

## Board of Directors

(As on 13.02.2006)

### Chairman

D. S. Parekh

### Vice-Chairman

V. Thyagarajan

### Managing Director

S. Kalyanasundaram

### Directors

P. Bains (*w.e.f. 26.07.2005*)

R. R. Bajaj

Dr. A. Banerjee

J. D. Coombe (*upto 26.07.2005*)

M. B. Kapadia

N. Kaviratne (*w.e.f. 26.07.2005*)

A. S. Lakshmanan

V. Narayanan

P. V. Nayak

P. Parsonson - Alternate to P. Bains (*w.e.f. 26.07.2005*)

Dr. M. Reilly

S. J. Scarff (*upto 26.07.2005*)

### Company Secretary

A. A. Nadkarni

### Registered Office

Dr. Annie Besant Road,  
Mumbai 400 030  
Telephone: 022-24959595  
Fax: 022-24959494  
Website: [www.gsk-india.com](http://www.gsk-india.com)

### Factories

– 2nd Pokhran Road, Thane  
– Ambad, Nashik

### Bankers

Bank of America  
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.

## Corporate Management

### Managing Director

S. Kalyanasundaram

### Senior Executive Director

M. B. Kapadia

- Finance, Legal & Corporate Affairs
- Corporate Communications & Administration
- Fine Chemicals

### Executive Director

Dr. A. Banerjee

- Technical

### Vice-Presidents

J. Dwivedy

- Procurement - South Asia

Dr. S. Joglekar

- Medical Affairs & Regulatory

R. Limaye

- Marketing & Commercial Strategy

S. Patel

- Legal & Corporate Affairs

R. Raghunandan

- Quality - South Asia

K. Shivkumar

- Pharmaceuticals

H. Singh

- Pharmaceuticals

M. K. Vasanth Kumar

- Information Technology & Supply Chain

### Registrars & Share Transfer Agents

GlaxoSmithKline Consumer Healthcare Limited,  
DLF Plaza Tower, DLF City, Phase-I,  
Gurgaon 122 002 (Haryana)  
Tel: 0124-2540700-03 Fax: 0124-2540720  
email: [jeewat.2.rai@gsk.com](mailto:jeewat.2.rai@gsk.com)

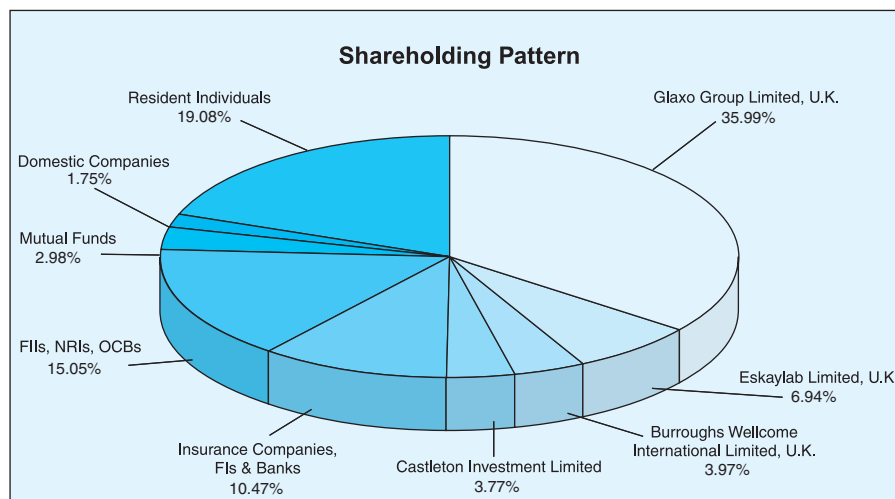
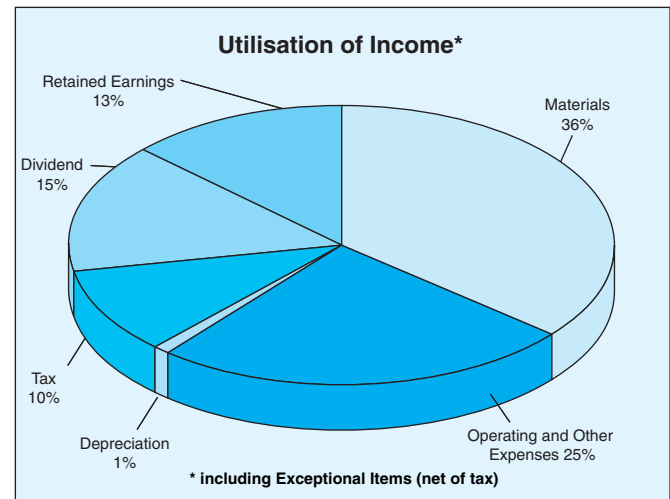
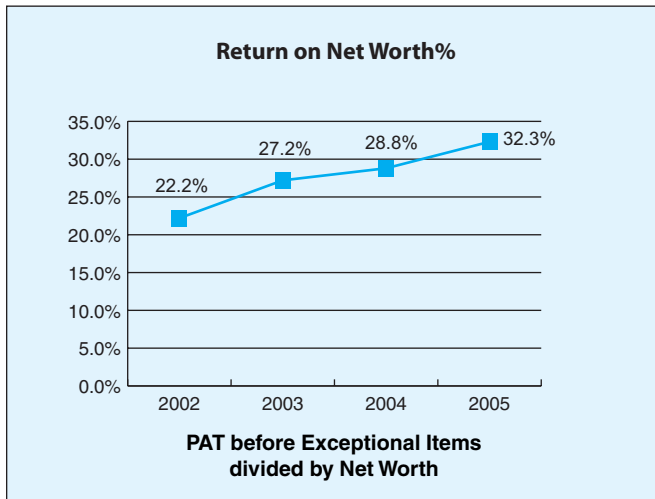
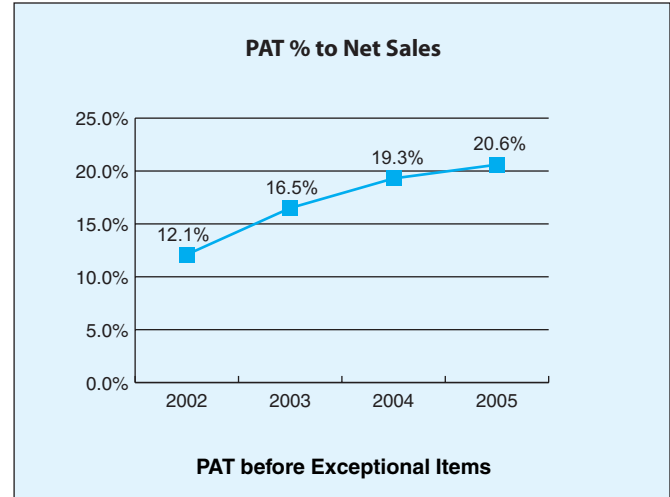
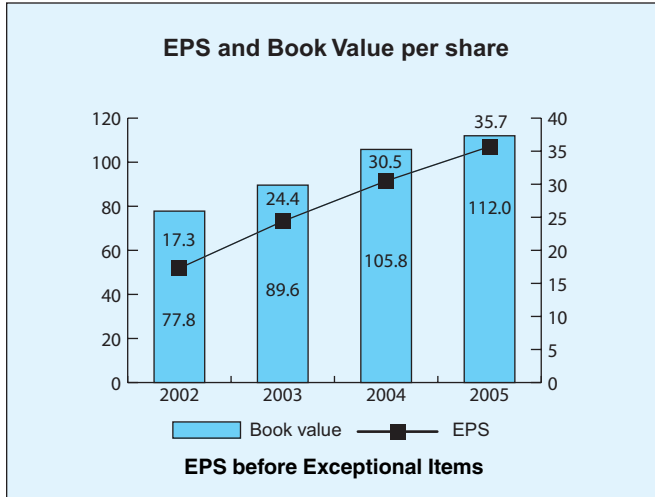
### Share Department

Dr. Annie Besant Road,  
Mumbai 400 030  
Telephone: 022-24959415/434  
Fax: 022-24981526  
email: [ajay.a.nadkarni@gsk.com](mailto:ajay.a.nadkarni@gsk.com)

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# Charts



## Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2005.

### 1. Results & Dividend for the year ended 31st December 2005

|  | Year ended<br>31st December<br>2005<br>Rs. in Lakhs | Year ended<br>31st December<br>2004<br>Rs. in Lakhs |
|--|---|---|
| SALES (Gross) . . . . .  | 1575,88.86  | 1479,59.42  |
| Less: Excise duty on Sales . . . . .   | 90,58.63  | 103,70.18   |
| NET SALES . . . . .  | 1485,30.23  | 1375,89.24  |
| PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS   | 477,90.85   | 418,23.91   |
| Less: Provision for Taxation . . . . .   | 171,62.40   | 152,18.87   |
| PROFIT AFTER TAXATION AND BEFORE<br>EXCEPTIONAL ITEMS . . . . .  | 306,28.45   | 266,05.04   |
| Exceptional Items (Net of Tax) . . . . .   | 195,79.85   | 67,04.39  |
| NET PROFIT AFTER TAX . . . . .   | 502,08.30   | 333,09.43   |
| Add: Balance brought forward from the previous year . .  | 259,75.10   | 191,59.99   |
| Additions as at 1st January 2004 of erstwhile Burroughs<br>Wellcome (India) Limited, pursuant to the Scheme of<br>Amalgamation . . . . . | —   | 5,32.95   |
| Amount available for disposal . . . . .  | 761,83.40   | 530,02.37   |
| APPROPRIATIONS :   |   |   |
| General Reserve . . . . .  | 50,20.83  | 33,31.00  |
| Equity Dividend (incl. special additional one-time dividend )  | 237,16.84   | 209,57.40   |
| Distribution Tax on Dividend . . . . .   | 33,26.29  | 27,38.87  |
| Balance carried forward . . . . .  | 441,19.44   | 259,75.10   |

### 2. Dividend

The Directors recommend a dividend of Rs.14 per Equity Share for the year (previous year Rs.13.00 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the dividend will absorb Rs.118.58 crores. The Dividend Distribution Tax borne by the Company will amount to Rs.16.63 crores.

