biddle Sawyer Limited

- (1) We have audited the attached Balance Sheet of BIDDLE SAWYER LIMITED as at 31st December, 2010, and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto both of which, we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibilities are to express opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards 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 misstatements. An audit also includes examining on a test basis, evidence supporting the amounts and disclosure 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 presentation of the 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, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, of India (the Act) and on the basis of such checks as we considered appropriate and according to the confirmation and explanation given to us, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in paragraph 3, we report that
- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - In our opinion, proper books of account as required by law have been kept by the Company, in so far as appears from our examination of the books of the Company.
 - The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts.
 - In our opinion, the Balance Sheet, and the Profit and Loss Account and Cash Flow Statement, complies with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
 - On the basis of our review of the confirmation received from the Companies in which the Directors of the Company serve as Director and the information and explanations given to us, none of the Directors of the Company prima facie are disqualified from being appointed as Directors under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - Subject to the above, in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by Companies Act, 1956, in the manner so required and gives a true and fair view:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2010;
 - in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

RUSTOM D. DAVAR
(Partner)
Membership No. F10620

Place: Mumbai
Date: 14th February, 2011

Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - The fixed assets have been physically verified by the management and no material discrepancies have been noticed on such verification.
 - In our opinion, the Company has not disposed of a substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- As explained to us, the inventory has been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
 - In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The Company has not taken or granted any loans, secured or unsecured from/to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books of account and according to the information and explanations given to us, we have not come across nor have we been informed of any instance of major weaknesses in the aforesaid internal controls.
- In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the Company for the current year.
- In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- The Company has internal audit system commensurate with size of the Company and the nature of its business.
- We have broadly reviewed the books of account maintained by the company, pursuant to the Rules made by the Central Government of India for the maintenance of cost records, under clause (d) of subsection (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been generally maintained and are under preparation. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- According to the book of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, in our opinion, the Company is general regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Inventor 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 applicable to it. According to the information and explanations given to us, no undisputed amount payable in respect of aforesaid dues were outstanding as at 31st December, 2010, for a period of more than six months from the date of becoming payable.
 - According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of wealth tax, service tax, customs duty, exercise duty and cess which have not been deposited on account of any dispute. The particulars of dues of sales tax and income-tax as at 31st December, 2010 which has not been deposited on account of a dispute, are as follows :

Name of the Statute	Nature of the dues	Amount Involved Rs. in lakhs	Period to which the amounts relates	Authority where the matter is pending
Karnataka General Sales Tax	Tax levied on the the BSL's Stock Transfer made by GSK on CSA basis outside Karnataka	89.80	2005-06 2006-07 2007-08 2008-09	High Court of Karnataka
Income Tax Act, 1961	Income Tax	171.73 134.59	AY 2007-08 AY 2008-09	Commissioner of Income Tax

- The Company does not have any accumulated losses as at 31st December, 2010. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- According to the books of accounts and records of the Company, there has been no default in repayment of dues to any financial institution or bank during the year. The Company has not issued any debentures.
- According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- According to the information and explanations given to us, the company has not taken any term loans. Therefore, the provisions of clause 4(xvi), of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- According to the information and explanations given to us, the Company has not issued any debentures.
- During the period covered by our audit report, the Company has not raised any money by public issues.
- To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

RUSTOM D. DAVAR
(Partner)
Membership No. F10620

Place: Mumbai
Date: 14th February, 2011

Balance Sheet as at 31st December, 2010

	Schedule	Rs. ('000)	31/12/2010 Rs. ('000)	Rs. (€000)	31/12/2009 Rs. (€000)
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	96,00		96,00	
Reserves and Surplus	2	67,42,27		73,59,83	
			68,38,27		74,55,83
TOTAL			68,38,27		74,55,83
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	3	1,99,32		1,99,32	
Less: Depreciation/impairment		1,97,24		1,97,24	
Net Block			2,08		2,08
INVESTMENTS	4		5,16,10		5,16,10
DEFERRED TAX					
Deferred Tax Assets			19,40		19,25
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	5	4,01,66		4,28,03	
Sundry Debtors	6	1,69,94		3,21,72	
Cash and Bank Balances	7	54,81,81		61,30,14	
Other Current Assets	8	1,01,55		86,13	
Loans and Advances	9	4,60,67		3,28,50	
		66,15,63		72,94,52	
Less: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	10	3,14,94		3,76,12	
		3,14,94		3,76,12	
NET CURRENT ASSETS			63,00,69		69,18,40
TOTAL			68,38,27		74,55,83
Notes to the Accounts	14				

The Schedules referred to above form an integral part of the Balance Sheet
As per our report of even date attached
Firm Registration No. 101963W
For CORNELIUS & DAVAR
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR
(Partner)
Membership No. F10620
Place: Mumbai
Date: 14th February, 2011

Dr. Hasit B. Joshipura
Chairman

M. B. Kapadia
Director

Profit and Loss Account for the year ended 31st December, 2010

	Schedule	Rs. ('000)	31/12/2010 Rs. ('000)	Rs. (€000)	31/12/2009 Rs. (€000)
INCOME					
Sales		40,07,35		37,62,40	
Less : Excise duty on sales		65,99		62,23	
Net Sales		39,41,36		37,00,17	
Other Income	11	3,24,16	42,65,52	2,77,83	39,78,00
EXPENDITURE					
Materials	12	11,14,35		9,95,63	
Operating and other expenses	13	9,16,21		9,14,12	
Depreciation		—		—	
			20,30,56		19,09,75
Profit before tax			22,34,96		20,68,25
Less: Provision for taxation		7,46,76		7,12,16	
Deferred tax charge/(credit)		(15)	7,46,61	(66)	7,11,50
Profit after tax			14,88,35		13,56,75
Balance brought forward			67,73,64		76,58,48
AVAILABLE FOR APPROPRIATIONS			82,61,99		90,15,23
APPROPRIATIONS					
Interim Dividend		18,00,00		18,00,00	
Tax on Dividend		3,05,91		3,05,91	
		21,05,91		21,05,91	
Transfer to General Reserve		1,48,84	22,54,75	1,35,68	22,41,59
Balance carried forward			60,07,24		67,73,64
Earnings per share (basic and diluted) (Rs.)			155.04		141.33
Face value of shares - Rs. 10 each (Refer note 12 on Schedule 14)					
Notes to the Accounts	14				

The Schedules referred to above form an integral part of the Profit and Loss Account
As per our report of even date attached
Firm Registration No. 101963W
For CORNELIUS & DAVAR
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR
(Partner)
Membership No. F10620
Place: Mumbai
Date: 14th February, 2011

Dr. Hasit B. Joshipura
Chairman

M. B. Kapadia
Director

Cash Flow Statement for the year ended 31st December, 2010

	31/12/2010 Rs. ('000)	31/12/2009 Rs. (€000)
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	22,34,96	20,68,25
Adjustments for :		
Interest income	(2,91,67)	(2,77,33)
Profit on sale of investments (net)	—	(35)
Operating profit before working capital changes	19,43,29	17,90,57
Adjustments for :		
Inventories	26,37	31,36
Trade and other receivables	(1,94,42)	(1,38,37)
Trade payables and other liabilities	(61,18)	(67,91)
Cash generated from operations	21,02,90	16,15,65
Direct taxes paid (net of refunds)	(9,21,57)	(7,94,69)
Net cash from operating activities A	11,81,33	8,20,96
b. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / sale of investments (net)	—	20,10,00
Interest received	2,76,25	3,85,59
Net cash from / (used in) investing activities B	2,76,25	23,95,59
c. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(18,00,00)	(18,00,00)
Tax on Dividend	(3,05,91)	(3,05,91)
Net cash used in financing activities C	(21,05,91)	(21,05,91)
Net increase / (decrease) in cash and cash equivalents (A + B)	(6,48,33)	11,10,64
Cash and cash equivalents as at 1st January, 2010 (opening balance)	61,30,14	50,19,50
Cash and cash equivalents as at 31st December, 2010 (closing balance)	54,81,81	61,30,14
Net increase / (decrease) in cash and cash equivalents	(6,48,33)	11,10,64

