

## Board of Directors

(As on 22.02.2008)

### Chairman

D. S. Parekh

### Vice-Chairman

V. Thyagarajan

### Managing Director

Dr. H. B. Joshipura

### Directors

P. Bains

R. R. Bajaj

Dr. A. Banerjee

M. B. Kapadia

N. Kaviratne

A. S. Lakshmanan (upto 25.10.07)

V. Narayanan

P. V. Nayak

Dr. M. Reilly

R. C. Sequeira (w.e.f. 25.10.07)

### Company Secretary

A. A. Nadkarni

### Factories

– 2<sup>nd</sup> Pokhran Road, Thane

– Ambad, Nashik

### Bankers

Citibank N.A.

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

State Bank of India

### Auditors

Price Waterhouse & Co

### Solicitors

Crawford Bayley & Co.

Gagrat & Co.

### Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Unit: GlaxoSmithKline Pharmaceuticals Limited

Plot No. 17-24, Vittal Rao Nagar,

Madhapur, Hyderabad 500081

Tel: 040 - 23420818/23420828

Fax: 040 - 23420814

email: Satheesh@Karvy.Com

### Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Tel: 022-24959415/434

Fax: 022-24981526

email: ajay.a.nadkarni@gsk.com

## Management Team

### Managing Director

Dr. H. B. Joshipura

### Senior Executive Director

M. B. Kapadia

– Finance, Legal & Corporate Affairs

– Corporate Communications & Administration

### Executive Directors

Dr. A. Banerjee

– Technical

R. C. Sequeira

– Human Resources

### Executive Vice-Presidents

H. Singh

– Pharmaceuticals

M. K. Vasanth Kumar

– Information Technology & Supply Chain

### Vice-Presidents

Dr. S. Joglekar

– Medical & Clinical Research

S. Khanna

– Finance

R. Limaye

– Pharmaceuticals

S. Patel

– Legal & Corporate Affairs

### General Manager

Sunder Rajan

– Corporate Communications

### Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Tel: 24959595

Fax: 24959494

Website [www.gsk-india.com](http://www.gsk-india.com)

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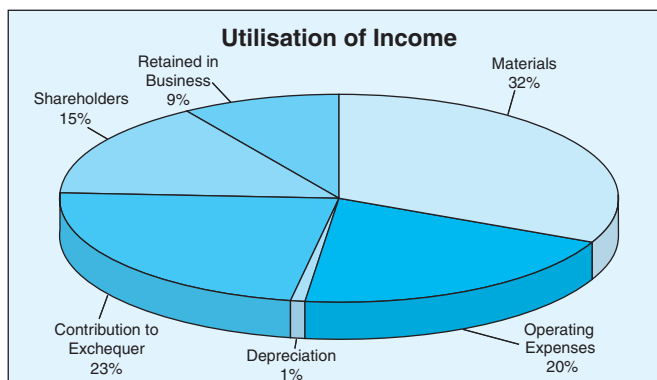
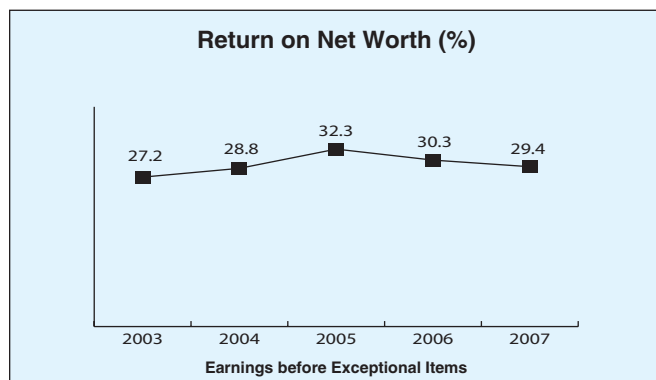
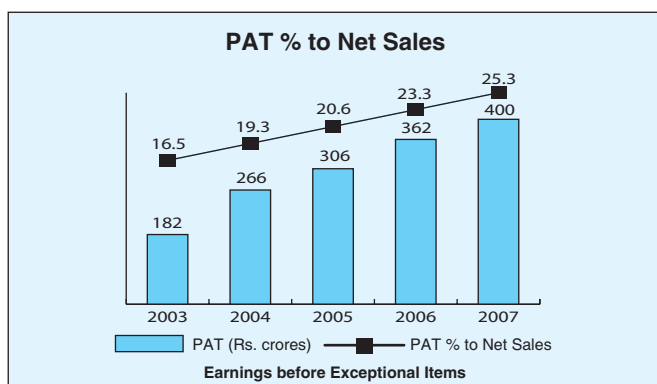
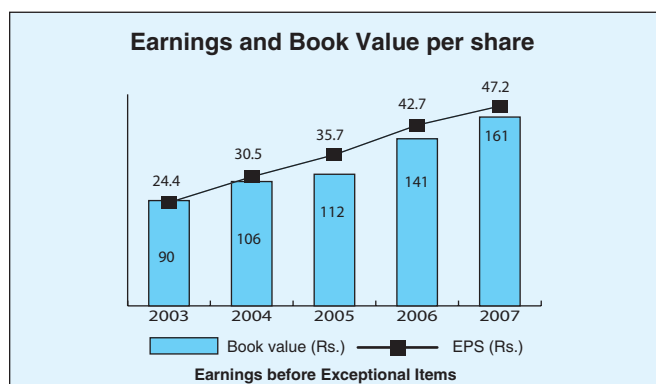
## Financial Summary

(Amounts in Rupees Lakhs)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>PROFIT AND LOSS ACCOUNT</b>										
Sales	1712,84	1677,57	1575,89	1479,59	1191,69	1148,22	1097,37	934,62	885,50	793,84
Profit before tax	611,18	555,95	477,91	418,24	284,56	196,33	115,58	84,84	104,95	120,03
Tax	211,46	194,23	171,63	152,19	102,70	67,86	40,26	32,52	27,89	33,40
Profit after tax	399,72	361,72	306,28	266,05	181,86	128,47	75,32	52,32	77,06	86,63
Exceptional items (net of tax)	137,94	183,79	195,80	67,04	(9,63)	(30,41)	(31,34)	18,22	—	—
Net Profit	537,66	545,51	502,08	333,09	172,23	98,06	43,98	70,54	77,06	86,63
Dividends-equity	304,93	262,58	237,17	209,57	74,47	52,13	40,96	29,89	35,87	29,88
Tax on distributed profit	51,82	36,83	33,26	27,39	9,54	6,68	(5,16)	6,75	4,24	2,99
Retained Earnings	180,91	246,10	231,65	96,13	88,22	39,25	8,18	33,90	36,95	53,76
<b>BALANCE SHEET</b>										
Equity Capital	84,70	84,70	84,70	87,32	74,48	74,48	74,48	59,78	59,78	59,78
Reserves	1276,21	1110,01	863,91	836,94	593,01	504,80	486,10	334,67	300,78	263,83
Net Worth	1360,91	1194,71	948,61	924,26	667,49	579,28	560,58	394,45	360,56	323,61
Borrowings	5,77	5,54	4,85	3,85	2,86	1,98	9,71	34,85	20,70	20,11
Total Capital Employed	1366,68	1200,25	953,46	928,11	670,35	581,26	570,29	429,30	381,26	343,72
Net Fixed Assets	92,90	94,46	96,94	91,49	99,38	115,40	137,62	101,37	104,56	92,36
Investments	1333,32	1139,41	913,06	776,82	409,12	162,00	151,68	124,87	115,55	116,58
Net Current Assets	(59,54)	(33,62)	(56,54)	59,80	161,85	303,86	280,99	203,06	161,15	134,78
<b>OTHER KEY DATA</b>										
(Rupees per Rs.10/- Equity Share)										
DIVIDENDS	36.00	31.00	28.00	24.00	10.00	7.00	5.50	5.00	6.00	5.00
EARNINGS before exceptional items	47.19	42.70	35.69	30.47	24.42	17.25	10.11	8.75	12.89	14.49
EARNINGS after exceptional items	63.48	64.40	58.51	38.15	23.13	13.17	5.90	11.80	12.89	14.49
BOOK VALUE	160.67	141.05	112.00	105.85	89.63	77.78	75.27	65.99	60.31	54.13

### NOTES

- The Dividends for 2007, 2006, 2005 and 2004 include a special additional dividend of Rs. 18, Rs. 14, Rs. 14 and Rs. 11 per equity share respectively.
- The Company has divested its Fine Chemicals business on 30th September, 2007 and its Animal Health business on 31st July, 2006.
- The Company has bought back and extinguished 26,19,529 equity shares during 2005.
- Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
- The Marketing Undertaking of Megdoot Chemicals Limited has demerged into, and Croydon Chemical Works Limited has amalgamated with the Company from 1.1.2002.
- SmithKline Beecham Pharmaceuticals (India) Limited merged with the Company from 1.1.2001.
- Dividend for 1999 includes a special additional one-time Platinum Jubilee Dividend of Rs. 2.00 per equity share.

## Charts



## Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31<sup>st</sup> December 2007

### 1. Results & Dividend for the year ended 31<sup>st</sup> December 2007

	Year ended 31 <sup>st</sup> December 2007 Rs. in Lakhs	Year ended 31 <sup>st</sup> December 2006 Rs. in Lakhs
SALES (Gross) . . . . .	1712,84.15	1677,56.57
Less: Excise duty on Sales . . . . .	135,70.03	124,64.54
NET SALES . . . . .	1577,14.12	1552,92.03
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	611,17.47	555,95.40
Less: Provision for Taxation . . . . .	211,45.66	194,23.04
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS . . . . .	399,71.81	361,72.36
Exceptional Items (Net of Tax) . . . . .	137,94.04	183,78.97
NET PROFIT AFTER TAX . . . . .	537,65.85	545,51.33
Add: Balance brought forward from the previous year . .	632,75.02	441,19.44
Amount available for disposal . . . . .	1170,40.87	986,70.77
APPROPRIATIONS :		
General Reserve . . . . .	53,76.59	54,55.13
Equity Dividend (including special additional dividend) . .	304,93.08	262,57.94
Distribution Tax on Dividend . . . . .	51,82.30	36,82.68
Balance carried forward . . . . .	759,88.90	632,75.02

Your Company divested the Qualigens Fine Chemicals (QFC) Business as a going concern to Thermo Electron LLS India Private Limited, a subsidiary of Thermo Fisher Scientific Inc., on 30<sup>th</sup> September 2007 for a consideration of Rs.240 crores. As provided under the Companies Act, 1956, approval of the Shareholders was obtained by postal ballot. In July 2006, the Company had sold the Agrivet Farm Care (AFC) Business. The financial results for 2006 and 2007 are therefore not comparable.

The growth in Sales, excluding the Animal Health and Fine Chemicals businesses was 7.8% and in Profit before Tax and Exceptional Items was 13.8% for the year ended 31<sup>st</sup> December 2007 on a comparable basis. The Profit before Tax and Exceptional Items as a percentage of Net Sales improved to 39.6% in 2007 compared to 37.4% last year, on a comparable basis.

## **2. Dividend**

The Directors recommend a Dividend of Rs.18.00 per Equity Share for the year (previous year Rs.17.00 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs.152.47 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 25.91 crores.

Having regard to the Company's surplus cash position and the cash generation during the year from the divestment of the QFC Business, the Directors are of the view that a portion of the surplus cash be returned to the Shareholders. The Directors are therefore pleased to recommend a special additional Dividend of Rs.18.00 per Equity Share. If approved by the Shareholders at the Annual General Meeting, the special additional Dividend will absorb Rs.152.47 crores. The Dividend Distribution Tax borne by the Company on this Dividend will amount to Rs. 25.91 crores.

## **3. Management Discussion and Analysis**

- (a) With a leadership position in the Pharmaceuticals market, your Company had another satisfactory year with Net Sales of the Company's continuing businesses (i.e. excluding QFC) registering a growth of 7.5%. Pharmaceuticals sales grew 7.1% during the year.

Profit Before Tax and Exceptional Items of the Company's continuing businesses grew by 13.8% on a comparable basis. The growth was primarily driven by sales of priority products which registered a double digit growth, improvement in the gross margin and expense control. This was achieved despite a significant price reduction imposed by the government on several formulations of the bulk drug Bethamethasone. Higher income from treasury operations also contributed to the profit improvement.

Cash generation from operations continued to be favourable during the year, driven by the strong business performance and management of working capital. Cash surpluses were deployed in safe instruments.

### **(b) The Pharmaceuticals Business**

The Indian Pharmaceuticals Market grew by 13.4% (Source: [ORG IMS] SSA MAT December 2007).

Net Sales of the Pharmaceuticals business segment was Rs.1468 crores.

Your Company enjoys a leadership position in the segments in which its products are represented including Dermatologicals, Corticosteroids, Anti-parasitic, Vitamins, Minerals, Nutritionals and Thyroid preparations. Augmentin is the leader in the Anti-infectives segment. Betnesol and Eltroxin are leaders in the Corticosteroids and Thyroid preparations segment respectively and Zentel leads the Anti-parasitic segment. Calpol, Neosporin and Vozet maintained their leadership position in the Anti-pyretic, Topical Antibiotic and Levoceterizine segments respectively. Cobadex CZS is the No. 1 brand amongst all antioxidants and CCM became the 3<sup>rd</sup> largest selling calcium brand. In the second year of their launch, Zobactin has become the 4<sup>th</sup> largest brand in the broad spectrum Penicillin Injectibles segment and Parit was ranked no. 5 in the Rabeprazole market.

In 2007, your Company continued the search for new Business Development opportunities through alliances and in-licenses. Your Company introduced Carzec (carvedilol) in the cardiology segment in alliance with Roche. Your Company also introduced an oral antibiotic, Zemetril (cefprozil), and a new product Inflanpen for pain and inflammation. Arxitra (fondaparinux sodium), a product in the anti-thrombosis segment, was also launched during the year.

The key strategy for Business Development is to identify new products in high growth therapeutic areas like cardiology and diabetes and in the therapeutic areas in which your Company has a well-established presence viz. critical care, dermatology and biotechnology. Alliances for cardiology and critical care products are in advanced stages of discussion. Opportunities in areas like cosmeceuticals and critical care antibiotics are being explored.

### **(c) Research & Development**

GlaxoSmithKline plc is committed to Research and Development of medicines that would improve the quality of life of people around the world and which truly make a difference to patients.

This R&D effort is supported by the Clinical Operations group in India, which conducts clinical studies across a number of disease areas ranging from cancer, depression, schizophrenia, diabetes and leishmaniasis (kala azar).

Last year, your Company initiated 14 new clinical trials, in which 333 patients participated. In 2006, 11 new clinical trials were initiated and a total of 276 patients had been enrolled. Most of the clinical studies initiated in 2007 have been in Oncology and Neuropsychiatry. Your Company has trained more than 150 investigators at around 50 hospitals across India. The quality of work continues to be of a high order, evidenced by a FDA regulatory inspection and a number of internal compliance audits.

**(d) Exports**

Exports recorded a sales turnover of Rs.40.3 crores, comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, Mexico, France, Indonesia and Korea.

**(e) Pharmaceuticals Pricing**

The National Pharmaceuticals Pricing Authority (NPPA) effected a downward revision in the prices of several betamethasone and vitamin formulations during the year.

As reported last year, the Government has moved the Supreme Court in respect of the judgement of the Hon'ble High Court of Delhi which had set aside the DPEA demand relating to the bulk drug Betamethasone. The matter continues to remain pending before the Supreme Court.

**(f) Internal Control Framework**

The Company has a well established framework of internal controls in operation, including suitable monitoring procedures and self-assessment exercises. An independent Internal Audit function reviews the Company's financial and operating controls at various locations.

The Company's Risk Management Framework ensures compliance with the provisions of Clause 49 of the Listing Agreement. The Company has prepared a Risk Inventory of all identified risks, which have been prioritised. Senior Management has ownership of the key risks, their management and mitigation plans. The Board, through the Audit Committee, reviews the key risks, the internal control framework and the audit findings.

**(g) Human Resources**

Human Resources forms an integral part of your Company's strategy for growth. A robust talent identification and validation process was conducted across the Middle Management levels. This also included Development Centres which were based on the recently introduced High Performance Behaviours identified for the GlaxoSmithKline global organisation. External Training programmes were aimed at development of key talent. A two-day workshop on 'Winning Attitudes for Successful People' was conducted across the manufacturing organisation for employees at various levels.

Your Company continues to lay strong emphasis on Sales Training for its field force both at the induction level and through refresher programs to accredit front-line Medical Representatives and managers on Pathology-Product-Promotion. This is aimed at brand-building and improving the quality of communication to the doctor community.

On the Industrial Relations front, your Company continued to enjoy a cordial and harmonious relationship with its employees and Unions. A Settlement on payment of Kit Allowance was signed with the regional Unions across the country covering all Medical Representatives. The settlement is valid from January 2006 to December 2009.

In order to assess and measure employee engagement / satisfaction levels, a study has been commissioned through a leading external organisation. The findings are awaited.

Your Company had a staff strength of 3620 employees as on 31<sup>st</sup> December 2007 compared to 3850 employees at the end of the previous year. The reduced headcount is mainly on account of divestment of the QFC business which had 142 employees.

#### **(h) Procurement**

Procurement focused on Strategic Sourcing initiatives during 2007. eProcurement and Sourcing tools were used to buy key categories. 900 e-sourcing events were conducted to identify the capabilities of the supply base, benchmark prices and generate competitive advantage in the market. Knowledge management through shared databases made the decision making process scientific. Mitigation plans were put in place to counter inflationary pressures in the commodities market. These strategic sourcing efforts and timely decisions on buying helped counter inflationary pressures. Continuous improvement on Compliance, Environment Health and Safety and Risk Mitigation was an area of focus. Supplier Relationship Management initiatives in key categories helped your Company avail of better service and improvement in on-time supplies.

Anti-counterfeit measures were pro-actively initiated for various packaging materials like pack labels, mono cartons and flexible materials. Contract manufacturers were also engaged in value added services like formulation development, new source development and exploring the availment of Tax incentives.

#### **(i) Manufacturing**

Your Company's Thane site was approved by the UK regulatory authority MHRA for the export of Betamethasone Valerate to various European and South American markets. The site has upgraded its civil fabric and quality systems to meet the requirements of the regulated markets. The Nashik site continues to be the lead site supplying approximately 50% of your Company's sales volumes. The site is in the process of reviewing its manufacturing processes with a view to improving the overall equipment efficiency and productivity using six sigma tools.

#### **(j) Information Technology (IT)**

IT provided support to the pharmaceuticals business through new initiatives like the Stockist Connect and Phasing of Sales Orders projects. A fully resilient wide-area data network was put in place, which will mitigate the impact of any failures in the existing network.

In the Stockist Connect project, your Company linked about 500 stockists using the Internet. Besides ease of placing orders, the stockists benefited through improved visibility of order execution while your Company got timely information on secondary sales and stock statements enabling better planning.

The Phasing of Sales Orders project, undertaken by Supply Chain and IT, is aimed at reducing the concentration of orders at the month end to a more balanced set of weekly orders. The results of the pilot run are encouraging.

A comprehensive Disaster Recovery and IT Continuity Plan catering to a diverse IT infrastructure spread across several locations in India is fully operational.

#### **(k) Corporate Social Responsibility**

During the year, your Company continued with its many social responsibility initiatives in Mumbai and Nashik.

The Gramin Arogya Vikas Sanstha (GAVS), supported by the Company, continued to provide medical services to 15 predominantly Tribal villages in Peth Taluka, Nashik District. Over 20,000 tribal people are benefited by this healthcare initiative. Vocational training programs like tailoring and bamboo training were initiated for tribal women living in all adopted villages through Self Help Groups. GAVS also operates a Balwadi (pre-school) for children under the age of 5 years at a rag-pickers' community in Nashik and continues to support pre-school education through the Balwadi at the Worli Koliwada village.

The GSK/HIVAIDS Helpline continues to disseminate information on the disease with psycho-social support to callers. Your Company continues to support organisations like Aakanksha by

way of providing space for running a Learning and Development Centre for under privileged children from slums in and around Worli, while also supporting the ISKCON Foundation's Mid-Day Meal project in Mumbai.

#### **(I) 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. A. S. Lakshmanan resigned as Director from 25<sup>th</sup> October 2007. The Board places on record its appreciation of the valuable services rendered during his long tenure as Director and for his contributions to the deliberations of the Board.

#### **Appointment**

The Board of Directors has appointed Mr. R. C. Sequeira as Executive Director of the Company for a period of five years with effect from 25<sup>th</sup> October 2007, in the casual vacancy caused by the resignation of Mr. A. S. Lakshmanan. A proposal for his appointment as Executive Director is being placed before the Members for approval at the Annual General Meeting.

#### **Retirement by Rotation**

Mr. V. Narayanan, Dr. M. Reilly and Mr. R. C. Sequeira 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 31<sup>st</sup> December 2007 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.



## **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.

## **9. Employees**

The Directors express their appreciation for the contribution made by the employees to the significant improvement in the operations of the Company.

On behalf of the Board of Directors

D.S. Parekh  
Chairman

Mumbai, 22<sup>nd</sup> February 2008



## Annexure 'A' to the Directors' Report

### I. Conservation of Energy:

Thane and Nashik factories continued their efforts towards giving priority to Energy Conservation measures including regular review of energy consumption and effective control on its utilisation. The sites have taken a challenging target of reducing the energy consumption year on year with a view to reducing the adverse impact of consumption of fossil fuel on the environment and also saving energy cost.

#### Energy Conservation measures taken during the year:

- Replacement of old chillers with highly efficient Screw Chillers
- Energy intensive dehumidification system in manufacturing areas was replaced by Drykor type efficient dehumidifiers
- Use of positive transmission belts in Air handling systems to reduce energy loss due to slippage.
- Installed High efficiency boiler feed water pumps
- Increase in CFM – Output of Nitrogen plant with same motor HP
- Reduction of load loss of CRD Nitrogen plant air compressor by optimizing the compressor size
- Optimisation of Chilled water Process pumps, extraction system in place of Steam Ejector
- Variable speed drive for Cooling Tower pump
- Recycling of water
- Maximum demand management
- Stepless controller for Boiler
- Installation of variable frequency drives for Compressors, pumps & A/C plant

Apart from the above measures, continued efforts for monitoring of noise levels, recycling of waste and impact of gaseous emission from boiler chimney are being monitored and controlled by ensuring proper combustion efficiency of the equipment.

The adoption of energy conservation measures indicated above has resulted in substantial savings in the energy cost.

#### Power and Fuel Consumption:

##### A) Power and Fuel Consumption

		Year ended 31 <sup>st</sup> December 2007	Year ended 31 <sup>st</sup> December 2006
Electricity			
Purchased units	KWH'000	20,715.03	20,063.44
Total amount	Rs.Lakhs	1,017.70	847.69
Rate / Unit	Rs.	4.91	4.23
Own generation			
Through DG			
Units	KWH'000	88.31	158.24
Units / Ltr of HSD	KWH'000	1.82	2.33
Cost per unit	Rs.	22.20	17.52
Coal		—	—
Furnace Oil, LDO & LSHS			
Quantity	KL	2,988.61	3,239.00
Total amount	Rs.Lakhs	578.58	654.07
Average rate	Rs./KL	19,359.48	20,193.58
Others		—	—

B) Consumption PU of production

		Year ended 31 <sup>st</sup> December 2007		Year ended 31 <sup>st</sup> December 2006	
		Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	Units	158,066	66,418	198,255	57,894
Furnace Oil, LDO & LSHS	KLtrs	30.20	4.91	36.72	6.75

## II. Research and Development (R&D)

Your 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 custom synthesis for the Discovery Medicinal Chemistry (DMC) team belonging to the parent company's R&D group. The activities include preparation of small organic molecules, known as monomers or building blocks. These monomers developed might lead to new chemical entities. A number of new molecules having potential for further development have been synthesized.

During 2007 CR&D, Thane initiated a new activity called 'Array Synthesis'. This enables quicker generation of library of new molecules by parallel synthesis methodology.