The cash position continues to remain favourable over the last few years due to improved operating margins, tight working capital management and inflows from sale of properties. In 2005, your Company disposed off two properties located at Mulund, Mumbai at a net profit of Rs. 217 crores. 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 one-time dividend of Rs.14 per Equity Share. If approved by the Shareholders at the Annual General Meeting, the special additional one-time 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. Buyback of Shares of the Company**

Your Company commenced the Share Buyback program in May 2005 in terms of the consent given by the Shareholders through Postal Ballot. Your Company has bought back 26,19,529 shares of Rs.10 each for an aggregate consideration of Rs.209,16.37 lakhs at an average price of Rs.798.48 (inclusive of all associated costs) from the open market through Stock Exchanges. The Buyback program was closed by the Company on 21st December 2005, resulting in a reduction in the paid up Share Capital to Rs.8470.30 lakhs from Rs.8732.25 lakhs. Consequently, the promoter shareholding has increased from 49.15% to 50.67%. The Company has no immediate plans for further buyback of shares.

### **4. Management Discussion and Analysis**

- (a) Your Company commands a 6.5% market share, retaining its No. 1 position in the Indian Pharmaceuticals Market (Source: Stockist Audit [ORG IMS] MAT December 2005 – this audit is representative of the Company's customer base covering stockists, sale to hospitals and vaccines purchases). As will be seen from the financial results, your Company had another successful year, with total sales registering an overall growth of 8%. Pharmaceuticals sales grew by 8.6%, driven entirely by a double digit growth of the priority products. The Animal Health business recorded a growth of 9%. Sales in the Qualigens Fine Chemicals business were flat primarily due to unprecedented floods which affected availability of stocks for sale. Export sales were lower than last year by 3.7%.

Profit After Tax and Before Exceptional Items improved to Rs.306.3 crores, recording a growth of 15.1%, despite significant increase in cost of goods arising from change in the methodology of calculation of Excise Duty on bought-in finished goods formulations. The impact was neutralized through continued improvement in product mix, sales & marketing effectiveness and procurement efficiencies all of which helped increase the overall gross margin by Rs.74 crores. Higher income from treasury operations and clinical research activities coupled with sophisticated procurement and expense management systems have 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 8.6% as per [ORG IMS] SSA Retail Audit MAT December 2005. (5.3% as per Stockist Audit [ORG IMS] MAT December 2005).

Net sales of the Pharmaceuticals business segment was Rs.1257 crores constituting 85% of the Company's total sales. Your Company registered a growth of 8.6% in Pharmaceuticals sales. The Company's strategy focussed on Priority Products and their active promotion and the shift from the acute to the chronic disease segments, has resulted in these products continuing to achieve double digit sales growth for four years in a row. Augmentin continues to be the No.1 brand as rated by IMS. The vaccines range continues to register robust growth and gain market share. Your Company recognizes the longer term potential of vaccination for adults, by focusing efforts towards developing the adult vaccination market through a targeted marketing program. This initiative has shown an encouraging response from the corporate sector. Your Company enjoys a leadership position in the Dermatologicals, Corticosteroids, Vaccines and Thyroid preparation segments in which its products are represented. Vozet and Cetzine continue to be the leaders in the Anti-histamine segment. Calpol, Neosporin and Phexin continue to grow and have further strengthened their position in their respective segments.

Your Company takes pride in setting an Industry benchmark for its Sales Force Effectiveness. During the year, WSFE (Worldwide Sales Force Excellence), a Global programme developed by GlaxoSmithKline plc, was implemented in India. The sales force productivity of your Company continues to register a double digit growth.

Business Development and In-Licensing has been one of the major drivers of growth for your Company since 2002. The key strategy for Business Development has been to enter fast growing therapeutic segments like diabetes, cardiovascular and anti-ulcerants and to consolidate the Company's presence in areas where it can leverage on its sales and marketing strengths.

During the year, your Company launched four new products licensed from companies in the US and Japan viz. Parit (Rabeprazole) in alliance with Eisai, Japan, Ferronine (a novel chelated iron) in alliance with Albion, USA and two new oral contraceptives in alliance with Organon. Your Company has signed an agreement with a major European company to introduce a new product in the cardiovascular therapy area in 2006.

This year, your Company made a major entry in Diabetes through the launch of Windia and Windamet. Diabetes is one of the fastest growing therapeutic areas in India with more than 30 million diabetics. Your Company's entry in this therapeutic area is expected to be an important driver of business growth in the years to come. Your Company is also working on line extensions for Windia which are expected to be launched in 2006-07.

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

GlaxoSmithKline plc has one of the largest and most promising pipelines in the industry, with 140 projects in clinical development. Of these compounds, 43 new molecular entities have moved into Phase II trials, including compounds to treat HIV, diabetes, blood disorders and multiple sclerosis.

Your Company is well known for some of the pioneering initiatives in the Country, including being the first ever pharmaceutical company to commence manufacturing activities in India in the early part of the 20th century. Today, India's strengths in the global knowledge-based economy is widely recognized and India has been identified by GlaxoSmithKline plc as a major source for a variety of knowledge-based high value-added activities such as chemistry development, clinical research and IT enabled activities relating to R&D.

While most of the Clinical Research activities today are concentrated around US, Western Europe and Japan, GlaxoSmithKline plc will continue to invest in R&D procurement in emerging markets in Asia, Eastern Europe and Latin America.

India has been identified as a major center for clinical research across a number of disease areas such as breast cancer, central nervous system related disorders and infectious diseases. Your Company has made excellent progress in the last 2 years and has proven itself for its quality, speed and cost effectiveness.

### **(d) The Agrivet Farm Care (AFC) Business**

The AFC business continues to maintain its No. 1 position in the Animal Health sector with a market share of approximately 10%. The business has a presence in the cattle, poultry, aquaculture, canine and sheep segments with an undisputed reputation for quality and service. Selective restructuring of field force in high volume territories has increased customer and product focus.

In 2005, while the Veterinary Industry registered a growth of approximately 5%, the AFC business achieved a growth of 9.8%. There was an increase in the procurement cost of products due to a change in the method of calculating excise duty and introduction of VAT on feed supplements in some States. In spite of this, the business achieved a 13% growth in Trading Profit due to improved product mix.

### **(e) The Qualigens Fine Chemicals (QFC) Business**

The QFC business holds the No. 1 position in a highly competitive Laboratory Chemicals market. The chemicals activity showed a growth of 8%, but diagnostics, glassware and other allied ranges recorded sluggish sales. Sales were impacted due to loss of stocks on account of heavy floods in July 2005. Despite flat sales, an improved mix and expense control helped to achieve a Trading Profit growth of 8%.

### **(f) Pharmaceuticals Pricing**

The National Pharmaceuticals Pricing Authority (NPPA) effected a downward revision in the prices of Vitamin C and Ranitidine 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 is pending hearing by 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**

In line with your Company's philosophy of investing in the development of its employees, it has initiated a number of major programmes during 2005. In the area of manufacturing, 2 major initiatives – Leadership Edge Programme and "Vision Factory" to further enrich the managerial and technical competencies of people involved in the manufacturing operations were implemented. Similarly as part of a major global initiative to continue to improve market effectiveness, Phase II of the Marketing Excellence Programme (MEP) was implemented. A number of training programmes were initiated by GlaxoSmithKline plc's R&D Training Department aimed at achieving qualitative improvements in clinical research activities.

Your Company continued to have cordial and harmonious relations with its employees and Unions. Long term settlements for Field staff were concluded in a cordial atmosphere. In appreciation of the need to enhance efficiency, the Unions have agreed to improve productivity in the field. Discussions on the long term wage settlement for the Nashik site are in progress and are likely to be concluded during the year.

Your Company had a staff strength of 4016 as on 31st December 2005, compared to 4136 as at the end of the previous year.

**(i) Procurement Excellence**

Procurement Excellence Programs and Strategic Sourcing continued to be vital elements of the Company's endeavors to have a cost effective and compliant sourcing base.

E-Procurement and sourcing tools were used extensively to obtain competitive prices and to counter inflation. Nearly 300 e-sourcing events were conducted during the year. The increased use of advanced data warehousing packages housed on intranet systems have enabled the consolidation of spend across regions.

Supplier events and reviews were carried out during the year to educate suppliers and service providers on the business requirements for customers in regulated markets. This was essential, considering the fact that India is fast emerging as a global sourcing hub for pharmaceuticals and allied services.

During the year, the GlaxoSmithKline global procurement organization was rated number 1 in a global benchmark study by AT Kearney, conducted across 275 organizations worldwide, covering all industries.

**(j) Manufacturing Excellence**

There was considerable focus on the Operational Excellence activities at the sites during the year. Various projects were undertaken which resulted in substantial cost savings, including, cycle time reduction for Betnovate C, yield improvements and packing productivity improvements for Celin.

Process capability improvement initiatives in respect of 20 key products generated benefits on yield and overall productivity. Better management and reduction in door to door time resulted in reduced inventory levels by 40% in comparison with 2004.

There has been a marked improvement in overall effectiveness and productivity resulting in reduced market complaints.

**(k) Information Technology (IT)**

Year 2005 also saw IT enabling business to analyze and manage the Doctors' database for making the correct impact in each call (Quantum Leap Project), making available multi-dimensional view of the sales information for better results (iSMART project) and, through Project Galaxy,

making available Daily Sales information to the field managers. The scope of ApnaGSK, the employee self service portal was further increased by adding Travel booking and Travel expense processing modules. Collaborative tools like on-line messaging (Sametime) were encouraged to significantly increase communication effectiveness.

During 2005, the focus was on compliance and risk mitigation by implementing and testing IQMS (Integrated Quality Management System) and IT Continuity Plans in the event of any disasters.

#### **(l) Corporate Social Responsibility**

GSK's community development initiatives continue to be focused on raising the quality of life of the underprivileged with better access to health and education.

