

Board of Directors

(As on 16.02.2007)

Chairman

D. S. Parekh

Vice-Chairman

V. Thyagarajan

Managing Director

S. Kalyanasundaram (upto 31.12.06)

Dr. H. B. Joshipura (w.e.f 1.01.07)

Directors

P. Bains

R. R. Bajaj

Dr. A. Banerjee

M. B. Kapadia

N. Kaviratne

A. S. Lakshmanan

V. Narayanan

P. V. Nayak

P. Parsonson (upto 26.07.06)

Dr. M. Reilly

Company Secretary

A. A. Nadkarni

Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Telephone: 24959595

Fax: 24959494

Website: www.gsk-india.com

Factories

– 2nd Pokhran Road, Thane

– Ambad, Nashik

Bankers

Citibank N.A.

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank

State Bank of India

Auditors

Price Waterhouse & Co.

Solicitors

Crawford Bayley & Co.

Gagrat & Co.

Management Team

Managing Director

Dr. H. B. Joshipura

Senior Executive Director

M. B. Kapadia

– Finance, Legal & Corporate Affairs

– Corporate Communications & Administration

– Fine Chemicals

Executive Director

Dr. A. Banerjee

– Technical

Executive Vice-Presidents

R. Sequeira

– Human Resources

H. Singh

– Pharmaceuticals

M. K. Vasanth Kumar

– Information Technology & Supply Chain

Vice-Presidents

J. Dwivedy

– Procurement – South Asia

Dr. S. Joglekar

– Medical Affairs & Clinical Research

S. Khanna

– Finance

R. Limaye

– Marketing & Commercial Strategy

S. Patel

– Legal & Corporate Affairs

R. Raghunandan

– Quality

K. Shivkumar

– Pharmaceuticals

Registrars & Share Transfer Agents

GlaxoSmithKline Consumer Healthcare Limited,

DLF Plaza Tower, DLF City, Phase-I,

Gurgaon 122002 (Haryana)

Tel: 0124-2540700-03 Fax:0124-2540720

email: jeewat.2.rai@gsk.com

Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Telephone: 022-24959415/434

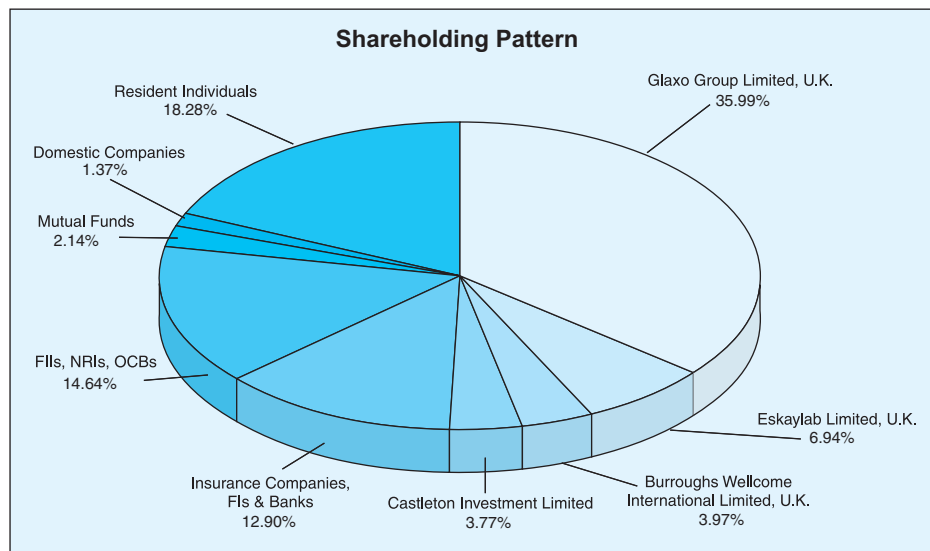
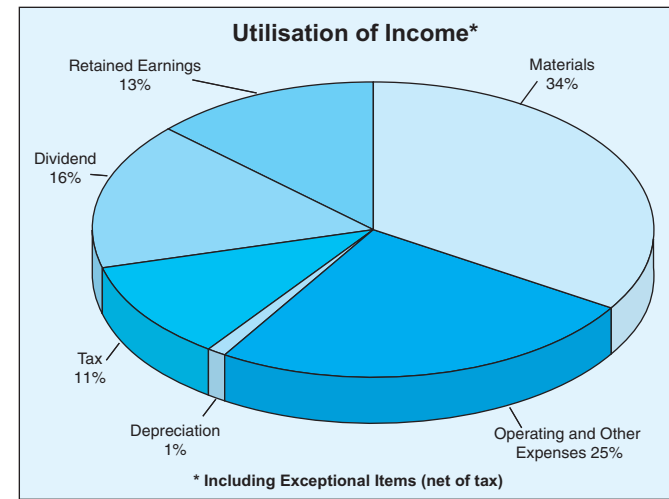
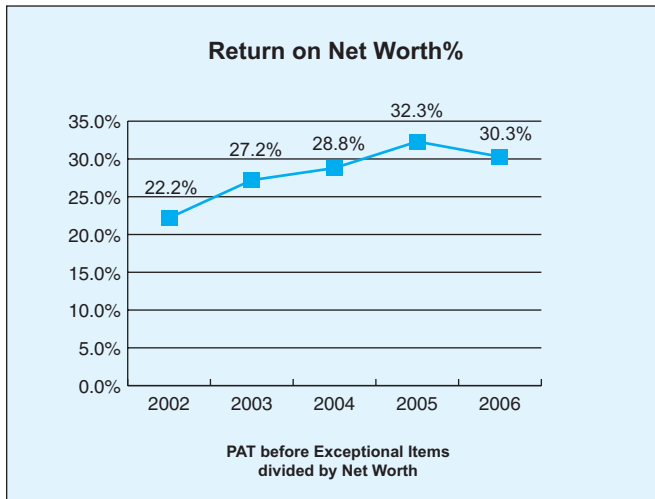
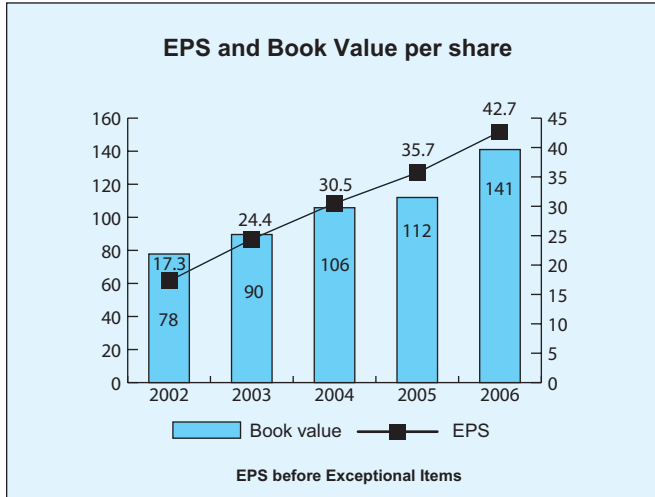
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Charts



Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2006.

1. Results & Dividend for the year ended 31st December 2006

	Year ended 31 st December 2006 Rs. in Lakhs	Year ended 31 st December 2005 Rs. in Lakhs
SALES (Gross)	1677,56.57	1575,88.86
Less: Excise duty on Sales	124,64.54	90,58.63
NET SALES	1552,92.03	1485,30.23
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	555,95.40	477,90.85
Less: Provision for Taxation	194,23.04	171,62.40
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS	361,72.36	306,28.45
Exceptional Items (Net of Tax)	183,78.97	195,79.85
NET PROFIT AFTER TAX	545,51.33	502,08.30
Add: Balance brought forward from the previous year . .	441,19.44	259,75.10
Amount available for disposal	986,70.77	761,83.40
APPROPRIATIONS :		
General Reserve	54,55.13	50,20.83
Equity Dividend (including special additional dividend) . .	262,57.94	237,16.84
Distribution Tax on Dividend	36,82.68	33,26.29
Balance carried forward	632,75.02	441,19.44

Your Company divested the Agrivet Farm Care (AFC) Business as a going concern to Virbac Animal Health India Private Limited, a 100% subsidiary of Virbac S. A. France, on 31st July 2006 for a consideration of Rs.207.10 crores. As provided under the Companies Act, 1956, approval of the Shareholders was obtained by postal ballot. The financial results for the year under review are therefore not comparable. After excluding the AFC Business, the financial results for 2005 and 2006 of the continuing businesses of the Company are as follows:

	Year ended 31 st December 2006 Rs. in Lakhs	Year ended 31 st December 2005 Rs. in Lakhs
NET SALES	1490,06.64	1363,89.83
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS . .	547,35.40	453,79.13

2. Dividend

The Directors recommend a Dividend of Rs.17.00 per Equity Share for the year (previous year Rs.14.00 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs.144.00 crores. The Dividend Distribution Tax borne by the Company will amount to Rs.20.20 crores.

With the additional cash generation from the divestment of the AFC 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.14 per Equity Share. If approved by the Shareholders at the Annual General Meeting, the special additional Dividend will absorb Rs.118.58 crores. The Dividend Distribution Tax borne by the Company on this dividend will amount to Rs.16.63 crores.

3. Management Discussion and Analysis

(a) Your Company commands a 6.4% market share in the Indian Pharmaceuticals Market (Source: Stockist Audit [ORG IMS] IIPA MAT December 2006 - this audit is representative of the Company's customer base covering stockists, sale to hospitals and vaccines purchases). Your Company enjoys a leadership position in the Hospital segment (Source: [ORG IMS] Hospital Audit MAT December 2006) and in segments in which its products are represented. Your Company had another satisfactory year, with Net Sales of the Company's continuing businesses (excluding the AFC Business) registering a growth of 9.3%. Pharmaceuticals sales also grew by 9.2% during the year. The Qualigens Fine Chemicals business recorded a sales growth of 8.7% and Export sales grew by 10.4%.

Profit Before Tax and Exceptional Items of the Company's continuing businesses (excluding the AFC Business) grew by 20.6%. A double-digit growth in the priority products range, procurement and manufacturing efficiencies and tight expense control helped improve profits. Higher income from treasury operations and clinical research operations also contributed to the profit improvement.

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

(b) The Pharmaceuticals Business

The Indian Pharmaceuticals Market grew by 13% (Source: Stockist Audit [ORG IMS] IIPA MAT December 2006).

Net sales of the Pharmaceuticals business segment was Rs.1373 crores constituting 92% of the Company's total sales (excluding the AFC business).

The Pharmaceuticals growth of 9.2% was a result of the continued strategy focussed on Priority Products and their active promotion, and the shift from the acute to the chronic disease segments. New products were once again the major driver of growth in Pharmaceuticals. Sales of Augmentin have crossed Rs.100 crores this year. Your Company enjoys a leadership position in the segments in which its products are represented including Dermatologicals, Corticosteroids, Anti-infectives, Pain/Analgesics and Thyroid preparations. Calpol is the leader in the non-narcotic anti-pyretic segment and Neosporin is the leader in topical antibiotic preparations. Augmentin and Phexin continue to be amongst the top five brands in the anti-infective segment. Vozet and Cetzine are leaders in the anti-histamine segment. The Vaccines business has registered a negative growth mainly on account of the competitive pricing environment coupled with stock outs of key products. To some extent, sales were impacted since the accelerated demand for certain products in the anti-infective and pain segments could not be met due to capacity constraints and due to discontinuation of select products during the year. Your Company has taken steps for improvement of supply of key products and aggressive measures are being initiated to counter the competition.

Windia and Windamet for treatment of Diabetes, one of the fastest growing therapeutic areas and the in-licensed products, Parit and Ferronine, launched last year are all progressing well.

Business Development continues to be the major driver of growth for the Company since 2002. Products launched since 2002 have contributed to around 25% of the Company's incremental sales in 2006. The key strategy for Business Development is to identify partners

and introduce products in high growth therapeutic areas. Your Company is in talks with some leading Japanese and American companies for new products in therapeutic areas like serious infections, cardiovascular and trauma care. After making a major entry in diabetes with the introduction of Windia and Windamet, your Company is also developing four new products in the Windia family. Plans are in hand to introduce new products in therapeutic areas like anti-inflammatory/analgesic, oral antibiotics, cardiovascular and anti-coagulants in 2007.

(c) Research & Development

Scientists at GlaxoSmithKline plc are working hard to discover new ways of treating illness and disease. Consequently, GlaxoSmithKline plc has one of the largest and most promising pipelines in the industry with nearly 95 new chemical entities (NCEs) with about 45 active Phase I studies, 60 Phase II studies and 30 Phase III studies. Your Company has access to the resources of a global Company devoted to the application of science not only for the prevention and cure of disease, but also for improving the quality of life.

As reported last year, India has been identified as a major center for clinical research across a number of therapy areas for diseases which are relevant to India such as cancer, psychiatric disorders and infectious diseases. The emphasis of Clinical Research activities today is shifting from large, multi-centric Phase III studies to Phase II studies. GSK has identified 6 Oncology centers capable of conducting early phase studies in India, which are being developed with the expert inputs of the Institute for Cancer Medicine, University of Oxford. Similar initiatives are also being undertaken across other therapeutic areas.

Your Company has made excellent progress in its clinical operations in the last three years and has proven itself for its quality, speed and cost effectiveness as demonstrated by successful regulatory inspections by external bodies such as the US FDA. In 2006, your Company participated in 16 global clinical studies (8 global clinical studies in 2005) of which, 11 were Phase II and 5 were Phase III studies, spanning across 6 therapy areas involving over 200 patients. Over the last few years, your Company has also trained more than 100 investigators on ICH GCP guidelines, thus contributing to improving the quality of clinical trials in India.

(d) The Qualigens Fine Chemicals (QFC) Business

The QFC business has maintained its market leadership position with an overall sales growth of 8.7% this year. The Chemicals activity continued to grow in double digits. Several new products were launched during the year. The glassware segment showed good growth with large orders from industries and institutions. For the Diagnostics activity, plans are in hand for introduction of new ranges and advance technology kits.

(e) Exports

Exports recorded a sales turnover of Rs.30 crores, comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, Mexico, France, Germany, Holland, UK, South Africa and Denmark. Formulations were exported to Sri Lanka, Myanmar and Vietnam.

(f) Pharmaceuticals Pricing

The National Pharmaceuticals Pricing Authority (NPPA) effected a downward revision in the prices of several 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.

(g) Internal Control System

The Company maintains a system of internal control, including suitable monitoring procedures. The Internal Audit Department regularly conducts a review to assess the financial and operating controls at various locations of the Company. Any significant issue is required to be brought to the attention of the Audit Committee of the Board. The Statutory Auditors and the Head of Internal Audit are invited to attend the Audit Committee meetings.

(h) Human Resources

The Company continued its emphasis on investing in the development of its employees through a number of programs. In the area of manufacturing, a program on "Change Management and Leadership" was conducted in 2006, to help meet new business challenges. Sales force effectiveness was targeted through programs such as Worldwide Sales Force Excellence (selling skills), disease product knowledge accreditation, competency mapping for the sales force supported by development programmes for both frontline sales managers and medical representatives.

On the industrial relations front, your Company continued to enjoy a cordial and harmonious relationship with its employees and Unions. The Long Term Settlement with the Nashik site Union was concluded in August 2006 with agreement on redeployment and productivity improvements.

Your Company had a staff strength of 3850 as on 31st December 2006, compared to 4016 as at the end of the previous year. The reduced headcount is mainly on account of divestment of the AFC business.

(i) Procurement

Procurement Excellence programs and strategic sourcing initiatives continued to gain momentum. 460 e-sourcing events were used to identify the capabilities of the supply base, benchmark prices and generate competitive advantage in the market. Use of internet/intranet packages and shared databases made knowledge management a reality and an integral part of day to day work. Such initiatives have enabled your Company to mitigate inflationary pressures. During the year, the procurement processes were subject to further controls in the areas of Compliance, Environment Health and Safety and Risk Mitigation.

The Sourcing Group Management certification programs, Effective Contracting programs and Regional Sourcing Forums helped globalize the Procurement function. The creation of a Procurement Technology Work Cell and setting up of a Low Cost Sourcing Group in India is an expression of the parent company's recognition of local competencies and India's importance as a global sourcing base.

(j) Manufacturing

A new state of the art Liquid Injectibles facility of international standard has been commissioned at Nashik. The bulk drug plant, quality assurance and process development laboratories and the water management system at the Thane plant have all been upgraded to global standards. Quality Management Systems at the factories have been strengthened further. The Thane Plant was inspected by MHRA, the U.K. regulatory body, and your Company expects to receive the MHRA approval shortly. The Company continued its focus on process capability and understanding using six sigma tools resulting in improved yields, productivity and higher capacity utilisation at the sites.

(k) Information Technology (IT)

IT continued its focus on effective support to the business and on risk mitigation and compliance. As a first step in ensuring effective IT Continuity Planning, the Company's C&F Agents were provided with Lease Line connectivity in addition to VSATs. Additionally, a Disaster Recovery centre has been set up at Thane factory. As part of the Global IT strategy, several servers and applications were consolidated and hosted centrally, to reduce cost.

In order to improve sales force effectiveness, all first line Managers were provided Laptops with online access to key information like doctors coverage, territory coverage and sales information systems.

A few GSK dealers from metro towns have been provided with e-ordering facility from their desk. The response has been very satisfactory. Plans are in hand to increase this base in 2007.

To support the upgradation of the Thane factory to global standards, the BPCS system has been implemented and validated in line with MHRA norms.

(l) Corporate Social Responsibility

During the year, your Company started several new social responsibility initiatives, in addition to continuing with its on-going work in Mumbai and Nashik.

As part of the Government of India's Mid-Day Meal Programme for primary municipal schools, your Company made a donation to the ISKON Food Relief Foundation which will enable over 2000 children from below the poverty line families to enjoy a nutritious daily meal for one year.

Your Company has facilitated the operation of a Learning Centre near Worli, Mumbai run by the Akanksha Foundation, an NGO that works for underprivileged children. Akanksha operates over 40 Learning Centers in Mumbai and Pune, which are supported by corporates, and trains the children in English, mathematics, values and general awareness through non-formal teaching methods.

The Shishukalyan Snehi Swayamsevak Sanstha (SSSS) Trust supported by your Company continued its activities for pre-primary children at Worli-Koliwada, besides conducting developmental programmes for the Janata High School's underprivileged students. Over 2000 children are able to avail of this facility which is aimed at good quality education, day care, routine medical facilities and counselling. A Child Rights Rally was organized by SSSS with the help of the Worli Police Station for creating awareness on child rights issues in society.

The Gramin Arogya Vikas Sanstha (GAVS) supported by your Company, provide community health services through a medical van to 15 tribal villages in Peth. Tailoring classes for vocational purposes and health awareness programs in the 15 villages were held during the year. It also continued to operate a pre-primary school for 50 Amrapali slum children and a play area for the children of one of its adopted villages - Ubhidhond in Peth taluka was constructed. Such initiatives have been very well received by the villagers.

Your Company operates, a 24-hour HIV/AIDS telephonic Helpline service for dissemination of information, as well as counselling on HIV and AIDS. The Helpline provides guidance on sources of infection, detection and medical centers offering treatment. Psycho-social counselling is an integral part of the service. Callers are assured of confidentiality while obtaining high quality advice. The Helpline has answered over 75,000 calls in the past six years.

The city of Mumbai faced terrorist attacks on 11th July 2006. To assist the injured, your Company donated life saving essential medicines to some Hospitals.

(m) 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

Resignations

Consequent to Mr. S. Kalyanasundaram taking on other responsibilities in the GlaxoSmithKline group, he ceased to be the Managing Director of your Company with effect from 31st. December 2006. The Board places on record its deep appreciation of the services rendered by Mr. S. Kalyanasundaram as Managing Director and for his significant contributions to the growth and profitability of the Company.

Mr. Paul Parsonson resigned as Alternate Director to Mr. Peter Bains. The Board places on record its appreciation of the valuable services rendered during his tenure as Alternate Director and for his contributions to the deliberations of the Board.

Appointments

The Board of Directors has appointed Dr. Hasit B. Joshipura as the Managing Director of the Company for a period of five years with effect from 1st January 2007. A proposal for his appointment as the Managing Director is being placed before the Members for approval at the Annual General Meeting.

Retirement by Rotation

Mr. R. R. Bajaaj, Dr. A. Banerjee and Mr. M. B. Kapadia retire by rotation and, being eligible, offer themselves for re-appointment.

5. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2006 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 : 16^h February 2007

Annexure 'A' to the Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the calendar year ended 31st December 2006.

I. Conservation of Energy:

- 1) Energy Management continued to be a key area for the factories at Thane and Nashik. Regular monitoring of energy generation, distribution and consumption trends were carried out for effective control on utilisation of energy. Training and awareness programmes for employees were conducted for reducing energy waste. Brainstorming sessions, formation of energy teams, use of 'Just Do It' tool and display of visuals like consumption trends are a few of the activities that were progressed to get increased participation from staff on energy conservation.