### B. Pharmaceutical Research and Development (PR&D)

Pharmaceutical R&D has developed a number of new products in the area of life-style diseases (tablets formulations for cardiac and diabetic treatment), anti-infective (tablets, dry syrups and topical combination preparations) and anti-viral tablets, either in-house or in collaboration with leading pharmaceutical companies. The manufacturing processes for many products were simplified and the raw & packaging material were rationalised. Anti-counterfeit features are being developed for a number of products and implemented.

PR&D efforts have helped to bring 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 being upgraded for developing various dosage forms for India and International markets. 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	141.26
2. Recurring	440.16
Total:	581.42
3. Total R&D expenditure as a percentage of turnover	0.37%

#### Technology Absorption, Adaptation and Innovation:

Nashik site has implemented bar code verification system for verification of packaging components in its Liquid Department thus resulting in better assurance of quality to customer.

As a measure to protect environment, Nashik site has used 134a refrigerant based chillers. The site has plans to replace all other CFC based chilled brine system in 2008. These chillers have less specific energy consumption and hence contribute towards reduction in the emission of green house gases.

GSK policy mandates use of Personal Protective Equipment (PPE) to protect its employees from exposure to potent medicinal substances during manufacturing. Nashik site has introduced various containment technologies such as negative pressure glove boxes and isolators to protect the employees from exposure to chemically active ingredients.

### **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. 4032 Lakhs for the year

(2) Total Foreign Exchange used and earned:

During the 12 month period, the foreign exchange outgo was Rs. 26685 Lakhs (which includes amounts spent on import of raw and packing materials and goods for resale aggregating to Rs. 12741 Lakhs and Dividend payment of Rs. 13304 Lakhs). The foreign exchange earned was Rs. 8373 Lakhs mainly on account of exports and clinical research and data management. 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 Codes 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 twelve 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 eight Non-Executive Directors, of which five Directors, including the Chairman, 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

Seven Board meetings were held in the year 2007 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.	16 <sup>th</sup> February	12	8
2.	30 <sup>th</sup> March	12	10
3.	27 <sup>th</sup> April	12	11
4.	26 <sup>th</sup> July	12	11
5.	4 <sup>th</sup> October	12	10
6.	25 <sup>th</sup> October	12	10
7.	17 <sup>th</sup> December	12	11

- 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 30 <sup>th</sup> March 2007	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 & Independent	7	Yes	11*	3	2
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	6	Yes	2	Nil	1
Dr. H. B. Joshipura Managing Director	Executive	7	Yes	1	Nil	Nil
Mr. P. Bains	Non-Executive	2	No	Nil	Nil	Nil
Mr. R. R. Bajaj	Non-Executive & Independent	6	Yes	2	Nil	Nil
Dr. A. Banerjee	Executive	7	Yes	1	Nil	Nil
Mr. M. B. Kapadia	Executive	7	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	6	Yes	4	1	3
Mr. V. Narayanan	Non-Executive & Independent	7	Yes	11	4	2
Mr. P. V. Nayak	Non-Executive & Independent	7	Yes	2	1	2
Mr. A. S. Lakshmanan (up to 25.10.2007)	Non-Executive & Independent	6	Yes	5	2	4
Dr. M. Reilly	Non-Executive	2	No	Nil	Nil	Nil
Mr. R. C. Sequeira (from 25.10.2007)	Executive	1	N.A.	1	Nil	Nil

\* 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 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. V. Narayanan, Dr. M. Reilly and Mr. R. C. Sequeira 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. V. Narayanan**

Mr. Narayanan has more than 48 years of experience in Management. He joined Hindustan Lever Limited as a Management Trainee and held several positions in that company both in India and in the U.K. Subsequently 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 is the Chairman on the Board of M M Forgings Limited and Pond's Exports Limited and is a Director of Samtel Colour Limited, Hindustan Unilever Limited, Sundram Fasteners Limited, UCAL Fuel Systems Limited, Samcor Glass Limited, Tamilnadu News Print & Papers Limited, Rane Holdings Limited, Rane (Madras) Limited and Bata India 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, Bata India 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. He is also a Member of the Remuneration Committee of Bata India Limited and Hindustan Unilever Limited.

**Dr. M. Reilly**

Dr. Reilly, 45, is a Chartered Accountant and has a degree in Medical Sciences and a Ph.D. in Pharmacology from University College, London. In June 2006, Dr. Reilly was appointed as Senior Vice-President Finance for International Region. He works closely with the International Management Team on all aspects of commercial and financial strategy. Dr. Reilly joined the group company SmithKline & French Labs Limited in 1989 and has held various finance roles at Corporate, Pharmaceuticals and in Research and Development. His earlier responsibilities include Vice-President Finance of GlaxoSmithKline UK Pharmaceuticals, Vice-President and Director Finance for SmithKline Beecham Pharmaceuticals UK and Finance Director in Research and Development, SmithKline Beecham Corporation USA and Vice-President Finance, Asia Pacific of GlaxoSmithKline Pte Limited with responsibility for providing commercial / financial support to business units within Asia Pacific. He was appointed as Non-Executive Director of the Company from 9<sup>th</sup> October 2003.

**Mr. R. C. Sequeira**

Mr. Sequeira is an alumni of Loyola College, Chennai and XLRI, Jamshedpur and has 24 years of experience in the field of Human Resources with large multinational companies in India. He began his HR career in 1984 as a Management Trainee with Union Carbide India Limited and gained employee relations experience in various positions. He was appointed Personnel Manager in 1990. In 1992, he moved to the HSBC Bank where he handled HR for East and West India and headed Resourcing and Development and later he was appointed HR Manager Asia Pacific, based in Hong Kong.

Mr. Sequeira joined Tata Power Company in 2004 as V P and Head of Human Resources with additional charge for the Company's Corporate Social Responsibility function. He was also on the Tata Group's HR steering committee.

Mr. Sequeira was appointed as Executive Director of the Company from 25<sup>th</sup> October 2007. Mr. Sequeira is a Director of Biddle Sawyer Limited which forms a part of the GlaxoSmithKline Group Companies in 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:

The Audit Committee comprises of Independent Directors and their meetings were held on 16<sup>th</sup> February, 30<sup>th</sup> March, 27<sup>th</sup> April, 26<sup>th</sup> July, 25<sup>th</sup> October and 17<sup>th</sup> December 2007.

Name	Designation	Category of Directorship	Attendance out of six meetings held
Mr. D .S. Parekh	Chairman	Non-Executive & Independent	6
Mr. A .S. Lakshmanan (up to 25.10.2007)	Member	Non-Executive & Independent	5
Mr. V. Narayanan	Member	Non-Executive & Independent	6
Mr. R. R. Bajaj	Member	Non-Executive & Independent	5
Mr. P. V. Nayak	Member	Non-Executive & Independent	6
Mr. N. Kaviratne	Member	Non-Executive & Independent	6

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

The Chairman of the Audit Committee, Mr. D. S. Parekh, was present at the Annual General Meeting of the Company held on 30<sup>th</sup> March 2007.

#### **4. Remuneration to Directors**

The Company has not set up a Remuneration Committee. However, a Senior Management Performance Review Committee determines / reviews the remuneration, performance and related bonuses of management / compensation of Executive Directors. The Committee comprises solely of Independent Directors.

Independent Directors 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 2007 are given below:

(Rs. in lakhs)

Executive Directors	Salary	Performance Bonus	Perquisites and Allowances	Contribution to to Provident Fund and Superannuation Fund	Total
Dr. H. B. Joshipura	77.40	8.33	54.29	20.90	160.92@
Mr. M. B. Kapadia	47.65	18.99	35.50	12.87	115.01
Dr. A. Banerjee	27.28	8.16	13.16	7.36	55.96
Mr.R.C. Sequeira	4.03	-	5.66	0.48	10.17

@ In addition, Sign-on Bonus of Rs. 39.98 lakhs has been paid / provided for in 2007.

(Rs. in lakhs)

Independent Directors	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	5.00	4.10	9.10
Mr. R. R. Bajaj	3.00	1.40	4.40
Mr. V. Narayanan	3.00	1.80	4.80
Mr. A. S. Lakshmanan (up to 25.10.2007)	2.46	1.90	4.36
Mr. P. V. Nayak	3.00	1.60	4.60
Mr. N. Kaviratne	3.00	1.40	4.40

# payable in 2008

Notes:

- The agreement between the Company and each of the Executive Directors is for a period of five years or 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 upto 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 and Share Value Plan of GlaxoSmithKline plc. During the year, in addition to the above, Mr. M. B. Kapadia and Dr. A. Banerjee were paid an amount of Rs.13,70,358 each under the GlaxoSmithKline plc. Share Value 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. A. S. Lakshmanan (up to 25.10.2007)	Chairman	Non-Executive & Independent
Mr. D. S. Parekh (w.e.f 22.02.2008)	Chairman	Non-Executive & Independent
Mr. R. R. Bajaj	Member	Non-Executive & Independent
Dr. H. B. Joshipura	Member	Executive
Mr. M. B. Kapadia	Member	Executive

During the year under review, the Committee met on 26<sup>th</sup> July 2007 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

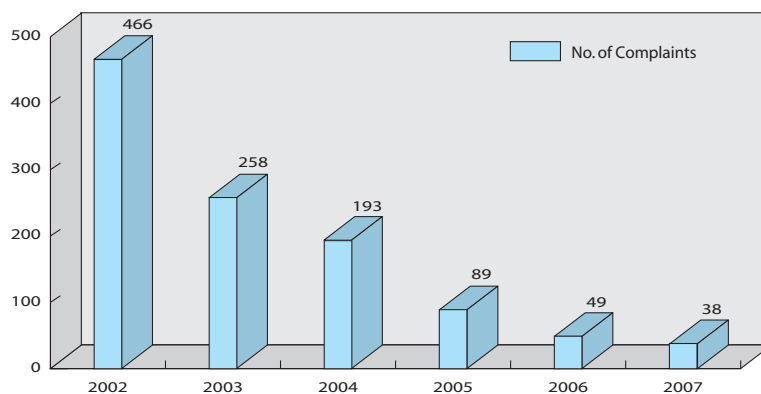
Fax: (022) 2498 1526

Email: [ajay.a.nadkarni@gsk.com](mailto: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	5	4	2	3	14
Stock Exchanges	1	2	2	1	6
Shareholders	-	13	3	2	18
Total	6	19	7	6	38

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
30 <sup>th</sup> March 2007	2006	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400020	3.00 p.m.
12 <sup>th</sup> April 2006	2005		3.00 p.m.
30 <sup>th</sup> March 2005	2004		3.30 p.m.

All the resolutions, including special resolutions set out in the respective Notices were passed by the shareholders.

During the year under review, Company obtained approval of the members, through postal ballot by way of an ordinary resolution, authorising the Board to transfer, sell and dispose of its Fine Chemical Business “the QFC Undertaking” as a going concern on a slump sale basis to Thermo Electron LLS India Private Limited for a lump sum consideration of Rs. 240 crores (Rupees Two Hundred Forty Crores only) on such terms and conditions and with effect from such date and in such manner as is decided by the Board and do all such acts, deeds, matters and things as may be deemed necessary and/or expedient in the interest of the Company.

Based on the report of Mr. Taizoon M Khumri, a practicing Company Secretary and Scrutinizer for conducting the aforementioned Postal Ballot, the Chairman declared that the ordinary resolution was passed with an overwhelming majority of 99.98 percent.

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**

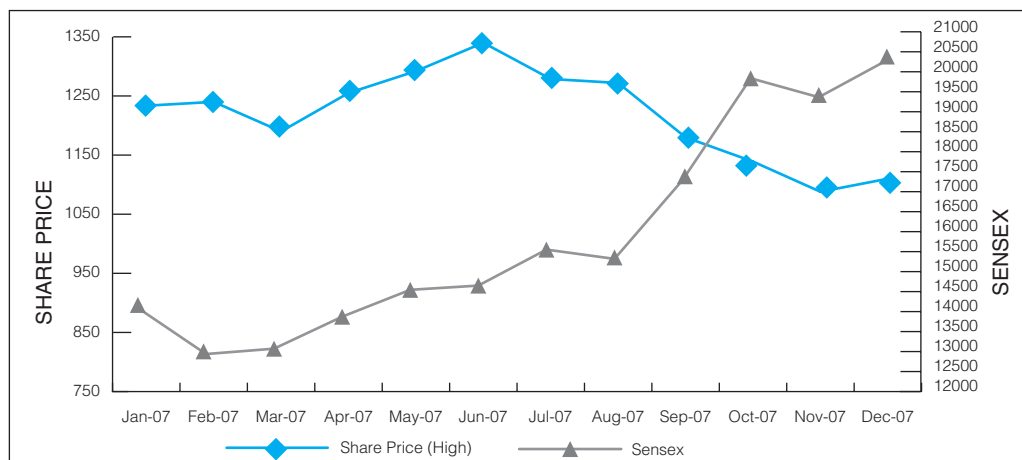
- The quarterly and half-yearly results are published in widely circulating national and local dailies such as The Economic Times and Business Standard, in English and Maharashtra Times, in Marathi. These are not sent individually to the shareholders.
- The Company’s results and official news releases are displayed on the Company’s web-site. The Company’s web-site address is [www.gsk-india.com](http://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

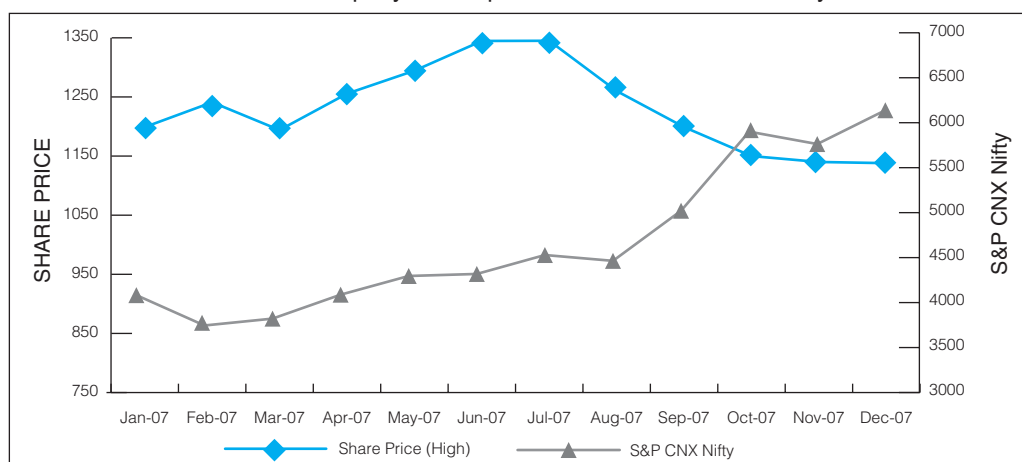
- AGM: Date, Time and Venue 21<sup>st</sup> April 2008 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020
- Financial Year
  - i) January to December
  - ii) First Quarter Results – last week of April
  - iii) Half-yearly Results – last week of July
  - iv) Third Quarter Results – last week of October
  - v) Results for the year ending 31<sup>st</sup> December 2008 – March 2009
- Date of Book Closure 4<sup>th</sup> April 2008 to 21<sup>st</sup> April 2008 (both days inclusive)
- Dividend Payment date(s) On or after 21<sup>st</sup> April 2008
- 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 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2008.
- 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 2007 is furnished below :

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of shares)	High (Rupees)	Low (Rupees)	Volume (No. of shares)
January 2007	1233.50	1120.00	1307883	1199.00	1110.00	972569
February 2007	1240.00	1079.10	340072	1241.00	1062.45	1261022
March 2007	1190.00	1075.10	239146	1194.00	1075.00	992907
April 2007	1255.00	1087.10	340348	1255.55	1081.10	789654
May 2007	1292.00	1160.50	1425989	1294.40	1160.25	1050724
June 2007	1340.00	1240.00	346348	1344.70	1251.00	1071558
July 2007	1278.70	1134.00	310860	1345.00	1125.15	739132
August 2007	1272.00	1095.00	146656	1260.00	1092.00	746336
September 2007	1180.00	1077.75	255237	1199.00	1110.40	770672
October 2007	1139.00	1000.00	281093	1150.00	1000.00	794132
November 2007	1088.00	935.00	221341	1140.00	925.10	1431057
December 2007	1110.00	948.00	426304	1138.00	938.00	1777755

- 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 with the Company	1,47,00,000	2001
Shares issued pursuant to the amalgamation of Burroughs Wellcome (India) Limited with the Company	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	7.45
2.	Aberdeen Asset Managers Limited A/c Aberdeen International India opportunities fund (Mauritius) Limited	3.15
3.	Aberdeen Asset Managers Limited A/c Aberdeen Global - Asia Pacific Fund	1.49
4.	General Insurance Corporation of India	1.45
5.	J P Morgan Asset Management (Europe) S.A.R.L. A/c Flagship India Investment Company (Mauritius) Ltd.	1.23
6.	Investeringsforeningen Danske Invest	1.13
7.	Life Insurance Corporation of India – Market Plus	1.06
8.	Aberdeen Asset Managers Limited A/c Aberdeen Investment Funds ICVC-Asia Pacific Fund	0.96
9.	The Oriental Insurance Company Limited	0.94
10.	Life Insurance Corporation of India – Future Plus	0.90

- The distribution of shareholding as on 31.12.2007 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	28083	24.47	358219	0.42
26 to 50	18610	16.22	815929	0.96
51 to 100	25051	21.83	2050284	2.42
101 to 500	39677	34.58	7627098	9.01
501 to 1000	2306	2.01	1612781	1.91
1001 to 10000	884	0.77	1882036	2.22
10001 and above	135	0.12	70356670	83.06
Grand Total	114746	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2007

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	12428131	14.67
FIIIs, NRIs, OCBs	13149671	15.52
Mutual Funds	833801	0.99
Domestic Companies	1167474	1.38
Resident Individuals	14206452	16.77
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 500081  
Tel No.: 040-23420818/23420828  
Fax No.: 040-23420814  
Contact Persons: Mr. M R V Subrahmanyam  
Mr. Satheesh H K  
  
e-mail id: [Satheesh@Karvy.Com](mailto:Satheesh@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

44.81% of the paid-up capital has been dematerialised as on 31.12.2007. Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton 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 : Mr. M R V Subrahmanyam/  
Mr. Satheesh H K

Shareholders may also contact Mr. Ajay Nadkarni, Company Secretary, at the Registered office of the Company for any assistance.  
Tel.Nos. 2495 9595 Ext. 433/415  
e-mail id : [ajay.a.nadkarni@gsk.com](mailto: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 31<sup>st</sup> December, 2007, 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.

Mumbai, 22<sup>nd</sup> February, 2008

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

# Auditors' Report

To the members of GlaxoSmithKline Pharmaceuticals Limited

1. We have audited the attached Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited, as at 31<sup>st</sup> December, 2007, and the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, 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 of the company, as on 31<sup>st</sup> December, 2007, and taken on record by the Board of Directors of the company, none of the Directors of the company is disqualified as on 31<sup>st</sup> December, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> December, 2007;
    - (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, 22<sup>nd</sup> February, 2008

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

## 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 31<sup>st</sup> December, 2007]

1. (a) The company has maintained 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, 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 the book records were not material and have been properly dealt with in the books of account.
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, having regard to the explanation that certain items of inventory and fixed assets purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for 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 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, 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 which have matured and are remaining unpaid as at 31<sup>st</sup> December, 2007. 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, pursuant to the Rules made by the Central Government of India for the maintenance of cost records, 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 generally been 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.
9. (a) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practices in India, in our opinion, the company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- (b) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of 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 31<sup>st</sup> December, 2007 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	1,89.40	Assessment Year 2004-2005	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	16,07.47	Several demands pertaining to the period 1983-1984 to 2006-2007	Appellate Authority – up to Commissioner's level
		8,96.12	Several demands pertaining to the period 1990-1991 to 2002-2003	Tribunal
The Wealth-tax Act, 1957	Wealth-tax	2.46	@Assessment Year 2005-2006	Appellate Authority – up to Commissioner's level
The Finance Act, 1994	Service tax	1,29.20	January 2001 to December 2002	Tribunal
		1,12.98	October 1998 to December 2000	The High Court of Judicature at Bombay
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	36.61	Several demands pertaining to the period November 1990 to December 2005	Appellate Authority – up to Commissioner's level
		5,26.63	#Several demands pertaining to the period July 1993 to September 2002	Tribunal
		5,36.90	1977 to 1999	The High Court of Judicature at Bombay

\*Net of amounts paid under protest or otherwise

@Deposited subsequent to the year end.

#Out of the total dues, an Order for Rs. 8.46 lakhs has been set aside by the Tribunal subsequent to the year end.