The Company's Social Responsibility team assisted by Tata Institute of Social Sciences (TISS) assessed the socio-economic, health and development status of 92 tribal villages in Peth Taluka, Nashik district and identified 15 villages which would most benefit from planned programs. A pilot project was initiated on 4<sup>th</sup> November 2005 in these 15 villages.

Your Company continued to contribute to society through donations and community development initiatives. Hundreds of blind families in Ulhasnagar suffered heavy losses in the floods of 26<sup>th</sup> July last year. The Company supported these families by giving them essential supplies equivalent to two months' requirements to help them tide over the crisis.

#### **(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.

### **5. Directors**

#### **Resignations**

Mr. J. D. Coombe and Mr. S. J. Scarff resigned as Directors. The Board places on record its appreciation of the valuable services rendered during their tenure as Directors and for their contributions to the deliberations of the Board.

#### **Appointments**

Mr. Nihal Kaviratne has been appointed as Independent Director in the casual vacancy caused by the resignation of Mr. S. J. Scarff with effect from 26th July 2005.

Mr. Peter Bains has been appointed as Non-Executive Director and Mr. Paul Parsonson as alternate to him, in the casual vacancy caused by the resignation of Mr. J. D. Coombe with effect from 26<sup>th</sup> July 2005.

#### **Retirement by Rotation**

Mr. N. Kaviratne, Mr. P. V. Nayak and Dr. M. Reilly retire by rotation and, being eligible, offer themselves for re-appointment.

### **6. 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 2005 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.

## **7. 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.

## **8. 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.

## **9. 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.

## **10. 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 : 13th February 2006



## 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 2005.

### I. Conservation of Energy:

- 1) Energy Management continued to be a key area for both the sites. Regular monitoring of energy generation, distribution and consumption trends were carried out to have effective control on energy utilisation. Awareness programs were conducted resulting in informed employees playing an important role in noticing and stopping energy waste. Brainstorming sessions, formation of energy teams, use of 'Just Do It' tool and display of visuals like consumption trends etc. are a few of the activities that were progressed to continue momentum and get increased participation from staff on energy conservation.

#### Energy Conservation measures taken:

Various projects were taken up during 2005 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. Magnets for treatment of Hot water and Cooling water Systems.
4. Replacement of chilled water pump motor from 100hp to 75hp.
5. Solar water heating system for canteen.
6. Installation of variable frequency drives for refrigeration compressors.
7. Use of energy efficient lighting.

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

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

- 3) Power and Fuel Consumption:

#### A) Power and Fuel Consumption

|                            |           | Year ended<br>31st December<br>2005 | Year ended<br>31st December<br>2004 |
|----------------------------|-----------|-------------------------------------|-------------------------------------|
| 1. Electricity             |           |                                     |                                     |
| (a) Purchased units        | Kwh '000  | 18,674.16                           | 19,473.88                           |
| Total amount               | Rs. Lakhs | 714.04                              | 730.56                              |
| Rate/Unit                  | Rs.       | 3.824                               | 3.751                               |
| (b) Own generation         |           |                                     |                                     |
| (i) Through DG units       | Kwh '000  | 138.65                              | 265.17                              |
| Units/ltr of HSD           | Kwh '000  | 1.95                                | 2.49                                |
| Cost per unit              | Rs.       | 17.29                               | 10.95                               |
| (ii) Coal                  |           | —                                   | —                                   |
| 2. Furnace Oil, LDO & LSHS |           |                                     |                                     |
| Quantity                   | KL        | 3,168.00                            | 3,334.30                            |
| Total amount               | Rs. Lakhs | 477.01                              | 401.28                              |
| Average rate               | Rs./KL    | 15,057.13                           | 12,035.06                           |
| 3. Others                  |           | —                                   | —                                   |

B) Consumption Per Unit of production

|                            |         | Year ended<br>31st December 2005               |                                      | Year ended<br>31st December 2004               |                                      |
|----------------------------|---------|--|--------------------------------------|--|--------------------------------------|
|                            |         | Chemicals<br>(Incl.Bulk<br>Drugs)<br>Per Tonne | Formulations<br>Per Million<br>Packs | Chemicals<br>(Incl.Bulk<br>Drugs)<br>Per Tonne | Formulations<br>Per Million<br>Packs |
| Electricity                | (Units) | 205503   | 56490                                | 96143  | 50460                                |
| Furnace Oil, LDO &<br>LSHS | Kltrs   | 42.23  | 7.46                                 | 20.38  | 6.45                                 |

## II. Research and Development and Technology Absorption

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

The Company has a Pharmaceutical R&D Centre (PR&D) at Nashik, which is approved by the Department of Scientific and Industrial Research. The Company carried out R&D in several areas including:

- Development of indigenous technologies for major drugs, process improvements, technology absorption.
- Process improvements, technology absorption and optimization for basic drugs, process simplification.

PR&D has developed number of new products in the area of topical preparations, very palatable liquid orals, new calcium supplements with vitamins and multi-vitamins/multimineral capsules. PR&D is also involved in development of new products for Animal Health Care Division.

The Company is privileged to have access to the latest technologies developed by the GlaxoSmithKline Group.

The Company also has a Chemistry R&D Centre (CR&D) which is located at Thane. The CR&D Center is doing supportive work for the Discovery Chemistry / Technology Groups, UK and USA. Your Company is actively involved in synthesis of monomers for high throughput Combinatorial Chemistry research for group R&D research at Stevenage/Harlow (UK) & RTP/Upper Providence (USA).

#### 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, import substitution of high value materials such as solvent and key intermediate/reagents, elimination of use of certain hazardous chemicals and cost reduction. Process technologies developed in-house are being made available to units in the small-scale sector to enable them set up facilities, conforming to high standards of GMP and quality.

#### Future Plan of Action:

Emphasis will continue to be laid on the main areas set out above and particularly on the development of new technologies for Betamethasone, Clobetasone, Clobetasol and collaborative research work with GlaxoSmithKline - R&D, UK.

#### Expenditure on R&D:

|  | Rs. Lakhs     |
|--|---------------|
| 1. Capital   | 15.00         |
| 2. Recurring   | 424.18        |
| Total:   | <u>439.18</u> |
| 3. Total R&D expenditure as a percentage of turnover | 0.30%         |

**B. Technology Absorption, Adaption and Innovation:**

Efforts made towards technology absorption, adaption 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 customer satisfaction, cost reduction and quality improvement, as detailed below:

- Installation of high speed compression machines
- Installation of automatic cartonator machine for ointment
- Installation of automatic cartonator machine for blister packing
- On-line camera system for detection of empty pockets for Alfa D3
- Increase in number of tracks to 16 for Banocide
- Single stroke filling for cephalosporins

**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. 2732 Lakhs for the year. During the year, the Company has exported products to Germany, France, Denmark, U.K., Japan, New Zealand, South Africa, Iran, Russia, South Korea, Pakistan, Sri Lanka, Malaysia, Mexico, Myanmar and Egypt.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs. 21,987 Lakhs (which includes amounts spent on import of raw materials and goods for resale aggregating Rs. 11,219 Lakhs and Dividend payment of Rs. 10,300 Lakhs). The foreign exchange earned was Rs. 4,602 Lakhs mainly on account of exports. 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 employees are bound by a Code of Conduct that sets forth the Company's policies on all important issues.

### 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

Eight Board meetings were held in the year 2005 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.     | 15th February   | 12             | 10                       |
| 2.     | 15th March      | 12             | 10                       |
| 3.     | 30th March      | 12             | 8                        |
| 4.     | 29th April      | 12             | 9                        |
| 5.     | 13th July       | 12             | 7                        |
| 6.     | 26th July       | 12             | 9                        |
| 7.     | 28th October    | 12             | 10                       |
| 8.     | 21st December   | 12             | 12                       |

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

| Name of Director  | Category of Directorship    | Number of Board meetings attended | Attendance at the last AGM held on 30 <sup>th</sup> March 2005 | 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<br>Chairman  | Non-Executive & Independent | 8                                 | Yes  | 12*   | 4   | 5      |
| Mr. V. Thyagarajan<br>Vice-Chairman                                   | Non-Executive               | 5                                 | Yes  | 2   | Nil   | 1      |
| Mr. S. Kalyanasundaram<br>Managing Director                           | Executive                   | 8                                 | Yes  | 1   | Nil   | Nil    |
| Mr. R. R. Bajaaj  | Non-Executive & Independent | 7                                 | No   | 1   | Nil   | Nil    |
| Mr. V. Narayanan  | Non-Executive & Independent | 5                                 | No   | 13  | 6**   | 2      |
| Mr. A. S. Lakshmanan  | Non-Executive & Independent | 7                                 | Yes  | 6   | 2   | 5      |
| Mr. S. J. Scarff<br>(upto 26.07.2005)                                 | Non-Executive               | 3                                 | Yes  | 2   | Nil   | 3      |
| Mr. J. D. Coombe<br>(upto 26.07.2005)                                 | Non-Executive               | Nil                               | No   | Nil   | Nil   | Nil    |
| Dr. M. Reilly   | Non-Executive               | 6                                 | No   | Nil   | Nil   | Nil    |
| Mr. P. V. Nayak   | Non-Executive               | 8                                 | Yes  | 1   | Nil   | 1      |
| Mr. M. B. Kapadia   | Executive                   | 8                                 | Yes  | 1   | Nil   | Nil    |
| Dr. A. Banerjee   | Executive                   | 7                                 | Yes  | 1   | Nil   | Nil    |
| Mr. P. Bains<br>-Alternate<br>Mr. P. Parsonson<br>(w.e.f. 26.07.2005) | Non-Executive               | 1                                 | N.A.   | Nil   | Nil   | Nil    |
| Mr. N. Kaviratne<br>(w.e.f. 26.07.2005)                               | Non-Executive & Independent | 2                                 | N.A.   | Nil   | Nil   | Nil    |

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

\*\* Includes Chairmanship of a Remuneration Committee

- 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. N. Kaviratne, Mr. P. V. Nayak and Dr. M. Reilly retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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

**Mr. P. Bains**

Mr. Bains, 47, is a Life Science graduate with significant senior operational and strategic management experience in the pharmaceutical industry. He is currently the Senior Vice President of GlaxoSmithKline International Commercial Development, covering Latin America, Middle East, South East Asia and Australasia, China and Canada, responsible for supporting pharmaceuticals operational strategy, planning and execution.