NOTES:

- Cash and cash equivalents include:
Cash and bank balances 54,81,81 61,30,14
Total cash and cash equivalents 54,81,81 61,30,14
- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
This is the Cash Flow Statement referred to in our report of even date
For and on behalf of the Board

For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

RUSTOM D. DAVAR
(Partner)
Membership No. F10620
Place: Mumbai
Date: 14th February, 2011

Dr. Hasit B. Joshipura
Chairman

M. B. Kapadia
Director

Schedules to the Accounts

	31/12/2010 Rs. ('000)	31/12/2009 Rs. (€000)
SCHEDULE 1 : SHARE CAPITAL		
Authorised 1,500,000 Ordinary Shares of Rs.10/- each	1,50,00	1,50,00
ISSUED, SUBSCRIBED & PAID-UP: 960,000 Ordinary Shares of Rs.10/- each fully paid up (of the above 750,000 ordinary shares have been allotted as fully paid-up Bonus shares by capitalisation of General Reserve)	96,00	96,00
(All the above shares are held by GlaxoSmithKline Pharmaceuticals Limited, the holding Company and its nominees.)		
TOTAL :	96,00	96,00
SCHEDULE 2: RESERVES & SURPLUS		
CAPITAL RESERVE:		
As per last Balance Sheet	2,91	2,91
GENERAL RESERVE:		
As per last Balance Sheet	5,83,28	4,47,60
Add: Transfer (to)/from Profit and Loss Account	1,48,84	7,32,12
PROFIT & LOSS ACCOUNT	60,07,24	67,73,64
TOTAL :	67,42,27	73,59,83

	31/12/2010 Rs. ('000) Book Value	31/12/2009 Rs. (€000) Book Value
SCHEDULE 4: INVESTMENTS (AT COST):		
LONG TERM INVESTMENTS		
NON-TRADE (QUOTED)		
National Thermal Power Corporation 14, 5.95% Bonds, 2011 of Rs.2,00,000 each	25,20	25,20
LIC Housing Finance Limited 50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	4,90,90	4,90,90
TOTAL :	5,16,10	5,16,10
Quoted : Market Value Rs. 5,24,36,000 (Previous year : Rs. 5,40,59,000)		
There are no investments purchased and sold during the year.		
SCHEDULE 5: INVENTORIES (AT COST OR MARKET VALUE WHICHEVER IS LESS AND AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	1,75,68	1,67,65
Packing Materials	11,11	18,47
Work-in-Progress	56,75	76,99
Finished Goods	1,58,12	1,64,92
TOTAL :	4,01,66	4,28,03

SCHEDULE 6: SUNDRY DEBTORS - UNSECURED

Less than six months and considered good	1,69,94	3,21,72
TOTAL :	1,69,94	3,21,72

SCHEDULE 7: CASH AND BANK BALANCE

Bank balance with Scheduled Banks:		
On Current Accounts	90,81	39,14
On Deposits	53,91,00	60,91,00
TOTAL :	54,81,81	61,30,14

SCHEDULE 8: OTHER CURRENT ASSETS

Interest accrued on Investments	1,01,55	86,13
TOTAL :	1,01,55	86,13

SCHEDULE 3: FIXED ASSETS

(Rs. '000)									
Sr No.	Particulars	GROSS BLOCK				DEPRECIATION			
		At Cost as on 01/01/2010	Additions during the year	Sale/scrapped during the year	Total As at 31/12/2010	Depreciation as on 01/01/2010	Depreciation/ impairment for the year	Depreciation in respect of items sold/ scrapped	Depreciation to date 31/12/2010
1	Land	2,08	—	—	2,08	—	—	—	—
2	Factory Building	16,98	—	—	16,98	16,98	—	—	16,98
3	Plant & Machinery	1,10,32	—	—	1,10,32	1,10,32	—	—	1,10,32
4	Furniture & Fixtures	13,48	—	—	13,48	13,48	—	—	13,48
5	Cycles	5	—	—	5	5	—	—	5
6	Computers	56,41	—	—	56,41	56,41	—	—	56,41
	Total	1,99,32	—	—	1,99,32	1,97,24	—	—	1,97,24
	<i>Previous Year</i>	<i>1,99,32</i>	<i>—</i>	<i>—</i>	<i>1,99,32</i>	<i>1,97,24</i>	<i>—</i>	<i>—</i>	<i>1,97,24</i>

	31/12/2010		31/12/2009	
	Rs. (‘000)	Rs. (‘000)	Rs. (€000)	Rs. (€000)
SCHEDULE 9: LOANS AND ADVANCES				
(Unsecured, Considered good)				
Sundry Deposit		13,70		13,70
Balance with customs and excise		8		28,46
Other advances		1,25,25		1,39,51
Advance Income-tax (Net of Provision)		3,21,64		1,46,83
TOTAL :		4,60,67		3,28,50
SCHEDULE 10: CURRENT LIABILITIES				
Sundry Creditors				
Micro and Small enterprises (Refer note 14 on Schedule 14)		—		0
Others	2,43,70	2,43,70	3,04,88	3,04,88
D.P.E.A.		71,24		71,24
TOTAL :		3,14,94		3,76,12
SCHEDULE 11: OTHER INCOME				
Profit on Sale of Investments		—		35
Interest income {Tax deducted at source Rs. 23,19,210 (Previous year Rs. 43,06,591)}		2,91,67		2,77,33
Exchange gain (net)		32,48		0
Miscellaneous Income		1		15
TOTAL :		3,24,16		2,77,83
SCHEDULE 12: MATERIALS				
Raw and packing materials consumed		10,63,07		10,11,23
Purchase of Finished Goods		24,24		31,08
(Increase)/Decrease in Work-in-Process and Finished Goods:				
Opening Stocks				
Work-in-Process	76,99		17,78	
Finished Goods	1,64,92		1,77,45	
	2,41,91		1,95,23	
Less: Closing Stocks				
Work-in-Process	56,75		76,99	
Finished Goods	1,58,12		1,64,92	
	2,14,87	27,04	2,41,91	(46,68)
TOTAL :		11,14,35		9,95,63
SCHEDULE 13: OTHER EXPENSES				
Selling & Distribution Expenses		6,45,14		6,76,92
Manufacturing Charges		80,67		70,50
Rent		1,63		1,58
Rates & Taxes		66,00		68,67
Excise Duty		(3,16)		(28,58)
Insurance		33		53
Remuneration of auditors :				
Statutory audit fees	1,76		1,76	
Tax audit fees	44		44	
Other services	36		29	
Reimbursement of expenses	79		50	
	3,35		2,99	
Cost audit fees	20	3,55	2,00	4,99
Finance Charges		21,58		0
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited		66,76		76,33
Exchange loss (net)		—		28,40
Miscellaneous Expenses		33,71		14,78
TOTAL :		9,16,21		9,14,12

SCHEDULE : 14

Notes annexed to and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2010.

1 Statement of Significant Accounting Policies:

a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India, accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

b) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.

The Company provides for depreciation on a straight line method. The depreciation rates used by the Company are equal to or higher than the principal rates specified in Schedule XIV to the Companies Act, 1956 and where higher are as follows:

S. L. M. Rates %

Buildings	3.50
Plant and Machinery (excluding Gas Installations)	10.00
Furniture and Fittings	10.00
Vehicles and Mainframe Computers	25.00
Personal Computers and Laptops	33.33

No write-offs are made in respect of leasehold land.