10. The company has no accumulated losses as at 31<sup>st</sup> December, 2007 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 books of account and records of the company, there has been no default in repayment of dues to any financial institution or bank or debenture holders during the year.
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. The company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, 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 the information and explanations given to us and on an overall examination of the Balance Sheet of the company, in our opinion, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debentures.
20. The company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

K. H. Vachha  
Partner

Membership No. 30798

For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22<sup>nd</sup> February, 2008

# GlaxoSmithKline Pharmaceuticals Limited

## Balance Sheet as at 31st December, 2007

Schedule								Rupees in lakhs		Previous year
										Rupees in lakhs
<b>SOURCES OF FUNDS</b>										
<b>SHAREHOLDERS' FUNDS</b>										
Capital	..	..	..	..	..	..	1	84,70.30		84,70.30
Reserves and surplus	..	..	..	..	..	..	2	1276,21.41	1360,91.71	1110,00.99
<b>LOAN FUNDS</b>										
Unsecured loans	..	..	..	..	..	..	3		5,76.67	5,53.71
<b>TOTAL</b>								<b>1366,68.38</b>		<b>1200,25.00</b>
<b>APPLICATION OF FUNDS</b>										
<b>FIXED ASSETS</b>										
Gross block	..	..	..	..	..	..	4	266,70.80		253,62.69
Less : Depreciation	..	..	..	..	..	..		179,23.54		167,82.61
Net block	..	..	..	..	..	..		87,47.26		85,80.08
Capital work-in-progress	..	..	..	..	..	..		5,42.98	92,90.24	8,66.10
<b>INVESTMENTS</b>										94,46.18
<b>DEFERRED TAX</b>								1333,32.25		1139,40.56
Deferred tax assets	..	..	..	..	..	..	5	29,95.78		35,18.90
Deferred tax liabilities	..	..	..	..	..	..	6	9,81.60	20,14.18	10,57.76
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>										
Inventories	..	..	..	..	..	..	7	205,96.31		240,95.41
Sundry debtors	..	..	..	..	..	..	8	37,76.61		60,44.51
Cash and bank balances	..	..	..	..	..	..	9	154,99.47		35,03.06
Other current assets	..	..	..	..	..	..	10	27,92.43		27,03.42
Loans and advances	..	..	..	..	..	..	11	130,99.23		144,17.43
								<b>557,64.05</b>		<b>507,63.83</b>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>										
Liabilities	..	..	..	..	..	..	12	244,77.32		247,71.30
Provisions	..	..	..	..	..	..	13	392,55.02		318,15.41
								<b>637,32.34</b>		<b>565,86.71</b>
<b>NET CURRENT ASSETS</b>								(79,68.29)		(58,22.88)
<b>TOTAL</b>								<b>1366,68.38</b>		<b>1200,25.00</b>
<b>Notes to the Financial Statements</b>										

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 and on behalf of the Board

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

Chairman

Managing Director

Senior Executive Director

Company Secretary

D. S. PAREKH

Dr. H. B. JOSHIPURA

M. B. KAPADIA

A. A. NADKARNI

# GlaxoSmithKline Pharmaceuticals Limited

## Profit and Loss Account for the year ended 31st December, 2007

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
<b>INCOME</b>			
Sales (Gross) .. .. .		1712,84.15	1677,56.57
Less : Excise duty on sales .. .. .		135,70.03	124,64.54
Net sales .. .. .		1577,14.12	1552,92.03
Other income .. .. .	14	89,83.77	69,93.44
<b>TOTAL INCOME</b> .. .. .		1666,97.89	1622,85.47
<b>EXPENDITURE</b>			
Materials .. .. .	15	628,46.10	624,51.54
Operating and other expenses .. .. .	16	411,18.37	426,53.22
Depreciation .. .. .		16,15.95	15,85.31
<b>TOTAL EXPENDITURE</b> .. .. .		1055,80.42	1066,90.07
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b> ..		611,17.47	555,95.40
Provision for taxation			
Current tax .. .. .		192,50.00	182,10.00
Deferred tax .. .. .		12,15.66	5,33.05
		204,65.66	187,43.05
Fringe benefits tax .. .. .		6,80.00	6,79.99
<b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> .. .. .		399,71.81	361,72.36
EXCEPTIONAL ITEMS (net of tax) .. .. .		137,94.04	183,78.97
(Refer note 15 on Schedule 17)			
<b>NET PROFIT</b> .. .. .		537,65.85	545,51.33
Balance brought forward .. .. .		632,75.02	441,19.44
<b>AVAILABLE FOR APPROPRIATION</b> .. .. .		1170,40.87	986,70.77
<b>APPROPRIATIONS</b>			
Proposed dividend .. .. .		304,93.08	262,57.94
[The proposed dividend includes a special additional dividend of Rs.152,46.54 lakhs (Previous year Rs.118,58.42 lakhs)]			
Tax on distributed profit .. .. .		51,82.30	36,82.68
		356,75.38	299,40.62
Transfer to general reserve .. .. .		53,76.59	54,55.13
<b>BALANCE CARRIED FORWARD</b> .. .. .		759,88.90	632,75.02
Earnings per share before exceptional items (basic and diluted) (Rs.) .. .. .		47.19	42.70
Earnings per share (basic and diluted) (Rs.) .. .. .		63.48	64.40
Face value of shares Rs. 10 each. (Refer note 29 on Schedule 17)			
<b>Notes to the Financial Statements</b>	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 and on behalf of the Board

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

Chairman

Managing Director

Senior Executive Director

Company Secretary

D. S. PAREKH

Dr. H. B. JOSHIPURA

M. B. KAPADIA

A. A. NADKARNI



# GlaxoSmithKline Pharmaceuticals Limited

## Cash Flow Statement for the year ended 31st December, 2007

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items	611,17.47	555,95.40
Adjustments for :		
Depreciation	16,15.95	15,85.31
Interest expense	63.72	63.65
Provision / write off for doubtful debts, loans and advances (net)	1,77.26	4,32.27
Unrealised loss / (gain) on foreign exchange	2.69	(17.03)
Profit on sale / disposal of fixed assets (net)	(18.85)	(1,27.17)
Profit on sale / redemption of investments (net)	(1,72.54)	(5,12.28)
Provision written back as no longer required	(3,26.40)	(6,69.87)
Interest income	(45,86.45)	(34,89.56)
Dividend income	(23,66.59)	(9,93.73)
<b>Operating profit before working capital changes</b>	<b>555,06.26</b>	<b>518,66.99</b>
Adjustments for :		
Inventories	15,54.96	(32,87.73)
Trade and other receivables	(4,85.95)	(10,35.76)
Trade payables and other liabilities	(4,42.00)	1,24.43
<b>Cash generated from operations</b>	<b>561,33.27</b>	<b>476,67.93</b>
Direct taxes paid (net of refunds) (including fringe benefits tax)	(246,80.67)	(224,09.30)
<b>Cash flow before exceptional items</b>	<b>314,52.60</b>	<b>252,58.63</b>
Exceptional items:		
Payments made for voluntary retirement schemes and other retirement benefits	(83.91)	(85.88)
Expenses incurred on buy back of shares	—	(41.32)
Expenses incidental to sale of properties	—	(10.82)
Expenses incidental to sale of the Fine Chemicals business (Previous year - Animal Health business)	(74.18)	(66.39)
Payment for completion covenants for sale of the Fine Chemicals business	(5,80.00)	—
Non recurring expenses for merger / rationalisation initiatives	(17.42)	(3.26)
<b>Net cash from operating activities</b>	<b>A 306,97.09</b>	<b>250,50.96</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(15,32.58)	(18,62.32)
Sale of fixed assets	41.79	3,32.54
Sale of the Fine Chemicals business		
(Previous year - Animal Health business) (Exceptional item)	240,00.00	207,10.00
(Purchase) / sale / redemption of investments (net)	(193,76.31)	(223,20.85)
Fixed deposit with a limited company (net)	10,00.00	—
Interest received	46,54.60	27,42.00
Dividend received	23,66.59	9,93.73
<b>Net cash from investing activities</b>	<b>B 111,54.09</b>	<b>5,95.10</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (repayments) of borrowings (net)	22.96	68.29
Interest paid	(63.48)	(66.86)
Dividend paid	(261,28.88)	(235,87.80)
Tax on distributed profit	(36,82.68)	(33,26.29)
<b>Net cash used in financing activities</b>	<b>C (298,52.08)</b>	<b>(269,12.66)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(A + B + C) 119,99.10</b>	<b>(12,66.60)</b>
Cash and cash equivalents as at 1st January, 2007 (opening balance)	34,98.03	47,64.63
Cash and cash equivalents as at 31st December, 2007 (closing balance)	154,97.13	34,98.03
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>119,99.10</b>	<b>(12,66.60)</b>
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	154,99.47	35,03.06
Unrealised gain on foreign currency	(2.34)	(5.03)
<b>Total cash and cash equivalents</b>	<b>154,97.13</b>	<b>34,98.03</b>

2. 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

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

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

Mumbai, 22nd February, 2008

## Schedules to the Financial Statements

	Rupees in lakhs	Previous year Rupees in lakhs
<b>1 CAPITAL</b>		
<b>AUTHORISED</b>		
9,00,00,000 equity shares of Rs.10 each . . . . .	90,00.00	90,00.00
<b>ISSUED</b>		
8,47,07,710 equity shares of Rs.10 each, fully paid up . .	84,70.77	84,70.77
<b>SUBSCRIBED AND PAID-UP</b>		
8,47,03,017* equity shares of Rs.10 each, fully paid up . .	84,70.30	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 2007	Additions	Deductions	As at 31st December 2007	As at 31st December 2006
Capital Reserve	1,65.51	—	—	(d) 1,65.51	1,65.51
Capital Redemption Reserve	2,61.95	—	—	(e) 2,61.95	2,61.95
General Reserve	472,98.51	(a) 53,76.59	(c) (14,70.05)	512,05.05	472,98.51
Profit and Loss Account - Surplus	632,75.02	(b) 127,13.88	—	759,88.90	632,75.02
<b>TOTAL</b>	<b>1110,00.99</b>	<b>180,90.47</b>	<b>(14,70.05)</b>	<b>1276,21.41</b>	<b>1110,00.99</b>
<b>Previous Year Total</b>	<b>863,90.28</b>	<b>246,10.71</b>	<b>—</b>	<b>1110,00.99</b>	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

(c) Additional liability for employee benefits on adoption of Accounting Standard 15, Employee Benefits (revised 2005) (Refer note 24 on Schedule 17).

(d) 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.

(e) 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	..	..
<b>TOTAL</b>	..	

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
5,74.46	2.21	5,51.50	2.21
5,74.46	2.21	5,51.50	2.21
	5,76.67		5,53.71

### 4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2007	Additions	Deductions (b)	As at 31st December 2007	As at 1st January 2007	For the Year	On Deductions (b)	As at 31st December 2007	As at 31st December 2007	As at 31st December 2006
Freehold land	20.81	—	—	20.81	—	—	—	—	20.81	20.81
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	25,74.36	1,60.92	—	27,35.28	11,20.05	63.31	—	11,83.36	15,51.92	14,54.31
Leasehold buildings	27,69.59	59.03	—	28,28.62	12,23.92	97.27	—	13,21.19	15,07.43	15,45.67
Plant and machinery	163,77.46	13,28.70	4,46.38	172,59.78	121,30.25	10,83.18	3,95.06	128,18.37	44,41.41	42,47.21
Furniture and fittings	29,97.09	1,41.66	48.58	30,90.17	18,34.90	2,74.65	32.65	20,76.90	10,13.27	11,62.19
Vehicles	5,79.11	1,65.39	52.63	6,91.87	4,73.49	97.54	47.31	5,23.72	1,68.15	1,05.62
<b>TOTAL</b>	253,62.69	18,55.70	5,47.59	266,70.80	167,82.61	16,15.95	4,75.02	179,23.54	87,47.26	
Previous year - Total	253,10.73	25,33.54	24,81.58	253,62.69	171,53.71	15,85.31	19,56.41	167,82.61		85,80.08
Work-in-progress at cost and advance payments against capital expenditure									5,42.98	8,66.10
								<b>TOTAL</b>	92,90.24	94,46.18

Notes:

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

(b) Deductions include fixed assets transferred pursuant to sale of the Fine Chemicals business [Previous year deductions include fixed assets transferred pursuant to sale of the Animal Health business] (Refer note 30 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 .. .. .

Rupees  
in lakhs

27,00.70

Previous year

Rupees  
in lakhs

27,40.95

##### Unquoted

National Savings Certificate .. .. .

(Lodged with Government authorities)

0.17

0.17

#### 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 : 15, 6.31% Bonds, 2010 of Rs. 1,00,00,000 each) .. .. .

—

15,20.60

200, 5.40% Bonds, 2009 of Rs. 10,00,000 each .. .. .

20,00.29

20,01.22

200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each .. .. .

20,00.00

—

Grasim Industries Limited

20, 6.08% Non-Convertible Debentures, 2010 of Rs. 50,00,000 each .. .. .

10,04.73

10,06.83

Nil, (Previous year : 10, 6.75% Non-Convertible Debentures, 2009 of Rs. 50,00,000 each) .. .. .

—

5,09.35

Nil, (Previous year : 10, Floating Rate Inverse Mibor Non-Convertible Debentures, 2007 of Rs. 50,00,000 each) .. .. .

—

5,08.08

Housing Development Finance Corporation Limited

9,00,000 Equity Shares of Rs. 10 each fully paid .. .. .

1,18.13

1,18.13

150, 6.10% Non-Convertible Debentures, 2008 of Rs. 10,00,000 each .. .. .

15,00.00

15,02.01

200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each .. .. .

20,06.26

20,12.50

100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each .. .. .

10,00.00

—

Indian Railway Finance Corporation Limited

Nil, (Previous year : 50, 8.05% Bonds, 2007 of Rs. 10,00,000 each) .. .. .

—

5,01.71

Nil, (Previous year : 100, 7.63% Bonds, 2007 of Rs. 10,00,000 each) .. .. .

—

10,08.98

50, 6.20% Bonds, 2010 of Rs. 10,00,000 each .. .. .

5,06.85

5,09.23

50, 5.99% Bonds, 2008 of Rs. 10,00,000 each .. .. .

5,01.48

5,03.58

20, 9.76% Bonds, 2012 of Rs. 10,00,000 each .. .. .

2,01.90

—

LIC Housing Finance Limited

25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each .. .. .

5,17.38

5,31.80

25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each .. .. .

5,31.91

5,45.48

10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each .. .. .

10,31.73

10,49.00

100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each .. .. .

10,01.48

—

National Hydroelectric Power Corporation Limited

Nil, (Previous year : 10, 7.70% Bonds, 2010 of Rs. 1,00,00,000 each) .. .. .

—

10,53.57

9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each .. .. .

9,15.87

9,27.22

National Bank for Agriculture and Rural Development

100, 9.65% Non Priority Sector Bonds 2010 IX G Series of Rs. 10,00,000 each .. .. .

10,00.00

—

100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each .. .. .

10,00.00

—

## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

					Rupees in lakhs	Previous year Rupees in lakhs
Power Grid Corporation of India Limited						
40, 6.10% Bonds, 2008 of Rs. 12,50,000 each	..	..	..	..	5,01.12	5,03.67
Power Finance Corporation Limited						
1,500, 5.85% Bonds, 2010 of Rs. 1,00,000 each	..	..	..	..	15,02.68	15,08.66
100, 9.80% Bonds, 2012 of Rs. 10,00,000 each	..	..	..	..	10,19.20	—
Reliance Industries Limited						
74 Equity Shares of Rs. 10 each fully paid	..	..	..	..	0.01	0.01
Reliance Capital Limited						
3 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Communications Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
Reliance Energy Limited						
5 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Natural Resources Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
* Less than Rs. 1,000						
Tata Sons Limited						
15, 6.58% Non-Convertible Debentures, 2008 of Rs. 1,00,00,000 each	..				15,03.95	15,13.91
Unit Trust of India						
54,431, 6.75% Tax-free Bonds, 2008 of Rs. 100 each	..	..	..	..	54.33	54.33
10,42,521, 6.60% Tax Free Assured Returns Scheme Bonds, 2009 of Rs. 100 each	..	..	..	..	10,42.52	10,42.52
<b>Unquoted</b>						
National Bank for Agriculture and Rural Development						
Nil, (Previous year : 9,000, 5% 5-Year Capital Gains Bonds, 2008 of Rs. 10,000 each)	..	..	..	..	—	9,00.00
Nil, (Previous year : 25,000, 4.94% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)	..	..	..	..	—	25,00.00
National Housing Bank						
Nil, (Previous year : 45,000, 5.10% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)	..	..	..	..	—	45,00.00
National Highways Authority of India						
1,00,000, 5.60% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	..				100,00.00	100,00.00
1,00,000, 5.50% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	..				100,00.00	100,00.00
Rural Electrification Corporation Limited						
1,97,000, 5.50% 5-Year Capital Gains Bonds, 2011 of Rs. 10,000 each	..				197,00.00	197,00.00
<b>CURRENT (at lower of cost and fair value)</b>						
<b>OTHER THAN TRADE</b>						
<b>Unquoted (Mutual Funds)</b>						
ABN AMRO Money Plus - Institutional Weekly Dividend Option						
Nil, (Previous year : 50,36,660.877 Units of Rs. 10 each)	..	..	..	..	—	5,03.67
ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option						
3,51,88,240.306 Units of Rs. 10 each	..	..	..	..	35,18.86	—
ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option						
50,03,250.331 Units of Rs. 10 each	..	..	..	..	5,00.32	—
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan E - Dividend Option						
Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	..	..	..	..	—	10,00.00
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan F - Dividend Option						
Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	..	..	..	..	—	5,00.00

## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan G - Dividend Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each) .. .. .	—	10,00.00
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan H - Monthly Dividend Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each) .. .. .	—	10,00.00
ABN AMRO Fixed Term Plan - Series 4 - Quarterly Plan B - Dividend Option Nil, (Previous year : 1,50,00,000 Units of Rs. 10 each) .. .. .	—	15,00.00
DWS Fixed Term Fund - Series 22 - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each) .. .. .	—	5,00.00
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option 5,98,70,790.569 Units of Rs. 10 each, (Previous year : 2,09,24,300.719 Units of Rs. 10 each) .. .. .	59,91.99	20,86.31
DWS Floating Rate Fund - Regular Plan - Growth Option Nil, (Previous year : 50,32,740.777 Units of Rs. 10 each) .. .. .	—	5,47.82
DSP Merrill Lynch Fixed Term Plan - Series 1 E - Dividend Option Nil, (Previous year : 50,000 Units of Rs. 1,000 each) .. .. .	—	5,00.00
DSP Merrill Lynch Fixed Term Plan - Series 1 F - Dividend Option Nil, (Previous year : 50,000 Units of Rs. 1,000 each) .. .. .	—	5,00.00
DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option 6,90,530.492 Units of Rs. 1,000 each .. .. .	69,06.61	—
Grindlays Floating Rate Fund - Long Term - Institutional Plan B - Daily Dividend Option 4,07,88,438.542 Units of Rs. 10 each .. .. .	40,80.78	—
HDFC Floating Rate Income Fund - Short Term Plan - Growth Option 1,76,91,756.526 Units of Rs. 10 each .. .. .	20,00.00	20,00.00
HDFC Cash Management Fund - Saving Plus Plan - Wholesale Growth Option 43,40,868.987 Units of Rs. 10 each, (Previous year : 1,04,97,480.880 Units of Rs. 10 each) .. .. .	6,33.37	15,30.71
HDFC Fixed Maturity Plan 18M October 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each .. .. .	5,00.00	5,00.00
HDFC Fixed Maturity Plan 17M November 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each .. .. .	5,00.00	5,00.00
HDFC Fixed Maturity Plan 16M December 2006 (2) - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each .. .. .	5,00.00	5,00.00
HDFC Fixed Maturity Plan 13M September 2006 (1) - Institutional Plan - Growth Option Nil, (Previous year : 40,00,000 Units of Rs. 10 each) .. .. .	—	4,00.00
HDFC Fixed Maturity Plan 90D November 2006 - Wholesale Plan - Dividend Option Nil, (Previous year : 80,00,000 Units of Rs. 10 each) .. .. .	—	8,00.00
HDFC Fixed Maturity Plan 90D December 2006 (2) - Wholesale Plan - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each) .. .. .	—	5,00.00
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option 2,86,06,443.570 Units of Rs. 10 each .. .. .	28,83.79	—
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option 7,02,52,155.022 Units of Rs. 10 each, (Previous year : 5,05,34,779.877 Units of Rs. 10 each) .. .. .	70,34.06	50,53.62
HSBC Income Fund - Short Term Plan - Institutional - Dividend Option Nil, (Previous year : 50,54,078.687 Units of Rs. 10 each) .. .. .	—	5,08.54
ICICI Prudential Institutional Short Term Plan - Cumulative Option 63,49,432.623 Units of Rs. 10 each, (Previous year : 77,50,856.470 Units of Rs. 10 each) .. .. .	8,19.19	10,00.00

## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
ICICI Prudential Floating Rate Plan C - Growth Option 1,90,30,038.916 Units of Rs. 10 each	20,00.00	20,00.00
ICICI Prudential Long Term Floating Rate Plan B - Growth Option Nil, (Previous year : 97,80,142.399 Units of Rs. 10 each)	—	10,00.00
ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan D - Retail - Dividend Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	—	10,00.00
ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan E - Retail - Dividend Option Nil, (Previous year : 85,71,502.464 Units of Rs. 10 each)	—	8,57.15
ICICI Prudential Fixed Maturity Plan Series 32 - One Month Plan D - Retail - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
ICICI Prudential Flexible Income Plan - Fortnightly Dividend Option Nil, (Previous year : 48,51,064.733 Units of Rs. 10 each)	—	5,12.14
ICICI Prudential Floating Rate Plan D - Daily Dividend Option 3,42,14,528.704 Units of Rs. 10 each	34,21.68	—
Principal Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option Nil, (Previous year : 1,57,79,831.468 Units of Rs. 10 each)	—	17,26.12
Principal PNB Fixed Maturity Plan (FMP-28) 91 Days - July06 - Dividend Option Nil, (Previous year : 30,01,998.002 Units of Rs. 10 each)	—	3,00.20
Principal Floating Rate Fund Flexible Maturity Plan Institutional Option - Daily Dividend Option 7,41,38,387.898 Units of Rs. 10 each	74,22.96	—
SBI - Short Horizon Fund - Liquid Plus - Institutional Plan - Daily Dividend Option 5,58,15,403.961 Units of Rs. 10 each	55,84.11	—
SBI Debt Fund Series - 90 days-17-(06-Nov-07) - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Standard Chartered Fixed Maturity Plan - Quarterly Series 1 - Dividend Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	—	10,00.00
Standard Chartered Liquidity Manager - Plus - Daily Dividend Option 3,19,932.814 Units of Rs. 1,000 each, (Previous year : 2,52,271.766 Units of Rs. 1,000 each)	32,00.00	25,22.97
Standard Chartered Fixed Maturity Plan - Yearly Series 1 - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Standard Chartered Fixed Maturity - 2nd Plan - Growth Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option 1,55,49,451.537 Units of Rs. 10 each, (Previous year : 97,81,276.652 Units of Rs. 10 each)	16,15.28	10,18.74
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option Nil, (Previous year : 2,02,090.128 Units of Rs. 1,000 each)	—	20,32.26
Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment Option 3,04,479.925 Units of Rs. 1,000 each	30,45.56	—
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option 1,03,89,611.643 Units of Rs. 10 each	10,44.20	—
<b>TOTAL</b>	<b>1333,32.25</b>	<b>1139,40.56</b>
Aggregate of Unquoted Investments - At Book value	1081,69.73	907,67.22
Aggregate of Quoted Investments - At Book value	251,62.52	231,73.34
- At Market value	504,07.18	364,91.25
Purchased and Sold / Redeemed during the year (Refer note 33 on Schedule 17)		



## 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	..	..	3,56.63	3,53.17
Provision for employee benefits	..	..	12,00.51	5,73.00
Costs of voluntary retirement schemes	..	..	1,80.51	9,29.25
Costs of merger	..	..	40.32	79.86
Provision for doubtful debts, loans and advances	..	..	4,32.60	5,58.74
Long term loss under the head 'capital gains'	..	..	32.62	—
Provision for pricing of formulations	..	..	2,10.89	2,08.85
Expenses allowable for tax purposes when paid	..	..	5,41.70	8,16.03
<b>TOTAL</b>	..	..	<b>29,95.78</b>	<b>35,18.90</b>

#### Liabilities

Depreciation	..	..	8,78.87	9,56.02
Fixed assets held for sale	..	..	1,02.73	1,01.74
<b>TOTAL</b>	..	..	<b>9,81.60</b>	<b>10,57.76</b>
<b>TOTAL</b>	..	..	<b>20,14.18</b>	<b>24,61.14</b>

### 7 INVENTORIES

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

Stores and spares	..	..	3,76.39	3,88.76
Raw and packing materials	..	..	42,42.89	44,56.95
Work-in-progress	..	..	29,85.50	32,73.78
Finished goods	..	..	129,91.53	159,75.92
<b>TOTAL</b>	..	..	<b>205,96.31</b>	<b>240,95.41</b>

### 8 SUNDRY DEBTORS

(Unsecured)

			Doubtful	Good	Doubtful	Good
Outstanding for over six months	..	..	10,44.46	1,47.59	15,42.74	7,03.95
Others	..	..	60.45	36,29.02	39.28	53,40.56
			11,04.91	37,76.61	15,82.02	60,44.51
			(11,04.91)	—	(15,82.02)	—
Less : Provision for doubtful debts	..	..	—	37,76.61	—	60,44.51
<b>TOTAL</b>	..	..		<b>37,76.61</b>		<b>60,44.51</b>

### 9 CASH AND BANK BALANCES

Cash and cheques on hand	..	..	4,03.01	6.02
Remittances in transit (Refer note 2(iii) on Schedule 17)	..	..	5.92	5.92
With scheduled banks				
Current account	..	..	41,82.50	28,55.77
Fixed deposit account	..	..	98,03.04	2,77.35
Call deposit	..	..	11,05.00	3,58.00
<b>TOTAL</b>	..	..	<b>154,99.47</b>	<b>35,03.06</b>

## Schedules to the Financial Statements — continued

### 10 OTHER CURRENT ASSETS

	Rupees in lakhs	Previous year Rupees in lakhs
Interest accrued on investments / deposits . . . . .	24,90.18	24,01.17
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) * . . . . .	3,02.25	3,02.25
<b>TOTAL . . . . .</b>	<b>27,92.43</b>	<b>27,03.42</b>

\* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.