Energy Conservation measures taken:

Various Projects were undertaken during the year for optimal energy utilization. Some of the projects that were implemented are:

1. Quality electricity conditioning equipment (Electroflow) at Substation
2. Rationalisation of Transformer use
3. Solar water heating system
4. Installation of variable frequency drives for Refrigeration compressors
5. Installation of liquid desiccant technology for humidity control
6. SCADA for boiler
7. Maximum demand management
8. Installation of variable frequency drives for Compressors, pumps & AC plant

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 st December 2006	Year ended 31 st December 2005
Electricity			
Purchased units	KWH'000	20,063.44	18,674.16
Total amount	Rs.Lacs	847.69	714.04
Rate / Unit	Rs.	4.225	3.824
Own generation			
Through DG			
Units	KWH'000	158.24	138.65
Units / Ltr of HSD	KWH'000	2.33	1.95
Cost per unit	Rs.	17.52	17.29
Coal		—	—
Furnace Oil, LDO & LSHS			
Quantity	KL	3,239.00	3,168.00
Total amount	Rs.Lacs	654.07	477.01
Average rate	Rs./KL	20,193.58	15,057.13
Others		—	—

B) Consumption Per Unit of production

		Year ended 31 st December 2006		Year ended 31 st December 2005	
		Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	Units	198,255	57,894	205,503	56,490
Furnace Oil, LDO & LSHS	KLtrs	36.72	6.75	42.23	7.46

II. Research and Development (R&D)

The Company has two R&D Centres, which are approved by the Department of Scientific and Industrial Research, Government of India.

Pharmaceutical R&D has developed a number of new products in the area of palatable liquid orals (aqueous and oily), as also topical steroid in emollient cream base. Pharmaceutical R&D is also involved in collaborative development of new products along with leading pharma companies. Immunosuppressant ointment and pain reliever tablet have been commercially launched through collaborative development.

The Chemistry R & D team is engaged in custom synthesis of monomers / building blocks, which are used either for high throughput chemistry or as integral parts of probable drug molecules. The monomers prepared are essentially small molecules, mostly novel entities, and the scale varies from milligram to kilogram quantities. This work supports the discovery research and drug discovery initiatives of GlaxoSmithKline R&D at Harlow, UK; Stevenage, UK, Verona, Italy; and Upper Providence, USA.

The Company is privileged to have access to various research databases used world wide and to latest technologies developed by the GlaxoSmithKline Group.

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

R&D efforts have helped to bring out an improvement in processes, product design and operating efficiencies. R&D work has also resulted in improved productivity and stability of products. Process technologies developed in-house are being made available to units in the small-scale sector to enable them to set up facilities conforming to high standards of GMP and quality. It has also helped in carrying out custom synthesis of various monomers critical in molecular discovery research initiative.

Future Plan of Action:

Emphasis will continue to be laid on the main areas set out above and particularly on the development of new products such as multivitamin-multimineral in novel form, Cephalosporin formulations and line extensions and collaborative research work with other companies and GSK UK.

Expenditure on R&D:

	Rs. Lakhs
1. Capital	185.33
2. Recurring	429.75
Total:	615.08
3. Total R&D expenditure as a percentage of turnover -	0.40%

Technology Absorption, Adaptation and Innovation:

Efforts made towards technology absorption, adoption and innovation:

Several process modifications have been carried out for efficiency improvement. Benefits derived as a result of the above efforts are in the areas of process simplification, cost reduction and quality improvement, as detailed below:

Process simplification

- Cycle time reduction in manufacturing process of Zentel suspension by 40%, Calpol and Septran Suspension by 18%
- Integrated lines introduced for Ampoules Manufacturing and packing
- Manufacture of liquid orals

Quality Improvements

- Liquid injectible facility has been constructed and fully validated as per the current international standards
- Current QMS system which is equivalent to the current international standards is being strictly followed at the site and reviewed regularly
- Internal audits of all the departments have been carried out

C. 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.3018 Lakhs for the year.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs.25640 Lakhs (which includes amounts spent on import of raw and packing materials and goods for resale aggregating to Rs.13119 Lakhs and Dividend payment of Rs. 12017 Lakhs). The foreign exchange earned was Rs.5932 Lakhs mainly on account of exports and clinical research and data management. Details have been given in Notes 21 to 24 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. Three Directors, including the Managing Director, are Executive Directors. There are nine 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

Five Board meetings were held in the year 2006 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.	13th February	12	12
2.	28th April	12	11
3.	26th July	12	10
4.	30th October	12	09
5.	18th December	12	10

- 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 12 th April 2006	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	4	Yes	12*	4	3
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	4	Yes	2	Nil	2
Mr. S. Kalyanasundaram Managing Director (up to 31.12.2006)	Executive	5	Yes	1	Nil	Nil
Dr. H. B. Joshipura Managing Director (w.e.f. 01.01.2007)	Executive	N.A.	N.A.	1	Nil	Nil
Mr. R. R. Bajaj	Non-Executive & Independent	5	Yes	2	Nil	Nil
Mr. V. Narayanan	Non-Executive & Independent	5	No	11	5	1
Mr. A. S. Lakshmanan	Non-Executive & Independent	4	Yes	5	2	4
Dr. M. Reilly	Non-Executive	2	Yes	Nil	Nil	Nil
Mr. P. V. Nayak	Non-Executive	5	Yes	1	Nil	1
Mr. M. B. Kapadia	Executive	5	Yes	1	Nil	Nil
Dr. A. Banerjee	Executive	5	Yes	1	Nil	Nil
Mr. P. Bains -Alternate Mr. P. Parsonson (up to 26.07.2006)	Non-Executive	3	No	Nil	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	5	Yes	3	1	2

* 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. R. R. Bajaaj, Dr. A. Banerjee and Mr. M. B. Kapadia 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:

Dr. H. B. Joshipura

Dr. Joshipura is a graduate in Electrical Engineering from VJTI - Bombay University and a Post Graduate from the Indian Institute of Management - Ahmedabad. He has completed his Doctorate programme at the School of Management at IIT Mumbai.

After having spent about three years with Tata Administrative Services, Dr. Joshipura spent about 16 years with the Unilever Group of companies in India and held positions of increasing responsibility in commercial, sales, marketing and business management functions. He joined the pharmaceutical business of Johnson & Johnson Limited as President & Executive Director in October 2001. Dr. Joshipura was the Chair person for the Corporate Contributions Programme, as well as the lead for Government Affairs for the Johnson & Johnson group of businesses in India. In October 2006, Dr. Joshipura was appointed Vice President and General Manager designate India, Bangladesh and Sri Lanka and took over as Managing Director of your Company from 1st January 2007. He is an Executive Committee Member of the Organisation of Pharmaceutical Producers of India (OPPI) and has been nominated by the Board of Governors of VJTI to their Senate.

Dr. Joshipura is a Director of Biddle Sawyer Limited which forms a part of the GlaxoSmithKline Group Companies in India and is a member of the Investors/Shareholders Grievance Committee of your Company.

Mr. R. R. Bajaaj

Mr. Bajaaj is a graduate in Science and Law. He joined Mahindra & Mahindra Limited as Management Trainee in 1964. He then moved on to Otis Elevator Company (India) Limited in their Field Operations Department in 1967 and has held a series of increasingly senior roles within that Company including Head of Northern Regional Operations, Country Head for Middle East and South East Asia countries. Mr. Bajaaj returned to India as Managing Director of Otis Elevator Company (India) Limited in 1989. In 2000, he was appointed as Chairman of the Board of Otis Elevator Company (India) Limited and was elevated as Vice-President South and South East Asia operations of Otis based in Singapore. In 2001, he took up an International assignment with an NGO Special Olympics Inc. as Managing Director, Asia Pacific. In 2006, he entered into a Joint Venture with the world's largest Consulting Firm for Vertical Transportation, Lerch Bates which is Head quartered in Denver, U.S and is currently the Chairman of LBA Consultants Private Limited. He is a Director of the Company since October 2002 and is a member of the Audit Committee and the Investors/Shareholders Grievance Committee.

Mr. M. B. Kapadia

Mr. M. B. Kapadia is a member of the Institute of Chartered Accountants of India and of the Institute of Company Secretaries of India. He has been in the service of the Company since May 1987 and has held increasingly senior positions in the Finance and Secretarial functions. He was elevated to the Board in 1996. He is currently Senior Executive Director in charge of Finance, Legal, Secretarial, Corporate Communications, Administration and the Fine Chemicals Business. He has a total work experience of over 23 years.

Mr. Kapadia is a Director of Biddle Sawyer Limited which forms a part of the GlaxoSmithKline Group Companies in India and is a member of the Investors/Shareholders Grievance Committee of your Company.

Dr. A. Banerjee

Dr. Banerjee is a Ph.D. in Organic Chemistry and has carried out post-doctoral research at Glasgow University. He joined the Company as a Management Trainee and has held various increasingly senior positions in the manufacturing and technical functions. Dr. Banerjee 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 wherever 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 mainly of Independent Directors and their meetings were held on 19th January, 13th February, 28th April, 27th June, 26th July, 30th October and 18th December 2006.

Name	Designation	Category of Directorship	Attendance out of seven meetings held
Mr. D. S. Parekh	Chairman	Non-Executive & Independent	6
Mr. A .S. Lakshmanan	Member	Non-Executive & Independent	5
Mr. V. Narayanan	Member	Non-Executive & Independent	7
Mr. R .R. Bajaj	Member	Non-Executive & Independent	7
Mr. P .V. Nayak	Member	Non-Executive	7
Mr. N. Kaviratne	Member	Non-Executive & Independent	6

The Managing Director, the Finance Director, other Executive Director, 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 12th April 2006.

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 and a Non-Executive Director 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 2006 are given below:

(Rs. in lakhs)

Executive Directors	Salary	Performance Bonus	Perquisites and Allowances	Contribution to Provident Fund and Superannuation Fund	Total
Mr. S. Kalyanasundaram	48.53	22.71	19.63	-	90.87
Mr. M. B. Kapadia	41.06	16.93	30.90	11.09	99.98
Dr. A. Banerjee	24.21	7.82	13.91	6.54	52.48

(Rs. in lakhs)

Independent Directors & a Non-Executive Director	# Commission	Sitting Fees	Total
Mr. D. S. Parekh	5.00	3.40	8.40
Mr. R. R. Bajaj	3.00	1.40	4.40
Mr. V. Narayanan	3.00	1.90	4.90
Mr. A. S. Lakshmanan	3.00	2.00	5.00
Mr. P. V. Nayak	3.00	1.20	4.20
Mr. N. Kaviratne	3.04	1.20	4.24

payable in 2007

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.
- None of the Directors other than those listed above are paid remuneration.
- Mr. D. S. Parekh, Mr. A. S. Lakshmanan and Mr. P. V. Nayak hold 612, 588 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	Chairman	Non-Executive & Independent
Mr. R. R. Bajaj	Member	Non-Executive & Independent
Mr. S. Kalyanasundaram	Member	Executive
Mr. M. B. Kapadia	Member	Executive

During the year under review, the Committee met on the 26th July 2006 and all the members attended the meeting.

Name, designation and address of the Compliance Officer:

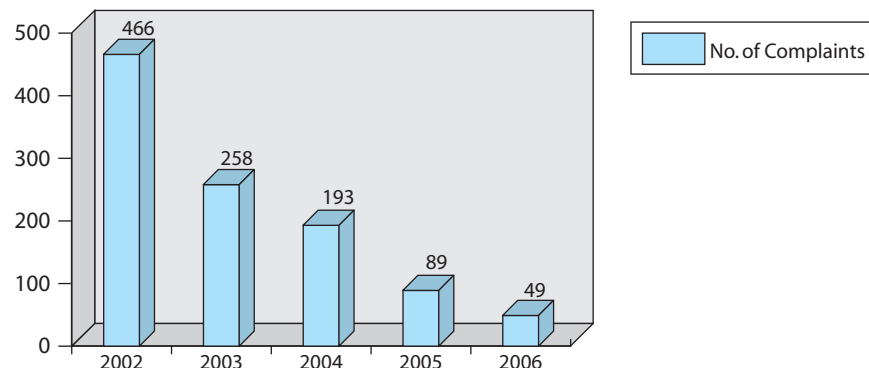
Mr. Ajay Nadkarni
Company Secretary
Dr. Annie Besant Road
Mumbai-400 030

Phone: (022) 2495 9433
Fax: (022) 2498 1526
Email: ajay.a.nadkarni@gsk.com

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	2	1	2	2	7
Stock Exchanges	-	-	-	1	1
Shareholders	6	30	3	2	41
Total	8	31	5	5	49

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 an Extraordinary General Meeting (EGM), and details of the resolutions passed or to be passed by Postal Ballot:

Date	Year	Type of Meeting	Venue	Time
12th April 2006	2005	Annual General Meeting	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai – 400 020	3.00 p.m.
30th March 2005	2004	Annual General Meeting		3.30 p.m.
10th June 2004	2004	Extraordinary General Meeting (Court convened)		11.00 a.m
10th March 2004	2003	Annual General Meeting		3.00 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 Animal Health Business “the AFC Undertaking” as a going concern on a slump sale basis to Virbac Animal Health India Private Limited for a lump sum consideration of Rs. 207.10 crores (Rupees Two Hundred Seven Crores and Ten Lakhs 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 99.99 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 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. The Company had meetings with and made presentations to institutional investors and analysts twice 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 30th March 2007 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 31st December 2007 – March 2008
- Date of Book Closure 16th March 2007 to 30th March 2007 (both days inclusive)
- Dividend Payment date(s) On or after 30th March 2007
- Listing on Stock Exchange The Stock Exchange, Mumbai, and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1st April 2006 to 31st March 2007
- 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 2006 is furnished below :

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of Shares)	High (Rupees)	Low (Rupees)	Volume (No. of Shares)
January 2006	1304.65	1100.00	668268	1304.00	1092.05	1418657
February 2006	1434.50	1250.00	907106	1436.00	1251.00	2192293
March 2006	1492.00	1295.00	1329142	1495.00	1295.00	1687247
April 2006	1551.10	1359.95	614321	1553.60	1345.00	2150823
May 2006	1489.00	891.15	1315987	1489.00	882.20	3049922
June 2006	1147.00	920.00	1257801	1179.00	901.00	1616129
July 2006	1073.00	965.25	314316	1071.80	968.00	993073
August 2006	1229.00	990.00	579000	1230.00	988.10	1689294
September 2006	1303.00	1205.95	859564	1302.00	1202.50	1552112
October 2006	1260.10	1120.00	350367	1263.00	1121.00	1446679
November 2006	1230.00	1098.00	586545	1227.00	1086.25	1809291
December 2006	1239.35	1049.00	633208	1244.00	1040.00	1872641

- Share Performance of the Company in comparison to BSE Sensex



- 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	6.68
2.	Aberdeen Asset Managers Limited A/c Aberdeen International India Opportunities Fund (Mauritius) Limited	3.47
3.	General Insurance Corporation of India	1.47
4.	J P Morgan Fleming Asset Management (Europe) S A R L A/c Flagship Indian Investment Company (Mauritius) Limited	1.46
5.	Aberdeen Asset Managers Limited A/c Aberdeen Global- Asia Pacific Fund	1.45
6.	T Rowe Price International INC A/c T Rowe Price New Asia Fund	1.28
7.	Oriental Insurance Company Limited	0.99
8.	Aberdeen Far East Emerging Economics Unit Trust	0.96
9.	Life Insurance Corporation of India-Future Plus	0.83
10.	National Insurance Company Limited	0.70

- The distribution of shareholding as on 31.12.2006 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	28694	23.74	371632	0.44
26 to 50	19496	16.13	856881	1.01
51 to 100	26518	21.94	2172409	2.56
101 to 500	42501	35.17	8177531	9.66
501 to 1000	2467	2.04	1725449	2.04
1001 to 10000	1032	0.85	2298386	2.71
10001 and above	151	0.13	69100729	81.58
Grand Total	120859	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2006

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	10930682	12.90
FII's, NRIs, OCBs	12403317	14.64
Mutual Funds	1815015	2.14
Domestic Companies	1156697	1.37
Resident Individuals	15479818	18.28
Total	84703017	100.00

- Registrars and Share Transfer Agents** GlaxoSmithKline Consumer Healthcare Limited
 DLF Plaza Tower, DLF City, Phase- I
 Gurgaon - 122 002 (Haryana)
 Tel No. 0124-2540700-03
 Fax No. 0124-2540720-21
 e-mail id: jeewat.2.rai@gsk.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** 44.38% of the paid-up capital has been dematerialised as on 31.12.2006. 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. Jeewat Rai

Shareholders may also contact Mr. Ajay Nadkarni, Company Secretary, at the Registered office of the Company for any assistance.

Tel.Nos. 24959595 Extension 433/415

e-mail id : ajay.a.nadkarni@gsk.com

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

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited, for the year ended 31st December, 2006, 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, 16th February, 2007

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 31st December, 2006, 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 31st December, 2006, and taken on record by the Board of Directors of the company, none of the Directors of the company is disqualified as on 31st December, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st December, 2006;
 - (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, 16th February, 2007

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 31st December, 2006]

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. 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 31st December, 2006. 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 wealth tax, customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax, sales tax, service tax and excise duty as at 31st December, 2006 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	32,58.23	@ Assessment Years 2003-2004 and 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	19,09.97	Several demands pertaining to the period 1988-1989 to 2006-2007	Appellate Authority – up to Commissioner's level
		9,11.55	Several demands pertaining to the period 1982-1983 to 2002-2003	Tribunal
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	1,08.66	Several demands pertaining to the period November 1990 to August 2002	Appellate Authority – up to Commissioner's level
		11,24.21	#Several demands pertaining to the period July 1993 to September 2002	Tribunal
		30.12	1977 to 1980	The High Court of Judicature at Bombay
		77.65	June 1996 to February 1999	The Supreme Court of India

*Net of amounts paid under protest or otherwise

@Out of the total dues, amounts aggregating to Rs. 3,40 lakhs have been deposited subsequent to the year end. Further, such total dues include amounts aggregating to Rs. 30,37.31 lakhs for which appeals have been filed subsequent to the year end.

#Includes an amount of Rs. 9.55 lakhs for which appeal has been filed subsequent to the year end.

10. The company has no accumulated losses as at 31st December, 2006 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. 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, 16th February, 2007

GlaxoSmithKline Pharmaceuticals Limited

Balance Sheet as at 31st December, 2006

	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	1110,00.99	1194,71.29	863,90.28
				948,60.58
LOAN FUNDS				
Unsecured loans	3		5,53.71	4,85.42
				953,46.00
			TOTAL ..	
			1200,25.00	
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross block	4	253,62.69		253,10.73
Less : Depreciation		167,82.61		171,53.71
Net block		85,80.08		81,57.02
Capital work-in-progress		8,66.10	94,46.18	15,37.32
				96,94.34
INVESTMENTS	5		1139,40.56	913,05.67
DEFERRED TAX				
Deferred tax assets	6	35,18.90		41,17.53
Deferred tax liabilities		10,57.76	24,61.14	11,41.18
				29,76.35
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	7	240,95.41		218,12.90
Sundry debtors	8	60,44.51		67,38.72
Cash and bank balances	9	35,03.06		47,52.63
Other current assets	10	27,03.42		19,46.66
Loans and advances	11	144,17.43		109,29.35
				461,80.26
Less : CURRENT LIABILITIES AND PROVISIONS				
Liabilities	12	247,71.30		257,55.43
Provisions	13	318,15.41		290,55.19
				548,10.62
NET CURRENT ASSETS			(58,22.88)	(86,30.36)
			TOTAL ..	953,46.00
			1200,25.00	
Notes to the Financial Statements	17			

The schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date

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

Mumbai, 16th February, 2007

For and on behalf of the Board

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

GlaxoSmithKline Pharmaceuticals Limited

Profit and Loss Account for the year ended 31st December, 2006

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
INCOME			
Sales (Gross)		1677,56.57	1575,88.86
Less : Excise duty on sales		124,64.54	90,58.63
Net sales		1552,92.03	1485,30.23
Other income	14	95,84.38	65,63.50
TOTAL INCOME		1648,76.41	1550,93.73
EXPENDITURE			
Materials	15	624,51.54	626,45.76
Operating and other expenses	16	452,44.16	430,83.79
Depreciation		15,85.31	15,73.33
TOTAL EXPENDITURE		1092,81.01	1073,02.88
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		555,95.40	477,90.85
Provision for taxation			
Current tax		182,10.00	147,50.10
Deferred tax		5,33.05	16,34.81
		187,43.05	163,84.91
Fringe benefits tax		6,79.99	7,77.49
		194,23.04	171,62.40
NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		361,72.36	306,28.45
EXCEPTIONAL ITEMS (net of tax)		183,78.97	195,79.85
NET PROFIT		545,51.33	502,08.30
Balance brought forward		441,19.44	259,75.10
AVAILABLE FOR APPROPRIATION		986,70.77	761,83.40
APPROPRIATIONS			
Proposed dividend		262,57.94	237,16.84
[The proposed dividend includes a special additional dividend of Rs.118,58.42 lakhs (Previous year Rs.118,58.42 lakhs)]			
Tax on distributed profit		36,82.68	33,26.29
		299,40.62	270,43.13
Transfer to general reserve		54,55.13	50,20.83
BALANCE CARRIED FORWARD		632,75.02	441,19.44
Earnings per share before exceptional items (basic and diluted) (Rs.)		42.70	35.69
Earnings per share (basic and diluted) (Rs.)		64.40	58.51
Face value of shares Rs. 10 each. (Refer note 29 on Schedule 17)			
Notes to the Financial Statements	17		

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

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

For and on behalf of the Board

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

Mumbai, 16th February, 2007

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

GlaxoSmithKline Pharmaceuticals Limited

Cash Flow Statement for the year ended 31st December, 2006

	Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	555,95.40	477,90.85
<i>Adjustments for :</i>		
Depreciation	15,85.31	15,73.33
Interest expense	63.65	1,66.98
Provision / write off for doubtful debts, loans and advances (net)	4,32.27	1,80.73
Unrealised loss/ (gain) on foreign exchange	(17.03)	12.41
Profit on sale / disposal of fixed assets (net)	(1,27.17)	(3.99)
Profit on sale / redemption of investments (net)	(5,12.28)	(2,14.97)
Provision written back as no longer required	(6,69.87)	(5,84.30)
Interest income	(34,89.56)	(25,11.81)
Dividend income	(9,93.73)	(7,85.27)
Operating profit before working capital changes	518,66.99	456,23.96
<i>Adjustments for :</i>		
Inventories	(32,87.73)	8,36.83
Trade and other receivables	(10,35.76)	20.05
Trade payables and other liabilities	1,24.43	38,09.27
Cash generated from operations	476,67.93	502,90.11
Direct taxes paid (net of refunds) (including fringe benefits tax)	(224,09.30)	(145,76.70)
Cash flow before exceptional items	252,58.63	357,13.41
<i>Exceptional items:</i>		
Payments made for voluntary retirement schemes and other retirement benefits	(85.88)	(31.01)
Expenses incurred on buy back of shares	(41.32)	(1,44.12)
Expenses incidental to sale of properties	(10.82)	(5.43)
Expenses incidental to sale of the Animal Health business	(66.39)	—
Payments for pricing of formulations	—	(6,04.62)
Non recurring expenses for merger / rationalisation initiatives	(3.26)	(64.12)
Loss of stock on account of flood	—	(43.60)
Additional contribution for past years' service to the defined benefit pension fund	—	(4,00.00)
Net cash from operating activities	A	344,20.51
b. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,62.32)	(23,39.14)
Sale of fixed assets	3,32.54	85.91
Sale of properties (Exceptional item)	—	218,03.70
Sale of Animal Health business (Exceptional item)	207,10.00	—
(Purchase) / sale / redemption of investments (net)	(223,20.85)	(136,54.00)
Fixed deposit with a limited company (net)	—	(10,00.00)
Interest received	27,42.00	27,27.88
Dividend received	9,93.73	7,85.27
Net cash from investing activities	B	84,09.62
c. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayments) of borrowings (net)	68.29	1,00.94
Buy back of equity shares	—	(207,30.92)
Interest paid	(66.86)	(1,66.41)
Dividend paid	(235,87.80)	(208,68.09)
Tax on distributed profit	(33,26.29)	(27,38.87)
Net cash used in financing activities	C	(444,03.35)
Net decrease in cash and cash equivalents	(A + B + C)	(15,73.22)
Cash and cash equivalents as at 1st January, 2006 (opening balance)	47,64.63	63,37.85
Cash and cash equivalents as at 31st December, 2006 (closing balance)	34,98.03	47,64.63
Net decrease in cash and cash equivalents	(12,66.60)	(15,73.22)
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	35,03.06	47,52.63
Unrealised loss/ (gain) on foreign currency	(5.03)	12.00
Total cash and cash equivalents	34,98.03	47,64.63

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, 16th February, 2007

Schedules to the Financial Statements

1 CAPITAL AUTHORISED

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

ISSUED

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

SUBSCRIBED AND PAID-UP

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

Rupees in lakhs	Previous year Rupees in lakhs
90,00.00	<u>90,00.00</u>
84,70.77	<u>84,70.77</u>
84,70.30	<u>84,70.30</u>

The Company bought back and extinguished 26,19,529 equity shares during the previous year.