Assets identified and evaluated technically as obsolete and held for disposal are stated at lower of book value and estimated net realisable value / salvage value.

c) Investments

Long term investments are stated at cost, except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current Investments are stated at cost or fair value whichever is less.

d) Inventories

Raw materials, Packaging materials and Stores, Spares and Loose tools are valued at cost, on First-in First-out basis. Work-in-process is valued at cost of manufacturing which includes an appropriate portion of overheads upto the stage of completion. Finished goods is valued at lower of cost and estimated net realisable value.

e) Revenue Recognition

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts.

f) Foreign Currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account. Premium in respect of forward contracts is accounted over the period of the contract.

g) Research and Development

Capital expenditure on Research and Development is treated in the same way as expenditure on Fixed Assets. The revenue expenditure on Research and Development is written off in the year in which it is incurred.

h) Provision for Retirement Benefits

The Company has its own Gratuity Fund recognised by the Income Tax authorities and the fund is administered through Trustees. The Superannuation fund benefits is administered by a trust formed for this purpose through the Group Schemes of the Life Insurance Corporation of India, and the liability towards Superannuation is provided according to the rules of the Fund.

h) Excise Duty

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of CENVAT credits in respect of materials consumed for sales is deducted from cost of materials consumed.

i) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Other Accounting Policies

These are consistent with the generally accepted accounting principles.

2 Contingent Liabilities not provided for:

- Claims against the Company not acknowledged as debts Rs.9,85,86,448 (Previous year Rs. 8,78,36,411)
- Income-tax matters in respect of which appeals are pending Rs. 3,06,32,838 (Previous year Rs. 1,78,14,989)
- Sales tax matters Rs. 89,80,000 (Previous year Rs. 89,80,000)
- Guarantee given by the Company to the Customs Authorities Rs. 2,00,00,000 (Previous year Rs.2,00,00,000)
- Based on the data obtained by Government, it had directed the Company to pay a tentative amount of Rs. 49,28,762 along with interest due thereon into the Drugs Prices Equilisation Account (DPEA) under Drugs (Price Control) Order 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by the Company. The Company had filed its reply contending that no amount is payable into DPEA.

Biddle Sawyer Limited

3 The Company received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40,79,918 comprising Rs. 1,42,74,110 in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98,05,808 upto 31st July, 1998. The Company had been legally advised that the demand of Rs. 1,42,74,110 is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by the Company in a Writ Petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to the Company depositing 50% of the principal amount. Accordingly, the Company has deposited an amount of Rs. 71,50,000 with the Government on 3rd May, 1999. This is a normal interim order passed by the High court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if the Company succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

4 Deferred tax assets are attributable to the following items :

	2010 Rs. ('000)	2009 Rs. ('000)
Provision for pricing of formulation	18,15	18,15
Expenses allowable for tax purposes when paid	1,25	1,10
	<u>19,40</u>	<u>19,25</u>

5 Value of Imported Raw and Packing Materials calculated on C.I.F. basis

9,61,54 7,89,59

6 Consumption of Raw Materials & Packing Materials:

Particulars	Units	2010		2009	
		Qty.	Rs. ('000)	Qty.	Rs. ('000)
Serratiopeptidase	Kgs	372.080	5,28,91	371.720	5,06,86
Alpha D3	Lacs	220.541	4,44,33	213.548	3,70,45
Packing Material			65,22		57,03
Other Basic Raw Materials none of which account for more than 10% of the total value of consumption			24,61		76,89
Total			<u>10,63,07</u>		<u>10,11,23</u>

7 Value & Percentage of Imported / Indigenous Materials Consumed:

	2010 Rs. ('000)	2009 Rs. ('000)
Purchased indigenously including canalised items	78,22	1,01,71
	7%	10%
Imported by the Company including customs duty & clearing charges	9,84,85	9,09,52
	93%	90%

8 Detailed information in respect of opening and closing stocks, production and sales in respect of each class of goods produced and traded:

Class of Goods	Unit	Stocks at Commencement		Production	Purchase		Sales		Stocks at Close	
		Quantity	Rs. ('000)	Quantity	Quantity	Rs. ('000)	Quantity	Rs. ('000)	Quantity	Rs. ('000)
Formulations										
Tablets	Lacs	97.21	77.03	475.99	78.59	24,24	537.34	28,34,65	112.94	83,66
		(99.08)	(1,13,32)	(452.82)	(96.53)	(31,08)	(549.41)	(27,13,10)	(97.21)	(77,03)
Capsules	Lacs	36.78	87.89	215.28	-	-	218.22	11,72,70	33.74	74,46
		(31.96)	(64,13)	(210.17)	-	-	(204.91)	(10,49,30)	(36.78)	(87,89)
TOTAL			1,64,92		24,24		40,07,35		1,58,12	
			(1,77,45)		(31,08)		(37,62,40)		(1,64,92)	

Notes:

- Figures in brackets are in respect of the previous year.
- The closing stocks stated above are after adjustments for in-transit breakages / damages, date expired stocks. Closing stock figures, if derived from opening stocks, production and sales would be different due to these adjustments.
- Actual production includes quantities produced in the factories of third parties on loan licenses.

9 The foreign currency exposures not hedged as at the year end are as under :

(Rs. in '000s)

Currency Exchange	31st December 2010		31st December 2009	
	USD	Euro	USD	Euro
Net unhedged exposure in currency	(3,43,64)	(17,95)	(2,21,53)	-

10 The Company has only one segment namely pharmaceuticals; hence no separate disclosure of segment-wise information has been made.

11 Related Party disclosures:

- Related parties with whom there were transactions during the year are listed below:
Holding Company:
The company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.

2 The following transactions were carried out with the related parties at normal commercial terms in the ordinary course of business.

(Rs. in '000s)

		Holding Company	
		2010	2009
1	Payment of manufacturing charges	37,02	29,69
2	Payment of common costs	73,64	84,41
3	Payment of CSA commission	1,51,45	1,42,26
4	Payment of marketing commission	4,32,64	4,06,46
5	Dividend paid	18,00,00	18,00,00
6	Outstanding payable/(receivable) by the Company (net) @	(1,69,94)	(3,21,72)

@ Transactions with the above parties are accounted in the respective current accounts.

12 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

		Previous year	
		2010	2009
Profit after taxation	Rs. 000's	14,88,35	13,56,75
Weighted average number of shares	Nos.	960000	960000
Earnings per share (Basic and Diluted)	Rs.	155.04	141.33
Face value per share	Rs.	10	10

13 Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details

Registration No.	6218	State Code	11
Balance Sheet Date	31/12/10		

II. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	715321	Total Assets	715321
Sources of Funds			
Paid-Up Capital	9600	Reserves & Surplus	674227
Secured Loans	NIL	Unsecured Loans	NIL

Application of Funds

Fixed Assets	208	Investments	51610
Net Current Assets*	632009	Misc. Expenditure	NIL
Accumulated Losses	NIL		

* including deferred tax asset

III. Performance of Company (Amount in Rs. Thousands)

Turnover	426552	Total Expenditure	203056
Profit Before Tax	223496	Profit After Tax	148835
Earning Per Share in Rs.	155	Dividend Rate (%)	1875

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

Item Code No. (ITC Code)	3507.90
Product Description	SERRATIOPEPTIDASE
Item Code No. (ITC Code)	3333.90
Product Description	ALFACALCIDOL
Item Code No. (ITC Code)	2922.42
Product Description	METHOTREXATE

14 There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.

The above information and that given in Schedule 10 - "Current Liabilities" regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

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

Signatures to the Schedules 1 to 14 which form an integral part of the Accounts.