### 11 LOANS AND ADVANCES

(Unsecured unless otherwise stated)

Loans and advances recoverable in cash or in kind or for value to be received

	Doubtful	Good	Doubtful	Good
Secured . . . . .	—	25.07	—	27.56
Unsecured				
Sundry deposits . . . . .	—	20,40.80	—	21,23.77
Other advances . . . . .	1,67.81	55,98.23	77.93	62,07.67
Less : Provision for doubtful advances . . . . .	(1,67.81)	—	(77.93)	—
	—	76,64.10	—	83,59.00
Balance with customs, excise and port trust on current accounts . . . . .	—	3,85.55	—	3,58.80
Fixed deposit with a limited company. . . . .	—	—	—	10,00.00
Current taxation (Refer note 31 on Schedule 17) . . . . .	—	50,49.58	—	46,99.63
	—	130,99.23	—	144,17.43
<b>TOTAL . . . . .</b>		<b>130,99.23</b>		<b>144,17.43</b>

### 12 CURRENT LIABILITIES

Sundry creditors

Micro and Small enterprises . . . . . (Refer note 10 on Schedule 17)	—		—	
Others . . . . .	226,29.78	226,29.78	230,63.49	230,63.49
Subsidiary company . . . . .		41.74		29.67
Unpaid dividend * . . . . .		7,49.20		6,20.14
Unpaid matured fixed deposits * . . . . .		2.70		4.10
Warrants issued but not encashed - Fixed deposit interest * . . . . .		4.67		4.67
Drugs Prices Equalisation Account . . . . .		10,49.23		10,49.23
<b>TOTAL . . . . .</b>		<b>244,77.32</b>		<b>247,71.30</b>

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

### 13 PROVISIONS

For proposed equity dividend . . . . .	304,93.08	262,57.94
For tax on distributed profit . . . . .	51,82.30	36,82.68
For fringe benefits tax (Refer note 32 on Schedule 17) . . . . .	7.48	1,72.48
For employee benefits . . . . .	35,72.16	17,02.31
<b>TOTAL . . . . .</b>	<b>392,55.02</b>	<b>318,15.41</b>

## Schedules to the Financial Statements — continued

### 14 OTHER INCOME

		Rupees in lakhs	Previous year Rupees in lakhs
Interest income (Gross):			
On deposits with banks and limited companies .. .. .	1,92.18	1,60.45	
On loans .. .. .	25.89	31.87	
On tax refunds .. .. .	5,86.66	1.37	
On investments - Government securities and other than trade			
- long term [net of premium write-off of Rs. 1,57.16 lakhs (Previous year Rs. 1,98.24 lakhs)] .. .. .	37,66.95	31,60.23	
- current .. .. .	—	1,23.43	
Others .. .. .	14.77	12.21	
	<u>45,86.45</u>	<u>34,89.56</u>	
Less : Interest expense:			
Security deposits .. .. .	(62.30)	(62.50)	
Others .. .. .	(1.42)	(1.15)	
	<u>(63.72)</u>	<u>(63.65)</u>	
	45,22.73		34,25.91
Dividend income - Investments other than trade - long term ..	1,98.01	1,80.00	
- current ..	21,68.58	8,13.73	9,93.73
Service income			
Clinical research and data management .. .. .	35,86.08	22,46.58	
Other services .. .. .	9,40.34	7,26.61	
Expenses relating to the above .. .. .	(40,27.48)	(25,90.94)	3,82.25
Miscellaneous income			
Export related benefits (net) .. .. .	1,04.97	1,15.56	
Profit on sale / redemption of investments (net) - current ..	1,72.54	5,12.28	
(Refer note 12 on Schedule 17)			
Profit on sale / disposal of fixed assets (net) .. .. .	18.85	1,27.17	
Exchange gain (net) .. .. .	1,55.95	—	
Consignment sales commission .. .. .	2,23.82	2,35.33	
Manufacturing charges recovery .. .. .	11.53	15.32	
Provision written back as no longer required .. .. .	3,26.40	6,69.87	
Others .. .. .	5,81.45	5,16.02	21,91.55
	<u>15,95.51</u>	<u>5,16.02</u>	
<b>TOTAL</b> ..	<b>89,83.77</b>	<b>69,93.44</b>	
Tax deducted at source :			
On interest .. .. .	2,77.23	3,41.95	
Others .. .. .	1,80.93	1,19.29	4,61.24

### 15 MATERIALS

Raw and packing materials consumed .. .. .	321,52.25	296,99.70	
Purchase of finished goods .. .. .	293,65.32	350,09.98	
(Increase) / decrease in work-in-progress and finished goods:			
Opening stock			
Work-in-progress .. .. .	32,73.78	31,53.39	
Finished goods .. .. .	159,75.92	148,43.39	
	<u>192,49.70</u>	<u>179,96.78</u>	
Less: Closing stock			
Work-in-progress .. .. .	29,85.50	32,73.78	
Finished goods .. .. .	129,91.53	159,75.92	
	<u>159,77.03</u>	<u>192,49.70</u>	(12,52.92)
Transfer of stock pursuant to sale of the Fine Chemicals business (Previous year - Animal Health business) (Refer note 30 on Schedule 17)			
Raw and packing materials .. .. .	(3,51.79)	—	
Work-in-progress .. .. .	(29.54)	—	
Finished goods .. .. .	(15,62.81)	(10,05.22)	(10,05.22)
	<u>(19,44.14)</u>	<u>(10,05.22)</u>	
<b>TOTAL</b> ..	<b>628,46.10</b>	<b>624,51.54</b>	

## Schedules to the Financial Statements — continued

### 16 OPERATING AND OTHER EXPENSES

					Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	..	..	..	..	133,79.12		136,68.98
Contributions to : Provident and pension funds	..	..	..	..	9,38.04		9,15.61
Gratuity funds	..	..	..	..	1,30.42		2,16.71
Staff welfare	..	..	..	..	6,77.96	151,25.54	5,65.91
Promotion and publicity	..	..	..	..		53,35.72	53,45.96
Selling commission on exports	..	..	..	..		8.10	12.57
Bonus offer discount	..	..	..	..		11,08.31	13,00.91
Stock point commission	..	..	..	..		9,97.80	11,17.83
Freight (net)	..	..	..	..		24,09.64	25,64.29
Travelling	..	..	..	..		31,01.03	31,47.38
Provision / write off for doubtful debts, loans and advances (net)	..	..	..	..		1,77.26	4,32.27
Exchange loss (net)	..	..	..	..		—	13.59
Manufacturing charges	..	..	..	..		34,47.29	32,10.27
Repairs - Buildings	..	..	..	..	2,84.47		3,06.08
- Plant and Machinery	..	..	..	..	8,85.64		8,24.43
- Others	..	..	..	..	31.07	12,01.18	27.22
Consumption of stores and spares	..	..	..	..		4,74.55	4,07.98
Power, fuel and water	..	..	..	..		20,53.77	19,23.42
Rent	..	..	..	..		8,00.93	5,97.04
Rates and taxes	..	..	..	..		9,02.71	13,04.21
Excise duty	..	..	..	..		6,84.28	14,49.70
Insurance	..	..	..	..		3,66.22	3,17.78
Remuneration to auditors :							
Statutory audit fees	..	..	..	..	36.24		32.83
In other capacity in respect of :							
Tax audit fees	..	..	..	..	5.90		5.89
Audit of tax accounts	..	..	..	..	19.66		19.64
Other services	..	..	..	..	16.31		17.60
Reimbursement of expenses	..	..	..	..	3.75		0.61
					81.86		76.57
Cost audit fees	..	..	..	..	7.35	89.21	5.61
Date-expired stocks	..	..	..	..		17,48.87	15,91.59
Finance charges	..	..	..	..		71.71	71.28
Commission to non whole-time Directors	..	..	..	..		19.46	20.04
Directors' sitting fees	..	..	..	..		12.20	11.10
Miscellaneous	..	..	..	..		56,82.58	47,99.03
Recovery of expenses (net) (Refer note 14 on Schedule 17)	..	..	..	..		(6,72.51)	(10,01.20)
Expenses relating to service income (Refer Schedule 14)	..	..	..	..		(40,27.48)	(25,90.94)
TOTAL	..	..	..	..		411,18.37	426,53.22

## 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, 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.

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.

Trademarks are recorded at their acquisition cost and amortised on the straight-line-method from the month following the month of capitalisation, over their estimated economic life not exceeding ten years.

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.

##### (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.

## Schedules to the Financial Statements — *continued*

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

(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 has filed a special leave petition in the Supreme Court against the Delhi High Court's judgement and order dated 19th October, 2001. The Supreme Court has admitted the said special leave petition, which will come up for hearing and disposal in due course.

- 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.

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

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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. In the meanwhile, the Government of India has filed an application in the Supreme Court praying that the writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from various High Courts. The Supreme Court is yet to hear the transfer petition.

- (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. During the year, the Company has received an order 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	..	..	..	13,73.98	25,34.86
	(ii)	In respect of claims made against the Company not acknowledged as debts by the Company					
	-	Sales tax matters	..	..	..	31,97.86	34,19.67
	-	Excise matters	..	..	..	11,01.22	13,50.17
	-	Service tax matters	..	..	..	2,42.18	2,42.18
	-	Labour matters	..	..	..	29,37.65	29,38.56
	-	Other legal matters	..	..	..	9,74.00	9,74.00
		which net of current tax amount to -	..	..	..	55,79.77	59,20.57
	(iii)	Taxation matters in respect of which appeals are pending					
	-	Tax on issues similar to the issues which have already been decided in the Company's favour	..	..	..	2,26.15	2,26.15
	-	Tax on other matters in dispute	..	..	..	74,97.20	73,56.67
	-	Other consequential matters (net of tax)	..	..	..	3,74.39	3,76.26

#### 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	2,73.25	1,57.52
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	18.17	21.52
the maximum amount due during the year was	21.57	21.84
* Loan granted prior to appointment as a whole time Director.		
9 (a) Directors' Remuneration		
Salaries	3,29.55	2,00.67
Payments under the long-term incentive plan	27.41	—
Perquisites	4.14	3.68
Contribution to provident and superannuation funds	41.61	17.62
Commission to non whole-time Directors	19.46	20.04
Directors' sitting fees	12.20	11.10
	<u>4,34.37</u>	<u>2,53.11</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.		
- subject to approval of members in General Meeting Rs. 22.76 lakhs (Previous year - Rs. 58.24 lakhs).		
Pension to past Directors	3.61	3.07



## 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 .. .. .	537,65.85	545,51.33
Add / (Deduct) :		
Directors' remuneration .. .. .	4,34.37	2,53.11
Depreciation as per the Profit and Loss Account .. .. .	16,15.95	15,85.31
Depreciation under Section 350 of the Companies Act, 1956 .. .. .	(12,48.79)	(12,23.68)
Provision / write off for doubtful debts, loans and advances (net) .. .. .	1,77.26	4,32.27
Bad debts written off against provision for doubtful debts, loans and advances .. .. .	(77.08)	(60.73)
Profit on sale / disposal of fixed assets (net) .. .. .	(18.85)	(1,27.17)
Profit on sale / redemption of investments (net) .. .. .	(1,72.54)	(5,12.28)
Exceptional items:		
- Costs of voluntary retirement schemes and other retirement benefits .. .. .	83.91	—
- Profit on sale of the Fine Chemicals business (Previous year - Animal Health business)	(198,29.63)	(187,02.52)
Taxation for the year (including on exceptional items). . . . .	253,58.56	194,05.20
Net Profit .. .. .	<u>600,89.01</u>	<u>556,00.84</u>
Maximum remuneration permissible under the Companies Act, 1956 at 10%	60,08.90	55,60.08
Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1%	6,00.89	5,56.01
Commission payable for the year restricted to	19.46	20.04

- 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, 2007 and the provision based on the figures for the remaining nine months up to 31st December, 2007, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2007 to 31st March, 2008.
- 12 Profit on sale / redemption of investments (net) - current is net of loss on sale / redemption of long term investments amounting to Rs. 2,74.39 lakhs (Previous year - Profit on sale / redemption of investments (net) current is net of loss on sale / redemption of long term investments amounting to Rs. 1,64.06 lakhs and loss on sale / redemption of current investments amounting to Rs. 2.47 lakhs).
- 13 The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,40.16 lakhs (Previous year - Rs. 4,29.75 lakhs).

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

- 14 "Recovery of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 8,83.17 lakhs (Previous year - Rs. 10,33.10 lakhs), from subsidiary company Rs. 4,12.81 lakhs (Previous year - Rs. 3,84.11 lakhs), from GlaxoSmithKline Pte Limited Rs. 6.10 lakhs (Previous year - Nil), from GlaxoSmithKline S.A.E Rs. 9.57 lakhs (Previous year - Nil), GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 22.40 lakhs (Previous year - Nil), from GlaxoSmithKline Services Unlimited - Nil (Previous year - Rs. 1,67.15 lakhs), and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 6,61.54 lakhs (Previous year - Rs. 5,83.16 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

	Rupees in lakhs	Previous year Rupees in lakhs
15 Exceptional items :		
(i) Costs of voluntary retirement schemes and other retirement benefits	(83.91)	—
(ii) Profit on sale of the Fine Chemicals business (Previous year - Animal Health business) (Refer note 30)	198,29.63	187,02.52
(iii) Provision for completion covenants for sale of the Fine Chemicals business	(16,64.60)	—
(iv) Expenses incidental to sale of the Fine Chemicals business (Previous year - Animal Health business)	(74.18)	(66.39)
(v) Provision for pricing of formulations	—	(2,75.00)
Taxation on the above		
Current tax	(42,35.72)	—
Deferred tax	22.82	17.84
	<u>137,94.04</u>	<u>183,78.97</u>

- 16 Installed Capacities (per annum)

Class of Goods	Unit	Installed Capacity (a)	
		2007	2006
Chemicals (including Bulk Drugs)	Tonnes	184	371
Formulations			
Liquids - Orals, Topicals,			
Parenterals and Malt	Kilo litres	8,400	8,400
Antibiotic Vials	Thousands	5,000	5,000
Tablets and Capsules	Million	6,750	6,750
Solids including Powders and Ointments	Tonnes	1,550	1,550
Aerosols	Thousands	3,000	3,000

- (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.

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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	1550 (1242)	18,74.47 (13,42.90)	4310 (5539)	1345 (2160)	14,51.20 (21,43.73)	5536 (7154)	106,23.98 (115,95.26)	1 (1550)	6,19.87 (18,74.47)
Formulations (including Vitamin Feed Supplements)										
Liquids- Orals, Topicals, Parenterals	Kilo litres	1227 (1745)	22,63.20 (25,85.86)	5770 (6066)	1139 (4165)	29,08.43 (48,42.23)	7124 (9945)	275,06.09 (298,04.17)	995 (1227)	22,40.99 (22,63.20)
Antibiotic Vials	Thousands	1109 (3854)	8,74.64 (12,25.93)	4720 (4784)	4377 (5631)	29,50.87 (30,49.88)	8930 (11051)	117,25.15 (115,45.88)	1270 (1109)	9,54.97 (8,74.64)
Tablets and Capsules	Million	1160 (1282)	53,68.97 (54,44.40)	7859 (7778)	777 (786)	126,44.10 (128,11.54)	8744 (8576)	782,11.04 (732,43.09)	1047 (1160)	50,18.16 (53,68.97)
Solids including Powders, Ointments and Malt	Tonnes	376 (768)	29,45.42 (23,91.80)	1960 (1758)	889 (2757)	39,49.06 (53,81.50)	2847 (4468)	327,27.28 (311,01.21)	382 (376)	24,01.36 (29,45.42)
Vaccines	Thousands	657 (413)	20,83.56 (13,09.57)	— (—)	1347 (1625)	34,14.60 (47,79.81)	1433 (1373)	80,65.97 (79,45.45)	564 (657)	14,63.75 (20,83.56)
Aerosols	Thousands	266 (338)	5,65.66 (5,42.93)	1082 (1012)	174 (244)	8,12.19 (10,22.13)	1402 (1369)	24,24.64 (25,21.51)	156 (266)	2,92.43 (5,65.66)
Purchase of physician samples			— (—)		— (—)	12,34.87 (9,79.16)		— (—)		— (—)
TOTAL			159,75.92 (148,43.39)			293,65.32 (350,09.98)		1712,84.15 (1677,56.57)		129,91.53 (159,75.92)

Notes:

- Figures in brackets are in respect of the previous year.
- Transfer of stocks as at 30th September, 2007, pursuant to sale of the Fine Chemicals business :  
Chemicals (including Bulk Drugs) 1510 Tonnes; Rs. 15,62.81 lakhs.
- Transfer of stocks as at 31st July, 2006, pursuant to sale of the Animal Health business :  
Liquids 710 Kilo litres; Rs. 6,31.65 lakhs, Antibiotic Vials 449 Thousands; Rs. 96.49 lakhs, Tablets and Capsules 1 Million;  
Rs. 36.50 lakhs, Solids including Powders, Ointments and Malt 389 Tonnes; Rs. 2,40.58 lakhs.
- 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 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.

- 18 Break-up of raw and packing materials consumed

Raw materials	..	..	..	..	..
Packing materials	..	..	..	..	..

Note : No single raw or packing material accounts for more than 10% of total consumption

Rupees in lakhs	
232,99.11	
88,53.14	
<u>321,52.25</u>	

Previous year  
Rupees in lakhs

216,48.05

80,51.65

296,99.70

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

						Rupees in lakhs		Previous year Rupees in lakhs	
						%		%	
19	Consumption of raw and packing materials								
	Purchased indigenously	..	..	..	..	72.58	233,37.31	72.05	214,00.10
	Imported by the Company (including duty and other charges)	..	..	..	..	27.42	88,14.94	27.95	82,99.60
						100.00	321,52.25	100.00	296,99.70
20	C.I.F. value of imports in respect of:								
	Raw and packing materials	..	..	..	..		78,62.36		69,97.08
	Goods for resale	..	..	..	..		48,78.63		61,21.76
	Components and spare parts for machinery	..	..	..	..		16.08		25.39
	Capital goods	..	..	..	..		2,27.86		2,09.81
							129,84.93		133,54.04
21	Remittance in foreign currency on account of dividend						2006		2005
							(Final)		(Final)
	On 3,04,85,250 equity shares to Glaxo Group Limited, U.K.	..					94,50.43		85,35.87
	On 58,80,000 equity shares to Eskaylab Limited, U.K.	..					18,22.80		16,46.40
	On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K.	..					10,41.60		9,40.80
	On 31,92,238 equity shares to Castleton Investment Limited, Mauritius						9,89.59		8,93.83
22	Expenditure in foreign currency on account of : (on payment basis)								
	- Travelling	..	..	..	..		1,23.41		1,00.87
	- Insurance	..	..	..	..		—		14.92
	- Selling commission on exports	..	..	..	..		9.18		4.26
	- Royalty	..	..	..	..		46.01		—
	- Others	..	..	..	..		2,17.05		1,48.77
							3,95.65		2,68.82
23	Earnings in foreign exchange on account of :								
	F.O.B. value of exports including through merchant exporters	..					40,32.14		30,17.76
	Recovery of expenses	..	..	..	..		58.68		56.29
	Clinical research and data management	..	..	..	..		35,86.08		22,46.58
	Research and development	..	..	..	..		2,94.50		2,91.85
	Others	..	..	..	..		4,01.25		3,19.09
							83,72.65		59,31.57

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 24 Employee Benefits

The Company has, with effect from 1st January, 2007, adopted Accounting Standard 15, Employee Benefits (revised 2005), issued by the Institute of Chartered Accountants of India [the 'revised AS 15']. Consequently, the additional liability for employee benefits based on actuarial valuation as at 1st January, 2007, amounting to Rs. 14,70.05 lakhs (net of deferred tax credit of Rs. 7,45.88 lakhs), has been adjusted against General Reserve as at 1st January, 2007.

The disclosures as required as per the revised AS 15 are as under:

##### 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.

##### 2 Charge to the Profit and Loss Account based on contributions:

Rupees in lakhs

Superannuation	3,40.85
Employees' pension scheme	2,42.31
Provident fund	3,54.88
	<u>9,38.04</u>

##### 3 Disclosures for defined benefit plans based on actuarial reports as on 31st December 2007:

Rupees in lakhs

	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)
(i) <u>Change in Defined Benefit Obligation</u>		
Opening defined benefit obligation	27,02.25	22,93.55
Current service cost	1,26.23	41.06
Interest cost	2,00.30	1,67.87
Actuarial loss / (gain)	(1,17.77)	(3,68.59)
Liabilities settled on sale of business	(51.75)	(1.84)
Benefits paid	(3,20.88)	(98.11)
Closing defined benefit obligation	<u>25,38.38</u>	<u>20,33.94</u>
(ii) <u>Change in Fair Value of Assets</u>		
Opening fair value of plan assets	28,21.94	
Expected return on plan assets	2,19.08	
Actuarial gain / (loss)	(1,17.80)	
Contributions by employer	3,03.81	
Assets distributed on sale of business	(51.75)	
Benefits paid	(3,20.88)	
Closing fair value of plan assets	<u>28,54.40</u>	

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

Rupees in lakhs		
	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)
(iii) <u>Amount recognised in the Balance Sheet</u>		
Present value of obligations as at year end	25,38.38	20,33.94
Fair value of plan assets as at year end	28,54.40	
Amount not recognised as an asset	22.94	
Net (asset) / liability recognised as on 31st December 2007	(2,93.08)	20,33.94
(iv) <u>Expenses recognised in the Profit and Loss Account</u>		
Current service cost	1,26.23	41.06
Interest on defined benefit obligation	2,00.30	1,67.87
Expected return on plan assets	(2,19.08)	
Net actuarial loss / (gain) recognised in the current year	0.03	(3,68.59)
Effect of the limit in Para 59(b) of the revised AS 15	22.94	
Total expense	1,30.42	(1,59.66)
(v) <u>Asset information</u>		
Government of India Securities	37%	
Corporate Bonds	37%	
Special Deposit Scheme	25%	
Others	1%	
(vi) <u>Principal actuarial assumptions used</u>		
Discount rate (p.a.)	8.35%	8.35%
Expected rate of return on plan assets (p.a.)	7.50%	
Annual increase in health care premiums (p.a)		5%
(vii) <u>Effect of change in Assumed Health Care Cost Trend rate (Rupees in lakhs)</u>		
	1% increase	1% decrease
Effect on the aggregate of service cost and interest cost	22.52	(19.42)
Effect on defined benefit obligation	1,87.98	(1,71.66)
(viii) <u>Experience adjustments</u>		
Defined benefit obligation	25,38.38	20,33.94
Plan assets	28,54.40	
Deficit / (Surplus)	(3,16.02)	20,33.94
Experience adjustments on plan liabilities	58.90	(1,53.14)
Experience adjustments on plan assets	(1,17.80)	
(ix) Expected employer's contribution for the next year	4,00.00	1,36.23

4 The liability for leave encashment and compensated absences as at year end is Rs. 15,38.22 lakhs.

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

- 25 Segment Information for the year ended 31st December, 2007  
(i) Information about Primary Business Segments (Rupees in lakhs)

	Pharmaceuticals		Other Businesses		Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue								
External	1485,30.96	1390,19.28	110,20.63	181,33.52	84.44	2,00.75	1596,36.03	1573,53.55
Inter-segment	—	—	—	—	—	—	—	—
Total revenue	1485,30.96	1390,19.28	110,20.63	181,33.52	84.44	2,00.75	1596,36.03	1573,53.55
Result								
Segment result	548,74.18	492,10.97	21,64.71	38,48.39	—	—	570,38.89	530,59.36
Unallocated expenditure net of unallocated income					(29,83.28)	(23,95.88)	(29,83.28)	(23,95.88)
Interest expense					(63.72)	(63.65)	(63.72)	(63.65)
Interest income					45,86.45	34,89.56	45,86.45	34,89.56
Dividend income and profit on sale/redemption of investments (net)					25,39.13	15,06.01	25,39.13	15,06.01
Profit before taxation and exceptional items	548,74.18	492,10.97	21,64.71	38,48.39	40,78.58	25,36.04	611,17.47	555,95.40
Provision for taxation							(211,45.66)	(194,23.04)
Profit after taxation and before exceptional items	548,74.18	492,10.97	21,64.71	38,48.39	40,78.58	25,36.04	399,71.81	361,72.36
Exceptional items	(83.91)	(2,75.00)	—	—	180,90.85	186,36.13	180,06.94	183,61.13
Tax on exceptional items							(42,12.90)	17.84
Net Profit	547,90.27	489,35.97	21,64.71	38,48.39	221,69.43	211,72.17	537,65.85	545,51.33
Other Information								
Segment assets	363,75.70	375,67.35	20,90.90	74,02.11	1629,15.72	1327,00.01	2013,82.32	1776,69.47
Segment liabilities	230,91.15	217,18.74	1,81.85	13,62.16	420,17.61	351,17.28	652,90.61	581,98.18
Capital expenditure	12,12.02	14,30.33	1.40	34.61	3,19.16	3,97.38	15,32.58	18,62.32
Depreciation	10,40.65	9,73.56	14.60	1,34.59	5,60.70	4,77.16	16,15.95	15,85.31
Non-cash (income) / expenses other than depreciation	(2,11.44)	2,91.44	(8.97)	2,63.97	27.08	19.24	(1,93.33)	5,74.65

- (ii) Information about Secondary Business Segments (Rupees in lakhs)

	India		Outside India		Total	
	2007	2006	2007	2006	2007	2006
Revenue by geographical market						
External	1551,27.93	1539,76.21	45,08.10	33,77.34	1596,36.03	1573,53.55
Inter-segment	—	—	—	—	—	—
Total	1551,27.93	1539,76.21	45,08.10	33,77.34	1596,36.03	1573,53.55
Carrying amount of segment assets	2013,82.32	1776,69.47	—	—	2013,82.32	1776,69.47
Capital expenditure	15,32.58	18,62.32	—	—	15,32.58	18,62.32

- (iii) Notes:

- (i) The above segment disclosure comprises two main business segments, namely:
- Pharmaceuticals - comprising of bulk drugs and formulations
  - Others - primarily comprising of fine chemicals, diagnostics, laboratory equipment and exports mainly relating to pharmaceuticals. Animal Health business formed part of the Company's Other Businesses segment in the previous year.
- Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.
- (ii) Segment revenue in each of the above domestic business segments primarily includes sales (net of excise duty), processing charges, consignment sales commission, clinical research and data management (net) and export incentives in the respective segments.