* 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.

2 RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2006	Additions	Deductions	As at 31st December 2006	As at 31st December 2005
Capital Reserve	1,65.51	—	—	(c) 1,65.51	1,65.51
Capital Redemption Reserve	2,61.95	—	—	(d) 2,61.95	2,61.95
General Reserve	418,43.38	(a) 54,55.13	—	472,98.51	418,43.38
Profit and Loss Account - Surplus	441,19.44	(b) 191,55.58	—	632,75.02	441,19.44
TOTAL	863,90.28	246,10.71	—	1110,00.99	863,90.28
Previous Year Total	836,94.08	234,27.12	(207,30.92)	863,90.28	

NOTES:

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

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

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

Schedules to the Financial Statements — *continued*

3 UNSECURED LOANS

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

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
5,51.50	2.21	4,83.21	2.21
<u>5,51.50</u>	<u>2.21</u>	<u>4,83.21</u>	<u>2.21</u>
	<u>5,53.71</u>		<u>4,85.42</u>

4 FIXED ASSETS

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2006	Additions / Adjustments	Deductions (c)	As at 31st December 2006	As at 1st January 2006	For the Year	On Deductions (c)	As at 31st December 2006	As at 31st December 2006	As at 31st December 2005
	Freehold land	20.81	—	—	20.81	—	—	—	—	20.81
Leasehold land	46.49	—	2.22	44.27	—	—	—	—	44.27	46.49
Freehold buildings (a)	24,61.92	1,19.34	6.90	25,74.36	10,69.05	57.69	6.69	11,20.05	14,54.31	13,92.87
Leasehold buildings	24,00.16	3,69.43	—	27,69.59	11,36.08	87.84	—	12,23.92	15,45.67	12,64.08
Plant and machinery	151,29.65	18,21.95	5,74.14	163,77.46	117,04.03	9,84.30	5,58.08	121,30.25	42,47.21	34,25.62
Furniture and fittings	29,37.09	1,53.83	93.83	29,97.09	16,36.02	2,63.54	64.66	18,34.90	11,62.19	13,01.07
Trademarks (b)	17,17.57	—	17,17.57	—	11,44.16	1,00.19	12,44.35	—	—	5,73.41
Vehicles	5,97.04	68.99	86.92	5,79.11	4,64.37	91.75	82.63	4,73.49	1,05.62	1,32.67
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	
Previous year - Total	252,64.22	12,33.49	11,86.98	253,10.73	165,66.16	15,73.33	9,85.78	171,53.71		81,57.02
Work-in-progress at cost and advance payments against capital expenditure									8,66.10	15,37.32
								TOTAL	94,46.18	96,94.34

NOTES:

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

(b) Other than internally generated and amortised over a period of 10 years.

(c) 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

27,40.95

Previous year

Rupees
in lakhs

27,79.18

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
15, 6.31% Bonds, 2010 of Rs. 1,00,00,000 each
200, 5.40% Bonds, 2009 of Rs. 10,00,000 each

15,20.60

15,26.56

20,01.22

20,02.11

Grasim Industries Limited
20, 6.08% Non-Convertible Debentures, 2010 of Rs. 50,00,000 each
10, 6.75% Non-Convertible Debentures, 2009 of Rs. 50,00,000 each
10, Floating Rate Inverse Mibor Non-Convertible Debentures, 2007
of Rs. 50,00,000 each

10,06.83

10,08.82

5,09.35

5,12.31

5,08.08

5,20.33

Housing Development Finance Corporation Limited
9,00,000 Equity Shares of Rs. 10 each fully paid
150, 6.10% Non-Convertible Debentures, 2008 of Rs. 10,00,000 each
200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each

1,18.13

1,18.13

15,02.01

15,04.21

20,12.50

20,18.10

Indian Railway Finance Corporation Limited
Nil, (Previous year : 50, 10.90% Bonds, 2006 of Rs. 10,00,000 each)
50, 8.05% Bonds, 2007 of Rs. 10,00,000 each
100, 7.63% Bonds, 2007 of Rs. 10,00,000 each
50, 6.20% Bonds, 2010 of Rs. 10,00,000 each
50, 5.99% Bonds, 2008 of Rs. 10,00,000 each

—

5,01.57

5,01.71

5,05.09

10,08.98

10,19.24

5,09.23

5,11.48

5,03.58

5,05.57

LIC Housing Finance Limited
25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each
25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each
10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each

5,31.80

5,45.38

5,45.48

5,58.26

10,49.00

10,65.30

National Hydroelectric Power Corporation Limited
10, 7.70% Bonds, 2010 of Rs. 1,00,00,000 each
9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each

10,53.57

10,68.09

9,27.22

9,37.90

National Thermal Power Corporation Limited
Nil, (Previous year : 750, 10% Bonds, 2008 of Rs. 2,00,000 each)

—

16,81.22

Power Grid Corporation of India Limited
40, 6.10% Bonds, 2008 of Rs. 12,50,000 each
Nil, (Previous year : 40, 6.10% Bonds, 2009 of Rs. 12,50,000 each)
Nil, (Previous year : 40, 6.10% Bonds, 2010 of Rs. 12,50,000 each)

5,03.67

5,06.08

—

5,08.35

—

5,10.51

Power Finance Corporation Limited
1,500, 5.85% Bonds, 2010 of Rs. 1,00,000 each

15,08.66

15,14.34

Schedules to the Financial Statements — continued

5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
Reliance Industries Limited		
Nil, (Previous year : 100, 8.25% Non-Convertible Debentures, 2006 of Rs. 10,00,000 each)	—	10,03.85
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 ..	15,13.91	15,23.33
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
Unquoted		
National Bank for Agriculture and Rural Development		
9,000, 5% 5-Year Capital Gains Bonds, 2008 of Rs. 10,000 each ..	9,00.00	9,00.00
25,000, 4.94% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each ..	25,00.00	25,00.00
National Housing Bank		
45,000, 5.10% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each ..	45,00.00	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	—
1,00,000, 5.50% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each ..	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	—
CURRENT (at lower of cost and fair value)		
IN GOVERNMENT SECURITIES		
Quoted		
Government of India Treasury Bills		
Nil, (Previous year : Face Value Rs. 130,00 lakhs)	—	126,31.82
OTHER THAN TRADE		
Quoted		
HDFC Bank Limited		
Nil, (Previous year : 1,500 Units of Certificate of Deposit - Cumulative of Rs. 1,00,000 each)	—	14,76.00
Industrial Development Finance Corporation Limited		
Nil, (Previous year : 100 Units of Commercial Paper of Rs. 5,00,000 each)	—	4,92.87
Power Finance Corporation Limited		
Nil, (Previous year : 100 Units of Commercial Paper of Rs. 5,00,000 each)	—	4,93.42
Unquoted (Mutual Funds)		
ABN AMRO Long Term Floating Rate Fund - Institutional Weekly Dividend Option		
50,36,660.877 Units of Rs. 10 each, (Previous year : 1,00,84,921.322 Units of Rs. 10 each)	5,03.67	10,08.49

Schedules to the Financial Statements — continued

5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
ABN AMRO Floating Rate Fund - Institutional Growth Option Nil, (Previous year : 95,70,843.383 Units of Rs. 10 each)	—	10,00.00
ABN AMRO Cash Fund - Institutional Growth Option Nil, (Previous year : 95,44,899.206 Units of Rs. 10 each)	—	10,00.00
ABN AMRO Cash Fund - Institutional Daily Dividend Option Nil, (Previous year : 1,01,83,476.349 Units of Rs. 10 each)	—	10,18.35
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan E - Dividend Option 1,00,00,000 Units of Rs. 10 each	10,00.00	—
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan F - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan G - Dividend Option 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 1,00,00,000 Units of Rs. 10 each	10,00.00	—
ABN AMRO Fixed Term Plan - Series 4 - Quarterly Plan B - Dividend Option 1,50,00,000 Units of Rs. 10 each	15,00.00	—
DWS Fixed Term Fund - Series 22 - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option 2,09,24,300.719 Units of Rs. 10 each	20,86.31	—
DWS Floating Rate Fund - Regular Plan - Growth Option 50,32,740.777 Units of Rs. 10 each, (Previous year : 2,32,04,862.763 Units of Rs. 10 each)	5,47.82	25,00.00
DWS Floating Rate Fund - Regular Plan - Weekly Dividend Option Nil, (Previous year : 40,12,856.158 Units of Rs. 10 each)	—	4,11.75
DWS Short Maturity Fund - Growth Option Nil, (Previous year : 1,73,66,356.760 Units of Rs. 10 each)	—	20,00.00
DSP Merrill Lynch Fixed Term Plan - Series 1 E - Dividend Option 50,000 Units of Rs. 1,000 each	5,00.00	—
DSP Merrill Lynch Fixed Term Plan - Series 1 F - Dividend Option 50,000 Units of Rs. 1,000 each	5,00.00	—
Grindlays Fixed Maturity 15th Plan A - Growth Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Grindlays Fixed Maturity 17th Plan - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Grindlays Super Saver Income Fund - Short Term Plan C - Growth Option Nil, (Previous year : 2,54,22,496.081 Units of Rs. 10 each)	—	25,42.25
Grindlays Super Saver Income Fund - Short Term Plan C - Monthly Dividend Option Nil, (Previous year : 1,00,66,135.421 Units of Rs. 10 each)	—	10,10.84
Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option Nil, (Previous year : 80,00,000 Units of Rs. 10 each)	—	8,00.00
HDFC Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option Nil, (Previous year : 91,21,542.175 Units of Rs. 10 each)	—	9,21.16
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 - Growth Option 1,04,97,480.880 Units of Rs. 10 each, (Previous year : 1,37,19,690.929 Units of Rs. 10 each)	15,30.71	20,00.00

Schedules to the Financial Statements — continued

5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
HDFC Cash Management Fund - Saving Plus Plan - Dividend Option Nil, (Previous year : 2,00,88,601.506 Units of Rs. 10 each)	—	20,11.97
HDFC Fixed Maturity Plan 18M October 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	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	—
HDFC Fixed Maturity Plan 16M December 2006 (2) - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00	—
HDFC Fixed Maturity Plan 13M September 2006 (1) - Institutional Plan - Growth Option 40,00,000 Units of Rs. 10 each	4,00.00	—
HDFC Fixed Maturity Plan 90D November 2006 - Wholesale Plan - Dividend Option 80,00,000 Units of Rs. 10 each	8,00.00	—
HDFC Fixed Maturity Plan 90D December 2006 (2) - Wholesale Plan - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option Nil, (Previous year : 1,63,21,954.016 Units of Rs. 10 each)	—	16,34.35
HSBC Income Fund - Short Term Plan - Institutional Growth Option Nil, (Previous year : 86,63,559.337 Units of Rs. 10 each)	—	10,00.00
HSBC Floating Rate Fund - Long Term Plan - Institutional Weekly Dividend Option Nil, (Previous year : 1,36,30,498.691 Units of Rs. 10 each)	—	13,64.00
HSBC Floating Rate Fund - Long Term Plan - Institutional Growth Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	—	10,00.00
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option 5,05,34,779.877 Units of Rs. 10 each	50,53.62	—
HSBC Income Fund - Short Term Plan - Institutional - Dividend Option 50,54,078.687 Units of Rs. 10 each	5,08.54	—
Principal Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option 1,57,79,831.468 Units of Rs. 10 each	17,26.12	—
Principal PNB Fixed Maturity Plan (FMP-28) 91 Days - July 06 - Dividend Option 30,01,998.002 Units of Rs. 10 each	3,00.20	—
Prudential ICICI Fixed Maturity Plan - Yearly - Series XXV - Dividend Option Nil, (Previous year : 81,81,785.761 Units of Rs. 10 each)	—	8,18.18
Prudential ICICI Institutional - Short Term Plan - Cumulative Option 77,50,856.470 Units of Rs. 10 each	10,00.00	10,00.00
Prudential ICICI Floating Rate Plan C - Growth Option 1,90,30,038.916 Units of Rs. 10 each	20,00.00	20,00.00
Prudential ICICI Long Term Floating Rate Plan B - Growth Option 97,80,142.399 Units of Rs. 10 each	10,00.00	10,00.00
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan D - Retail - Dividend Option 1,00,00,000 Units of Rs. 10 each	10,00.00	—
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan E - Retail - Dividend Option 85,71,502.464 Units of Rs. 10 each	8,57.15	—

Schedules to the Financial Statements — continued

5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
Prudential ICICI Fixed Maturity Plan Series 32 - One Month Plan D - Retail - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Prudential ICICI - Flexible Income Plan - Fortnightly Dividend Option 48,51,064.733 Units of Rs. 10 each	5,12.14	—
Standard Chartered Fixed Maturity Plan - Quarterly Series 1 - Dividend Option 1,00,00,000 Units of Rs. 10 each	10,00.00	—
Standard Chartered Liquidity Manager - Plus - Daily Dividend Option 2,52,271.766 Units of Rs. 1,000 each	25,22.97	—
Standard Chartered Fixed Maturity Plan - Yearly Series 1 - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Standard Chartered Fixed Maturity - 2nd Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option 97,81,276.652 Units of Rs. 10 each	10,18.74	—
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option 2,02,090.128 Units of Rs. 1,000 each	20,32.26	—
Templeton Floating Rate Income Fund - Short Term Plan - Growth Option Nil, (Previous year : 1,64,59,008.838 Units of Rs. 10 each)	—	20,00.00
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option Nil, (Previous year : 2,95,10,076.150 Units of Rs. 10 each)	—	29,51.08
TOTAL ..	1139,40.56	913,05.67
Aggregate of Unquoted Investments - At Book value	907,67.22	486,59.39
Aggregate of Quoted Investments - At Book value	231,73.34	426,46.28
- At Market value	364,91.25	525,80.59

Purchased and Sold/ Redeemed during the year

ABN AMRO Long Term Floating Rate Fund - Institutional Weekly Dividend Option 95,202.920 Units of Rs. 10 each
ABN AMRO Cash Fund - Institutional Daily Dividend Option 92,895.456 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan B - Dividend Option 50,69,576.725 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan C - Dividend Option 50,68,296.165 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan D - Dividend Option 1,01,41,533.550 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan E - Monthly Dividend Option 50,00,000 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan A - Dividend Option 50,70,861.039 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan B - Dividend Option 50,73,571.928 Units of Rs. 10 each
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan D - Dividend Option 1,01,52,511 Units of Rs. 10 each

Schedules to the Financial Statements — *continued*

5 INVESTMENTS (continued)

DWS Fixed Term Fund - Series 12 - Dividend Option 50,00,000 Units of Rs. 10 each
DWS Fixed Term Fund - Series 13 - Dividend Option 50,00,000 Units of Rs. 10 each
DWS Floating Rate Fund Regular Plan - Weekly Dividend Option 32,528.265 Units of Rs. 10 each
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option 8,34,50,960.035 Units of Rs. 10 each
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option 1,99,83,613.437 Units of Rs. 10 each
DWS Money Plus Fund - Regular Plan - Weekly Dividend Option 3,05,37,900.956 Units of Rs. 10 each
DSP Merrill Lynch Liquid Plus Institutional Plan - Weekly Dividend Option 2,03,714.544 Units of Rs. 1,000 each
DSP Merrill Lynch Liquid Plus Institutional Plan - Daily Dividend Option 6,50,734.067 Units of Rs. 1,000 each
Grindlays Super Saver Income Fund - Short Term Plan C - Monthly Dividend Option 50,52,087.454 Units of Rs. 10 each
Grindlays Super Saver Income Fund - Short Term Plan C - Fortnightly Dividend Option 1,00,73,409.275 Units of Rs. 10 each
Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option 15,20,32,811.203 Units of Rs. 10 each
Grindlays Fixed Maturity - 19th Plan - Dividend Option 1,01,01,400 Units of Rs. 10 each
Grindlays Super Saver Income Fund - Medium Term - Bi-monthly Dividend Option 48,58,197.942 Units of Rs. 10 each
HDFC Cash Management Fund - Saving Plan - Weekly Dividend Option 47,46,562.588 Units of Rs. 10 each
HDFC Cash Management Fund - Saving Plan - Daily Dividend Option 47,15,710.122 Units of Rs. 10 each
HDFC Cash Management Fund - Saving Plus Plan - Dividend Option 1,03,22,786.432 Units of Rs. 10 each
HDFC Fixed Maturity Plan 3M August 2006 (1) - Institutional Plan - Dividend Option 50,70,750 Units of Rs. 10 each
HDFC Fixed Maturity Plan 6M June 2006 (1) - Institutional Plan - Dividend Option 1,01,71,047.136 Units of Rs. 10 each
HDFC Fixed Maturity Plan 3M May 2006 (1) - Institutional Plan - Dividend Option 1,01,36,500 Units of Rs. 10 each
HDFC Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option 68,363.363 Units of Rs. 10 each
HSBC Cash Fund - Institutional Plus - Daily Dividend Option 10,16,99,731.641 Units of Rs. 10 each
HSBC Floating Rate Fund - Long Term Plan - Institutional Weekly Dividend Option 1,12,197.384 Units of Rs. 10 each
HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option 1,38,410.428 Units of Rs. 10 each
Prudential ICICI Fixed Maturity Plan - Yearly - Series XXV - Dividend Option 2,43,968.020 Units of Rs. 10 each

Schedules to the Financial Statements — *continued*

5 INVESTMENTS (continued)

Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan - A - Retail - Dividend Option

1,01,30,544.652 Units of Rs. 10 each

Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan - B - Retail - Dividend Option

50,70,950 Units of Rs. 10 each

Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan - C - Retail - Dividend Option

50,77,650 Units of Rs. 10 each

Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option

85,63,276.307 Units of Rs. 10 each

Prudential ICICI Liquid Plan Super Institutional Plus - Daily Dividend Option

85,71,502.464 Units of Rs. 10 each

Prudential ICICI Floating Rate Plan D - Daily Dividend Option

2,51,66,388.570 Units of Rs. 10 each

Principal Floating Rate Fund SMP Institutional Option - Weekly Dividend Option

1,01,07,646.426 Units of Rs. 10 each

Principal PNB Fixed Maturity Plan (FMP-28) 91 Days - July06 - Dividend Option

19,98,001.998 Units of Rs. 10 each

Principal Income Fund Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option

91,69,959.604 Units of Rs. 10 each

Standard Chartered Liquidity Manager - Plus - Daily Dividend Option

1,74,97,072.495 Units of Rs. 1,000 each

Standard Chartered Fixed Maturity - 5th Plan - Dividend Option

50,00,000 Units of Rs. 10 each

Standard Chartered Fixed Maturity - 9th Plan - Dividend Option

50,00,000 Units of Rs. 10 each

Standard Chartered Liquidity Manager - Daily Dividend Option

1,32,63,54,356.389 Units of Rs. 10 each

Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option

2,82,285.991 Units of Rs. 10 each

Templeton India Short Term Income Plan - Institutional - Weekly Dividend Reinvestment Option