As per report of even date attached
For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR
(Partner)
Membership No. F10620

Dr. Hasit B. Josphura
Chairman

M. B. Kapadia
Director

Place: Mumbai
Date: 14th February, 2011

Auditors' Report to the Board of Directors of GlaxoSmithKline Pharmaceuticals Limited on the Consolidated Financial Statements of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary

1. We have audited the attached Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the 'company') and its subsidiary, hereinafter referred to as the 'Group' [Refer Note (b) on Schedule 17 to the attached consolidated financial statements], as at 31st December, 2010, and the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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 the 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. We did not audit the financial statements of the subsidiary, included in the consolidated financial statements, which constitute total assets of Rs. 71,53.21 lakhs and net assets of Rs. 68,38.27 lakhs as at 31st December, 2010 and total revenue of Rs. 42,65.52 lakhs, net profit of Rs. 14,88.35 lakhs and net cash flows amounting to Rs. (6,48.33) lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the component of the Group as referred to above and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2010;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Himanshu Goradia
Partner
Membership No. 45668

Mumbai, 14th February, 2011

Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary as at 31st December, 2010

								Schedule	Rupees in lakhs		Previous year Rupees in lakhs		
SOURCES OF FUNDS													
SHAREHOLDERS' FUNDS													
Capital	..	..	..	..	..	..	1	84,70.30		84,70.30		
Reserves and surplus	..		..	..	..	..	2	1866,87.79	1951,58.09	1701,39.07		1786,09.37
LOAN FUNDS													
Unsecured loans	..		..	..	..	..	3		5,16.19			5,41.86
TOTAL						..		1956,74.28		1791,51.23			
APPLICATION OF FUNDS													
FIXED ASSETS								4					
Gross block	..	..	..	..	..	..		362,54.25		333,32.10		
Less : Depreciation	..		..	..	..	..		253,58.86		240,49.23		
Net block	..	..	..	..	..	..		108,95.39		92,82.87		
Capital work-in-progress		..	..	..	..	..		8,72.09	117,67.48	21,35.73		114,18.60
INVESTMENTS								5	117,90.02			148,45.89	
DEFERRED TAX								6					
Deferred tax assets	..	..	..	..	..	..		65,32.93		52,47.18		
Deferred tax liabilities	..	..	..	..	..	..		8,74.00	56,58.93	7,58.69		44,88.49
CURRENT ASSETS, LOANS AND ADVANCES													
Inventories	..	..	..	..	..	..	7	285,55.41		257,29.72		
Sundry debtors	..	..	..	..	..	..	8	47,02.65		53,73.47		
Cash and bank balances	..	..	..	..	..	..	9	2002,89.50		1733,90.19		
Other current assets	..	..	..	..	..	..	10	53,83.67		30,39.54		
Loans and advances	..	..	..	..	..	..	11	120,25.72		107,35.20		
									2509,56.95		2182,68.12		
Less : CURRENT LIABILITIES AND PROVISIONS													
Liabilities	..	..	..	..	..	..	12	358,16.06		317,20.61		
Provisions	..	..	..	..	..	..	13	486,83.04		381,49.26		
									844,99.10		698,69.87		
NET CURRENT ASSETS								..	1664,57.85			1483,98.25	
TOTAL						..		1956,74.28		1791,51.23			
Notes to the Consolidated Financial Statements								17					

The schedules referred to above form an integral part of the Consolidated Balance Sheet

This is the Consolidated Balance Sheet referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman D. S. PAREKH
Managing Director Dr. H. B. JOSHIPURA
Senior Executive Director M. B. KAPADIA
Company Secretary A. A. NADKARNI

Consolidated Profit and Loss Account of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2010

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
INCOME			
Sales (Gross)		2195,15.55	1950,39.43
Less : Excise duty on sales		44,09.94	42,62.54
Net sales		2151,05.61	1907,76.89
Other income	14	130,60.55	103,42.46
TOTAL INCOME		2281,66.16	2011,19.35
EXPENDITURE			
Materials	15	788,14.74	702,18.13
Operating and other expenses	16	604,27.04	531,47.91
Depreciation		17,62.82	16,36.86
TOTAL EXPENDITURE		1410,04.60	1250,02.90
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		871,61.56	761,16.45
Provision for taxation			
Current tax		296,98.43	281,47.18
Deferred tax		(3,63.39)	(22,61.80)
		293,35.04	258,85.38
Fringe benefits tax		—	1,85.00
NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		578,26.52	500,46.07
EXCEPTIONAL ITEMS (net of tax) (Refer note 15 on Schedule 17)		(17,69.36)	7,39.77
NET PROFIT		560,57.16	507,85.84
Balance brought forward		1092,59.03	934,61.26
AVAILABLE FOR APPROPRIATION		1653,16.19	1442,47.10
APPROPRIATIONS			
Proposed dividend		338,81.20	254,10.90
Tax on distributed profit		56,27.24	43,18.58
		395,08.44	297,29.48
Transfer to general reserve		57,85.72	52,58.59
BALANCE CARRIED FORWARD		1200,22.03	1092,59.03
Earnings per share before exceptional items (basic and diluted) (Rs.)		68.27	59.08
Earnings per share (basic and diluted) (Rs.)		66.18	59.96
Face value of shares Rs. 10 each. (Refer note 22 on Schedule 17)			
Notes to the Consolidated Financial Statements	17		

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account

This is the Consolidated Profit and Loss Account referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Consolidated Cash Flow Statement of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2010

	Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	871,61.56	761,16.45
<i>Adjustments for :</i>		
Depreciation	17,62.82	16,36.86
Interest expense	62.15	37.37
Provision / write off for doubtful debts, loans and advances (net)	50.07	1,35.76
Unrealised loss / (gain) on foreign exchange	(1.91)	28.46
Profit on sale / disposal of fixed assets (net)	(49.04)	(38.41)
Profit on sale / redemption of investments	(1.81)	(0.35)
Provision written back as no longer required	(7,93.24)	(2,72.39)
Interest income	(100,24.72)	(85,05.59)
Operating profit before working capital changes	781,65.88	691,38.16
<i>Adjustments for :</i>		
Inventories	(28,25.69)	(24,32.12)
Trade and other receivables	(6,69.77)	(1,28.35)
Trade payables and other liabilities	47,61.13	46,07.47
Cash generated from operations	794,31.55	711,85.16
Direct taxes paid (net of refunds) (including fringe benefits tax)	(313,88.72)	(185,37.69)
Cash flow before exceptional items	480,42.83	526,47.47
<i>Exceptional items:</i>		
Payment for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	—	(7,12.00)
Compensation for surrender of rental premises	—	1,25.00
Non recurring expenses for merger / rationalisation initiatives	(1,06.50)	(9,09.51)
Net cash from operating activities	A 479,36.33	511,50.96
b. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(21,39.44)	(30,36.66)
Sale of fixed assets	76.78	56.87
Sale of property (Exceptional item)	-	8,92.50
Sale / redemption of investments	30,01.82	580,20.22
Interest received	77,36.45	101,45.13
Net cash from investing activities	B 86,75.61	660,78.06
c. CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of borrowings	(25.67)	(23.08)
Interest paid	(67.56)	(35.49)
Dividend paid	(253,02.73)	(336,67.18)
Tax on distributed profit	(43,18.58)	(57,58.11)
Net cash used in financing activities	C (297,14.54)	(394,83.86)
Net increase in cash and cash equivalents	(A + B + C) 268,97.40	777,45.16
Cash and cash equivalents as at 1st January, 2010 (opening balance)	1734,03.21	956,58.05
Cash and cash equivalents as at 31st December, 2010 (closing balance)	2003,00.61	1734,03.21
Net increase in cash and cash equivalents	268,97.40	777,45.16
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	2002,89.50	1733,90.19
Unrealised loss on foreign currency	11.11	13.02
Total cash and cash equivalents	2003,00.61	1734,03.21

2. The Consolidated Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

This is the Consolidated Cash Flow Statement referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Schedules to the Consolidated Financial Statements

1

CAPITAL

AUTHORISED
9,00,00,000 equity shares of Rs.10 each
ISSUED
8,47,07,710 equity shares of Rs.10 each, fully paid up
SUBSCRIBED AND PAID-UP
8,47,03,017* equity shares of Rs.10 each, fully paid up

Rupees in lakhs
90,00.00
84,70.77
84,70.30

Previous year
Rupees in lakhs

90,00.00
84,70.77
84,70.30

* excludes 3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited (4,693 equity shares of Rs.10 each of the Company) held in abeyance.

Of the above shares:

(i) 4,29,17,488 equity shares are held by the ultimate holding company GlaxoSmithKline plc, U.K. through its subsidiaries.

Prior to the buy back of equity shares#:

- (ii) 1,28,47,546 equity shares were allotted as fully paid-up pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company.
- (iii) 1,47,00,000 equity shares were allotted as fully paid-up pursuant to the Scheme of Arrangement for Amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited with the Company.
- (iv) 4,06,87,500 equity shares were allotted as fully paid-up bonus shares by capitalisation of share premium and reserves.
- (v) 15,00,000 equity shares were allotted as fully paid-up pursuant to contracts without payments being received in cash.