Segment Revenue comprises :

- Sales (net of excise duty)
- Other income excluding interest income (net), dividend income and profit on sale / redemption of investments (net)

Rs. in lakhs	
2007	2006
1577,14.12	1552,92.03
19,21.91	20,61.52
1596,36.03	1573,53.55

- (iii) The Segment revenue in the geographical segments considered for disclosure are as follows:
- (a) Revenue within India includes sales to customers located within India and earnings in India.
- (b) Revenue outside India includes sales to customers located outside India and earnings outside India.
- (iv) Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.
- (v) Refer note 30 relating to sale of the Fine Chemicals business (Previous year - Animal Health business).

## Schedules to the Financial Statements — *continued*

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

#### 26 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", issued by the Institute of Chartered Accountants of India 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:

GlaxoSmithKline Limited, Kenya

Glaxo Wellcome Ceylon 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.

Glaxo Operations UK Limited, U.K.

GlaxoSmithKline S.A.E., Egypt

GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia

GlaxoSmithKline Export Limited, U.K.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Philippines Inc., Philippines

Glaxo Wellcome Manufacturing Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

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

Dr. A. Banerjee

Mr. A.S. Lakshmanan (up to 25th October, 2007)

Mr. D.S. Parekh

Mr. H. Singh

Dr. H.B. Joshipura

Mr. J. Dwivedy (up to 31st March, 2007)

Mr. K. Shivkumar (up to 10th April, 2007)

Mr. M.B. Kapadia

Mr. M.K. Vasanth Kumar

Dr. M. Reilly \*

Mr. N. Kaviratne

Mr. N.Y. Sanglikar (up to 20th February, 2007)

Mr. P. Bains \*

Mr. P.V. Nayak

Mr. R. C. Sequeira

Mr. R.R. Bajaaj

Mr. R. Limaye

Mr. R. Raghunandan (up to 30th November, 2007)

Dr. S. Joglekar

Mr. Sunder Rajan (with effect from 11th June, 2007)

Mr. S. Khanna

Mrs. S. Patel

Mr. V. Narayanan

Mr. V. Thyagarajan \*

Mrs. Neeru Nayak

\* no transactions during the year



## Schedules to the Financial Statements — *continued*

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

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

(i) 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)	
	2007	2006	2007	2006
1 Purchase of materials/finished goods	—	—	72,13.31	82,44.91
2 Sale of materials/finished goods	—	—	23,13.75	10,94.83
3 Sale of fixed assets	—	—	—	98.00
4 Expenses recharged to other companies	4,12.81	3,84.11	13,05.93	14,62.49
5 Research and development recoveries	—	—	2,94.50	2,91.85
6 Expenses recharged by other companies	—	—	8,09.23	7,65.76
7 Manufacturing charges recovered	11.53	15.32	—	—
8 Consignment sales commission paid	—	—	—	14.04
9 Consignment sales commission received	1,20.31	1,09.84	81.87	1,08.09
10 Clinical research and data management recoveries	—	—	35,86.08	22,46.58
11 Outstanding (payables)/receivables at the year end (net) #	(41.74)	(29.67)	(35.32)	9,75.16

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

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

	Rupees in lakhs 2007	Rupees in lakhs 2006
(a) Purchase of materials/finished goods		
GlaxoSmithKline Biologicals S.A., Belgium	29,54.51	40,90.49
GlaxoSmithKline Export Limited, U.K.	41,60.59	40,04.12
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	8,45.09	3,92.32
GlaxoSmithKline Trading Services Limited, Ireland	14,67.63	7,02.51
(c) Sale of fixed assets		
GlaxoSmithKline Asia Private Limited, India	—	98.00
(d) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	9,04.68	11,43.40
GlaxoSmithKline Trading Services Limited, Ireland	3,54.02	77.07
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,94.50	2,89.18
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	7,53.88	6,63.02
(g) Consignment sales commission paid		
GlaxoSmithKline Consumer Healthcare Limited, India	—	14.04
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	81.87	1,08.09
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	9,86.30	7,46.21
GlaxoSmithKline Services Unlimited, U.K.	25,63.85	14,64.69
(j) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(1,09.71)	1,72.14
GlaxoSmithKline Consumer Healthcare Limited, India	6,57.83	6,29.42
GlaxoSmithKline Biologicals S.A., Belgium	(1,06.52)	(1,66.51)
GlaxoSmithKline Export Limited, U.K.	(6,88.80)	(5,16.68)
GlaxoSmithKline Trading Services Limited, Ireland	3,62.15	1,33.19
GlaxoSmithKline Services Unlimited, U.K.	(2,26.08)	7,30.09
GlaxoSmithKline Pakistan Limited, Pakistan	81.70	35.59

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Rupees in lakhs	
	2007	2006
1 Remuneration/commission/sitting fees	7,66.65	5,82.08
2 Payments under the long-term incentive plan	78.37	—
3 Interest income on loans given	2.15	3.05
4 Rent paid for residential flat	4.14	4.32
5 Outstanding loans receivable	55.86	90.07

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

	Rupees in lakhs	Rupees in lakhs
	2007	2006
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	2,00.90	34.86
Mr. M.B. Kapadia	1,15.01	99.97
(b) Payments under the long-term incentive plan		
Mr. M.B. Kapadia	13.70	—
Dr. A. Banerjee	13.70	—
Mr. K. Shivkumar	13.53	—
(c) Interest income on loans given		
Dr. A. Banerjee	0.35	0.35
Mr. H. Singh	0.30	0.31
Mr. M.K. Vasanth Kumar	0.72	0.77
Mr. S. Khanna	0.34	0.38
Mrs. S. Patel	0.28	0.29
(d) Rent paid for residential flat		
Dr. A. Banerjee	0.54	0.72
Mrs. Neeru Nayak	3.60	3.60
(e) Outstanding loans receivable		
Dr. A. Banerjee	11.55	11.72
Mr. H. Singh	9.80	10.11
Mr. M.K. Vasanth Kumar	17.08	18.58
Mr. S. Khanna	7.99	8.98
Mrs. S. Patel	9.44	9.56

27 Disclosures as required by Accounting Standard 19, "Leases", issued by the Institute of Chartered Accountants of India, are given below:

- (i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are generally 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.
- (iii) The future minimum lease payments under non-cancellable operating lease
  - not later than one year Rs. 1,28.54 lakhs (Previous year - Rs. 1,37.33 lakhs)
  - later than one year and not later than five years - Nil (Previous year - Rs. 1,28.54 lakhs)

28 Amount recognised as expense for the year under the long-term incentive plan is Rs. 62.13 lakhs (Previous year - Rs. 1,24.47 lakhs).

The total carrying amount of the corresponding liability at the year end is Rs. 1,46.98 lakhs (Previous year - Rs. 2,63.09 lakhs).

## Schedules to the Financial Statements — *continued*

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

#### 29 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	399,71.81	361,72.36
Profit after taxation	Rupees in lakhs	537,65.85	545,51.33
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	47.19	42.70
Earnings per share (Basic and Diluted)	Rs.	63.48	64.40
Face value per share	Rs.	10	10

30 The Board of Directors, at its meeting held on 26th July, 2007, approved the proposal for sale of the Fine Chemicals business as a going concern to Thermo Electron LLS India Private Limited for a total consideration of Rs. 240,00 lakhs. Shareholders of the Company approved the proposal by postal ballot on 19th September, 2007. The sale has been completed effective from the close of business hours of 30th September, 2007 at a profit of Rs. 198,29.63 lakhs. (In the previous year, the Company sold the Animal Health business as a going concern to Virbac Animal Health India Private Limited for a total consideration of Rs. 207,10 lakhs at a profit of Rs. 187,02.52 lakhs). Accordingly, figures for the current year are to that extent not comparable with those of the previous year. Fine Chemicals and Animal Health businesses form part of the Company's 'Other Businesses' segment.

31 Current taxation represents payments in excess of provisions of Rs. 1481,15.11 lakhs (Previous year - Rs. 1246,29.39 lakhs).

32 Provision for fringe benefits tax represents provision in excess of payments of Rs. 21,30.00 lakhs (Previous year - Rs. 12,85.00 lakhs).

33 Investments purchased and sold / redeemed during the year:

ABN AMRO Money Plus - Institutional Weekly Dividend Option  
1,05,09,628.799 Units of Rs. 10 each

ABN AMRO Flexi Debt Fund - Regular - Daily Dividend Option  
1,01,77,561.298 Units of Rs. 10 each

ABN AMRO Cash Fund - Institutional - Daily Dividend Option  
51,11,513.992 Units of Rs. 10 each

ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option  
3,50,30,632.066 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan E - Dividend Option  
1,53,550.950 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan F - Dividend Option  
78,109.875 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan G - Dividend Option  
1,57,440.900 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan H - Monthly Dividend Option  
1,57,635.420 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 4 - Quarterly Plan B - Dividend Option  
2,66,322.630 Units of Rs. 10 each

DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option  
1,51,01,397.355 Units of Rs. 10 each

DWS Money Plus Fund - Institutional Plan - Daily Dividend Option  
4,24,86,668.951 Units of Rs. 10 each

DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option  
1,51,926.970 Units of Rs. 1,000 each

DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend Option  
5,01,204.926 Units of Rs. 1,000 each

## Schedules to the Financial Statements — *continued*

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

DSP Merrill Lynch Fixed Term Plan - Series 1 E - Dividend Option  
765,530 Units of Rs. 1,000 each

DSP Merrill Lynch Fixed Term Plan - Series 1 F - Dividend Option  
788,060 Units of Rs. 1,000 each

Grindlays Floating Rate Fund - Long Term - Institutional Plan B - Daily Dividend Option  
3,39,81,310.280 Units of Rs. 10 each

HDFC Cash Management Fund - Call Plan - Daily Dividend Reinvestment Option  
96,09,634.424 Units of Rs. 10 each

HDFC Liquid Fund Premium Plan - Daily Dividend Reinvestment Option  
3,28,14,297.633 Units of Rs. 10 each

HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option  
49,59,874.614 Units of Rs. 10 each

HSBC Income Fund - Short Term Plan - Institutional - Dividend Option  
18,616,355 Units of Rs. 10 each

HSBC Liquid Plus - Institutional Plus - Daily Dividend Option  
2,90,52,521.385 Units of Rs. 10 each

ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan D - Retail - Dividend Option  
1,61,400 Units of Rs. 10 each

ICICI Prudential Fixed Maturity Plan Series 32 - One Month Plan D - Retail - Dividend Option  
25,850 Units of Rs. 10 each

ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan E - Retail - Dividend Option  
1,35,601.169 Units of Rs. 10 each

ICICI Prudential Flexible Income Plan - Daily Dividend Option  
96,25,886.036 Units of Rs. 10 each

ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend Reinvestment Option  
5,97,05,543.445 Units of Rs. 10 each

ICICI Prudential Sweep Cash Option - Daily Dividend Reinvestment Option  
1,00,20,677.450 Units of Rs. 10 each

Principal Floating Rate Fund SMP Institutional Option - Daily Dividend Reinvestment Option  
2,02,40,062.662 Units of Rs. 10 each

Principal Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option  
1,85,865.387 Units of Rs. 10 each

Principal Cash Management Fund Liquid Option Institutional Premium Plan - Daily Dividend Reinvestment Option  
4,50,11,918.142 Units of Rs. 10 each

SBI Premier Liquid Fund - Institutional - Daily Dividend Option  
1,91,06,687.541 Units of Rs. 10 each

Standard Chartered Liquidity Manager - Plus - Daily Dividend Option  
5,17,54,559.288 Units of Rs. 1,000 each

Standard Chartered Fixed Maturity Plan - Quarterly Series 3 - Dividend Option  
50,73,800 Units of Rs. 10 each

Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option  
1,05,649.419 Units of Rs. 1,000 each

Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment Option  
1,51,712.311 Units of Rs. 1,000 each

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 34 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 0 7

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 0 1 3 8 2 3 2

Sources of Funds

Paid-Up Capital

8 4 7 0 3 0

Secured Loans

N I L

Application of Funds

Net Fixed Assets

9 2 9 0 2 4

Net Current Assets\*

( 5 9 5 4 1 1 )

Accumulated Losses

N I L

\*including net deferred tax asset

Total Assets

2 0 1 3 8 2 3 2

Reserves and Surplus

1 2 7 6 2 1 4 1

Unsecured Loans

5 7 6 6 7

Investments

1 3 3 3 3 2 2 5

Miscellaneous Expenditure

N I L

##### IV. Performance of Company (Amount rupees in thousands)

Turnover (Sales and Other Income)

1 6 6 6 9 7 8 9

Profit before tax and exceptional items

6 1 1 1 7 4 7

Earning Per Share in Rs.  
before exceptional items

4 7 . 1 9

Total Expenditure

1 0 5 5 8 0 4 2

Profit after tax before exceptional items

3 9 9 7 1 8 1

Profit after tax after exceptional items

5 3 7 6 5 8 5

Earning Per Share in Rs.  
after exceptional items

6 3 . 4 8

Dividend Rate

3 6 0 %

## Schedules to the Financial Statements — *continued*

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

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

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 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
	S O D I U M A M O X Y C Y L L I N
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

35 Previous year's figures have been regrouped wherever necessary. Also refer note 30.

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

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

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

### 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	31.12.2007	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 14,10.41	Rs. lakhs —	Rs. lakhs 47,95.78	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, 22nd February, 2008.

# Biddle Sawyer Limited

## Directors' Report to the Members

Your Directors are pleased to present the 62<sup>nd</sup> Annual Report and the audited accounts of the Company for the year ended 31<sup>st</sup> December 2007.

### Financial Results

	Year ended 31 <sup>st</sup> December 2007	Year ended 31 <sup>st</sup> December 2006
	Rs. in lakhs	Rs. in lakhs
Net Sales and other income	35,41.49	30,86.82
Profit before taxation and exceptional items	20,56.97	14,59.81
Provision for Tax	6,50.00	4,90.00
Deferred Tax charge/ (credit)	(3.44)	(0.12)
Net profit after tax	14,10.41	9,69.93
Add: Balance brought forward	47,96.46	38,26.53
Balance carried forward	62,06.87	47,96.46

### Dividend

The Directors do not recommend any dividend for the year ended 31<sup>st</sup> December 2007.

### Operations

The net sales for the year ended 31<sup>st</sup> December 2007 were Rs. 31.06 crores as compared to Rs. 29.07 crores for the previous year. The profit after tax increased by 45% from Rs.9.70 crores to Rs. 14.10 crores. Higher income from treasury operations coupled with increase in sales have contributed to profit improvements.

### Directors

Mr. R. C. Sequeira has been appointed as Director in the casual vacancy caused by the resignation of Mr. T. Sengupta.

Mr. R. C. Sequeira 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 31<sup>st</sup> December 2007 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: 22nd February 2008

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 <sup>st</sup> December 2007	Year ended 31 <sup>st</sup> December 2006
1. Electricity:		
a) Purchased		
Units	Kwh	Nil
Total Amount	Rs.	Nil
Rate/Unit	Rs.	Nil
b) Own Generation		Nil
2. Coal		Nil
3. Furnace Oil & LSHS		Nil
4. Others		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

31<sup>st</sup> December 2007  
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:

31<sup>st</sup> December 2007  
Rs.in lakhs

1) Foreign Exchange earned	Nil
2) Foreign Exchange outgo- CIF Value of imports	546.52
3) Travelling & Subscription	Nil



## Auditor's Report

To Members of Biddle Sawyer Limited

- 1) We have audited the attached Balance Sheet of BIDDLE SAWYER LIMITED as at 31st December, 2007, 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 misstatement. An audit also 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 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 matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in Paragraph 3, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law, have been kept by the Company, in so far as appears from our examination of the books of the Company;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in 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 complies with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) On the basis of our review of the confirmations 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.
  - (f) 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 give a true and fair view:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2007;
    - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For CORNELIUS & DAVAR  
Chartered Accountants

RUSTOM D. DAVAR  
(Partner)  
Membership No: F-10620

Mumbai  
Dated: 22nd February, 2008.

## Annexure to the Auditors' Report

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) A major portion of the assets has been physically verified by the management in accordance with a phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. To the best of our knowledge, no material discrepancies have been noticed on such verification.
- (ii) (a) 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.  
(b) 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.
- (iii) (a) 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.  
(b) 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.
- (iv) 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 Companies Act, 1956.
- (v) 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 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.
- (vi) 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.
- (vii) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- (viii) The Company has internal audit system commensurate with size of the Company and the nature of its business.
- (ix) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any product of the Company.
- (x) (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities 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 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, 2007, for a period of more than six months from the date of becoming payable.  
(b) According to the information and explanations given to us, no disputed amounts payable in respect of income-tax, sales-tax, customs duty, excise duty and cess were in arrears, as at 31st December, 2007.
- (xi) The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- (xii) 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.
- (xiii) 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.
- (xiv) 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.
- (xv) 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.
- (xvi) According to 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 provision of clause 4(xv), of Companies (Auditor's Report) Order, 2003, are not applicable to the company.
- (xvii) According to information and explanations given to us, the company has not taken any term loans. Therefore, the provision of clause 4(xvi), of Companies (Auditor's Report) Order, 2003, are not applicable to the company.
- (xviii) 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.
- (xix) 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.
- (xx) According to the information and explanations given to us, the Company has not issued any debentures.
- (xxi) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xxii) 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  
Chartered Accountants

RUSTOM D. DAVAR  
(Partner)  
Membership No: F-10620

Mumbai  
Dated: 22nd February, 2008.



## Balance Sheet as at 31st December, 2007

	Schedule	Rs. ('000)	31/12/2007 Rs. ('000)	Rs. ('000)	31/12/2006 Rs. ('000)
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS:</b>					
a) Share Capital	1	96,00		96,00	
b) Reserves & Surplus	2	66,57,38		52,46,97	
			67,53,38		53,42,97
<b>LOAN FUNDS:</b>					
Secured Loans	3		3,12		—
<b>TOTAL Rs.</b>			<b>67,56,50</b>		<b>53,42,97</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS:</b>					
Gross Block	4	1,99,32		1,99,32	
Less: Depreciation		1,84,35		1,81,05	
Less: Impairment		12,89		—	
Net Block			2,08		18,27
<b>INVESTMENTS</b>	5		60,76,28		44,13,15
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>					
a) Inventories	6	5,24,38		5,83,13	
b) Sundry Debtors	7	41,74		29,67	
c) Cash & Bank Balances	8	—		78,80	
d) Other Current Assets	9	1,07,54		98,09	
e) Loans & Advances	10	2,60,30		3,69,73	
		9,33,96		11,59,42	
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS:</b>					
Current Liabilities	11	2,74,11		2,62,72	
		2,74,11		2,62,72	
Net Current Assets			6,59,85		8,96,70
<b>DEFERRED TAX ASSET</b>		18,29		18,12	
<b>LESS: DEFERRED TAX LIABILITY</b>		—		(3,27)	
			18,29		14,85
<b>TOTAL Rs.</b>			<b>67,56,50</b>		<b>53,42,97</b>
Notes to the Accounts	15				
The Schedules referred to above form an integral part of the Balance Sheet					

As per our report of even date attached  
For CORNELIUS & DAVAR  
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 22nd February, 2008

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

S. Balasubramanian  
Company Secretary

## Profit and Loss Account for the year ended 31st December, 2007

	Schedule	Rs. ('000)	31/12/2007 Rs. ('000)	Rs. ('000)	31/12/2006 Rs. ('000)
<b>INCOME</b>					
Sales		35,24,66		32,47,07	
Less : Excise duty on sales		(4,18,22)		(3,40,13)	
Net Sales		31,06,44		29,06,94	
Other Income	12	4,35,05	35,41,49	1,79,88	30,86,82
<b>EXPENDITURE</b>					
Materials	13	8,18,42		6,97,21	
Operating and other expenses	14	6,49,91		9,28,97	
Depreciation/impairment		16,19	14,84,52	83	16,27,01
Profit before tax			20,56,97		14,59,81
Less:					
Provision for taxation		6,50,00		4,90,00	
Deferred tax charge/(credit)		(3,44)	6,46,56	(12)	4,89,88
Net Profit			14,10,41		9,69,93
Balance brought forward			47,96,46		38,26,53
			62,06,87		47,96,46
Balance carried forward			62,06,87		47,96,46
Earnings per share (basic and diluted) (Rs.)			146.92		101.03
Face value of shares - Rs. 10 each (Refer note 12 on Schedule 15)					
Notes to the Accounts	15				
The Schedules referred to above form an integral part of the Profit and Loss Account					

As per our report of even date attached  
For CORNELIUS & DAVAR  
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 22nd February, 2008

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

S. Balasubramanian  
Company Secretary

## Cash Flow Statement for the year ended 31st December, 2007

	31/12/2007 Rs. ('000)	31/12/2006 Rs. ('000)
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	20,56,97	14,59,81
Adjustments for :		
Depreciation	16,19	83
Interest income	(1,22,79)	(1,27,30)
Profit on sale of investments (net)	(1,18,85)	(15,13)
Dividend income	(1,62,64)	(34,02)
<b>Operating profit before working capital changes</b>	<b>16,68,88</b>	<b>12,84,19</b>
Adjustments for :		
Inventories	58,75	(1,64,30)
Trade and other receivables	25,92	3,63,94
Trade payables and other liabilities	11,39	(33,68)
<b>Cash generated from operations</b>	<b>17,64,94</b>	<b>14,50,15</b>
Direct taxes paid (net of refunds)	(5,78,56)	(6,41,70)
<b>Net cash from operating activities</b>	<b>A 11,86,38</b>	<b>8,08,45</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) / sale of investments (net)	(15,44,28)	(8,98,02)
Interest received	1,13,34	1,27,30
Dividend received	1,62,64	34,02
<b>Net cash used in investing activities</b>	<b>B (12,68,30)</b>	<b>(7,36,70)</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (repayments) of borrowings (net)	3,12	—
	C 3,12	—
<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(A + B + C) (78,80)</b>	<b>71,75</b>
Cash and cash equivalents as at 1st January, 2007 (opening balance)	78,80	7,05
Cash and cash equivalents as at 31st December, 2007 (closing balance)	—	78,80
<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(78,80)</b>	<b>71,75</b>