1,00,197.167 Units of Rs. 1,000 each

Templeton India Treasury Management Account Institutional Plan - Daily Dividend Reinvestment Option

1,00,956.315 Units of Rs. 1,000 each

Schedules to the Financial Statements — continued

		Rupees in lakhs		Previous year Rupees in lakhs	
6	DEFERRED TAX				
Deferred tax assets and liabilities are attributable to the following items:					
<u>Assets</u>					
	Liability for Drugs Prices Equalisation Account	..	..	3,53.17	3,53.17
	Provision for unencashed leave	..	..	5,73.00	5,53.56
	Costs of voluntary retirement schemes	..	..	9,29.25	18,82.65
	Costs of merger	..	..	79.86	1,24.05
	Provision for doubtful debts, loans and advances	..	..	5,58.74	4,50.73
	Long term loss under the head 'capital gains'	..	..	—	1,03.89
	Provision for pricing of formulations	..	..	2,08.85	1,91.01
	Expenses allowable for tax purposes when paid	..	..	8,16.03	4,58.47
	TOTAL	..	..	35,18.90	41,17.53
<u>Liabilities</u>					
	Depreciation	..	..	9,56.02	9,75.81
	Fixed assets held for sale	..	..	1,01.74	1,65.37
	TOTAL	..	..	10,57.76	11,41.18
	TOTAL	..	..	24,61.14	29,76.35
7	INVENTORIES				
(Inventories have been valued at lower of cost and net realisable value)					
	Stores and spares	..	..	3,88.76	2,27.95
	Raw and packing materials	..	..	44,56.95	35,88.17
	Work-in-progress	..	..	32,73.78	31,53.39
	Finished goods	..	..	159,75.92	148,43.39
	TOTAL	..	..	240,95.41	218,12.90
8	SUNDRY DEBTORS			Doubtful	Good
(Unsecured)					
	Outstanding for over six months	..	..	15,42.74	7,03.95
	Others	..	..	39.28	53,40.56
				15,82.02	60,44.51
	Less : Provision for doubtful debts			(15,82.02)	—
				—	60,44.51
	TOTAL	..	..	60,44.51	67,38.72
9	CASH AND BANK BALANCES				
On hand :					
	Cash and stamps	..	..	6.02	5.58
	Remittances in transit (Refer note 2(iii) on Schedule 17)	..	..	5.92	5.92
With scheduled banks					
	Current account	..	..	28,55.77	38,64.96
	Fixed deposit account	..	..	2,77.35	2,35.17
	Call deposit	..	..	3,58.00	6,41.00
	TOTAL	..	..	35,03.06	47,52.63

Schedules to the Financial Statements — continued

	Rupees in lakhs		Previous year Rupees in lakhs	
10 OTHER CURRENT ASSETS				
Interest accrued on investments/deposits		24,01.17		14,55.37
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) *		3,02.25		4,91.29
TOTAL		<u>27,03.42</u>		<u>19,46.66</u>
* 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	—	27.56	—	29.96
Unsecured				
Sundry deposits	—	21,23.77	—	19,24.57
Other advances	77.93	62,07.67	98.31	61,62.36
Less : Provision for doubtful advances	(77.93)	—	(98.31)	—
	—	83,59.00	—	81,16.89
Balance with customs, excise and port trust on current accounts ..	—	3,58.80	—	4,37.13
Fixed deposit with a limited company	—	10,00.00	—	10,00.00
Current taxation [Refer note 31 on Schedule 17]	—	46,99.63	—	13,75.33
	—	144,17.43	—	109,29.35
TOTAL		<u>144,17.43</u>		<u>109,29.35</u>
12 CURRENT LIABILITIES				
Sundry creditors				
Small scale industrial undertakings (Refer note 10 on Schedule 17)	1,62.45		3,49.80	
Others	<u>229,01.04</u>	230,63.49	<u>233,95.81</u>	237,45.61
Subsidiary company		29.67		4,58.81
Unpaid dividend *		6,20.14		4,91.10
Unpaid matured fixed deposits *		4.10		6.01
Warrants issued but not encashed - Fixed deposit interest * ..		4.67		4.67
Drugs Prices Equalisation Account		10,49.23		10,49.23
TOTAL		<u>247,71.30</u>		<u>257,55.43</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.				
13 PROVISIONS				
For unencashed leave		17,02.31		16,44.57
For proposed equity dividend		262,57.94		237,16.84
For tax on distributed profit		36,82.68		33,26.29
For fringe benefits tax [Provision in excess of payments of Rs. 12,85.00 lakhs (Previous year Rs. 4,10.00 lakhs)]		1,72.48		3,67.49
TOTAL		<u>318,15.41</u>		<u>290,55.19</u>

Schedules to the Financial Statements — continued

		Rupees in lakhs		Previous year Rupees in lakhs
14	OTHER INCOME			
	Interest income (Gross):			
	On deposits with banks and limited companies	1,60.45		1,42.23
	On loans	31.87		37.15
	On tax refunds	1.37		56.45
	On investments - Government securities and other than trade			
	- long term [net of premium write-off of Rs. 1,98.24 lakhs (Previous year Rs. 2,45.88 lakhs)]	31,60.23		20,22.33
	- current	1,23.43		2,28.15
	Others	12.21		25.50
		<u>34,89.56</u>		<u>25,11.81</u>
	Less : Interest Expense:			
	Security deposits	(62.50)		(65.87)
	Others	(1.15)		(1,01.11)
		<u>(63.65)</u>		<u>(1,66.98)</u>
			34,25.91	23,44.83
	Dividend income - Investments other than trade - long term ..	1,80.00		1,53.00
	- current	8,13.73	9,93.73	6,32.27
		<u>8,13.73</u>		<u>7,85.27</u>
	Miscellaneous income			
	Export related benefits (net)	1,15.56		1,32.82
	Profit on sale/redemption of investments (net) - current ..	5,12.28		2,14.97
	(Refer note 12 on Schedule 17)			
	Profit on sale/disposal of fixed assets (net)	1,27.17		3.99
	Exchange gain (net)	—		36.34
	Consignment sales commission	2,35.33		2,36.73
	Clinical research and data management	22,46.58		14,16.42
	Manufacturing charges recovery	15.32		11.11
	Provision written back as no longer required	6,69.87		5,84.30
	Others	12,42.63	51,64.74	7,96.72
		<u>12,42.63</u>		<u>7,96.72</u>
	TOTAL		<u>95,84.38</u>	<u>65,63.50</u>
	Tax deducted at source :			
	On interest	3,41.95		3,59.47
	Others	1,19.29	4,61.24	99.92
		<u>1,19.29</u>		<u>4,59.39</u>
15	MATERIALS			
	Raw and packing materials consumed	296,99.70		251,31.10
	Purchase of finished goods	350,09.98		383,19.79
	(Increase)/decrease in work-in-progress and finished goods:			
	Opening stock			
	Work-in-progress	31,53.39		30,79.69
	Finished goods	148,43.39		149,71.01
		<u>179,96.78</u>		<u>180,50.70</u>
	Less: Closing stock			
	Work-in-progress	32,73.78		31,53.39
	Finished goods	159,75.92		148,43.39
		<u>192,49.70</u>	(12,52.92)	<u>179,96.78</u>
	Transfer of finished goods pursuant to sale of the Animal Health business (Refer note 30 on Schedule 17)		(10,05.22)	—
	Loss of stock on account of flood		—	(8,59.05)
	TOTAL		<u>624,51.54</u>	<u>626,45.76</u>

Schedules to the Financial Statements — continued
16 OPERATING AND OTHER EXPENSES

	Rupees in lakhs		Previous year Rupees in lakhs	
Salaries, wages and bonus	136,68.98		137,50.88	
Contributions to : Provident and pension funds	9,15.61		8,90.86	
Gratuity funds	2,16.71		3,72.84	
Staff welfare	5,65.91	153,67.21	5,33.09	155,47.67
Promotion and publicity		53,45.96		54,08.43
Selling commission on exports		12.57		12.85
Bonus offer discount		13,00.91		14,36.53
Stock point commission		11,17.83		10,77.85
Freight (net)		25,64.29		22,83.66
Travelling		31,47.38		30,32.35
Provision/write off for doubtful debts, loans and advances (net)		4,32.27		1,80.73
Exchange loss (net)		13.59		—
Manufacturing charges		32,10.27		20,97.74
Repairs — Buildings	3,06.08		2,72.07	
— Plant and Machinery	8,24.43		7,99.49	
— Others	27.22	11,57.73	18.85	10,90.41
Consumption of stores and spares		4,07.98		2,74.63
Power, fuel and water		19,23.42		16,60.86
Rent		5,97.04		6,43.15
Rates and taxes		13,04.21		9,14.55
Excise duty		14,49.70		14,92.04
Insurance		3,17.78		3,35.35
Remuneration to auditors :				
Statutory audit fees	32.83		32.23	
In other capacity in respect of :				
Tax audit fees	5.89		5.79	
Audit of tax accounts	19.64		19.29	
Other services	17.60		25.92	
Reimbursement of expenses	0.61		2.26	
	76.57		85.49	
Cost audit fees	5.61	82.18	6.93	92.42
Date-expired stocks		15,91.59		15,94.98
Finance charges		71.28		68.87
Commission to non whole-time Directors		20.04		18.25
Directors' sitting fees		11.10		7.60
Miscellaneous		47,99.03		48,53.65
Less : Recovery of expenses (net) (Refer note 15 on Schedule 17)		(10,01.20)		(10,40.78)
TOTAL		452,44.16		430,83.79

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 with the applicable accounting standards issued by the Institute of Chartered Accountants of India 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 material, 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. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Premium in respect of forward contracts is accounted over the period of the contract.

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS (*continued*)

(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.

(i) Retirement Benefits

The Company has various schemes of retirement benefits such as provident fund, superannuation and gratuity recognised by the Income tax authorities. These funds are administered through trustees / appropriate authorities and the Company's contributions are charged against revenue each year. Gratuity liability is determined on the basis of an actuarial valuation.

The retirement benefits and superannuation, in respect of the employees of the erstwhile SmithKline Beecham Pharmaceuticals (India) Limited are paid to the approved fund maintained on behalf of the Company based on amounts advised by the fund.

The Company also provides for unutilised leave benefits on retirement available to its employees on the basis of an actuarial valuation.

(j) 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.

(k) Voluntary Retirement Scheme Payments

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

(l) 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.

(m) 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.

- 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.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. 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 has filed a reference application against the income tax tribunal's order which is pending before the High Court of Karnataka.

4 Contingent Liabilities not provided for:

	Rupees in lakhs	Previous year Rupees in lakhs
(i) Cheques discounted with banks	25,34.86	12,89.08
(ii) In respect of claims made against the Company not acknowledged as debts by the Company		
- Sales tax matters	34,19.67	25,91.36
- Excise matters	13,50.17	12,53.44
- Service tax matters	2,42.18	1,29.20
- Labour matters	29,38.56	16,62.48
- Other legal matters	9,74.00	8,62.09
which net of current tax amount to	59,20.57	43,11.15
(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	73,56.67	10,77.46
- Other consequential matters (net of tax)	3,76.26	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 judgements/decisions 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	1,57.52	4,70.08
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 the maximum amount due during the year was	21.52 21.84	21.79 22.10
* Loan granted prior to appointment as a whole time Director.		
9 (a) Directors' Remuneration		
Salaries	2,00.67	2,01.59
Perquisites	3.68	3.57
Contribution to provident and superannuation funds	17.62	15.38
Commission to non whole-time Directors	20.04	18.25
Directors' sitting fees	11.10	7.60
	<u>2,53.11</u>	<u>2,46.39</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. 58.24 lakhs (Previous year - Nil).		
- previous year excludes commission of Rs. 1.46 lakhs to a past non whole-time Director of erstwhile Burroughs Wellcome (India) Limited for the period 1st January, 2004 to 24th September, 2004.		
Pension to past Directors	3.07	2.86

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	545,51.33	502,08.30
<u>Add / (Deduct) :</u>		
Directors' remuneration.	2,53.11	2,46.39
Depreciation as per the Profit and Loss Account	15,85.31	15,73.33
Depreciation under Section 350 of the Companies Act, 1956	(12,23.68)	(12,05.53)
Provision/write off for doubtful debts, loans and advances (net)	4,32.27	1,80.73
Bad debts written off against provision for doubtful debts, loans and advances	(60.73)	(12,61.91)
Profit on sale/disposal of fixed assets (net)	(1,27.17)	(3.99)
Profit on sale/redemption of investments (net)	(5,12.28)	(2,14.97)
Exceptional items:		
- Costs of voluntary retirement schemes and other retirement benefits	—	39.90
- Profit on sale of properties	—	(216,75.40)
- Profit on sale of the Animal Health business	(187,02.52)	—
- Expenses incurred on buy back of shares.	—	1,85.44
- Impairment loss on fixed assets held for sale	—	1,54.79
Taxation for the year (including on exceptional items)	194,05.20	169,98.36
Net Profit	556,00.84	452,25.44
Maximum remuneration permissible under the Companies Act, 1956 at 10%	55,60.08	45,22.54
Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1%	5,56.01	4,52.25
Commission payable for the year restricted to.	20.04	18.25

10 The names of the small scale industrial undertakings to whom the Company owes an amount outstanding for more than 30 days * as at the Balance Sheet date are :

Print Soon - Rs. 0.17 lakhs, Fay Industries - Rs. 0.02 lakhs, Kemwell Private Limited - Rs. 10.01 lakhs, Meenaxy Pharma Private Limited - Rs. 13.94 lakhs, Shree Ganesh Graphics Private Limited - Rs. 0.11 lakhs

* As per the terms of contract, the credit period is generally up to 45 days.

The above information and that given in Schedule 12 - "Current Liabilities" regarding small scale industrial undertakings 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, 2006 and the provision based on the figures for the remaining nine months up to 31st December, 2006, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2006 to 31st March, 2007.

12 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 (Previous year - Profit on sale/redemption of investments (net) - current is net of loss on sale/redemption of current investments amounting to Rs. 4.60 lakhs).

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
13 Materials cost and other expenditure include samples, free issues etc., which valued at standard cost amount to	56,17.83	59,85.50
14 The recurring expenditure on research and development charged off to revenue amounts to	4,29.75	4,24.18
15 "Recovery of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 10,33.10 lakhs (previous year Rs. 11,57.97 lakhs), from subsidiary company Rs. 3,84.11 lakhs (previous year Rs. 3,88.08 lakhs), from GlaxoSmithKline Services Unlimited Rs. 1,67.15 lakhs (previous year - Nil), from GlaxoSmithKline Pte Limited, Singapore - Nil (previous year Rs. 23.40 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 5,83.16 lakhs (previous year Rs. 5,28.67 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.		
16 Exceptional items :		
(i) Costs of voluntary retirement schemes and other retirement benefits	—	(39.90)
(ii) Impairment loss on fixed assets held for sale.	—	(1,54.79)
(iii) Non-recurring expenses for merger/rationalisation initiatives	—	(62.61)
(iv) Profit on sale of properties	—	216,75.40
(v) Expenses incidental to sale of properties	—	(16.25)
(vi) Profit on sale of the Animal Health business (Refer note 30)	187,02.52	—
(vii) Expenses incidental to sale of the Animal Health business	(66.39)	—
(viii) Expenses incurred on buy back of shares	—	(1,85.44)
(ix) Provision for pricing of formulations.	(2,75.00)	(17,57.00)
(x) Loss of stock and incidental expenses on account of flood (previous year is net of insurance claim of Rs. 8,28.40 lakhs)	—	(43.60)
Taxation on the above		
Current tax	—	39.24
Deferred tax	17.84	1,24.80
	<u>183,78.97</u>	<u>195,79.85</u>

17 Installed Capacities (per annum)

Class of Goods	Unit	Installed Capacity (a)	
		2006	2005
Chemicals (including Bulk Drugs)	Tonnes	371	371
Formulations			
Liquids- Orals, Topicals, Parenterals and Malt	Kilo litres	8,400	8,400
Antibiotic Vials	Thousands	5,000	4,000
Tablets and Capsules	Million	6,750	6,350
Solids including Powders and Ointments	Tonnes	1,550	1,410
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)

- 18 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	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs
Chemicals (including Bulk Drugs)	Tonnes	1242 (1128)	13,42.90 (15,10.38)	5539 (5578)	2160 (1812)	21,43.73 (20,21.18)	5925 (5523)	115,95.26 (105,69.06)	1550 (1242)	18,74.47 (13,42.90)
Formulations (including Vitamin Feed Supplements)										
Liquids- Orals, Topicals, Parenterals	Kilo litres	1745 (1666)	25,85.86 (27,24.55)	6066 (5132)	4165 (7847)	49,77.68 (66,30.02)	9795 (12582)	298,04.17 (308,34.44)	1227 (1745)	22,63.20 (25,85.86)
Antibiotic Vials	Thousands	3854 (2715)	12,25.93 (11,88.18)	4784 (9005)	5631 (7248)	32,20.45 (27,47.42)	10351 (13628)	115,45.88 (106,35.11)	1109 (3854)	8,74.64 (12,25.93)
Tablets and Capsules	Million	1282 (1285)	54,44.40 (51,22.78)	7778 (6414)	786 (1422)	133,60.22 (155,25.38)	8448 (7675)	732,43.09 (655,71.77)	1160 (1282)	53,68.97 (54,44.40)
Solids including Powders, Ointments and Malt	Tonnes	768 (681)	23,91.80 (23,44.97)	1758 (1615)	2757 (4446)	55,05.96 (67,77.84)	4458 (5878)	311,01.21 (297,58.94)	376 (768)	29,45.42 (23,91.80)
Vaccines	Thousands	413 (525)	13,09.57 (16,40.83)	— (—)	1625 (1367)	47,79.81 (39,84.68)	1319 (1283)	79,45.45 (81,77.77)	657 (413)	20,83.56 (13,09.57)
Aerosols	Thousands	338 (290)	5,42.93 (4,39.32)	1012 (1247)	244 (158)	10,22.13 (6,33.27)	1357 (1279)	25,21.51 (20,41.77)	266 (338)	5,65.66 (5,42.93)
TOTAL			148,43.39 (149,71.01)			350,09.98 (383,19.79)		1677,56.57 (1575,88.86)		159,75.92 (148,43.39)

Notes:

- Figures in brackets are in respect of the previous year.
- Transfer of stocks as at 31st July, 2006, pursuant to the 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 stocks stated above are after adjustments for in-transit breakages / damages, date expired stocks and free issues and also for captive consumption in case of chemicals. Closing stock figures, if derived from opening stocks, production and sales would be different due to these adjustments.
- Actual production includes production captively consumed.
- Actual production includes quantities produced in the factories of third parties on loan licenses.