The Company bought back and extinguished 26,19,529 equity shares in 2005.

2

RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2010	Additions	Deductions	As at 31st December 2010	As at 31st December 2009
Capital Reserve	1,70.97	—	—	(c) 1,70.97	1,70.97
Capital Redemption Reserve	2,62.00	—	—	(d) 2,62.00	2,62.00
General Reserve	604,47.07	(a) 57,85.72	—	662,32.79	604,47.07
Profit and Loss Account - Surplus	1092,59.03	(b) 107,63.00	—	1200,22.03	1092,59.03
TOTAL	1701,39.07	165,48.72	—	1866,87.79	1701,39.07
Previous Year Total	1490,82.71	210,56.36	—	1701,39.07	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

(c) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile Burroughs Wellcome (India) Limited Rs. 0.51 lakhs.

(d) Includes Rs. 2,61.95 lakhs on account of buy back of equity shares.

Schedules to the Consolidated Financial Statements — continued

3 UNSECURED LOANS

Interest free sales tax loan from SICOM Limited

TOTAL

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
4,90.52	25.67	5,16.19	25.67
4,90.52	25.67	5,16.19	25.67
	5,16.19		5,41.86

4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2010	Additions	Deductions	As at 31st December 2010	As at 1st January 2010	For the Year	On Deductions	As at 31st December 2010	As at 31st December 2010	As at 31st December 2009
Goodwill (a)	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—
Freehold land	22.89	—	—	22.89	—	—	—	—	22.89	22.89
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (b)	27,81.69	35.17	0.21	28,16.65	13,26.73	64.34	0.21	13,90.86	14,25.79	14,54.96
Leasehold buildings	32,73.12	3,55.93	—	36,29.05	15,29.81	1,24.51	—	16,54.32	19,74.73	17,43.31
Plant and machinery	189,31.25	25,50.08	3,53.54	211,27.79	139,72.02	11,88.69	3,47.40	148,13.31	63,14.48	49,59.23
Furniture and fittings	33,35.40	2,57.28	19.96	35,72.72	25,12.14	2,21.16	11.85	27,21.45	8,51.27	8,23.26
Vehicles	7,28.51	2,04.62	1,07.22	8,25.91	4,93.56	1,64.12	93.73	5,63.95	2,61.96	2,34.95
TOTAL	333,32.10	34,03.08	4,80.93	362,54.25	240,49.23	17,62.82	4,53.19	253,58.86	108,95.39	
Previous year - Total	326,28.88	18,96.38	11,93.16	333,32.10	235,87.00	16,36.86	11,74.63	240,49.23		92,82.87
Work-in-progress at cost and advance payments against capital expenditure									8,72.09	21,35.73
								TOTAL	117,67.48	114,18.60

Note:

- (a) Amortised over a period of ten years.
 (b) Freehold buildings include investments representing ownership of residential flats (Refer note 8 on Schedule 17).

Schedules to the Consolidated Financial Statements — continued

5 INVESTMENTS

LONG TERM (at Cost)

IN GOVERNMENT SECURITIES

Quoted

7.40% Government of India Securities, 2012

	Rupees in lakhs	Previous year Rupees in lakhs
Face value Rs. 25,00 lakhs	25,66.73	26,13.66

Unquoted

National Savings Certificate	0.17	0.17
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(Lodged with Government authorities)

TRADE

Unquoted

Biotech Consortium India Limited

50,000 Equity Shares of Rs. 10 each fully paid.	5.00	5.00
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Dinette Exclusive Club Private Limited

500 Equity Shares of Rs. 100 each fully paid	0.50	0.50
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OTHER THAN TRADE

Quoted

Export Import Bank of India

Nil, (Previous year : 200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each)	—	20,00.00
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Housing Development Finance Corporation Limited

100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each	10,00.00	10,00.00
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350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	34,90.90	34,90.90
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Indian Railway Finance Corporation Limited

Nil, (Previous year : 50, 6.20% Bonds, 2010 of Rs. 10,00,000 each)	—	5,01.66
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20, 9.76% Bonds, 2012 of Rs. 10,00,000 each	2,00.71	2,01.14
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LIC Housing Finance Limited

Nil, (Previous year : 25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each)	—	5,02.16
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100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	10,01.05	10,01.27
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100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	10,00.88	10,01.26
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50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	4,90.90	4,90.90
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National Thermal Power Corporation

14, 5.95% Bonds, 2011 of Rs. 2,00,000 each	25.20	25.20
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National Bank for Agriculture and Rural Development

100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each	10,00.00	10,00.00
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Schedules to the Consolidated Financial Statements — continued

5 INVESTMENTS (continued)

INVESTMENTS (continued)					Rupees in lakhs	Previous year Rupees in lakhs
Power Finance Corporation Limited						
100, 9.80% Bonds, 2012 of Rs. 10,00,000 each	..	..	..	..	10,07.98	10,12.06
Reliance Industries Limited						
Nil, (Previous year : 148 Equity Shares of Rs. 10 each fully paid)	..	..			—	0.01
Reliance Capital Limited						
Nil, (Previous year : 3 Equity Shares of Rs. 10 each fully paid)	..	..			—	*
Reliance Communications Limited						
Nil, (Previous year : 74 Equity Shares of Rs. 5 each fully paid)	..	..			—	*
Reliance Infrastructure Limited						
Nil, (Previous year : 5 Equity Shares of Rs. 10 each fully paid)	..	..			—	*
Reliance Natural Resources Limited						
Nil, (Previous year : 74 Equity Shares of Rs. 5 each fully paid)	..	..			—	*
* Less than Rs. 1,000						
TOTAL					117,90.02	148,45.89
Aggregate of Unquoted Investments	- At Book value	..	..	..	5.67	5.67
Aggregate of Quoted Investments	- At Book value	..	..	..	117,84.35	148,40.22
	- At Market value	..	..	..	117,97.54	151,73.02

Schedules to the Consolidated Financial Statements — continued

6

DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following items:

Assets

Liability for Drugs Prices Equalisation Account 3,48.52 3,56.63

Provision for employee benefits 22,03.54 13,51.04

Costs of voluntary retirement schemes 9.75 14.67

Provision for doubtful debts, loans and advances 2,93.73 3,07.93

Provision for pricing of formulations 2,24.25 2,29.04

Interest received on Income-tax refund considered as taxable under the Income-tax Act, 1961 21,52.01 22,02.06

Expenses allowable for tax purposes when paid 13,01.13 7,85.81

TOTAL 65,32.93 52,47.18

Liabilities

Depreciation 7,73.60 6,55.96

Fixed assets held for sale 1,00.40 1,02.73

TOTAL 8,74.00 7,58.69

TOTAL 56,58.93 44,88.49

7

INVENTORIES

(Inventories have been valued at lower of cost and net realisable value)

Stores and spares 4,53.53 3,59.40

Raw and packing materials 64,17.66 56,78.05

Work-in-progress 52,33.26 42,62.81

Finished goods 164,50.96 154,29.46

TOTAL 285,55.41 257,29.72

8

SUNDRY DEBTORS

(Unsecured)