**Mr. P. Parsonson**

Mr. Parsonson, 53, is a Fellow of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia. He also has a fellowship of the Institute of Chartered Secretaries and Administrators and of the Institute of Corporate Managers in Australia. He is currently the Senior Vice-President Finance of GlaxoSmithKline International, responsible for the finance function within the International region.

**Mr. N. Kaviratne**

Mr. Kaviratne, 61, has an Honours degree in Economics from Mumbai University. He joined Unilever in India as a Management Trainee in 1966 and has held a series of increasingly senior roles with Unilever group including Head of Marketing Research and Economics, General Manager of Export Division, Managing Director of Detergents Division in Indonesia, Regional Leader for Latin America and South Asia, Managing Director in Argentina and Chairman of Indonesian operations. He was appointed as Senior Vice-President – Development & Environmental Affairs based at Singapore with an additional responsibility as Chairman of Unilever's Home & Oral business in Asia. He retired from executive life with Unilever at the end of March 2005. He has been awarded the CBE for services to UK business interests and for sustainable development in Indonesia.

**Mr. P. V. Nayak**

Mr. Nayak, 62, joined the Company in 1989 and was elevated to the Board in 1992. At the time of his retirement from service on 30th September 2003, he was Senior Executive Director in charge of Human Resources, Legal and Licensing, Corporate Communications, Administration and the Agrivet Farm Care business. Earlier, he was also in charge of the Qualigens Fine Chemicals business. He was appointed as Non-Executive Director of the Company from 9th October 2003. At present, he holds 576 shares of the Company.

Mr. Nayak is a Director of Siemens Limited and ABN Amro Trustee (India) Private Limited.

**Dr. M. Reilly**

Dr. Reilly, 43, is a Chartered Accountant and has a degree in Medical Sciences and a Ph.D. in Pharmacology from University College, London. In September 2003, Dr. Reilly was appointed Vice-President Finance, Asia Pacific of GlaxoSmithKline Pte Limited with responsibility for providing commercial / financial support to business units within Asia Pacific. He joined the group company SmithKline & French Labs Limited in 1989 and has held various finance roles at Corporate, Pharmaceuticals and in Research & Development. His earlier responsibilities include Vice-President Finance of GlaxoSmithKline UK Pharmaceuticals, Vice-president and Director Finance for SmithKline Beecham Pharmaceuticals UK and Finance Director in Research & Development, SmithKline Beecham Corporation. He was appointed as Non-Executive Director of the Company from 9th October 2003.

**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) to review the results announcement and the report and accounts/review at the end of a quarter, half year and the full year before submission to the Board, focusing particularly on:

- (i) any changes in accounting policies and practices
- (ii) major judgmental areas
- (iii) significant adjustments resulting from the audit
- (iv) the going concern assumption
- (v) compliance with the stock exchange and other legal requirements
- (vi) compliance with accepted accounting standards
- b) to consider the appointment of the statutory auditors, the audit fee, and any matters of resignation or dismissal;
- c) to discuss with the statutory auditor before the audit commences, the nature and scope of the audit;
- d) to discuss problems and reservations arising from the statutory audit, and any matters the statutory auditor may wish to discuss (in the absence of management where necessary);
- e) to review the statutory auditor's audit reports and presentations and management's response;
- f) to review the effectiveness of the system of internal financial control and discuss the same periodically with the statutory auditors, prior to the Board making its statement thereon;
- g) to review the internal audit programme, to ensure co-ordination between the internal and statutory auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
- h) to consider the major findings of internal investigations and management's response;
- i) 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;
- j) 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 statutory auditors;
- k) 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;
- l) to consider other topics, as defined by the Board.

• 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 15th February, 29th April, 26th July and 28th October 2005.

| Name                               | Designation | Category of Directorship    | Attendance out of four meetings held |
|------------------------------------|-------------|-----------------------------|--------------------------------------|
| Mr. D. S. Parekh                   | Chairman    | Non-Executive & Independent | 4                                    |
| Mr. A. S. Lakshmanan               | Member      | Non-Executive & Independent | 3                                    |
| Mr. V. Narayanan                   | Member      | Non-Executive & Independent | 3                                    |
| Mr. R. R. Bajaan                   | Member      | Non-Executive & Independent | 4                                    |
| Mr. P. V. Nayak                    | Member      | Non-Executive               | 4                                    |
| Mr. N. Kaviratne (w.e.f. 26.07.05) | Member      | Non-Executive & Independent | 1                                    |

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 30th March 2005.

#### 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 were paid sitting fees of Rs. 5,000 per meeting which has been increased to Rs.10,000 per meeting w.e.f. 28th October 2005 as remuneration and commission not exceeding 1% per annum of the profits of the Company.

The details of the remuneration paid to the Directors during the year 2005 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 | 47.74  | 33.00             | 20.49                      | -  | 101.23 |
| Mr. M. B. Kapadia      | 35.82  | 18.89             | 27.81                      | 9.67   | 92.19  |
| Dr. A. Banerjee        | 21.13  | 8.19              | 13.07                      | 5.71   | 48.10  |

(Rs. in lakhs)

| Independent Directors & a Non-Executive Director | # Commission | Sitting Fees | Total |
|--|--------------|--------------|-------|
| Mr. D. S. Parekh                                 | 5.00         | 2.75         | 7.75  |
| Mr. R. R. Bajaj                                  | 3.00         | 1.20         | 4.20  |
| Mr. V. Narayanan                                 | 3.00         | 0.75         | 3.75  |
| Mr. A. S. Lakshmanan                             | 3.00         | 1.40         | 4.40  |
| Mr. P. V. Nayak                                  | 3.00         | 1.20         | 4.20  |
| Mr. N. Kaviratne                                 | 1.25         | 0.30         | 1.55  |

# Payable in 2006 and excludes Rs. 1.46 lakhs paid to a past Non-Wholetime Director of erstwhile Burroughs Wellcome (India) Limited for the period 1st January 2004 to 24th September 2004.

Notes:

- The agreement with 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 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, the Directors in the whole-time employment of the Company and the 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 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 of GlaxoSmithKline plc.
- None of the other Directors are paid remuneration.



## 5. Investors / Shareholders Grievance Committee

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

| Name of the Member              | Category of Directorship    |
|---------------------------------|-----------------------------|
| Mr. A. S. Lakshmanan (Chairman) | Non-Executive & Independent |
| Mr. R. R. Bajaj                 | Non-Executive & Independent |
| Mr. S. Kalyanasundaram          | Executive                   |
| Mr. M. B. Kapadia               | Executive                   |

During the year under review, the Committee met on the 28th October 2005 and all the members attended the meeting.

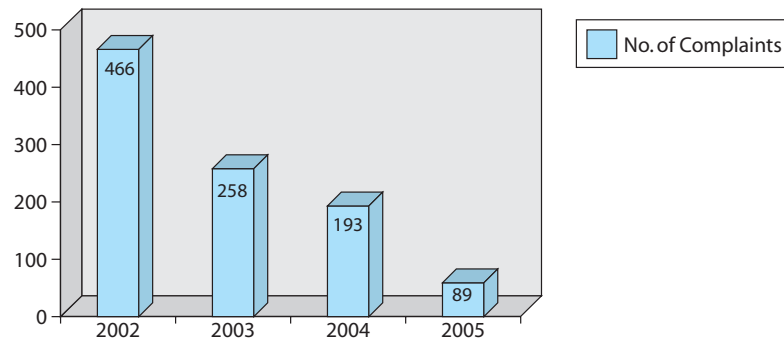
### **Name, designation and address of the Compliance Officer:**

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         | 1        | -        | 4         |
| Stock Exchanges                                 | -         | -         | 1        | -        | 1         |
| Shareholders                                    | 37        | 39        | 4        | 4        | 84        |
| <b>Total</b>                                    | <b>39</b> | <b>40</b> | <b>6</b> | <b>4</b> | <b>89</b> |

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 8 transfers pending at the close of the financial year which have been processed by 13th January 2006.



## 6. General Body Meetings

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

| Date            | Year | Type of Meeting                                | Venue  | Time       |
|-----------------|------|--|--|------------|
| 30th March 2005 | 2004 | Annual General Meeting                         | Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai – 400 020 | 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.  |
| 28th April 2003 | 2002 | 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, the Company obtained the approval of the members, through postal ballot by way of a special resolution, authorizing the Board to buy back fully paid-up equity shares of Rs. 10 each of the Company up to a limit not exceeding Rs. 23,065.21 lakhs being 25% of the existing paid-up share capital and free reserves of the Company, at a price not exceeding Rs. 800 per equity share from the open market through Stock Exchanges.

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 Special Resolution was passed with an overwhelming majority of 99.78%.

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 the 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.