- 19 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		Previous year Rupees in lakhs
	216,48.05	179,74.49
	80,51.65	71,56.61
	<u>296,99.70</u>	<u>251,31.10</u>

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS *(continued)*

	Rupees in lakhs		Previous year Rupees in lakhs	
	%		%	
20 Consumption of raw and packing materials				
Purchased indigenously	72.05	214,00.10	73.83	185,53.62
Imported by the Company (including duty and other charges)	27.95	82,99.60	26.17	65,77.48
	<u>100.00</u>	<u>296,99.70</u>	<u>100.00</u>	<u>251,31.10</u>
21 C.I.F. value of imports in respect of:				
Raw and packing materials		69,97.08		57,57.17
Goods for resale		61,21.76		54,62.25
Components and spare parts for machinery		25.39		2.45
Capital goods		2,09.81		2,79.15
		<u>133,54.04</u>		<u>115,01.02</u>
22 Remittance in foreign currency on account of dividend		<u>2005</u>		<u>2004</u>
		(Final)		(Final)
On 3,04,85,250 equity shares to Glaxo Group Limited, U.K.		85,35.87		73,16.46
On 58,80,000 equity shares to Eskaylab Limited, U.K.		16,46.40		14,11.20
On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K.		9,40.80		8,06.40
On 31,92,238 equity shares to Castleton Investment Limited, Mauritius.		8,93.83		7,66.14
23 Expenditure in foreign currency on account of : (on payment basis)				
- Travelling		1,00.87		59.70
- Insurance		14.92		15.55
- Selling commission on exports		4.26		3.98
- Others		1,48.77		1,06.26
		<u>2,68.82</u>		<u>1,85.49</u>
24 Earnings in foreign exchange on account of :				
F.O.B. value of exports including through merchant exporters.		30,17.76		27,32.28
Recovery of expenses		56.29		47.56
Clinical research and data management		22,46.58		14,16.42
Research and development		2,91.85		3,11.75
Others		3,19.09		93.77
		<u>59,31.57</u>		<u>46,01.78</u>

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

25 Segment Information for the year ended 31st December, 2006
(i) Information about Primary Business Segments (Rupees in lakhs)

	Pharmaceuticals		Other Businesses		Unallocated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
<u>Revenue</u>								
External	1416,01.82	1286,34.93	181,33.52	230,66.45	2,09.15	47.28	1599,44.49	1517,48.66
Inter-segment	—	—	—	—	—	—	—	—
Total revenue	1416,01.82	1286,34.93	181,33.52	230,66.45	2,09.15	47.28	1599,44.49	1517,48.66
<u>Result</u>								
Segment result	492,10.97	416,29.75	38,48.39	51,99.30	—	—	530,59.36	468,29.05
Unallocated expenditure net of unallocated income					(23,95.88)	(23,83.27)	(23,95.88)	(23,83.27)
Interest expense					(63.65)	(1,66.98)	(63.65)	(1,66.98)
Interest income					34,89.56	25,11.81	34,89.56	25,11.81
Dividend income and profit on sale/redemption of investments (net)					15,06.01	10,00.24	15,06.01	10,00.24
Profit before taxation and exceptional items	492,10.97	416,29.75	38,48.39	51,99.30	25,36.04	9,61.80	555,95.40	477,90.85
Provision for taxation							(194,23.04)	(171,62.40)
Profit after taxation and before exceptional items	492,10.97	416,29.75	38,48.39	51,99.30	25,36.04	9,61.80	361,72.36	306,28.45
Exceptional items	(2,75.00)	196,44.85	—	(43.60)	186,36.13	(1,85.44)	183,61.13	194,15.81
Tax credit							17.84	1,64.04
Net Profit	489,35.97	612,74.60	38,48.39	51,55.70	211,72.17	7,76.36	545,51.33	502,08.30
<u>Other Information</u>								
Segment assets	375,67.35	345,53.38	74,02.11	94,15.87	1327,00.01	1073,28.55	1776,69.47	1512,97.80
Segment liabilities	217,18.74	225,78.19	13,62.16	18,53.06	351,17.28	320,05.97	581,98.18	564,37.22
Capital expenditure	14,30.33	16,96.22	34.61	19.67	3,97.38	6,04.37	18,62.32	23,20.26
Depreciation	9,73.56	8,95.73	1,34.59	2,19.82	4,77.16	4,57.78	15,85.31	15,73.33
Non-cash expenses other than depreciation	2,91.44	4,04.35	2,63.97	21.99	19.24	72.82	5,74.65	4,99.16

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

	India		Outside India		Total	
	2006	2005	2006	2005	2006	2005
<u>Revenue by geographical market</u>						
External	1542,39.61	1471,81.50	57,04.88	45,67.16	1599,44.49	1517,48.66
Inter-segment	—	—	—	—	—	—
Total	1542,39.61	1471,81.50	57,04.88	45,67.16	1599,44.49	1517,48.66
Carrying amount of segment assets	1776,69.47	1512,97.80	—	—	1776,69.47	1512,97.80
Capital expenditure	18,62.32	23,20.26	—	—	18,62.32	23,20.26

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS (*continued*)

(iii) Notes:

- (i) The Company is organised into two main business segments, namely:
- Pharmaceuticals - comprising of bulk drugs and formulations
 - Others - primarily comprising of veterinary formulations, feed supplements, fine chemicals, diagnostics, laboratory equipment and exports mainly relating to pharmaceuticals.
- 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 and export incentives in the respective segments.

Segment Revenue comprises of :

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

Rs. in lakhs	
2006	2005
1552,92.03	1485,30.23
46,52.46	32,18.43
1599,44.49	1517,48.66

- (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 Animal Health business.

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:

Glaxo Wellcome Ceylon Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited, Pakistan

GlaxoSmithKline Asia Private Limited, India

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

GlaxoSmithKline Consumer Healthcare Limited, India
 GlaxoSmithKline Biologicals S.A., Belgium
 GlaxoSmithKline Services Unlimited, U.K.
 Glaxo Operations UK Limited, U.K
 Glaxo Operations UK Area, U.K
 GlaxoSmithKline S.A.E., Egypt
 Laboratoire GlaxoSmithKline S.A.S., France
 GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia
 GlaxoSmithKline Export Limited, U.K.
 SmithKline Beecham Pharmaceuticals R & D, U.S.
 GlaxoSmithKline 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. P. Parsonson * (alternate director up to 26th July, 2006)
Mr. A.S. Lakshmanan	Mr. P.V. Nayak
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. H. Singh	Mr. R. Limaye
Dr. H.B. Joshipura (with effect from 5th October, 2006)	Mr. R. Raghunandan
Mr. J. Dwivedy	Dr. S. Joglekar
Mr. K. Shivkumar	Mr. S. Kalyanasundaram (up to 31st December, 2006)
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	Mrs. Neeru Nayak
Mr. P. Bains *	Mr. R. C. Sequeira (with effect from 1st December, 2006)

* 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 items 1(ii) and 1(iii) above:

Rupees in lakhs

	Subsidiary of the company (ii)		Other companies in the GSK Group (iii)	
	2006	2005	2006	2005
1 Purchase of materials/finished goods	—	—	82,44.91	65,41.48
2 Sale of materials/finished goods	—	—	10,94.83	10,25.54
3 Sale of fixed assets	—	—	98.00	—
4 Expenses recharged to other companies	3,84.11	3,88.08	14,62.49	11,18.30
5 Research and development recoveries	—	—	2,91.85	2,31.56
6 Expenses recharged by other companies	—	—	7,65.76	6,11.10
7 Manufacturing charges recovered	15.32	11.11	—	—
8 Consignment sales commission paid	—	—	14.04	54.16
9 Consignment sales commission received	1,09.84	1,17.06	1,08.09	1,16.46
10 Clinical research and data management recoveries	—	—	22,46.58	14,16.42
11 Outstanding (payables)/receivables at the year end (net) #	(29.67)	(4,58.81)	9,75.16	2,01.52

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

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS (*continued*)

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

	Rupees in lakhs 2006	Rupees in lakhs 2005
(a) Purchase of materials/finished goods		
GlaxoSmithKline Biologicals S.A., Belgium	40,90.49	33,98.38
GlaxoSmithKline Export Limited, U.K.	40,04.12	30,43.22
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	3,92.32	2,23.93
GlaxoSmithKline Trading Services Limited, Ireland	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	11,43.40	10,10.10
GlaxoSmithKline Services Unlimited, U.K.	2,42.02	46.40
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,89.18	2,31.56
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	6,63.02	5,93.59
(g) Consignment sales commission paid		
GlaxoSmithKline Consumer Healthcare Limited, India	14.04	54.16
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	1,08.09	1,16.46
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	7,46.21	4,60.47
GlaxoSmithKline Services Unlimited, U.K.	14,64.69	9,55.95
(j) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	1,72.14	81.13
GlaxoSmithKline Consumer Healthcare Limited, India	6,29.42	5,43.39
GlaxoSmithKline Biologicals S.A., Belgium	(1,66.51)	(2,87.82)
GlaxoSmithKline Services Unlimited, U.K.	7,30.09	2,71.32
GlaxoSmithKline Export Limited, U.K.	(5,16.68)	(4,68.44)
GlaxoSmithKline Pakistan Limited, Pakistan	35.59	—
GlaxoSmithKline Trading Services Limited, Ireland	1,33.19	—

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

	Rupees in lakhs	
	2006	2005
1 Remuneration/commission/sitting fees	5,82.08	4,19.22
2 Interest income on loans given	3.05	2.24
3 Rent paid for residential flat	4.32	10.62
4 Outstanding loans receivable	90.07	66.15

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Rupees in lakhs	
	2006	2005
(a) Remuneration/commission/sitting fees		
Mr. S. Kalyanasundaram	76.49	86.13
Mr. M.B. Kapadia	99.97	92.19
(b) Interest income on loans given		
Dr. A. Banerjee	0.35	0.36
Mr. H. Singh	0.31	0.33
Mr. K. Shivkumar	0.42	0.43
Mr. M.K. Vasanth Kumar	0.77	0.83
Mr. S. Khanna	0.38	*
(c) Rent paid for residential flat		
Dr. A. Banerjee	0.72	—
Mrs. Neeru Nayak	3.60	3.60
(d) Outstanding loans receivable		
Dr. A. Banerjee	11.72	11.89
Mr. H. Singh	10.11	10.42
Mr. J. Dwivedy	9.61	9.72
Mr. K. Shivkumar	13.91	14.09
Mr. M.K. Vasanth Kumar	18.58	20.03
Mrs. S. Patel	9.56	*

* Not a related party during the previous year.

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. 1,37.33 lakhs (Previous year Rs. 1,29.56 lakhs)
 - later than one year and not later than five years Rs. 1,28.54 lakhs (Previous year Rs. 2,65.87 lakhs)

28 Amount recognised as expense for the year under the long-term incentive plan is Rs. 1,24.47 lakhs (Previous year Rs. 82.27 lakhs). The total carrying amount of the corresponding liability at the year end is Rs. 2,63.09 lakhs (Previous year Rs. 1,50.27 lakhs).

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	361,72.36	306,28.45
Profit after taxation	Rupees in lakhs	545,51.33	502,08.30
Weighted average number of shares	Nos.	8,47,03,017	8,58,12,126
Earnings per share before exceptional items (Basic and Diluted)	Rs.	42.70	35.69
Earnings per share (Basic and Diluted)	Rs.	64.40	58.51
Face value per share	Rs.	10	10

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30 The Board of Directors, at its meeting held on 28th April, 2006, approved the proposal for sale of the Animal Health business as a going concern to Virbac Animal Health India Private Limited for a total consideration of Rs. 207,10 lakhs. Shareholders of the Company approved the proposal by postal ballot on 26th June, 2006. The sale has been completed effective from the close of business hours of 31st July 2006 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. Animal Health business forms part of the Company's 'Other Businesses' segment.

31 Current taxation represents payments in excess of provisions of Rs. 1246,29.39 Lakhs (previous year Rs. 1064,19.39 Lakhs)

32 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

State Code

Registration No.
 Balance Sheet Date

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

Public Issue	Right Issue
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Issue	Private Placement
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

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

	Total Liabilities (including shareholders' funds)	Total Assets
Sources of Funds	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Paid-Up Capital	Reserves and Surplus
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Secured Loans	Unsecured Loans
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Net Current Assets*	Miscellaneous Expenditure
	(<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
	Accumulated Losses	
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	

*including net deferred tax asset

IV. Performance of Company (Amount rupees in thousands)

Turnover (Sales and Other Income)	Total Expenditure
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Profit before tax and exceptional items	Profit after tax before exceptional items
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Profit after tax after exceptional items
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Earning Per Share in Rs. before exceptional items	Earning Per Share in Rs. after exceptional items
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Dividend Rate
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> %

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 . 6 1
Product Description	P A R A C E T A M O L

33 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, 16th February, 2007

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	31.12.2006	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 9.69.93	Rs. lakhs —	Rs. lakhs 38.25.85	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, 16th February, 2007.

Biddle Sawyer Limited

Directors' Report to the Members

Your Directors are pleased to present the 61st Annual Report and the audited accounts of the Company for the year ended 31st December 2006.

Financial Results

	Year ended 31 st December 2006	Year ended 31 st December 2005
	Rs. in lakhs	Rs. in lakhs
Net Sales and other income	30,86.82	34,98.28
Profit before taxation and exceptional items	14,59.81	14,19.94
Provision for Tax	4,90.00	5,10.74
Deferred Tax charge/ (credit)	(0.12)	(18.86)
Net profit after tax	9,69.93	9,27.72
Add: Balance brought forward	38,26.53	28,98.81
Balance carried forward	47,96.46	38,26.53

Dividend

The Directors do not recommend any dividend for the year ended 31st December 2006.

Operations

The net sales for the year ended 31st December 2006 were Rs. 29.07 crores as compared to Rs. 33.23 crores for the previous year. The profit after tax increased by 4.5% from Rs.9.28 crores to Rs.9.70 crores. The increase in profit was mainly due various initiatives taken by the Company for improving profitability.

Directors

Mr. S. Kalyanasundaram and Mr. T. Sengupta resigned from the Board effective 31st December 2006 and 21st August 2006, respectively. The Board placed on record its deep appreciation of the services rendered by Mr. Kalyanasundaram and Mr. Sengupta as also the contribution made by them and wished them well in their future endeavours.

Dr. H. B. Josphipura has been appointed as Director in the casual vacancy caused by the resignation of S. Kalyanasundaram.

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

Directors' Responsibility Statement

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2006 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: 16th February 2007

Dr. H. B. Josphipura
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	
	31st December 2006	31st December 2005
1. Electricity:		
a) Purchased		
Units	Nil	182
Total Amount	Rs. Nil	Rs. 850
Rate/Unit	Rs. Nil	Rs. 4.67
b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil & LSHS	Nil	Nil
4. Others	Nil	Nil

II. Consumption per Unit of Production Standard:

Electricity (Units):

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

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO TECHNOLOGY ABSORPTION

1) Specific Areas in which R&D is carried out by the Company : Nil	
2) Benefits derived as a result of the above R&D : Nil	
3) Future plan of action : Nil	
4) Expenditure on R&D	31st December 2006 Rs. in lakhs
1) Capital	Nil
2) Recurring	Nil
3) Total	Nil
4) Total R&D expenditure as percentage of total turnover	Nil

Technology absorption, adaption and innovation

- Efforts in brief made towards technology absorption, adaption and innovation:
Adaptive development of products and processes with the objective of cost reduction.
- Benefits derived as a result of above efforts:
Product improvement and cost reduction which are reflected in the quality and stability of products.
- In case of imported technology (imported during the last 5 years)
 - Technology Imported – NA
 - Year of Import – NA
 - Has technology been fully absorbed – NA
 - If not fully absorbed, areas where this has not taken place, reasons therefor, and future plan of action – NA

C. FOREIGN EXCHANGE EARNING AND OUTGO

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

	31st December 2006 Rs. in lakhs
1) Foreign Exchange earned	Nil
2) Foreign Exchange outgo- CIF Value of imports	649.25
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, 2006, 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 responsibility 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 statements 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 and Profit and Loss Account referred to in this report are in agreement with the books of account;
 - (d) In our opinion, the Balance sheet and the Profit & Loss Account 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, 2006.And
 - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.
 - 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: 16th February, 2007.

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.
(c) 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.
- (ii) (a) 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.
(b) 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.
(c) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- (vii) The Company has internal audit system commensurate with size of the Company and the nature of its business.
- (viii) 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.
- (ix) (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, 2006, 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, 2006.
- (x) 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.
- (xi) According to the information and explanations given to us, the Company has not taken any loan from financial institutions or a bank. The company, has not issued any debentures. Therefore the provisions of Clause 4(xi) of Companies (Auditor's Report) Order, 2003, are not applicable to the company.
- (xii) 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.
- (xiii) 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.
- (xiv) 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.
- (xv) 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.
- (xvi) 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.
- (xvii) 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.
- (xviii) 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.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures.
- (xx) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xxi) 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: 16th February, 2007.

Balance Sheet as at 31st December, 2006

	Schedule	Rs. ('000)	31/12/2006 Rs. ('000)	Rs. ('000)	31/12/2005 Rs. ('000)
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS:					
a) Share Capital	1	96,00		96,00	
b) Reserves & Surplus	2	52,46,97		42,77,04	
			53,42,97		43,73,04
TOTALRs.			53,42,97		43,73,04
APPLICATION OF FUNDS					
FIXED ASSETS:					
Gross Block	3	1,99,32		1,99,32	
Less: Depreciation		1,81,05		1,80,22	
Net Block :			18,27		19,10
INVESTMENTS	4		44,13,15		35,00,00
CURRENT ASSETS, LOANS AND ADVANCES:					
a) Inventories	5	5,83,13		4,18,83	
b) Sundry Debtors	6	29,67		4,58,81	
c) Cash & Bank Balances	7	78,80		7,05	
d) Other Current Assets	8	98,09		98,09	
e) Loans & Advances	9	3,69,73		1,52,83	
		11,59,42		11,35,61	
Less: CURRENT LIABILITIES & PROVISIONS:					
Current Liabilities	10	2,62,72		2,96,40	
		2,62,72		2,96,40	
Net Current Assets			8,96,70		8,39,21
DEFERRED TAX ASSET		18,12		18,12	
LESS: DEFERRED TAX LIABILITY		(3,27)		(3,39)	
			14,85		14,73
TOTAL Rs.			53,42,97		43,73,04
Notes to the Accounts	14				
The Schedules referred to above form an integral part of the Balance Sheet					
As per our report of even date attached					
For CORNELIUS & DAVAR					
Chartered Accountants					
RUSTOM D. DAVAR (Partner) Membership No. F10620 Place: Mumbai Date: 16th February, 2007					
For and on behalf of the Board					
Dr. Hasit B. Joshipura Chairman					
M. B. Kapadia Director					
S. Balasubramanian Company Secretary					

Profit and Loss Account for the year ended 31st December, 2006

	Schedule	Rs. ('000)	31/12/2006 Rs. ('000)	Rs. ('000)	31/12/2005 Rs. ('000)
INCOME					
Sales		32,47,07		34,57,74	
Less : Excise duty on sales		(3,40,13)		(1,34,31)	
Net Sales		29,06,94		33,23,43	
Other Income	11	1,79,88		1,74,85	
			30,86,82		34,98,28
EXPENDITURE					
Materials	12	6,97,21		12,49,98	
Operating and other expenses	13	9,28,97		8,24,87	
Depreciation		83		3,49	
			16,27,01		20,78,34
Profit before tax			14,59,81		14,19,94
Less:					
Provision for taxation		4,90,00		5,10,74	
Deferred tax charge/(credit)		(12)		(18,86)	
		4,89,88		4,91,88	
Fringe Benefit Tax		—	4,89,88	34	4,92,22
Net Profit			9,69,93		9,27,72
Balance brought forward			38,26,53		28,98,81
			47,96,46		38,26,53
Balance carried forward			47,96,46		38,26,53
Earnings per share (basic and diluted) (Rs.)			101.03		96.64
Face value of shares - Rs. 10 each (Refer note 13 on Schedule 14)					
Notes to the Accounts	14				
The Schedules referred to above form an integral part of the Profit and Loss Account					
As per our report of even date attached					
For CORNELIUS & DAVAR					
Chartered Accountants					
RUSTOM D. DAVAR (Partner) Membership No. F10620 Place: Mumbai Date: 16th February, 2007					
For and on behalf of the Board					
Dr. Hasit B. Joshipura Chairman					
M. B. Kapadia Director					
S. Balasubramanian Company Secretary					

Biddle Sawyer Limited
Cash Flow Statement for the year ended 31st December, 2006

	31/12/2006 Rs. ('000)	31/12/2005 Rs. ('000)
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	14,59,81	14,19,94
Adjustments for :		
Depreciation	83	3,49
Interest income	(1,27,30)	(1,74,23)
Profit on sale of investments (net)	(15,13)	—
Dividend income	(34,02)	(1)
Operating profit before working capital changes	12,84,19	12,49,19
Adjustments for :		
Inventories	(1,64,30)	(29,22)
Trade and other receivables	3,63,94	(2,67,77)
Trade payables and other liabilities	(33,68)	64,09
Cash generated from operations	14,50,15	10,16,29
Direct taxes paid (net of refunds)	(6,41,70)	(4,98,78)
Net cash from operating activities A	8,08,45	5,17,51
b. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / sale of investments (net)	(8,98,02)	(15,00,00)
Interest received	1,27,30	1,74,57
Dividend received	34,02	1
Net cash used in investing activities B	(7,36,70)	(13,25,42)
Net increase/(decrease) in cash and cash equivalents (A + B)	71,75	(8,07,91)
Cash and cash equivalents as at 1st January, 2006 (opening balance)	7,05	8,14,96
Cash and cash equivalents as at 31st December, 2006 (closing balance)	78,80	7,05
Net increase/(decrease) in cash and cash equivalents	71,75	(8,07,91)

NOTES:

- Cash and cash equivalents include:

Cash and bank balances	78,80	7,05
Total cash and cash equivalents	78,80	7,05
- 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 CORNELIUS & DAVAR
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR
(Partner)
Membership No. F10620
Place: Mumbai
Date: 16th February, 2007

Dr. Hasit B. Joshipura
Chairman

M. B. Kapadia
Director

S. Balasubramanian
Company Secretary

Schedules to the Accounts

	31/12/2006 Rs. ('000)	31/12/2005 Rs. ('000)
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
1,500,000 Ordinary Shares of Rs.10/- each	1,50,00	1,50,00
ISSUED, SUBSCRIBED & PAID-UP:		
960,000 Ordinary Shares of Rs.10/- each fully paid up	96,00	96,00
(of the above 750,000 ordinary shares have been allotted as fully paid-up Bonus shares by capitalisation of General Reserve)		
(All the above shares are held by GlaxoSmithKline Pharmaceuticals Limited, the holding Company and its nominees.)		
TOTAL : Rs.	96,00	96,00
SCHEDULE 2: RESERVES & SURPLUS		
CAPITAL RESERVE:		
As per last Balance Sheet	2,91	2,91
GENERAL RESERVE:		
As per last Balance Sheet	4,47,60	4,47,60
PROFIT & LOSS ACCOUNT	47,96,46	38,26,53
TOTAL : Rs.	52,46,97	42,77,04