Outstanding for over six months 7,57.45 87.89 7,21.71 1,04.38

Others — 46,14.76 28.82 52,69.09

7,57.45 47,02.65 7,50.53 53,73.47

Less : Provision for doubtful debts. (7,57.45) — (7,50.53) —

— 47,02.65 — 53,73.47

TOTAL 47,02.65 53,73.47

9

CASH AND BANK BALANCES

Cash on hand 4.41 4.08

Remittances in transit (Refer note 3(iii) on Schedule 17) 5.92 5.92

With scheduled banks

Current account 58,18.75 75,04.46

Fixed deposit account. 1942,16.00 1634,91.00

Call / margin money deposit 2,44.42 23,84.73

TOTAL 2002,89.50 1733,90.19

Schedules to the Consolidated Financial Statements — continued

		Rupees in lakhs	Previous year Rupees in lakhs
10 OTHER CURRENT ASSETS			
Interest accrued on investments / deposits		50,81.42	27,37.29
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower)		3,02.25	3,02.25
TOTAL		<u>53,83.67</u>	<u>30,39.54</u>
11 LOANS AND ADVANCES	Doubtful Good	Doubtful Good	
(Unsecured)			
Loans and advances recoverable in cash or in kind or for value to be received			
Sundry deposits	— 24,15.23	— 23,22.89	
Other advances	1,26.81 74,10.00	1,55.43 65,15.15	
Less : Provision for doubtful advances	(1,26.81) —	(1,55.43) —	
	— 98,25.23	— 88,38.04	
Balance with customs, excise and port trust on current accounts	— 20,62.97	— 17,59.64	
Fringe benefits tax (Refer note 24 on Schedule 17)	— 1,37.52	— 1,37.52	
	— 120,25.72	— 107,35.20	
TOTAL	<u>120,25.72</u>	<u>107,35.20</u>	
12 CURRENT LIABILITIES			
Sundry creditors	334,35.62	294,42.39	
Unpaid dividend *	12,59.97	11,51.80	
Unpaid matured fixed deposits *	—	1.32	
Warrants issued but not encashed - Fixed deposit interest *	—	4.63	
Drugs Prices Equalisation Account	11,20.47	11,20.47	
TOTAL	<u>358,16.06</u>	<u>317,20.61</u>	
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.			
13 PROVISIONS			
For current taxation (Refer note 23 on Schedule 17)	25,40.93	43,04.88	
For proposed equity dividend	338,81.20	254,10.90	
For tax on distributed profit	56,27.24	43,18.58	
For employee benefits [includes actuarial loss of Rs. 11,96.08 lakhs recognised in the year (previous year - actuarial gain of Rs. 22,10.78 lakhs)]	66,33.67	41,14.90	
TOTAL	<u>486,83.04</u>	<u>381,49.26</u>	

Schedules to the Consolidated Financial Statements — continued

14

OTHER INCOME

Service income

			Rupees in lakhs	Previous year Rupees in lakhs
Clinical research and data management	..	..	40,21.79	43,95.92
Other services	..	..	10,76.03	9,06.70
Expenses relating to the above	..	..	(42,91.53)	(45,50.32)
			8,06.29	7,52.30
Export related benefits (net)	..	..	81.93	1,21.96
Exchange gain (net)	..	..	1,75.08	—
Consignment sales commission	..	..	91.25	1,47.12
Rent received	..	..	63.90	56.73
Profit on sale / disposal of fixed assets (net)	..	..	49.04	38.41
Manufacturing charges recovery	..	..	1,92.93	70.00
Provision written back as no longer required	..	..	7,93.24	2,72.39
Others	..	..	8,44.32	4,15.33
			30,97.98	18,74.24
Interest income (Gross):				
On deposits with banks	..	..	87,90.63	59,45.57
On loans	..	..	20.82	19.52
On investments - Government securities and other than trade				
- long term [net of premium write-off of Rs. 55.86 lakhs (Previous year Rs. 86.06 lakhs)]	..	..	11,83.49	24,34.73
- current	..	..	—	85.97
Others	..	..	29.78	19.80
			100,24.72	85,05.59
Less : Interest expense:				
Security deposits	..	..	(28.48)	(36.52)
Others	..	..	(33.67)	(0.85)
			(62.15)	(37.37)
			99,62.57	84,68.22
TOTAL	..	..	130,60.55	103,42.46
Tax deducted at source :				
On interest	..	..	6,69.03	11,64.45
Others	..	..	4,73.74	2,68.52
			11,42.77	14,32.97

15

MATERIALS

Raw and packing materials consumed	..	..	430,45.32	406,77.27
Purchase of finished goods	..	..	377,61.37	328,28.21
(Increase) / decrease in work-in-progress and finished goods:				
Opening stock				
Work-in-progress	..	..	42,62.81	37,08.13
Finished goods	..	..	154,29.46	126,96.79
			196,92.27	164,04.92
Less: Closing stock				
Work-in-progress	..	..	52,33.26	42,62.81
Finished goods	..	..	164,50.96	154,29.46
			216,84.22	196,92.27
			(19,91.95)	(32,87.35)
TOTAL	..	..	788,14.74	702,18.13

Schedules to the Consolidated Financial Statements — continued

16

OPERATING AND OTHER EXPENSES

			Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	..	..	216,97.46		188,05.09
Contributions to : Provident and pension funds	..	..	11,71.56		10,62.62
Gratuity funds	..	..	1,39.41		1,65.77
Staff welfare	..	..	10,76.81	240,85.24	9,01.12
Sales promotion	..	..		96,11.47	95,22.87
Selling commission on exports	..	..		4.66	3.46
Stock point commission	..	..		10,25.03	9,27.20
Freight (net)	..	..		34,28.88	26,79.41
Travelling	..	..		40,13.07	34,91.40
Provision / write off for doubtful debts, loans and advances (net)				50.07	1,35.76
Exchange loss (net)	..	..		—	2,51.32
Manufacturing charges	..	..		47,60.09	41,35.27
Repairs - Buildings	..	..	4,12.91		3,33.09
- Plant and Machinery	..	..	12,10.46		11,08.29
- Others	..	..	22.35	16,45.72	29.29
Consumption of stores and spares	..	..		3,45.52	4,01.96
Power, fuel and water	..	..		26,75.37	24,65.64
Rent	..	..		9,86.80	8,73.86
Rates and taxes	..	..		9,62.59	9,20.49
Printing, postage and telephones	..	..		12,57.82	10,70.38
Sales training, briefing and conference	..	..		19,39.78	11,93.45
Excise duty	..	..		(2,42.02)	(2,16.19)
Insurance	..	..		2,93.54	2,35.30
Remuneration to auditors :					
Statutory audit fees	..	..	35.57		35.57
In other capacity in respect of :					
Tax audit fees	..	..	6.62		6.62
Audit of tax accounts	..	..	22.06		22.06
Other services	..	..	23.99		23.99
Reimbursement of expenses	..	..	1.56		1.23
			89.80		89.47
Cost audit fees	..	..	4.50	94.30	4.50
Date-expired stocks	..	..		22,72.80	21,03.06
Commission to non whole-time Directors	..	..		39.45	36.30
Directors' sitting fees	..	..		13.20	10.00
Clinical trial supplies	..	..		3,85.09	9,31.02
Miscellaneous	..	..		45,25.33	39,08.68
Reimbursement of expenses (net) (Refer note 14 on Schedule 17)	..	..		5,44.77	1,18.35
Expenses relating to service income (Refer Schedule 14)	..	..		(42,91.53)	(45,50.32)
TOTAL	..	..		604,27.04	531,47.91

Schedules to the Consolidated Financial Statements — *continued*

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India and the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

(b) Principles of consolidation

1. The consolidated financial statements relate to GlaxoSmithKline Pharmaceuticals Limited (the 'Company') and its wholly owned subsidiary. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The excess of cost to the Company of its investment in the subsidiary is recognised in the financial statements as goodwill, which is amortised over a period of ten years.

2. The subsidiary considered in the consolidated financial statements is :

Name of the Company	Country of incorporation	% voting power held as at 31st December, 2010	% voting power held as at 31st December, 2009
Biddle Sawyer Limited (BSL)	India	100	100

(c) Other Significant Accounting Policies

These are set out in the notes to the financial statements under "Statement of Accounting Policies" of the financial statements of the Company and BSL.

- 1 The Company received a demand for Rs. 71,79 lakhs from the Central Government contained in its orders dated 18th June, 1990 and 16th November, 1990 in respect of prices relating to Betamethasone bulk drugs and formulations therefrom. These orders were challenged by the Company by a writ petition in the Hon'ble High Court at Delhi. After hearing the submissions of the Company, as well as the Government, in the writ petition, the Hon'ble High Court by its judgement and order dated 19th October, 2001, was pleased to set aside the impugned demands raised by the Central Government. The claim to interest made by the Government vide its letter dated 29th October, 1996, demanding interest of Rs. 117,66 lakhs for the period 12th May, 1981 to 17th October, 1996 thereby, does not survive. The Hon'ble High Court has also directed that the Company be given an opportunity to present its case with full facts to enable the Central Government to raise a fresh demand. The Company has sent a letter to the Government giving details of the quantities based on which the demand has to be raised as per the judgement of the Hon'ble High Court at Delhi and has intimated to the Government that according to the Company, after considering the set offs which the Company has claimed, the amount payable would be Rs. 18,68 lakhs. The Company had accrued a liability of Rs. 18,68 lakhs of which an amount of Rs. 8,19 lakhs has been paid to the Government in the earlier years. Accordingly, the Company has retained the liability of Rs. 10,49 lakhs in the Balance Sheet.