#### **8. Means of Communication**

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

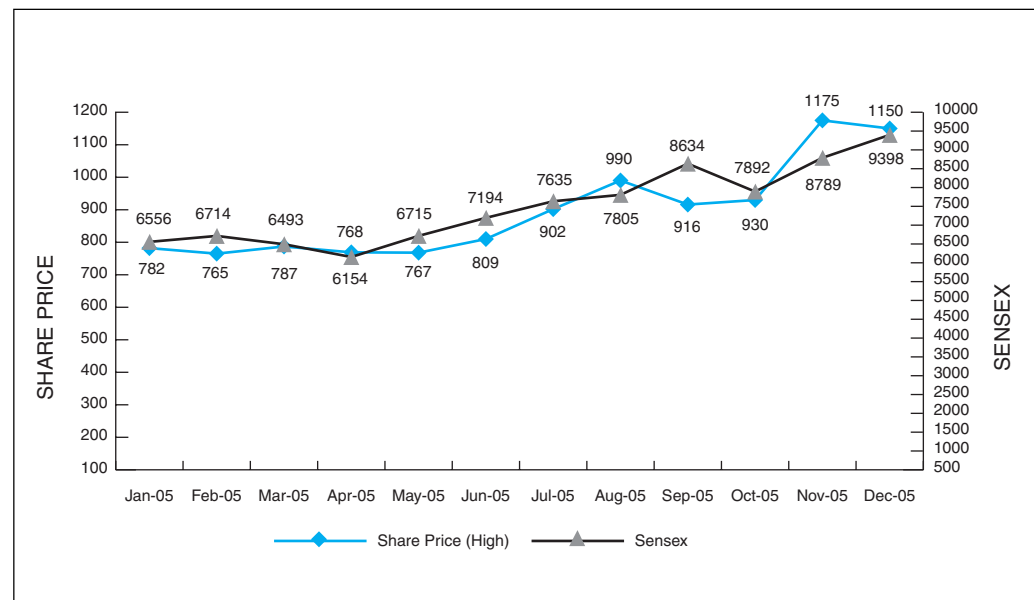
#### **9. General Shareholder Information**

- AGM: Date, Time and Venue 12th April 2006 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020
- Financial Calendar
  - 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 2006 – March 2007
- Date of Book Closure 28th March 2006 to 12th April 2006 (both days inclusive)
- Dividend Payment date(s) On or after 12th April 2006
- 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 2005 to 31st March 2006
- 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 on The Stock Exchange, Mumbai and on the National Stock Exchange during the calendar year 2005 is furnished below :

| Period         | BSE           |              |           | NSE           |              |           |
|----------------|---------------|--------------|-----------|---------------|--------------|-----------|
|                | High (Rupees) | Low (Rupees) | Volume    | High (Rupees) | Low (Rupees) | Volume    |
| January 2005   | 782.00        | 665.60       | 4,31,854  | 795.00        | 665.00       | 10,11,002 |
| February 2005  | 765.00        | 650.00       | 8,83,886  | 767.80        | 670.10       | 15,77,296 |
| March 2005     | 787.00        | 685.00       | 7,16,554  | 784.00        | 685.00       | 11,40,170 |
| April 2005     | 768.90        | 695.00       | 3,28,346  | 744.40        | 695.00       | 4,88,761  |
| May 2005       | 767.90        | 710.10       | 7,66,293  | 789.00        | 692.10       | 11,23,954 |
| June 2005      | 809.90        | 757.00       | 28,88,966 | 810.00        | 743.55       | 17,88,705 |
| July 2005      | 902.00        | 805.00       | 6,75,529  | 898.00        | 803.45       | 12,90,379 |
| August 2005    | 990.00        | 850.00       | 2,84,220  | 924.90        | 845.00       | 8,40,406  |
| September 2005 | 916.00        | 832.15       | 3,05,265  | 918.00        | 836.25       | 7,27,852  |
| October 2005   | 930.00        | 827.00       | 7,02,540  | 916.00        | 830.00       | 10,07,120 |
| November 2005  | 1,175.00      | 884.00       | 5,24,364  | 1,185.00      | 880.00       | 11,63,474 |
| December 2005  | 1,150.00      | 1,040.05     | 5,75,666  | 1,156.00      | 1,022.10     | 10,81,593 |

- Share Performance of the Company in comparison to BSE Sensex



- Equity History

| Particulars   | No. of shares issued<br>(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  | 6.19        |
| 2.      | Aberdeen Asset Managers Limited A/c Aberdeen International Opp Fund(M) Limited | 2.35        |
| 3.      | General Insurance Corporation of India   | 1.45        |
| 4.      | T Rowe Price International A/c T Rowe Price New Asia Fund                      | 1.28        |
| 5.      | Aberdeen Far East Emerging Economics Unit Trust                                | 1.05        |
| 6.      | Oriental Insurance Company Limited   | 1.04        |
| 7.      | J P Morgan Fleming Asset Management (Europe) S A R L                           | 0.81        |
| 8.      | Aberdeen Asset Managers Limited A/c Aberdeen Global – Asia Pacific Fund        | 0.79        |
| 9.      | Aberdeen Asset Managers Limited A/c Aberdeen International                     | 0.71        |
| 10.     | National Insurance Company Limited   | 0.70        |

- The distribution of shareholding as on 31.12.2005 is as follows:

| No. of Equity Shares held | Folios | %      | Shares   | %      |
|---------------------------|--------|--------|----------|--------|
| Up to 25                  | 24800  | 20.61  | 333262   | 0.39   |
| 26 to 50                  | 19499  | 16.21  | 861959   | 1.02   |
| 51 to 100                 | 27442  | 22.81  | 2248303  | 2.66   |
| 101 to 500                | 44782  | 37.22  | 8586077  | 10.14  |
| 501 to 1000               | 2597   | 2.16   | 1815349  | 2.14   |
| 1001 to 10000             | 1041   | 0.87   | 2322204  | 2.74   |
| 10001 and above           | 146    | 0.12   | 68535863 | 80.91  |
| Grand Total               | 120307 | 100.00 | 84703017 | 100.00 |

- Shareholding pattern as on 31.12.2005

| 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               | 8864252       | 10.47  |
| FIIIs, NRIs, OCBs                              | 12750044      | 15.05  |
| Mutual Funds                                   | 2522374       | 2.98   |
| Domestic Companies                             | 1486343       | 1.75   |
| Resident Individuals                           | 16162516      | 19.08  |
| 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

43.68% of the paid-up capital has been dematerialised as on 31.12.2005. 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. 2495 9595 Extension 433/415  
e-mail id : [ajay.a.nadkarni@gsk.com](mailto:ajay.a.nadkarni@gsk.com)  
Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.
- 

### **AUDITORS' CERTIFICATE**

To the members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited for the year ended 31<sup>st</sup> December, 2005 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 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 abovementioned Listing Agreements.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> December, 2005, no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company and presented to the Investors/ Shareholders Grievance Committee.

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

Mumbai, 13th February, 2006

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

## Auditors' Report

To the members of GlaxoSmithKline Pharmaceuticals Limited

1. We have audited the attached Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited, as at 31<sup>st</sup> December, 2005, and the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the Directors of the company, as on 31<sup>st</sup> December, 2005, and taken on record by the Board of Directors of the company, none of the Directors of the company is disqualified as on 31<sup>st</sup> December, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> December, 2005;
    - (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, 13<sup>th</sup> February, 2006

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

## Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GlaxoSmithKline Pharmaceuticals Limited on the financial statements for the year ended 31<sup>st</sup> December, 2005]

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 31<sup>st</sup> December, 2005. 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 income-tax, wealth tax, customs duty and cess which



have not been deposited on account of any dispute. The particulars of dues of sales tax, service tax and excise duty as at 31<sup>st</sup> December, 2005 which have not been deposited on account of a dispute, are as follows –

| Name of the statute                                      | Nature of dues  | Amount*<br>Rs. in lakhs | Period to which the amount relates                                    | Forum where the dispute is pending               |
|--|---|-------------------------|---|--|
| The Central Sales Tax Act, 1956 and Local Sales Tax Acts | Sales tax including interest and penalty, as applicable   | 12,52.39                | Several demands pertaining to the period 1988-1989 to 2004-2005       | Appellate Authority – up to Commissioner's level |
|  |   | 8,41.15                 | Several demands pertaining to the period 1993-1994 to 2001-2002       | Tribunal   |
| The Finance Act, 1994                                    | Service tax   | 1,29.20                 | January 2001 to December 2002   | Tribunal   |
| 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 |
|  |   | 10,04.66                | Several demands pertaining to the period July 1993 to September 2002  | Tribunal   |
|  |   | 30.12                   | 1977 to 1980  | The High Court of Judicature at Bombay           |
|  |   | 1,10.00                 | July 1997 to November 1998  | The Supreme Court of India                       |

\*Net of amounts paid under protest or otherwise

10. The company has no accumulated losses as at 31<sup>st</sup> December, 2005 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, 13<sup>th</sup> February, 2006

# GlaxoSmithKline Pharmaceuticals Limited

## Balance Sheet as at 31st December, 2005

|  | Schedule | Rupees in lakhs |            | Previous year<br>Rupees in lakhs |
|--|----------|-----------------|------------|----------------------------------|
| <b>SOURCES OF FUNDS</b>                          |          |                 |            |                                  |
| <b>SHAREHOLDERS' FUNDS</b>                       |          |                 |            |                                  |
| Capital  | 1        | 84,70.30        |            | 87,32.25                         |
| Reserves and surplus                             | 2        | 863,90.28       | 948,60.58  | 836,94.08                        |
| <b>LOAN FUNDS</b>                                |          |                 |            |                                  |
| Unsecured loans                                  | 3        |                 | 4,85.42    | 3,84.48                          |
|  |          |                 | 953,46.00  | 928,10.81                        |
| <b>APPLICATION OF FUNDS</b>                      |          |                 |            |                                  |
| <b>FIXED ASSETS</b>                              |          |                 |            |                                  |
| Gross block                                      | 4        | 253,10.73       |            | 252,64.22                        |
| Less : Depreciation                              |          | 171,53.71       |            | 165,66.16                        |
| Net block  |          | 81,57.02        |            | 86,98.06                         |
| Capital work-in-progress                         |          | 15,37.32        | 96,94.34   | 4,50.55                          |
|  |          |                 | 913,05.67  | 91,48.61                         |
| <b>INVESTMENTS</b>                               |          |                 |            |                                  |
| <b>DEFERRED TAX</b>                              |          |                 |            |                                  |
| Deferred tax assets                              | 5        | 41,17.53        |            | 59,97.14                         |
| Deferred tax liabilities                         | 6        | 11,41.18        | 29,76.35   | 15,10.78                         |
|  |          |                 |            | 44,86.36                         |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>        |          |                 |            |                                  |
| Inventories                                      | 7        | 218,12.90       |            | 226,49.73                        |
| Sundry debtors                                   | 8        | 67,38.72        |            | 76,06.35                         |
| Cash and bank balances                           | 9        | 47,52.63        |            | 63,38.26                         |
| Other current assets                             | 10       | 19,46.66        |            | 20,80.66                         |
| Loans and advances                               | 11       | 109,29.35       |            | 97,87.78                         |
|  |          | 461,80.26       |            | 484,62.78                        |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b> |          |                 |            |                                  |
| Liabilities                                      | 12       | 257,55.43       |            | 219,47.11                        |
| Provisions                                       | 13       | 290,55.19       |            | 250,22.41                        |
|  |          | 548,10.62       |            | 469,69.52                        |
| <b>NET CURRENT ASSETS</b>                        |          |                 |            |                                  |
|  |          |                 | (86,30.36) | 14,93.26                         |
|  |          |                 | 953,46.00  | 928,10.81                        |
| <b>Notes to the Financial Statements</b>         |          |                 |            |                                  |
|  | 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, 13th February, 2006