	Rs. ('000) Book Value	Rs. ('000) Book Value
SCHEDULE 4: INVESTMENTS (AT COST):		
LONG TERM INVESTMENTS		
NON-TRADE (QUOTED)		
Housing Development Finance Corporation Limited	20,00,00	20,00,00
200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each		
CURRENT (at lower of cost and fair value)		
NON-TRADE (UNQUOTED)		
Deutsche Short Maturity Fund - Growth Option Nil, (Previous year : 42,67,740.999 Units of Rs. 10 each)	—	5,00,00
Deutsche Money Plus Fund - Institutional Plan - Weekly Dividend Option 51,82,883.734 Units of Rs. 10 each	5,13,15	—
DSP Merrill Lynch Short Term Fund - Growth Option 41,63,821.389 Units of Rs. 10 each	5,00,00	5,00,00
DSP Merrill Lynch Fixed Term Plan Series 3A - Growth Option 80,000 Units of Rs. 1000 each	8,00,00	—
HSBC Income Fund Short Term Institutional - Growth Option Nil, (Previous year : 42,50,652.475 Units of Rs. 10 each)	—	5,00,00
Prudential ICICI FMP Series 34 - Three Months Plus Plan A - Retail - Dividend 60,00,000.000 Units of Rs. 10 each	6,00,00	—
TOTAL :Rs.	44,13,15	35,00,00
Quoted : Market Value Rs. 18,85,20,000 (Previous year : Rs. 19,22,00,000)		
Unquoted : Book Value Rs. 24,13,14,759 (Previous year : Rs. 15,00,00,000)		
Purchased and Sold during the year (at cost)		
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option 42,81,638.152 Units of Rs. 10 each		
Prudential ICICI FMP Series 32 - Three Months Plan - C - Retail - Dividend Option 51,53,188.631 Units of Rs. 10 each		
Prudential ICICI FMP Series 32 - Three Months Plan - A - Retail - Dividend Option 50,65,272.326 Units of Rs. 10 each		

SCHEDULE 5: INVENTORIES

	31/12/2006 Rs. ('000)	31/12/2005 Rs. ('000)
(AT COST OR MARKET VALUE WHICHEVER IS LESS AND AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	82,94	1,38,42
Packing Materials	10,66	22,34
Work-in-Progress	37,47	38,12
Finished Goods	4,52,06	2,19,95
TOTAL :Rs.	5,83,13	4,18,83
SCHEDULE 6: SUNDRY DEBTORS - UNSECURED		
Less than six months and considered good	29,67	4,58,81
TOTAL : Rs.	29,67	4,58,81
SCHEDULE 7: CASH AND BANK BALANCE		
Bank balance with Scheduled Banks:		
On Current Accounts	78,80	7,05
On Deposits	—	—
TOTAL : Rs.	78,80	7,05
SCHEDULE 8: OTHER CURRENT ASSETS		
Interest accrued on Investments	98,09	98,09
TOTAL : Rs.	98,09	98,09

SCHEDULE 3 : FIXED ASSETS

Sr No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		At Cost as on 01/01/06	Additions during the year	Sale/scrapped during the year	Total as at 31/12/06	Depn. as on 01/01/06	Depn. for the year	Depn. in respect of items sold/scrapped	Depn. to date 31/12/06	As at 31/12/06	As at 31/12/05
1	Land	2,08	—	—	2,08	—	—	—	—	2,08	2,08
2	Factory Building	16,98	—	—	16,98	8,31	15	—	8,46	8,52	8,67
3	Plant & Machinery	1,10,32	—	—	1,10,32	102,15	67	—	102,81	7,51	8,17
4	Furniture & Fixtures	13,48	—	—	13,48	13,30	1	—	13,32	16	18
5	Cycles	5	—	—	5	5	—	—	5	—	—
6	Computers	56,41	—	—	56,41	56,41	—	—	56,41	—	—
	Total	1,99,32	—	—	1,99,32	1,80,22	83	—	1,81,05	18,27	19,10
	Previous Year	1,99,32	—	—	1,99,32	1,76,73	3,49	—	1,80,22	19,10	—

	31/12/2006		31/12/2005	
	Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
SCHEDULE 9: LOANS AND ADVANCES				
(Unsecured, Considered good)				
Sundry Deposit		1,45		1,45
Balance with Central, State Excise and Insurance companies		1,39		94
Other advances		1,91,18		1,26,43
Advance Income-tax (Net of Provision)		1,75,71		24,01
TOTAL Rs.		3,69,73		1,52,83
SCHEDULE 10: CURRENT LIABILITIES				
Sundry Creditors				
Small scale industrial undertakings (Refer note 4 on Schedule 14)	4			
Others	1,91,44	1,91,48	2,25,16	2,25,16
D.P.E.A.		71,24		71,24
TOTAL Rs.		2,62,72		2,96,40
SCHEDULE 11: OTHER INCOME				
Dividend Income		34,02		1
{Tax deducted at source Nil/- (Previous year Nil)}				
Profit on Sale of Investments		15,13		-
Interest income		1,27,30		1,74,23
{Tax deducted at source Rs. 26,25,480 (Previous year Rs. 36,56,335)}				
Miscellaneous Income		3,43		61
TOTAL Rs.		1,79,88		1,74,85
SCHEDULE 12: MATERIALS				
Raw and packing materials consumed		8,80,27		3,33,53
Purchase of Finished Goods		48,40		9,29,70
(Increase)/Decrease in Work-in-Process and Finished Goods:				
Opening Stocks				
Work-in-Process	38,12		2,03	
Finished Goods	2,19,95		2,42,79	
	2,58,07		2,44,82	
Less: Closing Stocks				
Work-in-Process	37,47		38,12	
Finished Goods	4,52,06		2,19,95	
	4,89,53	(231,46)	2,58,07	(13,25)
TOTAL Rs.		6,97,21		12,49,98
SCHEDULE 13: OTHER EXPENSES				
Selling & Distribution Expenses	5,65,82		6,79,34	
Manufacturing Charges	43,19		12,64	
Power & Fuel			14	
Rent	1,47		1,42	
Rates & Taxes	68,24		59,88	
Excise Duty	1,64,28		(1,91)	
Insurance	1,15		75	
Remuneration of auditors :				
Statutory audit fees	1,18		1,16	
Tax audit fees	28		28	
Other services	21		20	
	1,67		1,64	
Reimbursement of expenses	33	2,00	12	1,76
Finance Charges		58		19
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited		70,30		53,62
Miscellaneous Expenses	11,94		17,04	
TOTAL Rs.		9,28,97		8,24,87
SCHEDULE : 14				
Notes annexed to and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2006.				
1 Statement of Significant Accounting Policies:				
a) Basis of Accounting				
The financial statements are prepared under the historical cost convention.				
b) Fixed Assets and Depreciation				
Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.				
The Company provides for depreciation on a straight line method. The depreciation rates used by the Company are equal to or higher than the principal rates specified in Schedule XIV to the Companies Act, 1956 and where higher are as follows:				
	S. L. M. Rates %			
Buildings	3.50			
Plant and Machinery (excluding Gas Installations)	10.00			
Furniture and Fittings	10.00			
Vehicles and Mainframe Computers	25.00			
Personal Computers and Laptops	33.33			

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

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

Transactions in foreign exchange are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment/realisation. Gains/Losses, if any, at the year end on account of restatement of current assets and current liabilities, not covered by forward contracts, are accounted for. Premium in respect of forward contracts is accounted over the period of the contract.

g) Research and Development

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

h) Provision for Retirement Benefits

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

i) 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.

j) 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. 6,07,99,761/- (Previous year Rs. 5,56,62,343/-)
- Taxation matters in respect of which appeals are pending NIL (previous year Rs. 5,53,715/-)
- 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 Amoxycillin 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.

- The name of the small scale industrial undertaking to whom the Company owes an amount outstanding for more than 30 days * as at the Balance Sheet date is :

Print Soon - Rs. 4,065

* As per the terms of contract, the credit period is generally up to 45 days.

The above information and that given in Schedule 10 - "Current Liabilities" regarding small scale industrial undertakings 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.

Biddle Sawyer Limited

5	Deferred tax assets and liability are attributable to the following items :										
		2006	2005								
		Rs. ('000)	Rs. ('000)								
	in respect of deferred tax asset consisting of :										
	Provision for pricing of formulation	17,97	17,97								
	Expenses allowable for tax purposes when paid	15	15								
		18,12	18,12								
	in respect of deferred tax liability consisting of :										
	Book-tax timing difference on account of depreciation	(3,27)	(3,39)								
		(3,27)	(3,39)								
		14,85	14,73								
6	Value of Imported Raw Materials calculated on C.I.F. basis	6,49,25	1,97,40								
7	Consumption of Raw Materials & Packing Materials:										
	Particulars	Units	2006	2005							
			Qty. Rs. ('000)	Qty. Rs. ('000)							
	Serratiopeptidase	Kgs	394.47 4,27,89	— —							
	Alpha D3	Lacs	233.900 2,93,15	228.270 2,94,71							
	Packing Material		64,22	38,82							
	Other Basic Raw Materials none of which account for more than 10% of the total value of consumption		95,01	—							
	Total		8,80,27	3,33,53							
8	Value & Percentage of Imported / Indigenous Materials Consumed:										
			2006	2005							
			Rs. ('000)	Rs. ('000)							
	Purchased indigenously including canalised items		69,66	34,16							
			8%	10%							
	Imported by the Company including customs duty & clearing charges		8,10,61	2,99,37							
			92%	90%							
9	Statement of Installed Capacities (per annum)										
	Class of Goods	Units	Installed Capacity								
			2006	2005							
	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.										
10	Detailed information in respect of opening and closing stocks, production and sales in respect of each class of goods produced and traded:										
	Class of Goods	Unit	Stocks at Commencement	Production	Purchase	Sales	Stocks at Close				
			Quantity Rs. ('000)	Quantity	Quantity Rs. ('000)	Quantity Rs. ('000)	Quantity Rs. ('000)				
	Formulations										
	Tablets	Lacs	97.54 (89.04)	1,47,53 (1,17,30)	480.84 (—)	92.54 (542.88)	48,40 (9,29,70)	474.59 (536.40)	22,84,07 (24,67,67)	199.67 (97.54)	352,11 (147,53)
	Liquids	Litres	—	—	—	—	—	—	—	—	—
	Capsules	Lacs	26.00 (46,26)	72,42 (125,49)	219,58 (187,49)	—	—	194,01 (198,92)	9,63,00 (989,09)	50,15 (26,00)	99,95 (72,42)
	TOTAL		2,19,95 (2,42,79)		48,40 (9,29,70)			32,47,07 (34,57,74)		4,52,06 (2,19,95)	
Notes:											
1	Figures in brackets are in respect of the previous year.										
2	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.										
3	Actual production includes quantities produced in the factories of third parties on loan licenses.										
11	The Company has only one segment namely pharmaceuticals; hence no separate disclosure of segment-wise information has been made.										
12	Related Party disclosures:										
1	Related parties with whom there were transactions during the year are listed below:										
	Holding Company:										
	The company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.										

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

		(Rs. In '000s)	
		Holding Company	
		2006	2005
1	Payment of manufacturing charges	15,32	11,11
2	Payment of common costs	78,57	59,09
3	Payment of CSA commission	1,22,76	1,29,00
4	Payment of marketing commission	3,50,74	3,68,57
5	Outstanding payable/(receivable) by the Company (net) @	(29,67)	(4,58,81)

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

13 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	
			2006	2005
	Profit after taxation	Rs. 000's	9,69,93	9,27,72
	Weighted average number of shares	Nos.	960000	960000
	Earnings per share (Basic and Diluted)	Rs.	101.03	96.64
	Face value per share	Rs.	10	10

14 Balance Sheet Abstract and Company's General Business Profile :
I. Registration Details

Registration No.	6218	State Code	11
Balance Sheet Date	31/12/06		

II. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)			
Total Liabilities	560896	Total Assets	560896
Sources of Funds			
Paid-Up Capital	9600	Reserves & Surplus	524697
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Fixed Assets	1827	Investments	441315
Net Current Assets*	91155	Misc. Expenditure	NIL
Accumulated Losses	NIL		

* including net deferred tax asset

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

Turnover	308682	Total Expenditure	162701
Profit Before Tax	145981	Profit After Tax	96993
Earning Per Share in Rs.	101	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

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

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

As per report of even date attached
For CORNELIUS & DAVAR
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: 16th February, 2007

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 31st December, 2006, 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. 53,42.97 lakhs as at 31st December, 2006 and total revenues of Rs. 30,86.82 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 31st December, 2006;
 - (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.

Mumbai, 16th February, 2007

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

Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary as at 31st December 2006

	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	1120,04.22	1204,74.52	868,45.07	953,15.37
LOAN FUNDS					
Unsecured loans	3		5,53.71		4,85.42
TOTAL			<u>1210,28.23</u>		<u>958,00.79</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross block	4	297,76.98		297,25.02	
Less : Depreciation		207,57.09		207,05.87	
Net block		90,19.89		90,19.15	
Capital work-in-progress		8,66.10	98,85.99	15,37.32	105,56.47
INVESTMENTS					
	5		1135,92.41		900,44.37
DEFERRED TAX					
Deferred tax assets	6	35,37.02		41,35.65	
Deferred tax liabilities		10,61.03	24,75.99	11,44.57	29,91.08
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	7	246,78.54		222,31.73	
Sundry debtors	8	60,44.51		67,38.72	
Cash and bank balances	9	35,81.86		47,59.68	
Other current assets	10	28,01.51		20,44.75	
Loans and advances	11	147,87.16		110,82.18	
		518,93.58		468,57.06	
Less : CURRENT LIABILITIES AND PROVISIONS					
Liabilities	12	250,04.33		255,93.00	
Provisions	13	318,15.41		290,55.19	
		568,19.74		546,48.19	
NET CURRENT ASSETS			(49,26.16)		(77,91.13)
TOTAL			<u>1210,28.23</u>		<u>958,00.79</u>
Notes to the Consolidated Financial Statements					
	17				

The schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date

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

Mumbai, 16th February, 2007

For and on behalf of the Board

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

Consolidated Profit and Loss Account of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2006

	Schedule	Rupees in lakhs		Previous year Rupees in lakhs
INCOME				
Sales (Gross)		1710,03.64		1610,46.60
Less : Excise duty on sales		128,04.67		91,92.94
Net sales		1581,98.97		1518,53.66
Other income	14	96,39.10		66,06.41
TOTAL INCOME			1678,38.07	1584,60.07
EXPENDITURE				
Materials	15	631,48.75		638,95.13
Operating and other expenses	16	460,47.97		437,23.93
Depreciation		20,07.63		19,98.31
TOTAL EXPENDITURE			1112,04.35	1096,17.37
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			566,33.72	488,42.70
Provision for taxation				
Current tax		187,00.00		152,60.84
Deferred tax		5,32.93		16,33.92
		192,32.93		168,94.76
Fringe benefits tax		6,79.99	199,12.92	7,77.83
NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS			367,20.80	311,70.11
EXCEPTIONAL ITEMS (net of tax)			183,78.97	195,44.42
(Refer note 16 on Schedule 17)				
NET PROFIT			550,99.77	507,14.53
Balance brought forward			463,50.98	277,00.41
AVAILABLE FOR APPROPRIATION			1014,50.75	784,14.94
APPROPRIATIONS				
Proposed dividend		262,57.94		237,16.84
[The proposed dividend includes a special additional dividend of Rs.118,58.42 lakhs (Previous year Rs.118,58.42 lakhs)]				
Tax on distributed profit		36,82.68		33,26.29
		299,40.62		270,43.13
Transfer to general reserve		54,55.13	353,95.75	50,20.83
BALANCE CARRIED FORWARD			660,55.00	463,50.98
Earnings per share before exceptional items (basic and diluted) (Rs.)			43.35	36.32
Earnings per share (basic and diluted) (Rs.)			65.05	59.10
Face value of shares Rs. 10 each. (Refer note 21 on Schedule 17)				
Notes to the Consolidated Financial Statements	17			

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

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

For 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, 16th February, 2007

Consolidated Cash Flow Statement of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2006

	Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	566,33.72	488,42.70
<i>Adjustments for :</i>		
Depreciation	20,07.63	19,98.31
Interest expense	63.65	1,67.17
Provision / write off for doubtful debts, loans and advances (net)	4,32.27	1,80.73
Unrealised loss/ (gain) on foreign exchange	(17.03)	12.41
Profit on sale / disposal of fixed assets (net)	(1,27.17)	(3.99)
Profit on sale / redemption of investments (net)	(5,27.41)	(2,14.97)
Provision written back as no longer required	(6,69.87)	(5,84.30)
Interest income	(36,16.86)	(26,86.04)
Dividend income	(10,27.75)	(7,85.28)
Operating profit before working capital changes	531,51.18	469,26.74
<i>Adjustments for :</i>		
Inventories	(34,52.03)	8,07.61
Trade and other receivables	(11,00.96)	1,34.81
Trade payables and other liabilities	5,19.89	34,37.43
Cash generated from operations	491,18.08	513,06.59
Direct taxes paid (net of refunds) (including fringe benefits tax)	(230,51.00)	(150,75.48)
Cash flow before exceptional items	260,67.08	362,31.11
<i>Exceptional items:</i>		
Payments made for voluntary retirement schemes and other retirement benefits	(85.88)	(31.01)
Expenses incurred on buy back of shares	(41.32)	(1,44.12)
Expenses incidental to sale of properties	(10.82)	(5.43)
Expenses incidental to sale of the Animal Health business	(66.39)	—
Payments for pricing of formulations	—	(6,04.62)
Non recurring expenses for merger / rationalisation initiatives	(3.26)	(64.12)
Loss of stock on account of flood	—	(43.60)
Additional contribution for past years' service to the defined benefit pension fund	—	(4,00.00)
Net cash from operating activities	A	349,38.21
b. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,62.32)	(23,39.14)
Sale of fixed assets	3,32.54	85.91
Sale of properties (Exceptional item)	—	218,03.70
Sale of Animal Health business (Exceptional item)	207,10.00	—
(Purchase) / sale / redemption of investments (net)	(232,18.87)	(151,54.00)
Fixed deposit with a limited company (net)	—	(10,00.00)
Interest received	28,69.30	29,02.45
Dividend received	10,27.75	7,85.28
Net cash (used in)/ from investing activities	B	70,84.20
c. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayments) of borrowings (net)	68.29	1,00.94
Buy back of equity shares	—	(207,30.92)
Interest paid	(66.86)	(1,66.60)
Dividend paid	(235,87.80)	(208,68.09)
Tax on distributed profit	(33,26.29)	(27,38.87)
Net cash used in financing activities	C	(444,03.54)
Net decrease in cash and cash equivalents	(A + B + C)	(23,81.13)
Cash and cash equivalents as at 1st January, 2006 (opening balance)	47,71.68	71,52.81
Cash and cash equivalents as at 31st December, 2006 (closing balance)	35,76.83	47,71.68
Net decrease in cash and cash equivalents	(11,94.85)	(23,81.13)
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	35,81.86	47,59.68
Unrealised loss/ (gain) on foreign currency	(5.03)	12.00
Total cash and cash equivalents	35,76.83	47,71.68
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

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

Mumbai, 16th February, 2007

For and on behalf of the Board

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

Schedules to the Consolidated Financial Statements

1

CAPITAL

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

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

Previous year
Rupees in lakhs

90,00.00
84,70.77
84,70.30

The Company bought back and extinguished 26,19,529 equity shares during the previous year.

* 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.

2

RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2006	Additions	Deductions	As at 31st December 2006	As at 31st December 2005
Capital Reserve	1,70.97	—	—	(c) 1,70.97	1,70.97
Capital Redemption Reserve	2,62.00	—	—	(d) 2,62.00	2,62.00
Investment Allowance Reserve	1.64	—	—	1.64	1.64
General Reserve	400,59.48	(a) 54,55.13	—	455,14.61	400,59.48
Profit and Loss Account - Surplus	463,50.98	(b) 197,04.02	—	660,55.00	463,50.98
TOTAL	868,45.07	251,59.15	—	1120,04.22	868,45.07
Previous Year Total	836,42.64	239,33.35	(207,30.92)	868,45.07	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

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

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

Schedules to the Consolidated Financial Statements — continued

3 UNSECURED LOANS

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

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
5,51.50	2.21	4,83.21	2.21
<u>5,51.50</u>	<u>2.21</u>	<u>4,83.21</u>	<u>2.21</u>
	<u>5,53.71</u>		<u>4,85.42</u>

4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2006	Additions/ Adjustments	Deductions (d)	As at 31st December 2006	As at 1st January 2006	For the Year	On Deductions (d)	As at 31st December 2006	As at 31st December 2006	As at 31st December 2005
Goodwill (a)	42,14.97	—	—	42,14.97	33,71.94	4,21.49	—	37,93.43	4,21.54	8,43.03
Freehold land	22.89	—	—	22.89	—	—	—	—	22.89	22.89
Leasehold land	46.49	—	2.22	44.27	—	—	—	—	44.27	46.49
Freehold buildings (b)	24,78.90	1,19.34	6.90	25,91.34	10,77.36	57.84	6.69	11,28.51	14,62.83	14,01.54
Leasehold buildings	24,00.16	3,69.43	—	27,69.59	11,36.08	87.84	—	12,23.92	15,45.67	12,64.08
Plant and machinery	152,96.38	18,21.95	5,74.14	165,44.19	118,62.59	9,84.97	5,58.08	122,89.48	42,54.71	34,33.79
Furniture and fittings	29,50.57	1,53.83	93.83	30,10.57	16,49.32	2,63.55	64.66	18,48.21	11,62.36	13,01.25
Trademarks (c)	17,17.57	—	17,17.57	—	11,44.16	1,00.19	12,44.35	—	—	5,73.41
Vehicles	5,97.09	68.99	86.92	5,79.16	4,64.42	91.75	82.63	4,73.54	1,05.62	1,32.67
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	
Previous year - Total	296,78.51	12,33.49	11,86.98	297,25.02	196,93.34	19,98.31	9,85.78	207,05.87		90,19.15
Work-in-progress at cost and advance payments against capital expenditure									8,66.10	15,37.32
								TOTAL	<u>98,85.99</u>	<u>105,56.47</u>

Notes:

- Amortised over a period of ten years
- Buildings include investments representing ownership of residential flats (Refer note 8 on Schedule 17).
- Other than internally generated and amortised over a period of 10 years.
- Deductions include fixed assets transferred pursuant to sale of the Animal Health business (Refer note 22 on Schedule 17).