The Central Government's special leave petition in the Supreme Court against the Delhi High Court's judgement and order dated 19th October, 2001 was admitted. The Supreme Court has heard the special leave petition and reserved orders.

- 2 Further, BSL received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40.80 lakhs comprising Rs. 1,42.74 lakhs in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98.06 lakhs upto 31st July, 1998. BSL had been legally advised that the demand of Rs. 1,42.74 lakhs is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by BSL in a writ petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to BSL depositing 50% of the principal amount. Accordingly, BSL has deposited an amount of Rs. 71.50 lakhs with the Government on 3rd May, 1999. This is a normal interim order passed by the High court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if BSL succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and BSL's writ petition will now be heard by the Bombay High Court.
- 3 Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):
 - (i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983.

Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and/or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails.

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of remuneration to the Managing Director and three whole time Directors amounting to Rs. 10.93 lakhs for the year ended 31st August, 1986, which was in accordance with the minimum remuneration provided in the agreement entered into with them prior to erstwhile BWIL becoming public, which required such Government of India's sanction. The approval is still awaited.
- (iii) Remittances in transit represent monies deposited by customers in favour of erstwhile BWIL with banks in Zambia - Rs. 0.31 lakhs and in Tanzania - Rs. 5.61 lakhs, the remittance of which is pending clearance of the authorities in those countries.

4 Matters in respect of erstwhile SmithKline Beecham Pharmaceuticals (India) Limited:

- (i) Rs. 1,44.44 lakhs received from Beckman Instruments International S.A. on account of disputed alleged additional commission has been included under Sundry Creditors and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under Loans and Advances.

The Company is contesting the matter with the concerned authorities.

- (ii) Refund of surtax Rs. 96.81 lakhs, and interest thereon amounting to Rs. 48.52 lakhs, received during 1994, have not been adjusted against the provision for tax in the books of account and recognised as income respectively, since the Income tax department had filed a reference application against the income tax tribunal's order which was pending before the High Court of Karnataka. The Company has received an order dated 18th April, 2007 from the High Court of Karnataka which is partially in the Company's favour. On the basis of the aforesaid order, Income Tax Appellate Tribunal (ITAT), Bangalore will pass an order giving directions. On receipt of the ITAT order, the Company will take appropriate steps in the matter.

5 Contingent Liabilities not provided for:

				Rupees in lakhs	Previous year Rupees in lakhs
(i)	Cheques discounted with banks	..	..	2,20.69	3,97.41
(ii)	In respect of claims made against the Company not acknowledged as debts by the Company				
	- Sales tax matters	..	..	26,89.01	30,63.04
	- Excise matters	..	..	4,38.97	7,98.19
	- Service tax matters	..	..	1,29.20	2,42.18
	- Labour matters	..	..	51,50.93	46,19.39
	- Other legal matters	..	..	10,63.57	8,62.09
	which net of current tax amount to -	..	..	63,25.42	63,26.99
(iii)	Taxation matters in respect of which appeals are pending				
	- Tax on matters in dispute	..	..	127,65.57	112,56.89
	- Other consequential matters (net of tax)	..	..	3,74.39	3,74.39
(iv)	Guarantee given to the Customs authorities	..	..	2,00.00	2,00.00
(v)	Based on the data obtained by Government, it had directed BSL to pay a tentative amount of Rs. 49.29 lakhs along with interest due thereon into the Drugs Prices Equalisation Account (DPEA) under the Drugs (Prices Control) Order, 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by BSL. BSL had filed its reply contending that no amount is payable into DPEA.				

Notes:

Future cash outflows in respect of (i) above are dependant on the return of cheques by banks.

Future cash outflows in respect of (ii), (iii) and (v) above are determinable on receipt of decisions / judgements pending with various forums / authorities.

Future cash outflows in respect of (iv) above are dependent on the future performance of the obligation by BSL.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

				Rupees in lakhs	Previous year Rupees in lakhs
6	Uncalled liability on partly paid shares:				
-	in Hill Properties Limited	..	..	0.12	0.12
	Note:				
	Future cash outflow is dependent on the call to be made by Hill Properties Limited.				
7	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	..	..	4,60.77	3,80.21
8	Fixed Assets include the following investments representing ownership of residential flats :				
-	5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited			7.22	7.22
-	10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited			2.00	2.00
-	10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited	..	..	48.13	48.13
-	5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited			23.62	23.62
-	10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited			33.31	33.31
-	20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited	..	..	45.59	45.59
-	5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited	..	..	67.00	67.00
-	20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited			19.32	19.32
9	Loans and Advances include amounts due from a Director * and an officer of the Company			—	11.19
	the maximum amount due during the year was	..	..	—	15.28
	* Loan granted prior to appointment as a whole time Director.				
10	Directors' Remuneration				
	Salaries	..	..	4,95.16	4,36.97
	Payments under the long-term incentive plan	..	..	59.07	31.85
	Perquisites	..	..	8.06	6.96
	Contribution to provident and superannuation funds	..	..	70.30	61.34
	Commission to non whole-time Directors	..	..	39.45	36.30
	Directors' sitting fees	..	..	13.20	10.00
				6,85.24	5,83.42
	- excludes contribution to gratuity fund, which is based on an actuarial valuation and the amount recognised as expense for the year under the long-term incentive plan.				
	Pension to past Directors	..	..	5.23	3.61
11	The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2010 and the provision based on the figures for the remaining nine months up to 31st December, 2010, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2010 to 31st March, 2011.				
12	Other income in Schedule 14 includes profit on sale / redemption of long term investments Rs. 1.81 lakhs (Previous year - Rs. 0.35 lakhs).				
13	The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,43.39 lakhs (Previous year - Rs. 4,66.82 lakhs).				
14	"Reimbursement of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 2,63.35 lakhs (Previous year - Rs. 7,02.62 lakhs), from Stiefel India Private Limited Rs. 13.85 lakhs (Previous year - Nil) , from GlaxoSmithKline Pte Limited Rs. 59.41 lakhs (Previous year - Rs. 28.03 lakhs), from GlaxoSmithKline S.A.E - Nil (Previous year - Rs. 15.29 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 14.51 lakhs (Previous year - Rs. 25.54 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 8,95.89 lakhs (Previous year - Rs. 8,89.83 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.				

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

				Rupees in lakhs	Previous year Rupees in lakhs
15	Exceptional items :				
	(i) Expenses for rationalisation initiatives	..	..	..	(2,20.47) (10,37.52)
	(ii) Profit on sale of property	..	..	..	— 8,92.43
	(iii) Compensation for surrender of rental premises	..	..	..	— 1,25.00
	(iv) Expenses for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	..	..	..	— (7,12.00)
	(v) Actuarial Gain/(Loss) on employee benefits	..	..	..	(11,96.08) 22,10.78
	(vi) Provision made on account of revised gratuity limits	..	..	..	(12,33.52) —
	Taxation on the above				
	Current tax	..	..	..	73.66 12.52
	Deferred tax	..	..	..	8,07.05 (7,51.44)
					(17,69.36) 7,39.77

16 The disclosures as required by Accounting Standard 15, Employee benefits (revised 2005), notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are set out in note 24 of notes to the financial statements of the Company. Since there are no employees in BSL, the disclosures for consolidated financial statements are the same as those given for the Company.

17 The Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

18 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are given below:

1 Relationships (during the year):

- (i) Shareholders (the GlaxoSmithKline (GSK) Group shareholding) in the Company

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company / ultimate holding company of the above shareholders *

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham plc, U.K.