For and on behalf of the Board

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

# GlaxoSmithKline Pharmaceuticals Limited

## Profit and Loss Account for the year ended 31st December, 2005

|   | Schedule | Rupees in lakhs   | Previous year<br>Rupees in lakhs |
|---|----------|-------------------|----------------------------------|
| <b>INCOME</b>   |          |                   |                                  |
| Sales (Gross) .. .. .   |          | 1575,88.86        | 1479,59.42                       |
| Less : Excise duty on sales .. .. .   |          | 90,58.63          | 103,70.18                        |
| Net sales .. .. .   |          | 1485,30.23        | 1375,89.24                       |
| Other income .. .. .  | 14       | 65,63.50          | 53,33.59                         |
| <b>TOTAL INCOME</b> .. .. .   |          | <b>1550,93.73</b> | <b>1429,22.83</b>                |
| <b>EXPENDITURE</b>  |          |                   |                                  |
| Materials .. .. .   | 15       | 626,45.76         | 590,85.97                        |
| Operating and other expenses .. .. .  | 16       | 430,83.79         | 402,66.20                        |
| Depreciation .. .. .  |          | 15,73.33          | 17,46.75                         |
| <b>TOTAL EXPENDITURE</b> .. .. .  |          | <b>1073,02.88</b> | <b>1010,98.92</b>                |
| <b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>   |          |                   |                                  |
|   |          | 477,90.85         | 418,23.91                        |
| Provision for taxation  |          |                   |                                  |
| Current tax .. .. .   |          | 147,50.10         | 139,64.00                        |
| Deferred tax .. .. .  |          | 16,34.81          | 12,54.87                         |
|   |          | 163,84.91         | 152,18.87                        |
| Fringe benefit tax .. .. .  |          | 7,77.49           | —                                |
|   |          | 171,62.40         | 152,18.87                        |
| <b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> .. .. .   |          |                   |                                  |
|   |          | 306,28.45         | 266,05.04                        |
| EXCEPTIONAL ITEMS (net of tax) .. .. .<br>(Refer note 16 on Schedule 17)  |          | 195,79.85         | 67,04.39                         |
| <b>NET PROFIT</b> .. .. .   |          |                   |                                  |
|   |          | 502,08.30         | 333,09.43                        |
| Balance brought forward .. .. .   |          | 259,75.10         | 191,59.99                        |
| Additions as at 1st January, 2004, of erstwhile Burroughs Wellcome (India) Limited, pursuant to the Scheme of Amalgamation        |          | —                 | 5,32.95                          |
|   |          | 761,83.40         | 530,02.37                        |
| <b>AVAILABLE FOR APPROPRIATION</b>  |          |                   |                                  |
| <b>APPROPRIATIONS</b>   |          |                   |                                  |
| Proposed dividend .. .. .   |          | 237,16.84         | 209,57.40                        |
| [The proposed dividend includes a special additional one-time dividend of Rs. 118,58.42 lakhs (Previous year Rs. 96,05.47 lakhs)] |          |                   |                                  |
| Tax on distributed profit .. .. .   |          | 33,26.29          | 27,38.87                         |
|   |          | 270,43.13         | 236,96.27                        |
| Transfer to general reserve .. .. .   |          | 50,20.83          | 33,31.00                         |
|   |          | 320,63.96         | 270,27.27                        |
| <b>BALANCE CARRIED FORWARD</b> .. .. .  |          | <b>441,19.44</b>  | <b>259,75.10</b>                 |
| Earnings per share before exceptional items (basic and diluted) (Rs.) .. .. .   |          | 35.69             | 30.47                            |
| Earnings per share (basic and diluted) (Rs.) .. .. .  |          | 58.51             | 38.15                            |
| Face value of shares Rs. 10 each.<br>(Refer note 28 on Schedule 17)   |          |                   |                                  |
| <b>Notes to the Financial Statements</b>  | 17       |                   |                                  |

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

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

For and on behalf of the Board

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

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

Mumbai, 13th February, 2006

# GlaxoSmithKline Pharmaceuticals Limited

## Cash Flow Statement for the year ended 31st December, 2005

|   | Rupees in lakhs    | Previous year<br>Rupees in lakhs |
|---|--------------------|----------------------------------|
| <b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>   |                    |                                  |
| Profit before taxation and exceptional items  | 477,90.85          | 418,23.91                        |
| <i>Adjustments for :</i>  |                    |                                  |
| Depreciation  | 15,73.33           | 17,46.75                         |
| Interest expense  | 1,66.98            | 1,87.77                          |
| Provision/write off for doubtful debts, loans and advances (net)  | 1,80.73            | 3,00.63                          |
| Unrealised loss on foreign exchange   | 12.41              | 0.39                             |
| Profit on sale/disposal of fixed assets (net)   | (3.99)             | (70.17)                          |
| Loss/(profit) on sale/redemption of investments (net)   | (2,14.97)          | 41.26                            |
| Provision written back as no longer required  | (5,84.30)          | (3,66.19)                        |
| Interest income   | (25,11.81)         | (28,55.80)                       |
| Dividend income   | (7,85.27)          | (1,90.77)                        |
| <b>Operating profit before working capital changes</b>  | <b>456,23.96</b>   | <b>406,17.78</b>                 |
| <i>Adjustments for :</i>  |                    |                                  |
| Inventories   | 8,36.83            | (90.38)                          |
| Trade and other receivables   | 20.05              | (2.52)                           |
| Trade payables and other liabilities  | 38,09.27           | 11,92.74                         |
| <b>Cash generated from operations</b>   | <b>502,90.11</b>   | <b>417,17.62</b>                 |
| Direct taxes paid (net of refunds) (including fringe benefit tax)   | (145,76.70)        | (140,31.44)                      |
| <b>Cash flow before exceptional items</b>   | <b>357,13.41</b>   | <b>276,86.18</b>                 |
| <i>Exceptional items :</i>  |                    |                                  |
| Payments made for voluntary retirement schemes and other retirement benefits  | (31.01)            | (48,64.23)                       |
| Expenses incurred on buy back of shares   | (1,44.12)          | —                                |
| Expenses incidental to sale of properties   | (5.43)             | —                                |
| Payments for pricing of formulations  | (6,04.62)          | —                                |
| Non recurring expenses for merger / rationalisation initiatives   | (64.12)            | (6,87.96)                        |
| Loss of stock on account of flood   | (43.60)            | —                                |
| Additional contribution for past years' service to the defined benefit pension fund   | (4,00.00)          | (2,23.00)                        |
| <b>Net cash from operating activities</b>   | <b>344,20.51</b>   | <b>219,10.99</b>                 |
| <b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>   | A                  |                                  |
| Purchase of fixed assets  | (23,39.14)         | (9,37.20)                        |
| Sale of fixed assets  | 85.91              | 1,34.99                          |
| Sale of properties (Exceptional item)   | 218,03.70          | 104,92.03                        |
| (Purchase)/sale/redemption of investments (net)   | (136,54.00)        | (264,24.19)                      |
| Fixed deposit with a limited company  | (10,00.00)         | —                                |
| Interest received   | 27,27.88           | 33,36.35                         |
| Dividend received   | 7,85.27            | 1,90.77                          |
| <b>Net cash from/(used in) investing activities</b>   | <b>84,09.62</b>    | <b>(132,07.25)</b>               |
| <b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>   | B                  |                                  |
| Proceeds / (repayments) of borrowings   | 1,00.94            | 98.21                            |
| Buy back of equity shares   | (207,30.92)        | —                                |
| Interest paid   | (1,66.41)          | (1,71.03)                        |
| Dividend paid   | (208,68.09)        | (87,94.08)                       |
| Tax on distributed profit   | (27,38.87)         | (11,30.58)                       |
| <b>Net cash used in financing activities</b>  | <b>(444,03.35)</b> | <b>(99,97.48)</b>                |
| <b>Net decrease in cash and cash equivalents</b>  | C<br>(A + B + C)   | <b>(15,73.22)</b>                |
| Cash and cash equivalents as at 1st January, 2005 (opening balance)   | 63,37.85           | 59,39.57                         |
| Cash and cash equivalents taken over on 1st January, 2004 (Refer note 3 below)  | —                  | 16,92.02                         |
| Cash and cash equivalents as at 31st December, 2005 (closing balance)   | 47,64.63           | 63,37.85                         |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(15,73.22)</b>  | <b>(12,93.74)</b>                |
| <b>NOTES:</b>   |                    |                                  |
| 1. Cash and cash equivalents include:   |                    |                                  |
| Cash and bank balances  | 47,52.63           | 63,38.26                         |
| Unrealised gain on foreign currency   | 12.00              | (0.41)                           |
| Total cash and cash equivalents   | 47,64.63           | 63,37.85                         |
| 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. |                    |                                  |
| 3. Cash and cash equivalents of Rs. 16,92.02 lakhs of erstwhile Burroughs Wellcome (India) Limited have been added on amalgamation. The amalgamation is a non cash transaction.                 |                    |                                  |

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         | S. KALYANASUNDARAM |
| Senior Executive Director | M. B. KAPADIA      |
| Company Secretary         | A. A. NADKARNI     |

Mumbai, 13th February, 2006

## Schedules to the Financial Statements

**1**
**CAPITAL**
**AUTHORISED**

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

Rupees in lakhs

90,00.00

 Previous year  
Rupees in lakhs

90,00.00
**ISSUED**

8,47,07,710 (Previous year 8,73,27,239) equity shares of Rs.10 each, fully paid-up . . . . .