Schedules to the Consolidated Financial Statements — continued
5 INVESTMENTS
LONG TERM (at Cost)
IN GOVERNMENT SECURITIES
Quoted

7.40% Government of India Securities, 2012

Face value Rs. 25,00 lakhs

 Rupees
in lakhs

Previous year

 Rupees
in lakhs

27,40.95

27,79.18

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

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

15,20.60

15,26.56

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

20,01.22

20,02.11

Grasim Industries Limited

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

10,06.83

10,08.82

10, 6.75% Non-Convertible Debentures, 2009 of Rs. 50,00,000 each .. .

5,09.35

5,12.31

10, Floating Rate Inverse Mibor Non-Convertible Debentures, 2007 of Rs. 50,00,000 each .. .

5,08.08

5,20.33

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 .. .

15,02.01

15,04.21

400, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each .. .

40,12.50

40,18.10

Indian Railway Finance Corporation Limited

Nil, (Previous year : 50, 10.90% Bonds, 2006 of Rs. 10,00,000 each) .. .

—

5,01.57

50, 8.05% Bonds, 2007 of Rs. 10,00,000 each.

5,01.71

5,05.09

100, 7.63% Bonds, 2007 of Rs. 10,00,000 each

10,08.98

10,19.24

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

5,09.23

5,11.48

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

5,03.58

5,05.57

LIC Housing Finance Limited

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

5,31.80

5,45.38

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

5,45.48

5,58.26

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

10,49.00

10,65.30

National Hydroelectric Power Corporation Limited

10, 7.70% Bonds, 2010 of Rs. 1,00,00,000 each

10,53.57

10,68.09

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

9,27.22

9,37.90

National Thermal Power Corporation Limited

Nil, (Previous year : 750, 10% Bonds, 2008 of Rs. 2,00,000 each)

—

16,81.22

Power Grid Corporation of India Limited

40, 6.10% Bonds, 2008 of Rs. 12,50,000 each.

5,03.67

5,06.08

Nil, (Previous year : 40, 6.10% Bonds, 2009 of Rs. 12,50,000 each) .. .

—

5,08.35

Nil, (Previous year : 40, 6.10% Bonds, 2010 of Rs. 12,50,000 each) .. .

—

5,10.51

Power Finance Corporation Limited

1,500, 5.85% Bonds, 2010 of Rs. 1,00,000 each

15,08.66

15,14.34

Reliance Industries Limited

Nil, (Previous year : 100, 8.25% Non-Convertible Debentures, 2006 of Rs. 10,00,000 each) .. .

—

10,03.85

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 .. .

15,13.91

15,23.33

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

Schedules to the Consolidated Financial Statements — continued

5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
Unquoted		
National Bank for Agriculture and Rural Development		
9,000, 5% 5-Year Capital Gains Bonds, 2008 of Rs. 10,000 each	9,00.00	9,00.00
25,000, 4.94% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	25,00.00	25,00.00
National Housing Bank		
45,000, 5.10% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	45,00.00	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	—
1,00,000, 5.50% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each	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	—
CURRENT (at lower of cost and fair value)		
IN GOVERNMENT SECURITIES		
Quoted		
Government of India Treasury Bills		
Nil, (Previous year : Face Value Rs. 130,00 lakhs)	—	126,31.82
OTHER THAN TRADE		
Quoted		
HDFC Bank Limited		
Nil, (Previous year : 1,500 Units of Certificate of Deposit - Cumulative of Rs. 1,00,000 each)	—	14,76.00
Industrial Development Finance Corporation Limited		
Nil, (Previous year : 100 Units of Commercial Paper of Rs. 5,00,000 each)	—	4,92.87
Power Finance Corporation Limited		
Nil, (Previous year : 100 Units of Commercial Paper of Rs. 5,00,000 each)	—	4,93.42
Unquoted (Mutual Funds)		
ABN AMRO Long Term Floating Rate Fund - Institutional Weekly Dividend Option		
50,36,660.877 Units of Rs. 10 each, (Previous year : 1,00,84,921.322 Units of Rs. 10 each)	5,03.67	10,08.49
ABN AMRO Floating Rate Fund - Institutional Growth Option		
Nil, (Previous year : 95,70,843.383 Units of Rs. 10 each)	—	10,00.00
ABN AMRO Cash Fund - Institutional Growth Option		
Nil, (Previous year : 95,44,899.206 Units of Rs. 10 each)	—	10,00.00
ABN AMRO Cash Fund - Institutional Daily Dividend Option		
Nil, (Previous year : 1,01,83,476.349 Units of Rs. 10 each)	—	10,18.35
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan E - Dividend Option		
1,00,00,000 Units of Rs. 10 each	10,00.00	—
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan F - Dividend Option		
50,00,000 Units of Rs. 10 each	5,00.00	—
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan G - Dividend Option		
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		
1,00,00,000 Units of Rs. 10 each	10,00.00	—
ABN AMRO Fixed Term Plan - Series 4 - Quarterly Plan B - Dividend Option		
1,50,00,000 Units of Rs. 10 each	15,00.00	—
DWS Fixed Term Fund - Series 22 - Dividend Option		
50,00,000 Units of Rs. 10 each	5,00.00	—
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option		
2,09,24,300.719 Units of Rs. 10 each	20,86.31	—
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option		
51,82,883.734 Units of Rs. 10 each	5,13.15	—
DWS Floating Rate Fund - Regular Plan - Growth Option		
50,32,740.777 Units of Rs. 10 each, (Previous year : 2,32,04,862.763 Units of Rs. 10 each)	5,47.82	25,00.00
DWS Floating Rate Fund - Regular Plan - Weekly Dividend Option		
Nil, (Previous year : 40,12,856.158 Units of Rs. 10 each)	—	4,11.75
DWS Short Maturity Fund - Growth Option		
Nil, (Previous year : 2,16,34,097.759 Units of Rs. 10 each)	—	25,00.00
DSP Merrill Lynch Short Term Fund - Growth Option		
41,63,821.389 Units of Rs. 10 each	5,00.00	5,00.00
DSP Merrill Lynch Fixed Term Plan - Series 1 E - Dividend Option		
50,000 Units of Rs. 1,000 each	5,00.00	—
DSP Merrill Lynch Fixed Term Plan - Series 1 F - Dividend Option		
50,000 Units of Rs. 1,000 each	5,00.00	—
DSP Merrill Lynch Fixed Term Plan - Series 3 A - Growth Option		
80,000 Units of Rs. 1,000 each	8,00.00	—

Schedules to the Consolidated Financial Statements — *continued*

5 INVESTMENTS (*continued*)

	Rupees in lakhs	Previous year Rupees in lakhs
Grindlays Fixed Maturity 15th Plan A - Growth Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Grindlays Fixed Maturity 17th Plan - Dividend Option Nil, (Previous year : 50,00,000 Units of Rs. 10 each)	—	5,00.00
Grindlays Super Saver Income Fund - Short Term Plan C - Growth Option Nil, (Previous year : 2,54,22,496.081 Units of Rs. 10 each)	—	25,42.25
Grindlays Super Saver Income Fund - Short Term Plan C - Monthly Dividend Option Nil, (Previous year : 1,00,66,135.421 Units of Rs. 10 each)	—	10,10.84
Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option Nil, (Previous year : 80,00,000 Units of Rs. 10 each)	—	8,00.00
HDFC Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option Nil, (Previous year : 91,21,542.175 Units of Rs. 10 each)	—	9,21.16
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 - Growth Option 1,04,97,480.880 Units of Rs. 10 each, (Previous year : 1,37,19,690.929 Units of Rs. 10 each)	15,30.71	20,00.00
HDFC Cash Management Fund - Saving Plus Plan - Dividend Option Nil, (Previous year : 2,00,88,601.506 Units of Rs. 10 each)	—	20,11.97
HDFC Fixed Maturity Plan 18M October 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	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	—
HDFC Fixed Maturity Plan 16M December 2006 (2) - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00	—
HDFC Fixed Maturity Plan 13M September 2006 (1) - Institutional Plan - Growth Option 40,00,000 Units of Rs. 10 each	4,00.00	—
HDFC Fixed Maturity Plan 90D November 2006 - Wholesale Plan - Dividend Option 80,00,000 Units of Rs. 10 each	8,00.00	—
HDFC Fixed Maturity Plan 90D December 2006 (2) - Wholesale Plan - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option Nil, (Previous year : 1,63,21,954.016 Units of Rs. 10 each)	—	16,34.35
HSBC Income Fund - Short Term Plan - Institutional Growth Option Nil, (Previous year : 1,29,14,211.812 Units of Rs. 10 each)	—	15,00.00
HSBC Floating Rate Fund - Long Term Plan - Institutional Weekly Dividend Option Nil, (Previous year : 1,36,30,498.691 Units of Rs. 10 each)	—	13,64.00
HSBC Floating Rate Fund - Long Term Plan - Institutional Growth Option Nil, (Previous year : 1,00,00,000 Units of Rs. 10 each)	—	10,00.00
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option 5,05,34,779.877 Units of Rs. 10 each	50,53.62	—
HSBC Income Fund - Short Term Plan - Institutional - Dividend Option 50,54,078.687 Units of Rs. 10 each	5,08.54	—
Principal Income Fund - Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option 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 30,01,998.002 Units of Rs. 10 each	3,00.20	—
Prudential ICICI Fixed Maturity Plan - Yearly - Series XXV - Dividend Option Nil, (Previous year : 81,81,785.761 Units of Rs. 10 each)	—	8,18.18
Prudential ICICI Institutional - Short Term Plan - Cumulative Option 77,50,856.470 Units of Rs. 10 each	10,00.00	10,00.00
Prudential ICICI Floating Rate Plan C - Growth Option 1,90,30,038.916 Units of Rs. 10 each	20,00.00	20,00.00
Prudential ICICI Long Term Floating Rate Plan B - Growth Option 97,80,142.399 Units of Rs. 10 each	10,00.00	10,00.00
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan D - Retail - Dividend Option 1,00,00,000 Units of Rs. 10 each	10,00.00	—
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan E - Retail - Dividend Option 85,71,502.464 Units of Rs. 10 each	8,57.15	—
Prudential ICICI Fixed Maturity Plan Series 32 - One Month Plan D - Retail - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Prudential ICICI Fixed Maturity Plan Series 34 - Three Months Plan A - Retail - Dividend Option 60,00,000 Units of Rs. 10 each	6,00.00	—

Schedules to the Consolidated Financial Statements — continued

5 INVESTMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
Prudential ICICI - Flexible Income Plan - Fortnightly Dividend Option 48,51,064.733 Units of Rs. 10 each	5,12.14	—
Standard Chartered Fixed Maturity Plan - Quarterly Series 1 - Dividend Option 1,00,00,000 Units of Rs. 10 each	10,00.00	—
Standard Chartered Liquidity Manager - Plus - Daily Dividend Option 2,52,271.766 Units of Rs. 1,000 each	25,22.97	—
Standard Chartered Fixed Maturity Plan - Yearly Series 1 - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Standard Chartered Fixed Maturity - 2nd Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00	—
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option 97,81,276.652 Units of Rs. 10 each	10,18.74	—
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option 2,02,090.128 Units of Rs. 1,000 each.	20,32.26	—
Templeton Floating Rate Income Fund - Short Term Plan - Growth Option Nil, (Previous year : 1,64,59,008.838 Units of Rs. 10 each)	—	20,00.00
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option Nil, (Previous year : 2,95,10,076.150 Units of Rs. 10 each)	—	29,51.08
TOTAL	1135,92.41	900,44.37
Aggregate of Unquoted Investments - At Book value	884,19.07	453,98.09
Aggregate of Quoted Investments - At Book value	251,73.34	446,46.28
- At Market value	383,76.45	545,02.59
Purchased and Sold/ Redeemed during the year		
ABN AMRO Long Term Floating Rate Fund - Institutional Weekly Dividend Option 95,202.920 Units of Rs. 10 each		
ABN AMRO Cash Fund - Institutional Daily Dividend Option 92,895.456 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan B - Dividend Option 50,69,576.725 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan C - Dividend Option 50,68,296.165 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan D - Dividend Option 1,01,41,533.550 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 2 - Quarterly Plan E - Monthly Dividend Option 50,00,000 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan A - Dividend Option 50,70,861.039 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan B - Dividend Option 50,73,571.928 Units of Rs. 10 each		
ABN AMRO Fixed Term Plan - Series 3 - Quarterly Plan D - Dividend Option 1,01,52,511 Units of Rs. 10 each		
DWS Fixed Term Fund - Series 12 - Dividend Option 50,00,000 Units of Rs. 10 each		
DWS Fixed Term Fund - Series 13 - Dividend Option 50,00,000 Units of Rs. 10 each		
DWS Floating Rate Fund Regular Plan - Weekly Dividend Option 32,528.265 Units of Rs. 10 each		
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option 8,34,50,960.035 Units of Rs. 10 each		
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option 1,99,83,613.437 Units of Rs. 10 each		
DWS Money Plus Fund - Regular Plan - Weekly Dividend Option 3,05,37,900.956 Units of Rs. 10 each		
DSP Merrill Lynch Liquid Plus Institutional Plan - Weekly Dividend Option 2,03,714.544 Units of Rs. 1,000 each		
DSP Merrill Lynch Liquid Plus Institutional Plan - Daily Dividend Option 6,50,734.067 Units of Rs. 1,000 each		
Grindlays Super Saver Income Fund - Short Term Plan C - Monthly Dividend Option 50,52,087.454 Units of Rs. 10 each		
Grindlays Super Saver Income Fund - Short Term Plan C - Fortnightly Dividend Option 1,00,73,409.275 Units of Rs. 10 each		

Schedules to the Consolidated Financial Statements — *continued*

5 INVESTMENTS (*continued*)

Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option	15,20,32,811.203 Units of Rs. 10 each
Grindlays Fixed Maturity - 19th Plan - Dividend Option	1,01,01,400 Units of Rs. 10 each
Grindlays Super Saver Income Fund - Medium Term - Bi-monthly Dividend Option	48,58,197.942 Units of Rs. 10 each
HDFC Cash Management Fund - Saving Plan - Weekly Dividend Option	47,46,562.588 Units of Rs. 10 each
HDFC Cash Management Fund - Saving Plan - Daily Dividend Option	47,15,710.122 Units of Rs. 10 each
HDFC Cash Management Fund - Saving Plus Plan - Dividend Option	1,03,22,786.432 Units of Rs. 10 each
HDFC Fixed Maturity Plan 3M August 2006 (1) - Institutional Plan - Dividend Option	50,70,750 Units of Rs. 10 each
HDFC Fixed Maturity Plan 6M June 2006 (1) - Institutional Plan - Dividend Option	1,01,71,047.136 Units of Rs. 10 each
HDFC Fixed Maturity Plan 3M May 2006 (1) - Institutional Plan - Dividend Option	1,01,36,500 Units of Rs. 10 each
HDFC Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option	68,363.363 Units of Rs. 10 each
HSBC Cash Fund - Institutional Plus - Daily Dividend Option	10,16,99,731.641 Units of Rs. 10 each
HSBC Floating Rate Fund - Long Term Plan - Institutional Weekly Dividend Option	1,12,197.384 Units of Rs. 10 each
HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option	1,38,410.428 Units of Rs. 10 each
Prudential ICICI Fixed Maturity Plan - Yearly - Series XXV - Dividend Option	2,43,968.020 Units of Rs. 10 each
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan - A - Retail - Dividend Option	1,51,95,816.978 Units of Rs. 10 each
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan - B - Retail - Dividend Option	50,70,950 Units of Rs. 10 each
Prudential ICICI Fixed Maturity Plan Series 32 - Three Months Plan - C - Retail - Dividend Option	1,02,30,838.631 Units of Rs. 10 each
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option	1,28,44,914.459 Units of Rs. 10 each
Prudential ICICI Liquid Plan Super Institutional Plus - Daily Dividend Option	85,71,502.464 Units of Rs. 10 each
Prudential ICICI Floating Rate Plan D - Daily Dividend Option	2,51,66,388.570 Units of Rs. 10 each
Principal Floating Rate Fund SMP Institutional Option - Weekly Dividend Option	1,01,07,646.426 Units of Rs. 10 each
Principal PNB Fixed Maturity Plan (FMP-28) 91 Days - July06 - Dividend Option	19,98,001.998 Units of Rs. 10 each
Principal Income Fund Short Term Plan - Institutional Plan - Weekly Dividend Reinvestment Option	91,69,959.604 Units of Rs. 10 each
Standard Chartered Liquidity Manager - Plus - Daily Dividend Option	1,74,97,072.495 Units of Rs. 1,000 each
Standard Chartered Fixed Maturity - 5th Plan - Dividend Option	50,00,000 Units of Rs. 10 each
Standard Chartered Fixed Maturity - 9th Plan - Dividend Option	50,00,000 Units of Rs. 10 each
Standard Chartered Liquidity Manager - Daily Dividend Option	1,32,63,54,356.389 Units of Rs. 10 each
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option	2,82,285.991 Units of Rs. 10 each
Templeton India Short Term Income Plan - Institutional - Weekly Dividend Reinvestment Option	1,00,197.167 Units of Rs. 1,000 each
Templeton India Treasury Management Account Institutional Plan - Daily Dividend Reinvestment Option	1,00,956.315 Units of Rs. 1,000 each

Schedules to the Consolidated Financial Statements — continued

	Rupees in lakhs		Previous year Rupees in lakhs	
6 DEFERRED TAX				
Deferred tax assets and liabilities are attributable to the following items:				
<u>Assets</u>				
Liability for Drugs Prices Equalisation Account		3,53.17		3,53.17
Provision for unencashed leave		5,73.00		5,53.56
Costs of voluntary retirement schemes		9,29.25		18,82.65
Costs of merger		79.86		1,24.05
Provision for doubtful debts, loans and advances		5,58.74		4,50.73
Long term loss under the head 'capital gains'		—		1,03.89
Provision for pricing of formulations.		2,26.82		2,08.98
Expenses allowable for tax purposes when paid		8,16.18		4,58.62
	TOTAL	35,37.02		41,35.65
<u>Liabilities</u>				
Depreciation		9,59.29		9,79.20
Fixed assets held for sale		1,01.74		1,65.37
	TOTAL	10,61.03		11,44.57
	TOTAL	24,75.99		29,91.08
7 INVENTORIES				
(Inventories have been valued at lower of cost and net realisable value)				
Stores and spares		3,88.76		2,27.95
Raw and packing materials		45,50.55		37,48.93
Work-in-progress		33,11.25		31,91.51
Finished goods		164,27.98		150,63.34
	TOTAL	246,78.54		222,31.73
8 SUNDRY DEBTORS				
(Unsecured)				
Outstanding for over six months	Doubtful	Good	Doubtful	Good
Others	15,42.74	7,03.95	12,05.58	11,78.95
	39.28	53,40.56	35.20	55,59.77
	15,82.02	60,44.51	12,40.78	67,38.72
Less : Provision for doubtful debts	(15,82.02)	—	(12,40.78)	—
	—	60,44.51	—	67,38.72
	TOTAL	60,44.51		67,38.72
9 CASH AND BANK BALANCES				
On hand :				
Cash and stamps		6.02		5.58
Remittances in transit (Refer note 3(iii) on Schedule 17)		5.92		5.92
With scheduled banks				
Current account		29,34.57		38,72.01
Fixed deposit account		2,77.35		2,35.17
Call deposit		3,58.00		6,41.00
	TOTAL	35,81.86		47,59.68

Schedules to the Consolidated Financial Statements — *continued*

		Rupees in lakhs		Previous year Rupees in lakhs	
10	OTHER CURRENT ASSETS				
	Interest accrued on investments/deposits		24,99.26		15,53.46
	Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) *		3,02.25		4,91.29
	TOTAL		<u>28,01.51</u>		<u>20,44.75</u>
	* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.				
11	LOANS AND ADVANCES				
	(Unsecured unless otherwise stated)	<u>Doubtful</u>	<u>Good</u>	<u>Doubtful</u>	<u>Good</u>
	Loans and advances recoverable in cash or in kind or for value to be received				
	Secured	—	27.56	—	29.96
	Unsecured				
	Sundry deposits	—	21,25.22	—	19,36.02
	Other advances	77.93	64,00.16	98.31	62,79.65
	Less : Provision for doubtful advances	(77.93)	—	(98.31)	—
		—	85,52.94	—	82,45.63
	Balance with customs, excise and port trust on current accounts ..	—	3,58.88	—	4,37.21
	Fixed deposit with a limited company	—	10,00.00	—	10,00.00
	Current taxation (Refer note 23 on Schedule 17)	—	48,75.34	—	13,99.34
		—	147,87.16	—	110,82.18
	TOTAL		<u>147,87.16</u>		<u>110,82.18</u>
12	CURRENT LIABILITIES				
	Sundry creditors				
	Small scale industrial undertakings	1,62.49		3,49.80	
	Others	230,92.46	232,54.95	236,20.95	239,70.75
	Unpaid dividend*		6,20.14		4,91.10
	Unpaid matured fixed deposits*		4.10		6.01
	Warrants issued but not encashed - Fixed deposit interest *		4.67		4.67
	Drugs Prices Equalisation Account		11,20.47		11,20.47
	TOTAL		<u>250,04.33</u>		<u>255,93.00</u>
	* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.				
13	PROVISIONS				
	For unencashed leave		17,02.31		16,44.57
	For proposed equity dividend		262,57.94		237,16.84
	For tax on distributed profit		36,82.68		33,26.29
	For fringe benefits tax [Provision in excess of payments of Rs. 12,85.34 lakhs (Previous year Rs. 4,10.34 lakhs)]		1,72.48		3,67.49
	TOTAL		<u>318,15.41</u>		<u>290,55.19</u>