Wellcome Limited, U.K.

Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

* no transactions during the year

- (ii) Other related parties in the GlaxoSmithKline (GSK) Group where common control exists and with whom the Company had transactions during the year:

SmithKline Beecham Private Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited, Pakistan

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

Laboratoire GlaxoSmithKline S.A.S., France

GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia

GlaxoSmithKline Export Limited, U.K.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline LLC, U.S.A

Stiefel India Private Limited, India

US Pharmaceuticals, U.S.A.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iii) Directors and members of GSK India Management Team and their relatives:

Dr. A. Banerjee	Mr. P.V. Nayak
Mr. A.M. Nimbalkar (up to 27th April, 2010)	Mr. R. Bartaria
Mr. C.T. Renganathan	Mr. R.C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. D. Sundaram	Mr. S. Harford (w.e.f 28th October, 2010) *
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. H. Buch	Mr. Sunder Rajan
Mr. M.B. Kapadia	Mr. S. Khanna
Mr. M.K. Vasanth Kumar	Mrs. S. Patel
Mr. N. Kaviratne	Mr. V. Narayanan
Mr. P. Bhide (w.e.f 28th October, 2010)	Mr. V. Thyagarajan

* no transactions during the year

2 The following transactions were carried out with the related parties in the ordinary course of business.

(i) Dividend paid to parties referred to in item 1(i) above:

	Rupees in lakhs	
	2010	2009
Glaxo Group Limited, U.K.	91,45.58	121,94.10
Eskaylab Limited, U.K.	17,64.00	23,52.00
Burroughs Wellcome International Limited, U.K.	10,08.00	13,44.00
Castleton Investment Limited, Mauritius	9,57.67	12,76.90

(ii) Details relating to parties referred to in items 1(ii) above:

	Rupees in lakhs	
	Other companies in the GSK Group (ii)	
	2010	2009
1 Purchase of materials/finished goods	164,81.24	132,21.19
2 Sale of materials/finished goods	52,54.39	58,50.74
3 Purchase of Fixed Assets	—	31.08
4 Expenses recharged to other companies	11,08.68	15,45.73
5 Research and development recoveries	2,80.39	2,94.41
6 Expenses recharged by other companies	13,53.93	11,45.65
7 Manufacturing charges recovered	1,92.93	70.00
8 Consignment sales commission received	51.26	1,19.02
9 Clinical research and data management recoveries	40,21.79	43,95.92
10 Outstanding (payables)/receivables at the year end (net) #	(9,93.99)	(17,60.26)

Previous year includes expenses incurred for acquisition of distribution rights from a third party, of products of Stiefel India Private Limited, a company under common control, amounting to Rs. 7,12.00 lakhs

Transactions with the above parties are accounted in the respective current accounts.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iii) Disclosure in respect of material transactions with parties referred to in item 1(ii) above:

	Rupees in lakhs 2010	Rupees in lakhs 2009
(a) Purchase of materials/finished goods		
GlaxoSmithKline Asia Private Limited, India	54,02.81	33,00.17
GlaxoSmithKline Export Limited, U.K.	87,33.51	78,72.35
(b) Sale of materials/finished goods		
GlaxoSmithKline Trading Services Limited, Ireland	45,58.48	41,17.72
(c) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	9,61.48	12,01.19
(d) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,80.39	2,94.41
(e) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	9,88.17	9,85.35
GlaxoSmithKline Trading Services Limited, Ireland	2,85.66	—
(f) Manufacturing charges recovered		
GlaxoSmithKline Asia Private Limited, India	1,92.93	70.00
(g) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	51.26	1,19.02
(h) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	15,78.23	12,82.45
GlaxoSmithKline Services Unlimited, U.K.	24,43.56	31,13.47
(i) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(12,91.09)	(8,85.36)
GlaxoSmithKline Consumer Healthcare Limited, India	6,58.32	5,51.37
GlaxoSmithKline Biologicals S.A., Belgium	26.40	(34.46)
GlaxoSmithKline Export Limited, U.K.	(17,97.29)	(21,26.46)
GlaxoSmithKline Trading Services Limited, Ireland	4,12.60	1,85.35
GlaxoSmithKline Services Unlimited, U.K.	8,89.38	5,56.00

(iv) Details relating to persons referred to in item 1(iii) above:

	Rupees in lakhs 2010	Rupees in lakhs 2009
1 Remuneration/commission/sitting fees	10,13.01	9,19.85
2 Payments under the long-term incentive plan	96.42	72.40
3 Interest income on loans given	1.68	1.90
4 Rent for residential flat	0.79	5.00
5 Outstanding loans receivable	40.16	54.51

(v) Disclosure in respect of material transactions with persons referred to in item 1(iii) above:

	Rupees in lakhs 2010	Rupees in lakhs 2009
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	2,55.67	2,26.51
Mr. M.B. Kapadia	1,54.17	1,43.50
(b) Payments under the long-term incentive plan		
Dr. H.B. Joshipura	23.78	3.54
Mr. M.B. Kapadia	15.12	17.25
Dr. A. Banerjee	11.62	11.07
Dr. S. Joglekar	10.82	—

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Rupees in lakhs 2010	Rupees in lakhs 2009
(c) Interest income on loans given		
Dr. A. Banerjee	0.24	0.34
Mr. H. Buch	0.24	0.24
Mr. M.K. Vasanth Kumar	0.52	0.59
Mr. R. Bartaria	0.19	0.19
Mr. S. Khanna	0.22	0.26
Mrs. S. Patel	0.27	0.28
(d) Rent for residential flat		
Dr. A. Banerjee	0.79	0.72
(e) Outstanding loans receivable		
Mr. H. Buch	7.86	7.99
Mr. M.K. Vasanth Kumar	12.19	13.89
Mr. R. Bartaria	6.26	6.36
Mr. S. Khanna	4.77	5.88
Mrs. S. Patel	9.08	9.20

- 19 The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows :

	Rupees in lakhs							
Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	Australian Dollar	Canadian Dollar	Swiss Franc
Receivables	2,03.91 (48.19)	12,84.55 (12,76.91)	1,16.24 (91.05)	2.26 (3.61)	0.31 (1.76)	— —	— (0.04)	— (1.52)
Payables	9,04.21 (8,94.12)	19,20.59 (23,80.50)	73.80 (35.67)	2.24 (1.80)	— —	26.96 (41.75)	— —	— —

(Figures in brackets pertain to the year 2009)

- 20 Disclosures as required by Accounting Standard 19, "Leases", notified under sub-section (3C) of Section 211 of the Companies Act, 1956, are given below:

- (i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.

- (ii) Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 16.

- 21 Amount recognised as expense for the year under the long-term incentive plan is Rs. 1,29.14 lakhs (Previous year - Rs. 1,72.64 lakhs).

The total carrying amount of the corresponding liability at the year end is Rs. 3,06.43 lakhs (Previous year - Rs. 3,21.26 lakhs).

- 22 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

			Previous year
Profit after taxation and before exceptional items	Rupees in lakhs	578,26.52	500,46.07
Profit after taxation	Rupees in lakhs	560,57.16	507,85.84
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	68.27	59.08
Earnings per share (Basic and Diluted)	Rs.	66.18	59.96
Face value per share	Rs.	10	10

Schedules to the Consolidated Financial Statements — *continued*

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*continued*)

- 23 Provision for taxation represents provisions in excess of payments of Rs. 2303,70.82 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation. (Previous year - Rs. 1989,82.10 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation).
- 24 Fringe benefits tax represents payments in excess of provisions of Rs. 30,37.48 lakhs (Previous year - Rs. 30,37.48 lakhs)
- 25 The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) - "Consolidated Financial Statements", notified under sub-section (3C) of Section 211 of the Companies Act, 1956.
- 26 Previous year's figures have been regrouped wherever necessary.

Signatures to the Schedules 1 to 17 which form an integral part of the Consolidated Financial Statements.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Himanshu Goradia
Partner
Membership No. 45668
Mumbai, 14th February, 2011

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

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GlaxoSmithKline

GlaxoSmithKline Pharmaceuticals Limited

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