84,70.77
87,32.72
**SUBSCRIBED AND PAID-UP**

8,47,03,017\* (Previous year 8,73,22,546\*) equity shares of Rs.10 each, fully paid-up . . . . .

84,70.30
87,32.25

The Company has bought back and extinguished 26,19,529 equity shares during the year (Refer note 29 on Schedule 17).

\* 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<br>1st January<br>2005 | Additions on<br>Amalgamation<br>(a) | Additions        | Deductions         | As at<br>31st December<br>2005 | As at<br>31st December<br>2004 |
|-----------------------------------|------------------------------|-------------------------------------|------------------|--------------------|--------------------------------|--------------------------------|
| Capital Reserve                   | 1,65.51                      | —                                   | —                | —                  | (g) 1,65.51                    | 1,65.51                        |
| Capital Redemption Reserve        | —                            | —                                   | (b) 2,61.95      | —                  | 2,61.95                        | —                              |
| Share Premium Account             | 69,43.41                     | —                                   | —                | (e) (69,43.41)     | —                              | 69,43.41                       |
| General Reserve                   | 506,10.06                    | —                                   | (c) 50,20.83     | (f) (137,87.51)    | 418,43.38                      | 506,10.06                      |
| Profit and Loss Account - Surplus | 259,75.10                    | —                                   | (d) 181,44.34    | —                  | 441,19.44                      | 259,75.10                      |
| <b>TOTAL</b>                      | <b>836,94.08</b>             | <b>—</b>                            | <b>234,27.12</b> | <b>(207,30.92)</b> | <b>863,90.28</b>               | <b>836,94.08</b>               |
| <b>Previous Year Total</b>        | <b>593,01.02</b>             | <b>147,79.90</b>                    | <b>96,13.16</b>  | <b>—</b>           | <b>836,94.08</b>               |                                |

- (a) Additions as at 1st January, 2004, pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited (BWIL) with the Company.
- (b) Transfer from General Reserve on account of buy back of equity shares.
- (c) Transfer from Profit and Loss Account.
- (d) Increase in balance of profit carried forward.
- (e) Premium on buy back of equity shares.
- (f) Transfer to Capital Redemption Reserve Rs. 2,61.95 lakhs and premium on buy back of equity shares Rs. 135,25.56 lakhs.
- (g) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile BWIL Rs. 0.51 lakhs.

## Schedules to the Financial Statements — *continued*

### 3 UNSECURED LOANS

|   | Rupees in lakhs |                | Previous year<br>Rupees in lakhs |                |
|---|-----------------|----------------|----------------------------------|----------------|
|   | Long Term       | Short Term     | Long Term                        | Short Term     |
| Interest free sales tax loan from SICOM Limited . . . . . | 4,83.21         | 2.21           | 3,81.92                          | 2.56           |
|   | <u>4,83.21</u>  | <u>2.21</u>    | <u>3,81.92</u>                   | <u>2.56</u>    |
| <b>TOTAL . . . . .</b>                                    |                 | <u>4,85.42</u> |                                  | <u>3,84.48</u> |

### 4 FIXED ASSETS

|   | Rupees in lakhs        |                               |                        |                 |                          |                        |                               |                 |                |                          |                          |                          |
|---|------------------------|-------------------------------|------------------------|-----------------|--------------------------|------------------------|-------------------------------|-----------------|----------------|--------------------------|--------------------------|--------------------------|
|   | Gross block (at cost)  |                               |                        |                 |                          | Depreciation           |                               |                 |                |                          | Net block                |                          |
|   | As at 1st January 2005 | Additions on Amalgamation (a) | Additions/ Adjustments | Deductions      | As at 31st December 2005 | As at 1st January 2005 | Additions on Amalgamation (a) | For the Year    | On Deductions  | As at 31st December 2005 | As at 31st December 2005 | As at 31st December 2004 |
| Freehold land   | 39.73                  | —                             | —                      | 18.92           | 20.81                    | —                      | —                             | —               | —              | —                        | 20.81                    | 39.73                    |
| Leasehold land  | 46.49                  | —                             | —                      | —               | 46.49                    | —                      | —                             | —               | —              | —                        | 46.49                    | 46.49                    |
| Freehold buildings (b)  | 26,53.95               | —                             | 50.88                  | 2,42.91         | 24,61.92                 | 11,48.94               | —                             | 53.61           | 1,33.50        | 10,69.05                 | 13,92.87                 | 15,05.01                 |
| Leasehold buildings   | 23,77.81               | —                             | 22.35                  | —               | 24,00.16                 | 10,53.66               | —                             | 82.42           | —              | 11,36.08                 | 12,64.08                 | 13,24.15                 |
| Plant and machinery   | 151,10.66              | —                             | 8,21.79                | 8,02.80         | 151,29.65                | 115,12.10              | —                             | 9,41.48         | 7,49.55        | 117,04.03                | 34,25.62                 | 35,98.56                 |
| Furniture and fittings  | 26,83.27               | —                             | 2,85.80                | 31.98           | 29,37.09                 | 14,48.22               | —                             | 2,08.20         | 20.40          | 16,36.02                 | 13,01.07                 | 12,35.05                 |
| Trademarks (c)  | 17,17.57               | —                             | —                      | —               | 17,17.57                 | 9,72.40                | —                             | 1,71.76         | —              | 11,44.16                 | 5,73.41                  | 7,45.17                  |
| Vehicles  | 6,34.74                | —                             | 52.67                  | 90.37           | 5,97.04                  | 4,30.84                | —                             | 1,15.86         | 82.33          | 4,64.37                  | 1,32.67                  | 2,03.90                  |
| <b>TOTAL</b>  | <b>252,64.22</b>       | <b>—</b>                      | <b>12,33.49</b>        | <b>11,86.98</b> | <b>253,10.73</b>         | <b>165,66.16</b>       | <b>—</b>                      | <b>15,73.33</b> | <b>9,85.78</b> | <b>171,53.71</b>         | <b>81,57.02</b>          |                          |
| Previous year — Total   | 256,68.54              | 8,16.11                       | 10,08.72               | 22,29.15        | 252,64.22                | 161,35.65              | 4,83.66                       | 17,46.75        | 17,99.90       | 165,66.16                |                          | 86,98.06                 |
| Work-in-progress at cost and advance payments against capital expenditure |                        |                               |                        |                 |                          |                        |                               |                 |                |                          | 15,37.32                 | 4,50.55                  |
|   |                        |                               |                        |                 |                          |                        |                               |                 |                |                          | <u>96,94.34</u>          | <u>91,48.61</u>          |
|   |                        |                               |                        |                 |                          |                        |                               | <b>TOTAL</b>    |                |                          |                          |                          |

Notes:

- (a) Additions as at 1st January, 2004, pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company.
- (b) Buildings include investments representing ownership of residential flats (Refer note 7 on Schedule 17).
- (c) Other than internally generated and amortised over a period of 10 years.

## 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

27,79.18

Previous year

Rupees  
in lakhs

28,15.51

###### 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 .. .. .

15,26.56

15,32.19

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

20,02.11

20,02.95

Grasim Industries Limited

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

10,08.82

10,10.70

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

5,12.31

5,15.10

10, Floating Rate Inverse Mibor Non-Convertible Debentures, 2007 of

Rs. 50,00,000 each .. .. .

5,20.33

5,31.98

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 .. .. .

15,04.21

15,06.29

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

20,18.10

20,23.41

Indian Railway Finance Corporation Limited

50, 10.90% Bonds, 2006 of Rs. 10,00,000 each .. .. .

5,01.57

5,09.00

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

5,05.09

5,08.24

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

10,19.24

10,28.87

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

5,11.48

5,13.62

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

5,05.57

5,07.46

LIC Housing Finance Limited

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

5,45.38

5,58.16

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

5,58.26

5,70.28

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

10,65.30

10,80.68

National Hydroelectric Power Corporation Limited

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

10,68.09

10,81.80

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

9,37.90

9,47.96

National Thermal Power Corporation Limited

750, 10% Bonds, 2008 of Rs. 2,00,000 each .. .. .

16,81.22

17,42.36

Power Grid Corporation of India Limited

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

5,06.08

5,08.37

40, 6.10% Bonds, 2009 of Rs. 12,50,000 each .. .. .

5,08.35

5,10.52

40, 6.10% Bonds, 2010 of Rs. 12,50,000 each .. .. .