## NOTES:

- Cash and cash equivalents include:
 

Cash and bank balances	—	78,80
Total cash and cash equivalents	—	78,80
- 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  
Chartered AccountantsRUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 22nd February, 2008Dr. Hasit B. Joshipura  
ChairmanM. B. Kapadia  
DirectorS. Balasubramanian  
Company Secretary

## Schedules to the Accounts

	31/12/2007 Rs. ('000)	31/12/2006 Rs. ('000)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
Authorised 1,500,000 Ordinary Shares of Rs.10/- each	<b>1,50,00</b>	<b>1,50,00</b>
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)	<b>96,00</b>	<b>96,00</b>
(All the above shares are held by GlaxoSmithKline Pharmaceuticals Limited, the holding Company and its nominees.)		
<b>TOTAL</b>	<b>96,00</b>	<b>96,00</b>
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>		
<b>CAPITAL RESERVE:</b>		
As per last Balance Sheet	<b>2,91</b>	<b>2,91</b>
<b>GENERAL RESERVE:</b>		
As per last Balance Sheet	<b>4,47,60</b>	<b>4,47,60</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>62,06,87</b>	<b>47,96,46</b>
<b>TOTAL</b>	<b>66,57,38</b>	<b>52,46,97</b>
<b>SCHEDULE 3: SECURED LOANS</b>		
Bank Cash Credit	<b>3,12</b>	—
(Secured by Hypothecation of Stocks & Book Debts)		
<b>TOTAL</b>	<b>3,12</b>	—

## SCHEDULE 4 : FIXED ASSETS

											(Rs. '000)
Sr No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		At Cost as on 01/01/07	Additions during the year	Sale/scrapped during the year	Total as at 31/12/07	Depn. as on 01/01/07	Depn. / Impairment for the year	Depn. in respect of items sold/ scrapped	Depn. to date 31/12/07	As at 31/12/07	As at 31/12/06
1	Land	2,08	—	—	<b>2,08</b>	—	—	—	—	<b>2,08</b>	2,08
2	Factory Building	16,98	—	—	<b>16,98</b>	8,46	8,52	—	<b>16,98</b>	—	8,52
3	Plant & Machinery	1,10,32	—	—	<b>1,10,32</b>	1,02,81	7,51	—	<b>110,32</b>	—	7,51
4	Furniture & Fixtures	13,48	—	—	<b>13,48</b>	13,32	16	—	<b>13,48</b>	—	16
5	Cycles	5	—	—	<b>5</b>	5	—	—	<b>5</b>	—	—
6	Computers	56,41	—	—	<b>56,41</b>	56,41	—	—	<b>56,41</b>	—	—
	<b>Total</b>	<b>1,99,32</b>	—	—	<b>1,99,32</b>	<b>1,81,05</b>	<b>16,19</b>	—	<b>1,97,24</b>	<b>2,08</b>	<b>18,27</b>
	<i>Previous Year</i>	<i>1,99,32</i>	—	—	<i>1,99,32</i>	<i>1,80,22</i>	<i>83</i>	—	<i>1,81,05</i>	<i>18,27</i>	

## SCHEDULE 5: INVESTMENTS (AT COST):

LONG TERM INVESTMENTS  
NON-TRADE (QUOTED)

	31/12/2007 Rs. ('000) Book Value	31/12/2006 Rs. ('000) Book Value
Housing Development Finance Corporation Limited 200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each	<b>20,00,00</b>	<b>20,00,00</b>
National Thermal Power Corporation 14, 5.95% Bonds, 2011 of Rs.2,00,000 each	<b>25,20</b>	—
Industrial Development Bank of India Limited. 1, 6% Bonds, 2009 of Rs.10,00,000 each	<b>9,65</b>	—
LIC Housing Finance Limited 50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	<b>4,90,90</b>	—

CURRENT (at lower of cost and fair value)  
NON-TRADE (UNQUOTED)

ABN AMRO Money Plus Institutional Plan - Daily Dividend Option		
45,34,270.647 Units of Rs. 10 each	<b>4,53,43</b>	—
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option		
86,82,864.496 Units of Rs. 10 each, (Previous year : 51,82,883.734 Units of Rs. 10 each)	<b>8,64,11</b>	5,13,15
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option		
62,83,894.910 Units of Rs. 10 each	<b>6,28,91</b>	—
DSP Merrill Lynch Short Term Fund - Growth Option		
10,38,821.389 Units of Rs. 10 each, (Previous year : 41,63,821.389 Units of Rs. 10 each)	<b>1,24,74</b>	5,00,00
DSP Merrill Lynch Fixed Term Plan Series 3A - Growth Option 80,000 Units of Rs. 1000 each	—	8,00,00
ICICI Prudential Floating Rate Plan D - Daily Dividend Option 95,60,401.092 Units of Rs. 10 each	<b>9,56,05</b>	—
ICICI Prudential FMP Series 34 - Three Months Plus Plan A - Retail - Dividend 60,00,000.000 Units of Rs 10 each	—	6,00,00
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option		
51,917.700 Units of Rs. 1,000 each	<b>5,23,29</b>	—
<b>TOTAL</b>	<b>60,76,28</b>	<b>44,13,15</b>

Quoted : Market Value Rs. 24,53,27,000 (Previous year : Rs. 18,85,20,000)  
Unquoted : Book Value Rs. 35,50,53,064 (Previous year : Rs. 24,13,14,759)

## Purchased and Sold during the year (at cost)

ABN AMRO Cash Fund - Institutional Daily Dividend Option	
45,24,715.745 Units of Rs. 10 each	
ICICI Prudential FMP Series 34 - Three Months Plan - A - Retail - Dividend Option	
1,32,666.073 Units of Rs. 10 each	

	31/12/2007 Rs. ('000)	31/12/2006 Rs. ('000)
<b>SCHEDULE 6: INVENTORIES</b> (AT COST OR MARKET VALUE WHICHEVER IS LESS AND AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	<b>3,02,81</b>	82,94
Packing Materials	<b>14,94</b>	10,66
Work-in-Progress	—	37,47
Finished Goods	<b>2,06,63</b>	4,52,06
<b>TOTAL</b>	<b>5,24,38</b>	<b>5,83,13</b>
<b>SCHEDULE 7: SUNDRY DEBTORS - UNSECURED</b> Less than six months and considered good	<b>41,74</b>	29,67
<b>TOTAL</b>	<b>41,74</b>	29,67
<b>SCHEDULE 8: CASH AND BANK BALANCE</b> Bank balance with Scheduled Banks: On Current Accounts	—	78,80
<b>TOTAL</b>	—	78,80
<b>SCHEDULE 9: OTHER CURRENT ASSETS</b> Interest accrued on Investments	<b>1,07,54</b>	98,09
<b>TOTAL</b>	<b>1,07,54</b>	98,09

	Rs. ('000)	31/12/2007 Rs. ('000)	31/12/2006 Rs. ('000)	Rs. ('000)
<b>SCHEDULE 10: LOANS AND ADVANCES</b>				
(Unsecured, Considered good)				
Sundry Deposit		1,45		1,45
Balance with Central, State Excise and Insurance companies		1,40		1,39
Other advances		1,53,18		1,91,18
Advance Income-tax (Net of Provision)		1,04,27		1,75,71
<b>TOTAL</b>		<b>2,60,30</b>		<b>3,69,73</b>
<b>SCHEDULE 11: CURRENT LIABILITIES</b>				
Sundry Creditors				
Micro and Small enterprises (Refer note 14 on Schedule 15)	—	—	—	—
Others	2,02,87	2,02,87	1,91,44	1,91,48
D.P.E.A.		71,24		71,24
<b>TOTAL</b>		<b>2,74,11</b>		<b>2,62,72</b>
<b>SCHEDULE 12: OTHER INCOME</b>				
Dividend Income		1,62,64		34,02
{Tax deducted at source Nil/- (Previous year Nil)}				
Profit on Sale of Investments		1,18,85		15,13
Interest income		1,22,79		1,27,30
{Tax deducted at source Rs. 26,25,480 (Previous year Rs. 26,25,480)}				
Miscellaneous Income		30,77		3,43
<b>TOTAL</b>		<b>4,35,05</b>		<b>1,79,88</b>
<b>SCHEDULE 13: MATERIALS</b>				
Raw and packing materials consumed		4,83,79		8,80,27
Purchase of Finished Goods		51,73		48,40
(Increase)/Decrease in Work-in-Process and Finished Goods:				
Opening Stocks				
Work-in-Process	37,47		38,12	
Finished Goods	4,52,06		2,19,95	
	<b>4,89,53</b>		<b>2,58,07</b>	
Less: Closing Stocks				
Work-in-Process	-		37,47	
Finished Goods	2,06,63		4,52,06	
	<b>2,06,63</b>	<b>2,82,90</b>	<b>4,89,53</b>	<b>(2,31,46)</b>
<b>TOTAL</b>		<b>8,18,42</b>		<b>6,97,21</b>
<b>SCHEDULE 14: OTHER EXPENSES</b>				
Selling & Distribution Expenses		5,51,74		5,65,82
Manufacturing Charges		26,37		43,19
Rent		1,12		1,47
Rates & Taxes		67,91		68,24
Excise Duty		(82,53)		1,64,28
Insurance		81		1,15
Remuneration of auditors :				
Statutory audit fees	1,18		1,18	
Tax audit fees	28		28	
Other services	21		21	
	<b>1,67</b>		<b>1,67</b>	
Reimbursement of expenses	39		33	
		<b>2,06</b>		<b>2,00</b>
Finance Charges		14		58
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited		69,07		70,30
Miscellaneous Expenses		13,22		11,94
<b>TOTAL</b>		<b>6,49,91</b>		<b>9,28,97</b>
<b>SCHEDULE 15:</b>				
<b>NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2007.</b>				
<b>1 Statement of Significant Accounting Policies:</b>				
<b>a) Basis of Accounting</b>				
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>b) Fixed Assets and Depreciation</b>				
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 market 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) **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.7,05,15,411 /- (Previous year Rs. 6,07,99,761/-)
- 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.

- 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 Mumbai High Court. The Mumbai 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. In the meanwhile, the Government has filed an application in the Supreme Court praying that this writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from the various High Courts. The Supreme Court is yet to hear the Transfer Petition.

- Deferred tax assets and liability are attributable to the following items :

	2007 Rs. ('000)	2006 Rs. ('000)
in respect of deferred tax asset consisting of :		
Provision for pricing of formulation	18,15	17,97
Expenses allowable for tax purposes when paid	14	15
	<b>18,29</b>	<b>18,12</b>
in respect of deferred tax liability consisting of :		
Book-tax timing difference on account of depreciation	-	(3,27)
	-	(3,27)
	<b>18,29</b>	<b>14,85</b>

- Value of Imported Raw Materials calculated on C.I.F. basis

5,46,52      6,49,25

# Biddle Sawyer Limited

## 6 Consumption of Raw Materials & Packing Materials:

Particulars	Units	2007		2006	
		Qty.	Rs. ('000)	Qty.	Rs. ('000)
Alpha D3	Lacs	175.963	2,00,52	233.900	2,93,15
Serratopeptidase	Kgs	197.610	1,82,83	394.47	4,27,89
Packing Material			73,03		64,22
Other Basic Raw Materials none of which account for more than 10% of the total value of consumption			27,41		95,01
Total			4,83,79		8,80,27

## 7 Value & Percentage of Imported / Indigenous Materials Consumed:

	2007		2006	
	Rs. ('000)		Rs. ('000)	
Purchased indigenously including canalised items	83,65		69,66	
	17%		8%	
Imported by the Company including customs duty & clearing charges	4,00,14		8,10,61	
	83%		92%	

## 8 Statement of Installed Capacities (per annum)

Class of Goods	Units	Installed Capacity	
		2007	2006
Tablets	Lacs	1575	1575
Liquids	Litres	180000	180000
Capsules	Lacs	180	180
Dry Syrup	Kg	10000	10000
Injections	Vials/Amp	3600000	3600000
Eye Drops	Amp	1200000	1200000
Ointment (5 to 30 GMs)	Tubes	1050000	1050000

Licensed capacity is not indicated as Industrial Licencing for 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.

## 9 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	199.67 (97.54)	3,52,11 (1,47,53)	281.47 (480.84)	137.58 (92.54)	51,73 (48,40)	498.61 (474.59)	24,91,13 (22,84,07)	117.94 (199.67)	1,42,64 (3,52,11)
Capsules	Lacs	50.15 (26.00)	99,95 (72,42)	180.43 (219.58)	- (-)	- (-)	198.90 (194.01)	10,33,53 (9,63,00)	29.54 (50.15)	63,99 (99,95)
TOTAL			4,52,06 (2,19,95)			51,73 (48,40)		35,24,66 (32,47,07)		2,06,63 (4,52,06)

### 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.
- 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.

- 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	
	2007	2006
1 Payment of manufacturing charges	11,53	15,32
2 Payment of common costs	77,57	78,57
3 Payment of CSA commission	1,35,13	1,22,76
4 Payment of marketing commission	3,86,08	3,50,74
5 Outstanding payable/(receivable) by the Company (net) @	(41,74)	(29,67)

@ 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
Profit after taxation	Rs. 000's	14,10,41	9,69,93
Weighted average number of shares	Nos.	960000	960000
Earnings per share (Basic and Diluted)	Rs.	146.92	101.03
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	31/12/07		

### II. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	703061	Total Assets	703061
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#### Sources of Funds

Paid-Up Capital	9600	Reserves & Surplus	665738
Secured Loans	312	Unsecured Loans	NIL

#### Application of Funds

Fixed Assets	208	Investments	607628
Net Current Assets*	67814	Misc. Expenditure	NIL
Accumulated Losses	NIL		

\* including net deferred tax asset

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

Turnover	354149	Total Expenditure	148452
Profit Before Tax	205697	Profit After Tax	141041
Earning Per Share in Rs.	147	Dividend Rate (%)	NIL

### 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 11 - "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 15 which form an integral part of the Accounts.

As per report of even date attached  
For CORNELIUS & DAVAR  
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

Place: Mumbai  
Date: 22nd February, 2008

S. Balasubramanian  
Company Secretary

## 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 as at 31<sup>st</sup> December, 2007, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of GlaxoSmithKline Pharmaceuticals Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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, whose financial statements reflect total assets of Rs. 67,56.50 lakhs as at 31<sup>st</sup> December, 2007 and total revenues of Rs. 35,41.49 lakhs for the year ended on that date. The financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of GlaxoSmithKline Pharmaceuticals Limited and its aforesaid subsidiary, in our opinion, the consolidated financial statements together with the notes thereon and attached thereto 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 consolidated state of affairs of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary as at 31<sup>st</sup> December, 2007;
  - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary for the year ended on that date.

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22<sup>nd</sup> February, 2008

# Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary as at 31st December, 2007

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	1296,13.51	1380,83.81	1120,04.22	1204,74.52	
LOAN FUNDS												
Secured loans	..		..	..	..	..	3	3.12		—		
Unsecured loans	..		..	..	..	..	4	5,76.67	5,79.79	5,53.71	5,53.71	
TOTAL						..			1386,63.60		1210,28.23	
APPLICATION OF FUNDS												
FIXED ASSETS								5				
Gross block	..	..	..	..	..	..		310,85.09		297,76.98		
Less : Depreciation	..		..	..	..	..		223,35.75		207,57.09		
Net block	..	..	..	..	..	..		87,49.34		90,19.89		
Capital work-in-progress		..	..	..	..	..		5,42.98	92,92.32	8,66.10	98,85.99	
INVESTMENTS	..	..	..	..	..	..	6		1346,47.23		1135,92.41	
DEFERRED TAX								7				
Deferred tax assets	..		..	..	..	..		30,14.07		35,37.02		
Deferred tax liabilities	..		..	..	..	..		9,81.60	20,32.47	10,61.03	24,75.99	
CURRENT ASSETS, LOANS AND ADVANCES												
Inventories	..	..	..	..	..	..	8	211,20.69		246,78.54		
Sundry debtors	..		..	..	..	..	9	37,76.61		60,44.51		
Cash and bank balances		..	..	..	..	..	10	154,99.47		35,81.86		
Other current assets	..		..	..	..	..	11	28,99.97		28,01.51		
Loans and advances	..		..	..	..	..	12	133,59.53		147,87.16		
									566,56.27		518,93.58	
Less : CURRENT LIABILITIES AND PROVISIONS												
Liabilities	..	..	..	..	..	..	13	247,09.67		250,04.33		
Provisions	..		..	..	..	..	14	392,55.02		318,15.41		
									639,64.69		568,19.74	
NET CURRENT ASSETS								..		(73,08.42)		(49,26.16)
TOTAL						..			1386,63.60		1210,28.23	
Notes to the Consolidated Financial Statements								18				

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 and on behalf of the Board

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

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, 2007

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
<b>INCOME</b>			
Sales (Gross) . . . . .		1748,08.81	1710,03.64
Less : Excise duty on sales . . . . .		139,88.25	128,04.67
Net sales . . . . .		1608,20.56	1581,98.97
Other income . . . . .	15	92,86.98	70,48.16
<b>TOTAL INCOME</b> . . . . .		1701,07.54	1652,47.13
<b>EXPENDITURE</b>			
Materials . . . . .	16	636,64.52	631,48.75
Operating and other expenses . . . . .	17	416,36.44	434,57.03
Depreciation . . . . .		20,53.68	20,07.63
<b>TOTAL EXPENDITURE</b> . . . . .		1073,54.64	1086,13.41
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b> . . . . .		627,52.90	566,33.72
Provision for taxation			
Current tax . . . . .		199,00.00	187,00.00
Deferred tax . . . . .		12,12.22	5,32.93
		211,12.22	192,32.93
Fringe benefits tax . . . . .		6,80.00	6,79.99
<b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> . . . . .		409,60.68	367,20.80
EXCEPTIONAL ITEMS (net of tax) . . . . .		137,94.04	183,78.97
(Refer note 15 on Schedule 18)			
<b>NET PROFIT</b> . . . . .		547,54.72	550,99.77
Balance brought forward . . . . .		660,55.00	463,50.98
<b>AVAILABLE FOR APPROPRIATION</b> . . . . .		1208,09.72	1014,50.75
<b>APPROPRIATIONS</b>			
Proposed dividend . . . . .		304,93.08	262,57.94
[The proposed dividend includes a special additional dividend of Rs.152,46.54 lakhs (Previous year Rs.118,58.42 lakhs)]			
Tax on distributed profit . . . . .		51,82.30	36,82.68
		356,75.38	299,40.62
Transfer to general reserve . . . . .		53,76.59	54,55.13
<b>BALANCE CARRIED FORWARD</b> . . . . .		797,57.75	660,55.00
Earnings per share before exceptional items (basic and diluted) (Rs.) . . . . .		48.36	43.35
Earnings per share (basic and diluted) (Rs.) . . . . .		64.64	65.05
Face value of shares Rs. 10 each.			
(Refer note 21 on Schedule 18)			
<b>Notes to the Consolidated Financial Statements</b>	18		

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 and on behalf of the Board

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

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, 2007

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items	627,52.90	566,33.72
Adjustments for :		
Depreciation	20,53.68	20,07.63
Interest expense	63.72	63.65
Provision / write off for doubtful debts, loans and advances (net)	1,77.26	4,32.27
Unrealised loss / (gain) on foreign exchange	2.69	(17.03)
Profit on sale / disposal of fixed assets (net)	(18.85)	(1,27.17)
Profit on sale / redemption of investments (net)	(2,91.39)	(5,27.41)
Provision written back as no longer required	(3,26.40)	(6,69.87)
Interest income	(47,09.24)	(36,16.86)
Dividend income	(25,29.23)	(10,27.75)
<b>Operating profit before working capital changes</b>	<b>571,75.14</b>	<b>531,51.18</b>
Adjustments for :		
Inventories	16,13.71	(34,52.03)
Trade and other receivables	(4,47.96)	(11,00.96)
Trade payables and other liabilities	(4,42.68)	5,19.89
<b>Cash generated from operations</b>	<b>578,98.21</b>	<b>491,18.08</b>
Direct taxes paid (net of refunds) (including fringe benefits tax)	(252,59.23)	(230,51.00)
<b>Cash flow before exceptional items</b>	<b>326,38.98</b>	<b>260,67.08</b>
Exceptional items:		
Payments made for voluntary retirement schemes and other retirement benefits	(83.91)	(85.88)
Expenses incurred on buy back of shares	—	(41.32)
Expenses incidental to sale of properties	—	(10.82)
Expenses incidental to sale of the Fine Chemicals business (Previous year - Animal Health business)	(74.18)	(66.39)
Payment for completion covenants for sale of the Fine Chemicals business	(5,80.00)	—
Non recurring expenses for merger / rationalisation initiatives	(17.42)	(3.26)
<b>Net cash from operating activities</b>	<b>A 318,83.47</b>	<b>258,59.41</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(15,32.58)	(18,62.32)
Sale of fixed assets	41.79	3,32.54
Sale of the Fine Chemicals business		
(Previous year - Animal Health business) (Exceptional item)	240,00.00	207,10.00
(Purchase) / sale / redemption of investments (net)	(209,20.59)	(232,18.87)
Fixed deposit with a limited company (net)	10,00.00	—
Interest received	47,67.94	28,69.30
Dividend received	25,29.23	10,27.75
<b>Net cash (used in) / from investing activities</b>	<b>B 98,85.79</b>	<b>(1,41.60)</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (repayments) of borrowings (net)	26.08	68.29
Interest paid	(63.48)	(66.86)
Dividend paid	(261,28.88)	(235,87.80)
Tax on distributed profit	(36,82.68)	(33,26.29)
<b>Net cash used in financing activities</b>	<b>C (298,48.96)</b>	<b>(269,12.66)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(A + B + C) 119,20.30</b>	<b>(11,94.85)</b>
Cash and cash equivalents as at 1st January, 2007 (opening balance)	35,76.83	47,71.68
Cash and cash equivalents as at 31st December, 2007 (closing balance)	154,97.13	35,76.83
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>119,20.30</b>	<b>(11,94.85)</b>
<b>NOTES:</b>		
1. Cash and cash equivalents include:		
Cash and bank balances	154,99.47	35,81.86
Unrealised gain on foreign currency	(2.34)	(5.03)
<b>Total cash and cash equivalents</b>	<b>154,97.13</b>	<b>35,76.83</b>

2. The Consolidated 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 Consolidated Cash Flow Statement referred to in our report of even date

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

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

	Rupees in lakhs	Previous year Rupees in lakhs
<b>1 CAPITAL</b>		
<b>AUTHORISED</b>		
9,00,00,000 equity shares of Rs.10 each	90,00.00	90,00.00
<b>ISSUED</b>		
8,47,07,710 equity shares of Rs.10 each, fully paid up	84,70.77	84,70.77
<b>SUBSCRIBED AND PAID-UP</b>		
8,47,03,017* equity shares of Rs.10 each, fully paid up	84,70.30	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<sup>#</sup>:

(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.

<sup>#</sup> The Company bought back and extinguished 26,19,529 equity shares in 2005.

## 2 RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2007	Additions	Deductions	As at 31st December 2007	As at 31st December 2006
Capital Reserve	1,70.97	—	—	(d) 1,70.97	1,70.97
Capital Redemption Reserve	2,62.00	—	—	(e) 2,62.00	2,62.00
Investment Allowance Reserve	1.64	—	—	1.64	1.64
General Reserve	455,14.61	(a) 53,76.59	(c) (14,70.05)	494,21.15	455,14.61
Profit and Loss Account - Surplus	660,55.00	(b) 137,02.75	—	797,57.75	660,55.00
<b>TOTAL</b>	<b>1120,04.22</b>	<b>190,79.34</b>	<b>(14,70.05)</b>	<b>1296,13.51</b>	<b>1120,04.22</b>
<b>Previous Year Total</b>	<b>868,45.07</b>	<b>251,59.15</b>	<b>—</b>	<b>1120,04.22</b>	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

(c) Additional liability for employee benefits on adoption of Accounting Standard 15, Employee Benefits (revised 2005) (Refer note 16 on Schedule 18).