Schedules to the Consolidated Financial Statements — *continued*

	Rupees in lakhs		Previous year Rupees in lakhs
14 OTHER INCOME			
Interest income (Gross):			
On deposits with banks and limited companies ..	1,60.45		1,96.39
On loans	31.87		37.15
On tax refunds	11.67		59.52
On investments - Government securities and other than trade			
- long term [net of premium write-off of Rs. 1,98.24 lakhs (previous year Rs. 2,45.88 lakhs)]	32,77.23		21,39.33
- current	1,23.43		2,28.15
Others	12.21		25.50
	<u>36,16.86</u>		<u>26,86.04</u>
Less : Interest Expense:			
Security deposits	(62.50)		(65.87)
Others	(1.15)		(1,01.30)
	<u>(63.65)</u>		<u>(1,67.17)</u>
		35,53.21	25,18.87
Dividend income - Investments other than trade - long term ..	1,80.00		1,53.00
- current	8,47.75	10,27.75	6,32.28
			<u>7,85.28</u>
Miscellaneous income			
Export related benefits (net)	1,15.56		1,32.82
Profit on sale/redemption of investments (net) - current ..	5,27.41		2,14.97
(Refer note 12 on Schedule 17)			
Profit on sale/disposal of fixed assets (net)	1,27.17		3.99
Exchange gain (net)	—		33.32
Consignment sales commission	1,25.49		1,19.67
Clinical research and data management	22,46.58		14,16.42
Provision written back as no longer required	6,69.87		5,84.30
Others	12,46.06	50,58.14	7,96.77
		<u>50,58.14</u>	<u>33,02.26</u>
			<u>66,06.41</u>
TOTAL		<u>96,39.10</u>	<u>66,06.41</u>
Tax deducted at source :			
On interest	3,68.20		3,96.03
Others	1,19.29	4,87.49	99.92
			<u>4,95.95</u>
15 MATERIALS			
Raw and packing materials consumed		305,79.97	254,64.02
Purchase of finished goods		350,58.38	392,49.49
(Increase)/decrease in work-in-progress and finished goods:			
Opening stock			
Work-in-progress	31,91.51		30,81.72
Finished goods	150,63.34		152,13.80
	<u>182,54.85</u>		<u>182,95.52</u>
Less: Closing stock			
Work-in-progress	33,11.25		31,91.51
Finished goods	164,27.98		150,63.34
	<u>197,39.23</u>	(14,84.38)	<u>182,54.85</u>
			40.67
Transfer of finished goods pursuant to sale of the Animal Health business (Refer note 22 on Schedule 17)		(10,05.22)	—
Loss of stock on account of flood		—	(8,59.05)
			<u>(8,59.05)</u>
TOTAL		<u>631,48.75</u>	<u>638,95.13</u>

Schedules to the Consolidated Financial Statements — *continued*

16 OPERATING AND OTHER EXPENSES	Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	136,68.98		137,50.88
Contributions to : Provident and pension funds	9,15.61		8,90.86
Gratuity funds	2,16.71		3,72.84
Staff welfare	5,65.91	153,67.21	5,33.09
Promotion and publicity		53,79.24	54,59.31
Selling commission on exports		12.57	12.85
Bonus offer discount		13,09.11	14,38.72
Stock point commission		11,17.83	10,77.85
Freight (net)		25,64.29	22,83.69
Travelling		31,47.38	30,32.35
Provision/write off for doubtful debts, loans and advances (net)		4,32.27	1,80.73
Exchange loss (net)		13.59	—
Manufacturing charges		32,38.14	20,99.27
Repairs - Buildings	3,06.08		2,72.07
- Plant and Machinery	8,24.43		7,99.49
- Others	27.22	11,57.73	18.85
Consumption of stores and spares		4,07.98	2,74.63
Power, fuel and water		19,23.42	16,61.00
Rent		5,98.51	6,44.57
Rates and taxes		13,72.45	9,74.46
Excise duty		16,13.98	14,90.13
Insurance		3,18.93	3,36.10
Remuneration to auditors :			
Statutory audit fees	32.83		32.23
In other capacity in respect of :			
Tax audit fees	5.89		5.79
Audit of tax accounts	19.64		19.29
Other services	17.60		25.92
Reimbursement of expenses	0.61		2.26
	76.57		85.49
Cost audit fees	5.61	82.18	6.93
Date-expired stocks		16,92.27	17,05.93
Finance charges		71.86	68.87
Commission to non whole-time Directors		20.04	18.25
Directors' sitting fees		11.10	7.60
Miscellaneous		48,12.98	48,79.82
Less : Recovery of expenses (net) (Refer note 15 on Schedule 17)		(6,17.09)	(6,52.70)
TOTAL		460,47.97	437,23.93

Schedules to the Consolidated Financial Statements — *continued*

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India.

(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, 2006	% voting power held as at 31st December, 2005
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. The Company 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 the Company in a Writ Petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to the Company depositing 50% of the principal amount. Accordingly, the Company has deposited an amount of Rs. 71.50 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 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 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*

17 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 has filed a reference application against the income tax tribunal's order which is pending before the High Court of Karnataka.

5 Contingent Liabilities not provided for:

				Rupees in lakhs	Previous year Rupees in lakhs
(i)	Cheques discounted with banks	..	..	25,34.86	12,89.08
(ii)	In respect of claims made against the Company/BSL not acknowledged as debts by the Company/BSL				
	- Sales tax matters	..	..	34,19.67	25,91.36
	- Excise matters	..	..	13,50.17	12,53.44
	- Service tax matters	..	..	2,42.18	1,29.20
	- Labour matters	..	..	35,46.56	22,19.10
	- Other legal matters	..	..	9,74.00	8,62.09
	which net of current tax amount to -	..	..	63,23.91	46,80.41
(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	..	..	73,56.67	10,83.00
	- Other consequential matters (net of tax)	..	..	3,76.26	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.				

Note:

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 judgements/decisions pending with various forums/authorities.

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

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
6 Uncalled liability on partly paid shares:		
- in Hill Properties Limited	0.12	0.12
Note:		
Future cash outflow is dependent on the call to be made by Hill Properties Limited.		
7 Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	1,57.52	4,70.08
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 Cooperage 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	21.52	21.79
	21.84	22.10
* Loan granted prior to appointment as a whole time Director.		
10 Directors' Remuneration		
Salaries	2,00.67	2,01.59
Perquisites	3.68	3.57
Contribution to provident and superannuation funds	17.62	15.38
Commission to non whole-time Directors	20.04	18.25
Directors' sitting fees	11.10	7.60
	<u>2,53.11</u>	<u>2,46.39</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. 58.24 lakhs (Previous year - Nil).		
- previous year excludes commission of Rs. 1.46 lakhs to a past non whole-time Director of erstwhile Burroughs Wellcome (India) Limited for the period 1st January, 2004 to 24th September, 2004.		
Pension to past Directors	3.07	2.86
11 The tax year for the Company and BSL 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, 2006 and the provision based on the figures for the remaining nine months up to 31st December, 2006, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2006 to 31st March, 2007.		
12 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 (Previous year - Profit on sale/redemption of investments (net) - current is net of loss on sale/redemption of current investments amounting to Rs. 4.60 lakhs).		
13 Materials cost and other expenditure include samples, free issues etc., which valued at standard cost amount to	56,99.41	60,42.46
14 The recurring expenditure on research and development charged off to revenue amounts to	4,29.75	4,24.18

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 "Recovery of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 10,33.10 lakhs (previous year Rs. 11,57.97 lakhs), from GlaxoSmithKline Services Unlimited Rs. 1,67.15 lakhs (previous year - Nil), from GlaxoSmithKline Pte Limited, Singapore - Nil (previous year Rs. 23.40 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 5,83.16 lakhs (previous year Rs. 5,28.67 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
16 Exceptional items:		
(i) Costs of voluntary retirement schemes and other retirement benefits	—	(39.90)
(ii) Impairment loss on fixed assets held for sale	—	(1,54.79)
(iii) Non-recurring expenses for merger/rationalisation initiatives	—	(62.61)
(iv) Profit on sale of properties	—	216,75.40
(v) Expenses incidental to sale of properties	—	(16.25)
(vi) Profit on sale of the Animal Health business (Refer note 22)	187,02.52	—
(vii) Expenses incidental to sale of the Animal Health business	(66.39)	—
(viii) Expenses incurred on buy back of shares	—	(1,85.44)
(ix) Provision for pricing of formulations	(2,75.00)	(18,10.40)
(x) Loss of stock and incidental expenses on account of flood (previous year is net of insurance claim of Rs. 8,28.40 lakhs)	—	(43.60)
Taxation on the above		
Current tax	—	39.24
Deferred tax	17.84	1,42.77
	<u>183,78.97</u>	<u>195,44.42</u>

17 Segment Information for the year ended 31st December, 2006

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

	Pharmaceuticals		Other Businesses		Unallocated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenue								
External	1443,87.03	1318,27.22	181,33.52	230,66.45	2,09.15	47.28	1627,29.70	1549,40.95
Inter-segment	—	—	—	—	—	—	—	—
Total revenue	1443,87.03	1318,27.22	181,33.52	230,66.45	2,09.15	47.28	1627,29.70	1549,40.95
Result								
Segment result	505,11.40	425,63.57	38,48.39	51,99.30	—	—	543,59.79	477,62.87
Unallocated expenditure net of unallocated income					(28,34.44)	(24,39.29)	(28,34.44)	(24,39.29)
Interest expense					(63.65)	(1,67.17)	(63.65)	(1,67.17)
Interest income					36,16.86	26,86.04	36,16.86	26,86.04
Dividend income and profit on sale/redemption of investments (net)					15,55.16	10,00.25	15,55.16	10,00.25
Profit before taxation and exceptional items	505,11.40	425,63.57	38,48.39	51,99.30	22,73.93	10,79.83	566,33.72	488,42.70
Provision for taxation							(199,12.92)	(176,72.59)
Profit after taxation and before exceptional items	505,11.40	425,63.57	38,48.39	51,99.30	22,73.93	10,79.83	367,20.80	311,70.11
Exceptional items	(2,75.00)	195,91.45	—	(43.60)	186,36.13	(1,85.44)	183,61.13	193,62.41
Tax credit							17.84	1,82.01
Net Profit	502,36.40	621,55.02	38,48.39	51,55.70	209,10.06	8,94.39	550,99.77	507,14.53
Other Information								
Segment assets	382,75.63	358,75.74	74,02.11	94,15.87	1332,31.26	1063,01.94	1789,09.00	1515,93.55
Segment liabilities	218,95.44	222,50.21	13,62.16	18,53.06	351,76.88	321,74.91	584,34.48	562,78.18
Capital expenditure	14,30.33	16,96.22	34.61	19.67	3,97.38	6,04.37	18,62.32	23,20.26
Depreciation	9,73.71	13,17.98	1,34.59	2,19.82	8,99.33	4,60.51	20,07.63	19,98.31
Non-cash expenses other than depreciation	2,91.44	4,04.35	2,63.97	21.99	19.24	72.82	5,74.65	4,99.16

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	India		Outside India		Total	
	2006	2005	2006	2005	2006	2005
<u>Revenue by geographical market</u>						
External	1570,24.82	1503,73.79	57,04.88	45,67.16	1627,29.70	1549,40.95
Inter-segment	—	—	—	—	—	—
Total	1570,24.82	1503,73.79	57,04.88	45,67.16	1627,29.70	1549,40.95
Carrying amount of segment assets	1789,09.00	1515,93.55	—	—	1789,09.00	1515,93.55
Capital expenditure	18,62.32	23,20.26	—	—	18,62.32	23,20.26

(iii) Notes:

(i) The Company is organised into two main business segments, namely:

- Pharmaceuticals - comprising of bulk drugs and formulations
- Others - primarily comprising of veterinary formulations, feed supplements, fine chemicals, diagnostics, laboratory equipment and exports mainly relating to pharmaceuticals.

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 and export incentives in the respective segments.

Segment Revenue comprises of :

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

Rs. in lakhs	
2006	2005
1581,98.97	1518,53.66
45,30.73	30,87.29
1627,29.70	1549,40.95

(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 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*

17 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:
- 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
 - Glaxo Operations UK Area, U.K
 - GlaxoSmithKline S.A.E., Egypt
 - Laboratoire GlaxoSmithKline S.A.S., France
 - GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia
 - GlaxoSmithKline Export Limited, U.K.
 - SmithKline Beecham Pharmaceuticals R & D, U.S.
 - GlaxoSmithKline 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. Parsonson * (alternate director up to 26th July, 2006) |
| Mr. A.S. Lakshmanan | Mr. P.V. Nayak |
| Mr. D.S. Parekh | Mr. R.R. Bajaj |
| Mr. H. Singh | Mr. R. Limaye |
| Dr. H.B. Joshipura (with effect from 5th October, 2006) | Mr. R. Raghunandan |
| Mr. J. Dwivedy | Dr. S. Joglekar |
| Mr. K. Shivkumar | Mr. S. Kalyanasundaram (up to 31st December, 2006) |
| 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 | Mrs. Neeru Nayak |
| Mr. P. Bains * | Mr. R. C. Sequeira (with effect from 1st December, 2006) |
- * 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)	
		2006	2005
1	Purchase of materials/finished goods	82,44.91	65,41.48
2	Sale of materials/finished goods	10,94.83	10,25.54
3	Sale of fixed assets	98.00	—
4	Expenses recharged to other companies	14,62.49	11,18.30
5	Research and development recoveries	2,91.85	2,31.56
6	Expenses recharged by other companies	7,65.76	6,11.10
7	Consignment sales commission paid	14.04	54.16
8	Consignment sales commission received	1,08.09	1,16.46
9	Clinical research and data management recoveries	22,46.58	14,16.42
10	Outstanding (payables)/receivables at the year end (net) #	9,75.16	2,01.52

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

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Rupees in lakhs 2006	Rupees in lakhs 2005
(a) Purchase of materials/finished goods		
GlaxoSmithKline Biologicals S.A., Belgium	40,90.49	33,98.38
GlaxoSmithKline Export Limited, U.K.	40,04.12	30,43.22
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	3,92.32	2,23.93
GlaxoSmithKline Trading Services Limited, Ireland	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	11,43.40	10,10.10
GlaxoSmithKline Services Unlimited, U.K.	2,42.02	46.40
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,89.18	2,31.56
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	6,63.02	5,93.59
(g) Consignment sales commission paid		
GlaxoSmithKline Consumer Healthcare Limited, India	14.04	54.16
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	1,08.09	1,16.46
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	7,46.21	4,60.47
GlaxoSmithKline Services Unlimited, U.K.	14,64.69	9,55.95
(j) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	1,72.14	81.13
GlaxoSmithKline Consumer Healthcare Limited, India	6,29.42	5,43.39
GlaxoSmithKline Biologicals S.A., Belgium	(1,66.51)	(2,87.82)
GlaxoSmithKline Services Unlimited, U.K.	7,30.09	2,71.32
GlaxoSmithKline Export Limited, U.K.	(5,16.68)	(4,68.44)
GlaxoSmithKline Pakistan Limited, Pakistan	35.59	—
GlaxoSmithKline Trading Services Limited, Ireland	1,33.19	—

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

	Rupees in lakhs	
	2006	2005
1 Remuneration/commission/sitting fees	5,82.08	4,19.22
2 Interest income on loans given	3.05	2.24
3 Rent paid for residential flat	4.32	10.62
4 Outstanding loans receivable	90.07	66.15

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

	Rupees in lakhs	
	2006	2005
(a) Remuneration/commission/sitting fees		
Mr. S. Kalyanasundaram	76.49	86.13
Mr. M.B. Kapadia	99.97	92.19

	Rupees in lakhs	
	2006	2005
(b) Interest income on loans given		
Dr. A. Banerjee	0.35	0.36
Mr. H. Singh	0.31	0.33
Mr. K. Shivkumar	0.42	0.43
Mr. M.K. Vasanth Kumar	0.77	0.83
Mr. S. Khanna	0.38	*

Schedules to the Consolidated Financial Statements — *continued*

17 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	
		2006	2005
(c)	Rent paid for residential flat		
	Dr. A. Banerjee	0.72	—
	Mrs. Neeru Nayak	3.60	3.60
(d)	Outstanding loans receivable		
	Dr. A. Banerjee	11.72	11.89
	Mr. H. Singh	10.11	10.42
	Mr. J. Dwivedy	9.61	9.72
	Mr. K. Shivkumar	13.91	14.09
	Mr. M.K. Vasanth Kumar	18.58	20.03
	Mrs. S. Patel	9.56	*

* not a related party during the previous year.

19 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. 1,37.33 lakhs (Previous year Rs. 1,29.56 lakhs)

- later than one year and not later than five years Rs. 1,28.54 lakhs (Previous year Rs. 2,65.87 lakhs)

20 Amount recognised as expense for the year under the long term incentive plan is Rs. 1,24.47 lakhs (Previous year Rs. 82.27 lakhs). The total carrying amount of the corresponding liability at the year end is Rs. 2,63.09 lakhs (Previous year Rs. 1,50.27 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	367,20.80	311,70.11
Profit after taxation	Rupees in lakhs	550,99.77	507,14.53
Weighted average number of shares	Nos.	84,703,017	8,58,12,126
Earnings per share before exceptional items (Basic and Diluted)	Rs.	43.35	36.32
Earnings per share (Basic and Diluted)	Rs.	65.05	59.10
Face value per share	Rs.	10	10

22 The Board of Directors, at its meeting held on 28th April, 2006, approved the proposal for sale of the Animal Health business as a going concern to Virbac Animal Health India Private Limited for a total consideration of Rs. 207,10 lakhs. Shareholders of the Company approved the proposal by postal ballot on 26th June, 2006. The sale has been completed effective from the close of business hours of 31st July 2006 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. Animal Health business forms part of the Company's 'Other Businesses' segment.

23 Current taxation represents payments in excess of provisions of Rs. 1275,56.60 lakhs (Previous year Rs. 1088,56.60 lakhs)

24 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.

25 Previous year's figures have been regrouped wherever necessary.

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

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

Mumbai, 16th February, 2007

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

Financial Summary

(Amounts in Rupees Lakhs)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
PROFIT AND LOSS ACCOUNT										
Sales	1677,57	1575,89	1479,59	1191,69	1148,22	1097,37	934,62	885,50	793,84	696,01
Profit before tax	555,95	477,91	418,24	284,56	196,33	115,58	84,84	104,95	120,03	86,62
Tax	194,23	171,63	152,19	102,70	67,86	40,26	32,52	27,89	33,40	30,96
Profit after tax	361,72	306,28	266,05	181,86	128,47	75,32	52,32	77,06	86,63	55,66
Exceptional items (net of tax)	183,79	195,80	67,04	(9,63)	(30,41)	(31,34)	18,22	—	—	(14,47)
Net Profit	545,51	502,08	333,09	172,23	98,06	43,98	70,54	77,06	86,63	41,19
Dividends-equity	262,58	237,17	209,57	74,47	52,13	40,96	29,89	35,87	29,88	23,91
Tax on distributed profit	36,83	33,26	27,39	9,54	6,68	(5,16)	6,75	4,24	2,99	3,89
Retained Earnings	246,10	231,65	96,13	88,22	39,25	8,18	33,90	36,95	53,76	13,39
BALANCE SHEET										
Equity Capital	84,70	84,70	87,32	74,48	74,48	74,48	59,78	59,78	59,78	59,78
Reserves	1110,01	863,91	836,94	593,01	504,80	486,10	334,67	300,78	263,83	210,07
Net Worth	1194,71	948,61	924,26	667,49	579,28	560,58	394,45	360,56	323,61	269,85
Borrowings	5,54	4,85	3,85	2,86	1,98	9,71	34,85	20,70	20,11	51,36
Total Capital Employed	1200,25	953,46	928,11	670,35	581,26	570,29	429,30	381,26	343,72	321,21
Net Fixed Assets	94,46	96,94	91,49	99,38	115,40	137,62	101,37	104,56	92,36	91,95
Investments	1139,41	913,06	776,82	409,12	162,00	151,68	124,87	115,55	116,58	89,42
Net Current Assets *	(33,62)	(56,54)	59,80	161,85	303,86	280,99	203,06	161,15	134,78	139,84
OTHER KEY DATA										
Rupees per Rs.10/- Equity Share										
DIVIDENDS	31.00	28.00	24.00	10.00	7.00	5.50	5.00	6.00	5.00	4.00
EARNINGS before exceptional items	42.70	35.69	30.47	24.42	17.25	10.11	8.75	12.89	14.49	9.31
EARNINGS after exceptional items	64.40	58.51	38.15	23.13	13.17	5.90	11.80	12.89	14.49	6.89
BOOK VALUE	141.05	112.00	105.85	89.63	77.78	75.27	65.99	60.31	54.13	45.14

NOTES

- The Dividends for 2006, 2005 and 2004 include a special additional dividend of Rs. 14, Rs. 14 and Rs. 11 per equity share respectively.
- 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 - Rs. 11,95.50 Lakhs (Rs. 2.00 per equity share of Rs. 10/-)
- The figures for 1998 and 1999 include profit on sale of property Rs. 19,50 Lakhs and Rs. 21,87 Lakhs respectively.
- Figures have been adjusted/regrouped wherever necessary in line with the Accounts, to facilitate comparison.
* Including net deferred tax asset