(d) 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.

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

## Schedules to the Consolidated Financial Statements — continued

### 3 SECURED LOANS

Bank overdraft  
(Secured by hypothecation of stocks and book debts)

TOTAL

### 4 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
—	3.12	—	—
—	3.12	—	—
	3.12		—
5,74.46	2.21	5,51.50	2.21
5,74.46	2.21	5,51.50	2.21
	5,76.67		5,53.71

### 5 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2007	Additions	Deductions (c)	As at 31st December 2007	As at 1st January 2007	For the Year	On Deductions (c)	As at 31st December 2007	As at 31st December 2007	As at 31st December 2006
Goodwill (a)	42,14.97	—	—	42,14.97	37,93.43	4,21.54	—	42,14.97	—	4,21.54
Freehold land	22.89	—	—	22.89	—	—	—	—	22.89	22.89
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (b)	25,91.34	1,60.92	—	27,52.26	11,28.51	71.83	—	12,00.34	15,51.92	14,62.83
Leasehold buildings	27,69.59	59.03	—	28,28.62	12,23.92	97.27	—	13,21.19	15,07.43	15,45.67
Plant and machinery	165,44.19	13,28.70	4,46.38	174,26.51	122,89.48	10,90.69	3,95.06	129,85.11	44,41.40	42,54.71
Furniture and fittings	30,10.57	1,41.66	48.58	31,03.65	18,48.21	2,74.81	32.65	20,90.37	10,13.28	11,62.36
Vehicles	5,79.16	1,65.39	52.63	6,91.92	4,73.54	97.54	47.31	5,23.77	1,68.15	1,05.62
<b>TOTAL</b>	297,76.98	18,55.70	5,47.59	310,85.09	207,57.09	20,53.68	4,75.02	223,35.75	87,49.34	
Previous year - Total	297,25.02	25,33.54	24,81.58	297,76.98	207,05.87	20,07.63	19,56.41	207,57.09		90,19.89
Work-in-progress at cost and advance payments against capital expenditure									5,42.98	8,66.10
								TOTAL	92,92.32	98,85.99

#### Notes:

(a) Amortised over a period of ten years.

(b) Freehold buildings include investments representing ownership of residential flats (Refer note 8 on Schedule 18).

(c) Deductions include fixed assets transferred pursuant to sale of the Fine Chemicals business [Previous year deductions include fixed assets transferred pursuant to sale of the Animal Health business (Refer note 22 on Schedule 18)].

## Schedules to the Consolidated Financial Statements — continued

### 6 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	27,00.70	27,40.95

###### Unquoted

National Savings Certificate (Lodged with Government authorities)	0.17	0.17
--	------	------

##### 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 : 15, 6.31% Bonds, 2010 of Rs. 1,00,00,000 each) . . . . .	—	15,20.60
200, 5.40% Bonds, 2009 of Rs. 10,00,000 each . . . . .	20,00.29	20,01.22
200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each . . . . .	20,00.00	—
Grasim Industries Limited 20, 6.08% Non-Convertible Debentures, 2010 of Rs. 50,00,000 each . . . . .	10,04.73	10,06.83
Nil, (Previous year : 10, 6.75% Non-Convertible Debentures, 2009 of Rs. 50,00,000 each) . . . . .	—	5,09.35
Nil, (Previous year : 10, Floating Rate Inverse Mibor Non-Convertible Debentures, 2007 of Rs. 50,00,000 each) . . . . .	—	5,08.08
Housing Development Finance Corporation Limited 9,00,000 Equity Shares of Rs. 10 each fully paid . . . . .	1,18.13	1,18.13
150, 6.10% Non-Convertible Debentures, 2008 of Rs. 10,00,000 each . . . . .	15,00.00	15,02.01
400, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each . . . . .	40,06.26	40,12.50
100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each . . . . .	10,00.00	—
Indian Railway Finance Corporation Limited Nil, (Previous year : 50, 8.05% Bonds, 2007 of Rs. 10,00,000 each) . . . . .	—	5,01.71
Nil, (Previous year : 100, 7.63% Bonds, 2007 of Rs. 10,00,000 each) . . . . .	—	10,08.98
50, 6.20% Bonds, 2010 of Rs. 10,00,000 each . . . . .	5,06.85	5,09.23
50, 5.99% Bonds, 2008 of Rs. 10,00,000 each . . . . .	5,01.48	5,03.58
20, 9.76% Bonds, 2012 of Rs. 10,00,000 each . . . . .	2,01.90	—
Industrial Bank of India Limited 1, 6% Bonds, 2009 of Rs.10,00,000 each . . . . .	9.65	—
LIC Housing Finance Limited 25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each . . . . .	5,17.38	5,31.80
25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each . . . . .	5,31.91	5,45.48
10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each . . . . .	10,31.73	10,49.00
100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each . . . . .	10,01.48	—
50, 8.55% Non-Convertible Debentures, 2011 of Rs. 10,00,000 each . . . . .	4,90.90	—
National Hydroelectric Power Corporation Limited Nil, (Previous year : 10, 7.70% Bonds, 2010 of Rs. 1,00,00,000 each) . . . . .	—	10,53.57
9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each . . . . .	9,15.87	9,27.22
National Thermal Power Corporation 14, 5.95% Bonds, 2011 of Rs. 2,00,000 each . . . . .	25.20	—

## Schedules to the Consolidated Financial Statements — continued

### 6 INVESTMENTS (continued)

					Rupees in lakhs	Previous year Rupees in lakhs
National Bank for Agriculture and Rural Development						
100, 9.65% Non Priority Sector Bonds 2010 IX G Series of Rs. 10,00,000 each					10,00.00	—
100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each					10,00.00	—
Power Grid Corporation of India Limited						
40, 6.10% Bonds, 2008 of Rs. 12,50,000 each	..	..	..	..	5,01.12	5,03.67
Power Finance Corporation Limited						
1,500, 5.85% Bonds, 2010 of Rs. 1,00,000 each	..	..	..	..	15,02.68	15,08.66
100, 9.80% Bonds, 2012 of Rs. 10,00,000 each	..	..	..	..	10,19.20	—
Reliance Industries Limited						
74 Equity Shares of Rs. 10 each fully paid	..	..	..	..	0.01	0.01
Reliance Capital Limited						
3 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Communications Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
Reliance Energy Limited						
5 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Natural Resources Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
* Less than Rs. 1,000						
Tata Sons Limited						
15, 6.58% Non-Convertible Debentures, 2008 of Rs. 1,00,00,000 each	..				15,03.95	15,13.91
Unit Trust of India						
54,431, 6.75% Tax-free Bonds, 2008 of Rs. 100 each	..	..	..	..	54.33	54.33
10,42,521, 6.60% Tax Free Assured Returns Scheme Bonds, 2009 of Rs. 100 each					10,42.52	10,42.52
<b>Unquoted</b>						
National Bank for Agriculture and Rural Development						
Nil, (Previous year : 9,000, 5% 5-Year Capital Gains Bonds, 2008 of Rs. 10,000 each)					—	9,00.00
Nil, (Previous year : 25,000, 4.94% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)					—	25,00.00
National Housing Bank						
Nil, (Previous year : 45,000, 5.10% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)					—	45,00.00
National Highways Authority of India						
1,00,000, 5.60% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	..				100,00.00	100,00.00
1,00,000, 5.50% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	..				100,00.00	100,00.00
Rural Electrification Corporation Limited						
1,97,000, 5.50% 5-Year Capital Gains Bonds, 2011 of Rs. 10,000 each	..				197,00.00	197,00.00
<b>CURRENT</b> (at lower of cost and fair value)						
<b>OTHER THAN TRADE</b>						
<b>Unquoted (Mutual Funds)</b>						
ABN AMRO Money Plus - Institutional Weekly Dividend Option						
Nil, (Previous year : 50,36,660.877 Units of Rs. 10 each)	..	..			—	5,03.67
ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option						
3,97,22,510.953 Units of Rs. 10 each	..	..	..	..	39,72.29	—
ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option						
50,03,250.331 Units of Rs. 10 each	..	..	..	..	5,00.32	—
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan E - Dividend Option						
Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	..	..	..	..	—	10,00.00
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan F - Dividend Option						
Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	..	..	..	..	—	5,00.00
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan G - Dividend Option						
Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	..	..	..	..	—	10,00.00

## Schedules to the Consolidated Financial Statements — continued

### 6 INVESTMENTS (continued)

ESTMENTS (continued)	Rupees in lakhs	Previous year Rupees in lakhs
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan H - Monthly Dividend Option		
Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each) . . . . .	—	10,00.00
ABN AMRO Fixed Term Plan - Series 4 - Quarterly Plan B - Dividend Option		
Nil, (Previous year : 1,50,00,000 Units of Rs. 10 each) . . . . .	—	15,00.00
DWS Fixed Term Fund - Series 22 - Dividend Option		
Nil, (Previous year : 50,00,000 Units of Rs. 10 each) . . . . .	—	5,00.00
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option		
6,61,54,685.479 Units of Rs. 10 each, (Previous year : 2,09,24,300.719 Units of Rs. 10 each) . . . . .	66,20.90	20,86.31
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option		
86,82,864.496 Units of Rs. 10 each, (Previous year : 51,82,883.734 Units of Rs. 10 each)	8,64.11	5,13.15
DWS Floating Rate Fund - Regular Plan - Growth Option		
Nil, (Previous year : 50,32,740.777 Units of Rs. 10 each) . . . . .	—	5,47.82
DSP Merrill Lynch Fixed Term Plan - Series 1 E - Dividend Option		
Nil, (Previous year : 50,000 Units of Rs. 1,000 each) . . . . .	—	5,00.00
DSP Merrill Lynch Fixed Term Plan - Series 1 F - Dividend Option		
Nil, (Previous year : 50,000 Units of Rs. 1,000 each) . . . . .	—	5,00.00
DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option		
6,90,530.492 Units of Rs. 1,000 each . . . . .	69,06.61	—
DSP Merrill Lynch Short Term Fund - Growth Option		
10,38,821.389 Units of Rs. 10 each, (Previous year : 41,63,821.389 Units of Rs. 10 each)	1,24.74	5,00.00
DSP Merrill Lynch Fixed Term Plan Series 3A - Growth Option		
80,000 Units of Rs. 1000 each . . . . .	—	8,00.00
Grindlays Floating Rate Fund - Long Term - Institutional Plan B - Daily Dividend Option		
4,07,88,438.542 Units of Rs. 10 each . . . . .	40,80.78	—
HDFC Floating Rate Income Fund - Short Term Plan - Growth Option		
1,76,91,756.526 Units of Rs. 10 each . . . . .	20,00.00	20,00.00
HDFC Cash Management Fund - Saving Plus Plan - Wholesale Growth Option		
43,40,868.987 Units of Rs. 10 each, (Previous year : 1,04,97,480.880 Units of Rs. 10 each)	6,33.37	15,30.71
HDFC Fixed Maturity Plan 18M October 2006 - Wholesale Plan - Growth Option		
50,00,000 Units of Rs. 10 each . . . . .	5,00.00	5,00.00
HDFC Fixed Maturity Plan 17M November 2006 - Wholesale Plan - Growth Option		
50,00,000 Units of Rs. 10 each . . . . .	5,00.00	5,00.00
HDFC Fixed Maturity Plan 16M December 2006 (2) - Wholesale Plan - Growth Option		
50,00,000 Units of Rs. 10 each . . . . .	5,00.00	5,00.00
HDFC Fixed Maturity Plan 13M September 2006 (1) - Institutional Plan - Growth Option		
Nil, (Previous year : 40,00,000 Units of Rs. 10 each) . . . . .	—	4,00.00
HDFC Fixed Maturity Plan 90D November 2006 - Wholesale Plan - Dividend Option		
Nil, (Previous year : 80,00,000 Units of Rs. 10 each) . . . . .	—	8,00.00
HDFC Fixed Maturity Plan 90D December 2006 (2) - Wholesale Plan - Dividend Option		
Nil, (Previous year : 50,00,000 Units of Rs. 10 each) . . . . .	—	5,00.00
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option		
2,86,06,443.570 Units of Rs. 10 each . . . . .	28,83.79	—
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option		
7,02,52,155.022 Units of Rs. 10 each, (Previous year : 5,05,34,779.877 Units of Rs. 10 each)	70,34.06	50,53.62
HSBC Income Fund - Short Term Plan - Institutional - Dividend Option		
Nil, (Previous year : 50,54,078.687 Units of Rs. 10 each) . . . . .	—	5,08.54
ICICI Prudential Institutional Short Term Plan - Cumulative Option		
63,49,432.623 Units of Rs. 10 each, (Previous year : 77,50,856.470 Units of Rs. 10 each)	8,19.19	10,00.00

## Schedules to the Consolidated Financial Statements — continued

### 6 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
ICICI Prudential Floating Rate Plan C - Growth Option 1,90,30,038.916 Units of Rs. 10 each	20,00.00	20,00.00
ICICI Prudential Long Term Floating Rate Plan B - Growth Option Nil, (Previous year : 97,80,142.399 Units of Rs. 10 each)	—	10,00.00
ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan D - Retail - Dividend Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	—	10,00.00
ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan E - Retail - Dividend Option Nil, (Previous year : 85,71,502.464 Units of Rs. 10 each)	—	8,57.15
ICICI Prudential Fixed Maturity Plan Series 32 - One Month Plan D - Retail - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
ICICI Prudential Flexible Income Plan - Fortnightly Dividend Option Nil, (Previous year : 48,51,064.733 Units of Rs. 10 each)	—	5,12.14
ICICI Prudential Floating Rate Plan D - Daily Dividend Option 4,37,74,929.796 Units of Rs. 10 each	43,77.73	—
ICICI Prudential FMP Series 34 - Three Months Plus Plan A - Retail - Dividend Nil, (Previous year : 60,00,000.000 Units of Rs. 10 each)	—	6,00.00
Principal Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option Nil, (Previous year : 1,57,79,831.468 Units of Rs. 10 each)	—	17,26.12
Principal PNB Fixed Maturity Plan (FMP-28) 91 Days - July06 - Dividend Option Nil, (Previous year : 30,01,998.002 Units of Rs. 10 each)	—	3,00.20
Principal Floating Rate Fund Flexible Maturity Plan Institutional Option - Daily Dividend Option 7,41,38,387.898 Units of Rs. 10 each	74,22.96	—
SBI - Short Horizon Fund - Liquid Plus - Institutional Plan - Daily Dividend Option 5,58,15,403.961 Units of Rs. 10 each	55,84.11	—
SBI Debt Fund Series - 90 days-17-(06-Nov-07) - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Standard Chartered Fixed Maturity Plan - Quarterly Series 1 - Dividend Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	—	10,00.00
Standard Chartered Liquidity Manager - Plus - Daily Dividend Option 3,19,932.814 Units of Rs. 1,000 each, (Previous year : 2,52,271.766 Units of Rs. 1,000 each)	32,00.00	25,22.97
Standard Chartered Fixed Maturity Plan - Yearly Series 1 - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Standard Chartered Fixed Maturity - 2nd Plan - Growth Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option 1,55,49,451.537 Units of Rs. 10 each, (Previous year : 97,81,276.652 Units of Rs. 10 each)	16,15.28	10,18.74
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option 51,917.700 Units of Rs. 1,000 each, (Previous year : 2,02,090.128 Units of Rs. 1,000 each)	5,23.29	20,32.26
Templeton India Treasury Management Account Super Institutional Plan Daily Dividend Reinvestment Option 3,04,479.925 Units of Rs. 1,000 each	30,45.56	—
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option 1,03,89,611.643 Units of Rs. 10 each	10,44.20	—
<b>TOTAL</b>	<b>1346,47.23</b>	<b>1135,92.41</b>
Aggregate of Unquoted Investments - At Book value	1069,58.96	884,19.07
Aggregate of Quoted Investments - At Book value	276,88.27	251,73.34
- At Market value	528,60.45	383,76.45

Purchased and Sold / Redeemed during the year (Refer note 25 on Schedule 18)

## Schedules to the Consolidated Financial Statements — continued

Previous year  
Rupees in lakhs

### 7 DEFERRED TAX

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

#### Assets

		Rupees in lakhs	
Liability for Drugs Prices Equalisation Account	..	3,56.63	3,53.17
Provision for employee benefits	..	12,00.51	5,73.00
Costs of voluntary retirement schemes	..	1,80.51	9,29.25
Costs of merger	..	40.32	79.86
Provision for doubtful debts, loans and advances	..	4,32.60	5,58.74
Long term loss under the head 'capital gains'	..	32.62	—
Provision for pricing of formulations	..	2,29.04	2,26.82
Expenses allowable for tax purposes when paid	..	5,41.84	8,16.18
<b>TOTAL</b>	<b>..</b>	<b>30,14.07</b>	<b>35,37.02</b>

#### Liabilities

Depreciation	..	8,78.87	9,59.29
Fixed assets held for sale	..	1,02.73	1,01.74
<b>TOTAL</b>	<b>..</b>	<b>9,81.60</b>	<b>10,61.03</b>
<b>TOTAL</b>	<b>..</b>	<b>20,32.47</b>	<b>24,75.99</b>

### 8 INVENTORIES

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

Stores and spares	..	3,76.39	3,88.76
Raw and packing materials	..	45,60.64	45,50.55
Work-in-progress	..	29,85.50	33,11.25
Finished goods	..	131,98.16	164,27.98
<b>TOTAL</b>	<b>..</b>	<b>211,20.69</b>	<b>246,78.54</b>

### 9 SUNDRY DEBTORS

(Unsecured)

		Doubtful	Good	Doubtful	Good
Outstanding for over six months	..	10,44.46	1,47.59	15,42.74	7,03.95
Others	..	60.45	36,29.02	39.28	53,40.56
		11,04.91	37,76.61	15,82.02	60,44.51
Less : Provision for doubtful debts	..	(11,04.91)	—	(15,82.02)	—
		—	37,76.61	—	60,44.51
<b>TOTAL</b>			<b>37,76.61</b>		<b>60,44.51</b>

### 10 CASH AND BANK BALANCES

Cash and cheques on hand	..	4,03.01	6.02
Remittances in transit (Refer note 3(iii) on Schedule 18)	..	5.92	5.92
With scheduled banks			
Current account	..	41,82.50	29,34.57
Fixed deposit account	..	98,03.04	2,77.35
Call deposit	..	11,05.00	3,58.00
<b>TOTAL</b>	<b>..</b>	<b>154,99.47</b>	<b>35,81.86</b>

## Schedules to the Consolidated Financial Statements — continued

						Rupees in lakhs		Previous year Rupees in lakhs	
<b>11</b>	<b>OTHER CURRENT ASSETS</b>								
	Interest accrued on investments / deposits. . . . .					25,97.72		24,99.26	
	Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) *					3,02.25		3,02.25	
	<b>TOTAL</b>					<b>28,99.97</b>		<b>28,01.51</b>	
	* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.								
<b>12</b>	<b>LOANS AND ADVANCES</b>					<b>Doubtful</b>	<b>Good</b>	<b>Doubtful</b>	<b>Good</b>
	(Unsecured unless otherwise stated)								
	Loans and advances recoverable in cash or in kind or for value to be received								
	Secured . . . . .					—	25.07	—	27.56
	Unsecured								
	Sundry deposits. . . . .					—	20,42.25	—	21,25.22
	Other advances. . . . .					1,67.81	57,52.73	77.93	64,00.16
	Less : Provision for doubtful advances . . . . .					(1,67.81)	—	(77.93)	—
						—	78,20.05	—	85,52.94
	Balance with customs, excise and port trust on current accounts . . . . .					—	3,85.63	—	3,58.88
	Fixed deposit with a limited company . . . . .					—	—	—	10,00.00
	Current taxation (Refer note 23 on Schedule 18) . . . . .					—	51,53.85	—	48,75.34
						—	133,59.53	—	147,87.16
	<b>TOTAL</b>						<b>133,59.53</b>		<b>147,87.16</b>
<b>13</b>	<b>CURRENT LIABILITIES</b>								
	Sundry creditors								
	Micro and Small enterprises . . . . .					—		—	
	Others . . . . .					228,32.63	228,32.63	232,54.95	232,54.95
	Unpaid dividend * . . . . .						7,49.20		6,20.14
	Unpaid matured fixed deposits * . . . . .						2.70		4.10
	Warrants issued but not encashed - Fixed deposit interest * . . . . .						4.67		4.67
	Drugs Prices Equalisation Account . . . . .						11,20.47		11,20.47
	<b>TOTAL</b>						<b>247,09.67</b>		<b>250,04.33</b>
	* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.								
<b>14</b>	<b>PROVISIONS</b>								
	For proposed equity dividend . . . . .					304,93.08		262,57.94	
	For tax on distributed profit . . . . .					51,82.30		36,82.68	
	For fringe benefits tax (Refer note 24 on Schedule 18) . . . . .					7.48		1,72.48	
	For employee benefits . . . . .					35,72.16		17,02.31	
	<b>TOTAL</b>					<b>392,55.02</b>		<b>318,15.41</b>	



## Schedules to the Consolidated Financial Statements — continued

### 15 OTHER INCOME

			Rupees in lakhs	Previous year Rupees in lakhs
Interest income (Gross):				
On deposits with banks and limited companies	..	1,92.18	1,60.45	
On loans	.. ..	25.89	31.87	
On tax refunds	.. ..	5,86.66	11.67	
On investments - Government securities and other than trade				
- long term [net of premium write-off of Rs. 1,57.16 lakhs (Previous year Rs. 1,98.24 lakhs)]	.. ..	38,89.74	32,77.23	
- current	.. ..	—	1,23.43	
Others	.. ..	14.77	12.21	
		47,09.24	36,16.86	
Less : Interest expense:				
Security deposits	.. ..	(62.30)	(62.50)	
Others	.. ..	(1.42)	(1.15)	
		(63.72)	(63.65)	
		46,45.52	35,53.21	
Dividend income - Investments other than trade - long term		1,98.01	1,80.00	
- current		23,31.22	8,47.75	10,27.75
Service income				
Clinical research and data management	.. ..	35,86.08	22,46.58	
Other services	.. ..	9,40.34	7,26.61	
Expenses relating to the above	.. ..	(40,27.48)	(25,90.94)	3,82.25
Miscellaneous income				
Export related benefits (net)	.. ..	1,04.97	1,15.56	
Profit on sale / redemption of investments (net) - current	.. ..	2,91.39	5,27.41	
(Refer note 12 on Schedule 18)				
Profit on sale / disposal of fixed assets (net)	.. ..	18.85	1,27.17	
Exchange gain (net)	.. ..	1,86.71	—	
Consignment sales commission	.. ..	1,03.51	1,25.49	
Provision written back as no longer required	.. ..	3,26.40	6,69.87	
Others	.. ..	5,81.46	5,19.45	20,84.95
		16,13.29		
TOTAL	.. ..	92,86.98	70,48.16	
Tax deducted at source :				
On interest	.. ..	3,03.48	3,68.20	
Others	.. ..	1,80.93	1,19.29	4,87.49

### 16 MATERIALS

Raw and packing materials consumed	.. ..	326,36.04	305,79.97	
Purchase of finished goods	.. ..	294,17.05	350,58.38	
(Increase) / decrease in work-in-progress and finished goods:				
Opening stock				
Work-in-progress	.. ..	33,11.25	31,91.51	
Finished goods	.. ..	164,27.98	150,63.34	
		197,39.23	182,54.85	
Less: Closing stock				
Work-in-progress	.. ..	29,85.50	33,11.25	
Finished goods	.. ..	131,98.16	164,27.98	
		161,83.66	197,39.23	(14,84.38)
Transfer of stock pursuant to sale of the Fine Chemicals business (Previous year - Animal Health business) (Refer note 22 on Schedule 18)				
Raw and packing materials	.. ..	(3,51.79)	—	
Work-in-progress	.. ..	(29.54)	—	
Finished goods	.. ..	(15,62.81)	(10,05.22)	(10,05.22)
		(19,44.14)		
TOTAL	.. ..	636,64.52	631,48.75	

## Schedules to the Consolidated Financial Statements — *continued*

17

### OPERATING AND OTHER EXPENSES

				Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	..	..	..	133,79.12		136,68.98
Contributions to : Provident and pension funds	..		..	9,38.04		9,15.61
Gratuity funds	..	..	..	1,30.42		2,16.71
Staff welfare	..	..	..	6,77.96	151,25.54	5,65.91
Promotion and publicity	..	..	..		53,36.17	53,79.24
Selling commission on exports	..	..	..		8.10	12.57
Bonus offer discount	..	..	..		11,12.86	13,09.11
Stock point commission	..	..	..		9,97.80	11,17.83
Freight (net)	..	..	..		24,09.64	25,64.29
Travelling	..	..	..		31,01.03	31,47.38
Provision / write off for doubtful debts, loans and advances (net)					1,77.26	4,32.27
Exchange loss (net)	..	..	..		—	13.59
Manufacturing charges	..	..	..		34,62.13	32,38.14
Repairs - Buildings	..	..	..	2,84.47		3,06.08
- Plant and Machinery	..	..	..	8,85.64		8,24.43
- Others	..	..	..	31.07	12,01.18	27.22
Consumption of stores and spares	..	..	..		4,74.55	4,07.98
Power, fuel and water	..	..	..		20,53.77	19,23.42
Rent	..	..	..		8,02.05	5,98.51
Rates and taxes	..	..	..		9,70.62	13,72.45
Excise duty	..	..	..		6,01.75	16,13.98
Insurance	..	..	..		3,67.03	3,18.93
Remuneration to auditors :						
Statutory audit fees	..	..	..	36.24		32.83
In other capacity in respect of :						
Tax audit fees	..	..	..	5.90		5.89
Audit of tax accounts	..	..	..	19.66		19.64
Other services	..	..	..	16.31		17.60
Reimbursement of expenses	..	..	..	3.75		0.61
Cost audit fees	..	..	..	81.86	89.21	76.57
				7.35		5.61
Date-expired stocks	..	..	..		18,31.56	16,92.27
Finance charges	..	..	..		71.85	71.86
Commission to non whole-time Directors	..	..	..		19.46	20.04
Directors' sitting fees	..	..	..		12.20	11.10
Miscellaneous	..	..	..		56,97.86	48,12.98
Recovery of expenses (net) (Refer note 14 on Schedule 18)	..		..		(2,59.70)	(6,17.09)
Expenses relating to service income (Refer Schedule 15)	..		..		(40,27.48)	(25,90.94)
TOTAL	..	..	..		416,36.44	434,57.03

## Schedules to the Consolidated Financial Statements — continued

### 18 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 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, 2007	% voting power held as at 31st December, 2006
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 has filed a special leave petition in the Supreme Court against the Delhi High Court's judgement and order dated 19th October, 2001. The Supreme Court has admitted the said special leave petition, which will come up for hearing and disposal in due course.

- 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 Mumbai High Court. The Mumbai 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. In the meanwhile, the Government has filed an application in the Supreme Court praying that this writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from the various High Courts. The Supreme Court is yet to hear the Transfer Petition.

- 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

## Schedules to the Consolidated Financial Statements — continued

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. In the meanwhile, the Government of India has filed an application in the Supreme Court praying that the writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from various High Courts. The Supreme Court is yet to hear the transfer petition.

(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. During the year, the Company has received an order 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	..	..	13,73.98	25,34.86
(ii)	In respect of claims made against the Company not acknowledged as debts by the Company				
	- Sales tax matters	..	..	31,97.86	34,19.67
	- Excise matters	..	..	11,01.22	13,50.17
	- Service tax matters	..	..	2,42.18	2,42.18
	- Labour matters	..	..	36,42.80	35,46.56
	- Other legal matters	..	..	9,74.00	9,74.00
	which net of current tax amount to -			60,45.24	63,23.91
(iii)	Taxation matters in respect of which appeals are pending				
	- Tax on issues similar to the issues which have already been decided in the Company's favour	..	..	2,26.15	2,26.15
	- Tax on other matters in dispute	..	..	74,97.20	73,56.67
	- Other consequential matters (net of tax)	..	..	3,74.39	3,76.26
(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

### 18 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	2,73.25	1,57.52
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 the maximum amount due during the year was	18.17	21.52
	* Loan granted prior to appointment as a whole time Director.	21.57	21.84
10	Directors' Remuneration		
	Salaries	3,29.55	2,00.67
	Payments under the long-term incentive plan	27.41	—
	Perquisites	4.14	3.68
	Contribution to provident and superannuation funds	41.61	17.62
	Commission to non whole-time Directors	19.46	20.04
	Directors' sitting fees	12.20	11.10
		<u>4,34.37</u>	<u>2,53.11</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.		
-	subject to approval of members in General Meeting Rs. 22.76 lakhs (Previous year - Rs. 58.24 lakhs).		
	Pension to past Directors	3.61	3.07
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, 2007 and the provision based on the figures for the remaining nine months up to 31st December, 2007, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2007 to 31st March, 2008.		
12	Profit on sale / redemption of investments (net) - current is net of loss on sale / redemption of long term investments amounting to Rs. 2,74.39 lakhs (Previous year - Profit on sale / redemption of investments (net) current is net of loss on sale / redemption of long term investments amounting to Rs. 1,64.06 lakhs and loss on sale / redemption of current investments amounting to Rs. 2.50 lakhs).		
13	The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,40.16 lakhs (Previous year - Rs. 4,29.75 lakhs).		

## Schedules to the Consolidated Financial Statements — continued

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 "Recovery of expenses (net)" in Schedule 17 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 8,83.17 lakhs (Previous year - Rs. 10,33.10 lakhs), from GlaxoSmithKline Pte Limited Rs. 6.10 lakhs (Previous year - Nil), from GlaxoSmithKline S.A.E Rs. 9.57 lakhs (Previous year - Nil), GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 22.40 lakhs (Previous year - Nil), from GlaxoSmithKline Services Unlimited - Nil (Previous year - Rs. 1,67.15 lakhs), and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 6,61.54 lakhs (Previous year - Rs. 5,83.16 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

						Rupees in lakhs	Previous year Rupees in lakhs
15 Exceptional items :							
(i) Costs of voluntary retirement schemes and other retirement benefits	..					(83.91)	—
(ii) Profit on sale of the Fine Chemicals business							
(Previous year - Animal Health business) (Refer note 22)	..	..				198,29.63	187,02.52
(iii) Provision for completion covenants for sale of the Fine Chemicals business	..					(16,64.60)	—
(iv) Expenses incidental to sale of the Fine Chemicals business							
(Previous year - Animal Health business)	..	..	..			(74.18)	(66.39)
(v) Provision for pricing of formulations	..	..	..			—	(2,75.00)
Taxation on the above							
Current tax	..	..	..	..	..	(42,35.72)	—
Deferred tax	..	..	..	..	..	22.82	17.84
						<u>137,94.04</u>	<u>183,78.97</u>

16 The Company has, with effect from 1st January, 2007, adopted Accounting Standard 15, Employee Benefits (revised 2005), issued by the Institute of Chartered Accountants of India [the 'revised AS 15']. Consequently, the additional liability for employee benefits based on actuarial valuation as at 1st January, 2007, amounting to Rs. 14,70.05 lakhs (net of deferred tax credit of Rs. 7,45.88 lakhs), has been adjusted against General Reserve as at 1st January, 2007.

The disclosures as required as per the revised AS 15 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 Segment Information for the year ended 31st December, 2007

(i) Information about Primary Business Segments (Rupees in lakhs)

	Pharmaceuticals		Other Businesses		Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue								
External	1515,36.33	1418,04.49	110,20.63	181,33.52	84.44	2,00.75	1626,41.40	1601,38.76
Inter-segment	—	—	—	—	—	—	—	—
Total revenue	1515,36.33	1418,04.49	110,20.63	181,33.52	84.44	2,00.75	1626,41.40	1601,38.76
Result								
Segment result	565,99.91	505,11.40	21,64.71	38,48.39	—	—	587,64.62	543,59.79
Unallocated expenditure net of unallocated income					(34,77.86)	(28,34.44)	(34,77.86)	(28,34.44)
Interest expense					(63.72)	(63.65)	(63.72)	(63.65)
Interest income					47,09.24	36,16.86	47,09.24	36,16.86
Dividend income and profit on sale/redemption of investments (net)					28,20.62	15,55.16	28,20.62	15,55.16
Profit before taxation and exceptional items	565,99.91	505,11.40	21,64.71	38,48.39	39,88.28	22,73.93	627,52.90	566,33.72
Provision for taxation							(217,92.22)	(199,12.92)
Profit after taxation and before exceptional items	565,99.91	505,11.40	21,64.71	38,48.39	39,88.28	22,73.93	409,60.68	367,20.80
Exceptional items	(83.91)	(2,75.00)	—	—	180,90.85	186,36.13	180,06.94	183,61.13
Tax on exceptional items							(42,12.90)	17.84
Net Profit	565,16.00	502,36.40	21,64.71	38,48.39	220,79.13	209,10.06	547,54.72	550,99.77
Other Information								
Segment assets	370,00.91	382,75.63	20,90.90	74,02.11	1645,18.08	1332,31.26	2036,09.89	1789,09.00
Segment liabilities	232,66.56	218,95.44	1,81.85	13,62.16	420,77.67	351,76.88	655,26.08	584,34.48
Capital expenditure	12,12.02	14,30.33	1.40	34.61	3,19.16	3,97.38	15,32.58	18,62.32
Depreciation	10,49.15	9,73.71	14.60	1,34.59	9,89.93	8,99.33	20,53.68	20,07.63
Non-cash (income) / expenses other than depreciation	(2,11.44)	2,91.44	(8.97)	2,63.97	27.08	19.24	(1,93.33)	5,74.65

## Schedules to the Consolidated Financial Statements — continued

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(ii) Information about Secondary Business Segments (Rupees in lakhs)

	India		Outside India		Total	
	2007	2006	2007	2006	2007	2006
Revenue by geographical market						
External	1581,33.30	1567,61.42	45,08.10	33,77.34	1626,41.40	1601,38.76
Inter-segment	—	—	—	—	—	—
Total	1581,33.30	1567,61.42	45,08.10	33,77.34	1626,41.40	1601,38.76
Carrying amount of segment assets	2036,09.89	1789,09.00	—	—	2036,09.89	1789,09.00
Capital expenditure	15,32.58	18,62.32	—	—	15,32.58	18,62.32

(iii) Notes:

(i) The above segment disclosure comprises two main business segments, namely:

- Pharmaceuticals - comprising of bulk drugs and formulations
- Others - primarily comprising of fine chemicals, diagnostics, laboratory equipment and exports mainly relating to pharmaceuticals. Animal Health business formed part of the Company's Other Businesses segment in the previous year.

Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.

(ii) Segment revenue in each of the above domestic business segments primarily includes sales (net of excise duty), processing charges, consignment sales commission, clinical research and data management (net) and export incentives in the respective segments.

Segment Revenue comprises :

- Sales (net of excise duty)
- Other income excluding interest income (net), dividend income and profit on sale / redemption of investments (net)

Rs. in lakhs	
2007	2006
1608,20.56	1581,98.97
18,20.84	19,39.79
1626,41.40	1601,38.76

(iii) The Segment revenue in the geographical segments considered for disclosure are as follows:

- (a) Revenue within India includes sales to customers located within India and earnings in India.
- (b) Revenue outside India includes sales to customers located outside India and earnings outside India.

(iv) Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

(v) Refer note 22 relating to sale of the Fine Chemicals business (Previous year - Animal Health business).

#### 18 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", issued by the Institute of Chartered Accountants of India 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



## Schedules to the Consolidated Financial Statements — *continued*

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*continued*)

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

GlaxoSmithKline Limited, Kenya  
 Glaxo Wellcome Ceylon 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.  
 Glaxo Operations UK Limited, U.K.  
 GlaxoSmithKline S.A.E., Egypt  
 GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia  
 GlaxoSmithKline Export Limited, U.K.  
 GlaxoSmithKline Pte Limited, Singapore  
 GlaxoSmithKline Philippines Inc., Philippines  
 Glaxo Wellcome Manufacturing Pte Limited, Singapore  
 GlaxoSmithKline Australia Pty Limited, Australia  
 GlaxoSmithKline Trading Services Limited, Ireland

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

Dr. A. Banerjee	Mr. P.V. Nayak
Mr. A.S. Lakshmanan (up to 25th October, 2007)	Mr. R.C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. H. Singh	Mr. R. Limaye
Dr. H.B. Joshipura	Mr. R. Raghunandan (up to 30th November, 2007)
Mr. J. Dwivedy (up to 31st March, 2007)	Dr. S. Joglekar
Mr. K. Shivkumar (up to 10th April, 2007)	Mr. Sunder Rajan (with effect from 11th June, 2007)
Mr. M.B. Kapadia	Mr. S. Khanna
Mr. M.K. Vasanth Kumar	Mrs. S. Patel
Dr. M. Reilly *	Mr. V. Narayanan
Mr. N. Kaviratne	Mr. V. Thyagarajan *
Mr. N.Y. Sanglikar (up to 20th February, 2007)	Mrs. Neeru Nayak
Mr. P. Bains *	

\* no transactions during the year

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

- (i) Details relating to parties referred to in item 1(ii) above:

Rupees in lakhs

		Other companies in the GSK Group (ii)	
		2007	2006
1	Purchase of materials/finished goods	72,13.31	82,44.91
2	Sale of materials/finished goods	23,13.75	10,94.83
3	Sale of fixed assets	—	98.00
4	Expenses recharged to other companies	13,05.93	14,62.49
5	Research and development recoveries	2,94.50	2,91.85
6	Expenses recharged by other companies	8,09.23	7,65.76
7	Consignment sales commission paid	—	14.04
8	Consignment sales commission received	81.87	1,08.09
9	Clinical research and data management recoveries	35,86.08	22,46.58
10	Outstanding (payables)/receivables at the year end (net) #	(35.32)	9,75.16

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



## Schedules to the Consolidated Financial Statements — continued

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Rupees in lakhs 2007	Rupees in lakhs 2006
(a) Purchase of materials/finished goods		
GlaxoSmithKline Biologicals S.A., Belgium	29,54.51	40,90.49
GlaxoSmithKline Export Limited, U.K.	41,60.59	40,04.12
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	8,45.09	3,92.32
GlaxoSmithKline Trading Services Limited, Ireland	14,67.63	7,02.51
(c) Sale of fixed assets		
GlaxoSmithKline Asia Private Limited, India	—	98.00
(d) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	9,04.68	11,43.40
GlaxoSmithKline Trading Services Limited, Ireland	3,54.02	77.07
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,94.50	2,89.18
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	7,53.88	6,63.02
(g) Consignment sales commission paid		
GlaxoSmithKline Consumer Healthcare Limited, India	—	14.04
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	81.87	1,08.09
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	9,86.30	7,46.21
GlaxoSmithKline Services Unlimited, U.K.	25,63.85	14,64.69
(j) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(1,09.71)	1,72.14
GlaxoSmithKline Consumer Healthcare Limited, India	6,57.83	6,29.42
GlaxoSmithKline Biologicals S.A., Belgium	(1,06.52)	(1,66.51)
GlaxoSmithKline Export Limited, U.K.	(6,88.80)	(5,16.68)
GlaxoSmithKline Trading Services Limited, Ireland	3,62.15	1,33.19
GlaxoSmithKline Services Unlimited, U.K.	(2,26.08)	7,30.09
GlaxoSmithKline Pakistan Limited, Pakistan	81.70	35.59

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

	Rupees in lakhs	
	2007	2006
1 Remuneration/commission/sitting fees	7,66.65	5,82.08
2 Payments under the long-term incentive plan	78.37	—
3 Interest income on loans given	2.15	3.05
4 Rent paid for residential flat	4.14	4.32
5 Outstanding loans receivable	55.86	90.07

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

	Rupees in lakhs	
	2007	2006
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	2,00.90	34.86
Mr. M.B. Kapadia	1,15.01	99.97
(b) Payments under the long-term incentive plan		
Mr. M.B. Kapadia	13.70	—
Dr. A. Banerjee	13.70	—
Mr. K. Shivkumar	13.53	—
(c) Interest income on loans given		
Dr. A. Banerjee	0.35	0.35
Mr. H. Singh	0.30	0.31
Mr. M.K. Vasanth Kumar	0.72	0.77
Mr. S. Khanna	0.34	0.38
Mrs. S. Patel	0.28	0.29

## Schedules to the Consolidated Financial Statements — continued

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (iv) Disclosure in respect of material transactions with persons referred to in item 1(iii) above: (Contd.)

Rupees in lakhs

	2007	2006
(d) Rent paid for residential flat		
Dr. A. Banerjee	0.54	0.72
Mrs. Neeru Nayak	3.60	3.60
(e) Outstanding loans receivable		
Dr. A. Banerjee	11.55	11.72
Mr. H. Singh	9.80	10.11
Mr. M.K. Vasanth Kumar	17.08	18.58
Mr. S. Khanna	7.99	8.98
Mrs. S. Patel	9.44	9.56

- 19 Disclosures as required by Accounting Standard 19, "Leases", issued by the Institute of Chartered Accountants of India, are given below:

- The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are generally 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.
- Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 17.
- The future minimum lease payments under non-cancellable operating lease
  - not later than one year Rs. 1,28.54 lakhs (Previous year - Rs. 1,37.33 lakhs)
  - later than one year and not later than five years - Nil (Previous year - Rs. 1,28.54 lakhs)

- 20 Amount recognised as expense for the year under the long-term incentive plan is Rs. 62.13 lakhs (Previous year - Rs. 1,24.47 lakhs).  
The total carrying amount of the corresponding liability at the year end is Rs. 1,46.98 lakhs (Previous year - Rs. 2,63.09 lakhs).

- 21 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	409,60.68	367,20.80
Profit after taxation	Rupees in lakhs	547,54.72	550,99.77
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	48.36	43.35
Earnings per share (Basic and Diluted)	Rs.	64.64	65.05
Face value per share	Rs.	10	10

- 22 The Board of Directors, at its meeting held on 26th July, 2007, approved the proposal for sale of the Fine Chemicals business as a going concern to Thermo Electron LLS India Private Limited for a total consideration of Rs. 240.00 lakhs. Shareholders of the Company approved the proposal by postal ballot on 19th September, 2007. The sale has been completed effective from the close of business hours of 30th September, 2007 at a profit of Rs. 198,29.63 lakhs. (In the previous year, the Company sold the Animal Health business as a going concern to Virbac Animal Health India Private Limited for a total consideration of Rs. 207.10 lakhs at a profit of Rs. 187,02.52 lakhs). Accordingly, figures for the current year are to that extent not comparable with those of the previous year. Fine Chemicals and Animal Health businesses form part of the Company's 'Other Businesses' segment.

- 23 Current taxation represents payments in excess of provisions of Rs. 1510,42.32 lakhs (Previous year - Rs. 1275,56.60 lakhs).

- 24 Provision for fringe benefits tax represents provision in excess of payments of Rs. 21,30.00 lakhs (Previous year - Rs. 12,85.00 lakhs).

- 25 Investments purchased and sold / redeemed during the year:

ABN AMRO Money Plus - Institutional Weekly Dividend Option  
1,05,09,628.799 Units of Rs. 10 each

ABN AMRO Flexi Debt Fund - Regular - Daily Dividend Option  
1,01,77,561.298 Units of Rs. 10 each

ABN AMRO Cash Fund - Institutional - Daily Dividend Option  
96,36,229.737 Units of Rs. 10 each

## Schedules to the Consolidated Financial Statements — *continued*

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*continued*)

ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option  
3,50,30,632.066 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan E - Dividend Option  
1,53,550.950 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan F - Dividend Option  
78,109.875 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan G - Dividend Option  
1,57,440.900 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan H - Monthly Dividend Option  
1,57,635.420 Units of Rs. 10 each

ABN AMRO Fixed Term Plan - Series 4 - Quarterly Plan B - Dividend Option  
2,66,322.630 Units of Rs. 10 each

DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option  
1,51,01,397.355 Units of Rs. 10 each

DWS Money Plus Fund - Institutional Plan - Daily Dividend Option  
4,24,86,668.951 Units of Rs. 10 each

DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option  
1,51,926.970 Units of Rs. 1,000 each

DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend Option  
5,01,204.926 Units of Rs. 1,000 each

DSP Merrill Lynch Fixed Term Plan - Series 1 E - Dividend Option  
765.530 Units of Rs. 1,000 each

DSP Merrill Lynch Fixed Term Plan - Series 1 F - Dividend Option  
788.060 Units of Rs. 1,000 each

Grindlays Floating Rate Fund - Long Term - Institutional Plan B - Daily Dividend Option  
3,39,81,310.280 Units of Rs. 10 each

HDFC Cash Management Fund - Call Plan - Daily Dividend Reinvestment Option  
96,09,634.424 Units of Rs. 10 each

HDFC Liquid Fund Premium Plan - Daily Dividend Reinvestment Option  
3,28,14,297.633 Units of Rs. 10 each

HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option  
49,59,874.614 Units of Rs. 10 each

HSBC Income Fund - Short Term Plan - Institutional - Dividend Option  
18,616.355 Units of Rs. 10 each

HSBC Liquid Plus - Institutional Plus - Daily Dividend Option  
2,90,52,521.385 Units of Rs. 10 each

ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan D - Retail - Dividend Option  
1,61,400 Units of Rs. 10 each

ICICI Prudential Fixed Maturity Plan Series 32 - One Month Plan D - Retail - Dividend Option  
25,850 Units of Rs. 10 each

ICICI Prudential Fixed Maturity Plan Series 32 - Three Months Plan E - Retail - Dividend Option  
1,35,601.169 Units of Rs. 10 each

ICICI Prudential FMP Series 34 - Three Months Plan - A - Retail - Dividend Option  
1,32,666.073 Units of Rs. 10 each

ICICI Prudential Flexible Income Plan - Daily Dividend Option  
96,25,886.036 Units of Rs. 10 each

ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend Reinvestment Option  
5,97,05,543.445 Units of Rs. 10 each

ICICI Prudential Sweep Cash Option - Daily Dividend Reinvestment Option  
1,00,20,677.450 Units of Rs. 10 each

Principal Floating Rate Fund SMP Institutional Option - Daily Dividend Reinvestment Option  
2,02,40,062.662 Units of Rs. 10 each

Principal Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option  
1,85,865.387 Units of Rs. 10 each

## Schedules to the Consolidated Financial Statements — *continued*

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*continued*)

Principal Cash Management Fund Liquid Option Institutional Premium Plan - Daily Dividend Reinvestment Option  
4,50,11,918.142 Units of Rs. 10 each

SBI Premier Liquid Fund - Institutional - Daily Dividend Option  
1,91,06,687.541 Units of Rs. 10 each

Standard Chartered Liquidity Manager - Plus - Daily Dividend Option  
5,17,54,559.288 Units of Rs. 1,000 each

Standard Chartered Fixed Maturity Plan - Quarterly Series 3 - Dividend Option  
50,73,800 Units of Rs. 10 each

Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option  
1,05,649.419 Units of Rs. 1,000 each

Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment Option  
1,51,712.311 Units of Rs. 1,000 each

- 26 The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- 27 Previous year's figures have been regrouped wherever necessary. Also refer note 22.

Signatures to the Schedules 1 to 18 which form an integral part of the Financial Statements.

K. H. Vachha  
Partner  
Membership No. 30798  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

Mumbai, 22nd February, 2008

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