5,10.51

5,12.56

Power Finance Corporation Limited

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

15,14.34

15,19.72

## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

|   | Rupees<br>in lakhs | Previous year<br>Rupees<br>in lakhs |
|---|--------------------|-------------------------------------|
| Reliance Industries Limited   |                    |                                     |
| 100, 8.25% Non-Convertible Debentures, 2006 of Rs. 10,00,000 each ..                                  | 10,03.85           | 10,13.10                            |
| 74 Equity Shares of Rs. 10 each fully paid .. .. .  | 0.01               | 0.01                                |
| Tata Sons Limited   |                    |                                     |
| 15, 6.58% Non-Convertible Debentures, 2008 of Rs. 1,00,00,000 each ..                                 | 15,23.33           | 15,32.24                            |
| Unit Trust of India   |                    |                                     |
| 54,431, 6.75% Tax-free Bonds, 2008 of Rs. 100 each .. .. .  | 54.33              | 54.33                               |
| 10,42,521, 6.60% Tax Free Assured Returns Scheme Bonds, 2009 of Rs. 100 each                          | 10,42.52           | 10,42.52                            |
| <b>Unquoted</b>   |                    |                                     |
| National Bank for Agriculture and Rural Development   |                    |                                     |
| 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                            |
| <b>CURRENT</b> (at lower of cost and fair value)  |                    |                                     |
| <b>IN GOVERNMENT SECURITIES</b>   |                    |                                     |
| <b>Quoted</b>   |                    |                                     |
| Government of India Treasury Bills  |                    |                                     |
| Face Value Rs. 130,00 lakhs, (Previous year : Rs. 180,00 lakhs) ..                                    | 126,31.82          | 171,59.84                           |
| <b>OTHER THAN TRADE</b>   |                    |                                     |
| <b>Quoted</b>   |                    |                                     |
| HDFC Bank Limited   |                    |                                     |
| 1,500 Units of Certificate of Deposit - Cumulative of Rs. 1,00,000 each ..                            | 14,76.00           | —                                   |
| Industrial Development Finance Corporation Limited  |                    |                                     |
| 100 Units of Commercial Paper of Rs. 5,00,000 each .. .. .  | 4,92.87            | —                                   |
| Power Finance Corporation Limited   |                    |                                     |
| 100 Units of Commercial Paper of Rs. 5,00,000 each .. .. .  | 4,93.42            | —                                   |
| <b>Unquoted (Mutual Funds)</b>  |                    |                                     |
| ABN AMRO Long Term Floating Rate Fund - Institutional Weekly Dividend Option                          |                    |                                     |
| 1,00,84,921.322 Units of Rs. 10 each .. .. .  | 10,08.49           | —                                   |
| ABN AMRO Floating Rate Fund - Institutional Growth Option   |                    |                                     |
| 95,70,843.383 Units of Rs. 10 each .. .. .  | 10,00.00           | —                                   |
| ABN AMRO Cash Fund - Institutional Growth Option  |                    |                                     |
| 95,44,899.206 Units of Rs. 10 each .. .. .  | 10,00.00           | —                                   |
| ABN AMRO Cash Fund - Institutional Daily Dividend Option  |                    |                                     |
| 1,01,83,476.349 Units of Rs. 10 each .. .. .  | 10,18.35           | —                                   |
| Deutsche Floating Rate Fund Regular Plan - Growth Option  |                    |                                     |
| 2,32,04,862.763 Units of Rs. 10 each, (Previous year : 48,31,291.308<br>Units of Rs. 10 each) .. .. . | 25,00.00           | 5,00.00                             |
| Deutsche Floating Rate Fund Regular Plan - Weekly Dividend Option                                     |                    |                                     |
| 40,12,856.158 Units of Rs. 10 each, (Previous year : 1,95,94,628.047<br>Units of Rs. 10 each) .. .. . | 4,11.75            | 20,07.76                            |
| Deutsche Short Maturity Fund - Growth Option  |                    |                                     |
| 1,73,66,356.760 Units of Rs. 10 each .. .. .  | 20,00.00           | —                                   |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option                         |                    |                                     |
| Nil, (Previous year : 50,00,000 Units of Rs. 10 each) .. .. .   | —                  | 5,00.00                             |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Quarterly Dividend Option             |                    |                                     |
| Nil, (Previous year : 49,98,883.839 Units of Rs. 10 each) .. .. .                                     | —                  | 5,06.45                             |



## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

|  | Rupees<br>in lakhs | Previous year<br>Rupees<br>in lakhs |
|--|--------------------|-------------------------------------|
| Grindlays Floating Rate - Short Term Super Institutional Plan C - Weekly Dividend Option<br>Nil, (Previous year : 1,50,89,327.654 Units of Rs. 10 each) .. .. .                            | —                  | 15,09.77                            |
| Grindlays Fixed Maturity 3rd Plan - Dividend Option<br>Nil, (Previous year : 2,00,00,000 Units of Rs. 10 each) .. .. .   | —                  | 20,00.00                            |
| Grindlays Fixed Maturity 15th Plan A - Growth Option<br>50,00,000 Units of Rs. 10 each .. .. .   | 5,00.00            | —                                   |
| Grindlays Fixed Maturity 17th Plan - Dividend Option<br>50,00,000 Units of Rs. 10 each .. .. .   | 5,00.00            | —                                   |
| Grindlays Super Saver Income Fund - Short Term Plan C - Growth Option<br>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<br>1,00,66,135.421 Units of Rs. 10 each .. .. .  | 10,10.84           | —                                   |
| Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option<br>80,00,000 Units of Rs. 10 each .. .. .   | 8,00.00            | —                                   |
| HDFC Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>Nil, (Previous year : 4,89,25,316.409 Units of Rs. 10 each) .. .. .                                     | —                  | 49,05.91                            |
| HDFC Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option<br>91,21,542.175 Units of Rs. 10 each .. .. .   | 9,21.16            | —                                   |
| HDFC Floating Rate Income Fund - Short Term Plan - Growth Option<br>1,76,91,756.526 Units of Rs. 10 each .. .. .   | 20,00.00           | —                                   |
| HDFC Cash Management Fund - Saving Plus Plan - Growth Option<br>1,37,19,690.929 Units of Rs. 10 each .. .. .   | 20,00.00           | —                                   |
| HDFC Cash Management Fund - Saving Plus Plan - Dividend Option<br>2,00,88,601.506 Units of Rs. 10 each .. .. .   | 20,11.97           | —                                   |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Weekly Dividend Option<br>Nil, (Previous year : 2,51,88,645.742 Units of Rs. 10 each) .. .. .                                    | —                  | 25,22.09                            |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option<br>1,63,21,954.016 Units of Rs. 10 each .. .. .  | 16,34.35           | —                                   |
| HSBC Income Fund - Short Term Plan - Institutional Growth Option<br>86,63,559.337 Units of Rs. 10 each .. .. .   | 10,00.00           | —                                   |
| HSBC Floating Rate Fund - Long Term Plan - Institutional Weekly Dividend Option<br>1,36,30,498.691 Units of Rs. 10 each, (Previous year : 1,00,57,206.743<br>Units of Rs. 10 each) .. .. . | 13,64.00           | 10,05.73                            |
| HSBC Floating Rate Fund - Long Term Plan - Institutional Growth Option<br>1,00,00,000 Units of Rs. 10 each .. .. .   | 10,00.00           | 10,00.00                            |
| Prudential ICICI Fixed Maturity Plan - Yearly - Series XXV - Dividend Option<br>81,81,785.761 Units of Rs. 10 each .. .. .   | 8,18.18            | —                                   |
| Prudential ICICI Institutional - Short Term Plan - Cumulative Option<br>77,50,856.470 Units of Rs. 10 each .. .. .   | 10,00.00           | —                                   |
| Prudential ICICI Floating Rate Plan C - Growth Option<br>1,90,30,038.916 Units of Rs. 10 each .. .. .  | 20,00.00           | —                                   |
| Prudential ICICI Long Term Floating Rate Plan B - Growth Option<br>97,80,142.399 Units of Rs. 10 each .. .. .  | 10,00.00           | —                                   |
| Templeton Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option<br>Nil, (Previous year : 1,94,02,970.595 Units of Rs. 10 each) .. .. .                                 | —                  | 20,00.00                            |
| Templeton Floating Rate Income Fund - Short Term Plan - Growth Option<br>1,64,59,008.838 Units of Rs. 10 each .. .. .  | 20,00.00           | —                                   |

## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

|   | Rupees<br>in lakhs | Previous year<br>Rupees<br>in lakhs |
|---|--------------------|-------------------------------------|
| Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option<br>2,95,10,076.150 Units of Rs. 10 each .. .. .          | 29,51.08           | —                                   |
| Templeton Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>Nil, (Previous year : 1,59,70,135.846 Units of Rs. 10 each) .. .. . | —                  | 16,00.00                            |
| <b>TOTAL</b> .. .. .  | <b>913,05.67</b>   | <b>776,82.58</b>                    |
| Aggregate of Unquoted Investments - At Book value .. .. .   | 486,59.39          | 327,24.68                           |
| Aggregate of Quoted Investments - At Book value .. .. .   | 426,46.28          | 449,57.90                           |
| - At Market value .. .. .   | 525,80.59          | 510,12.69                           |
| <b><u>Purchased and Sold/Redeemed during the year</u></b>   |                    |                                     |
| Government of India Treasury Bills<br>Face value Rs. 48,25 lakhs  |                    |                                     |
| Deutsche Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option<br>90,10,311.101 Units of Rs. 10 each  |                    |                                     |
| Deutsche Floating Rate Fund Regular Plan - Weekly Dividend Option<br>3,44,84,434.844 Units of Rs. 10 each   |                    |                                     |
| Grindlays Fixed Maturity 10th Plan - Dividend Option<br>2,00,00,000 Units of Rs. 10 each  |                    |                                     |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option<br>95,10,675.734 Units of Rs. 10 each   |                    |                                     |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Quarterly Dividend Option<br>50,45,466.420 Units of Rs. 10 each                             |                    |                                     |
| Grindlays Super Saver Income Fund - Short Term Plan C - Growth Option<br>74,02,573.285 Units of Rs. 10 each   |                    |                                     |
| Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option<br>3,33,46,07,293.676 Units of Rs. 10 each   |                    |                                     |
| Grindlays Floating Rate - Short Term Super Institutional Plan C - Weekly Dividend Option<br>50,93,380.492 Units of Rs. 10 each                              |                    |                                     |
| HDFC Cash Management Fund - Saving Plus Plan - Dividend Option<br>90,96,627.954 Units of Rs. 10 each  |                    |                                     |
| HDFC Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>2,56,30,523.104 Units of Rs. 10 each                                     |                    |                                     |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option<br>99,86,817.401 Units of Rs. 10 each                                       |                    |                                     |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Weekly Dividend Option<br>4,98,274.556 Units of Rs. 10 each                                       |                    |                                     |
| Prudential ICICI Floating Rate Plan C - Dividend Option<br>5,33,74,606.297 Units of Rs. 10 each   |                    |                                     |
| Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option<br>1,60,82,982.495 Units of Rs. 10 each   |                    |                                     |
| Templeton Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option<br>1,21,45,210.152 Units of Rs. 10 each                                 |                    |                                     |
| Templeton Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>1,51,97,905.657 Units of Rs. 10 each                                |                    |                                     |

**Schedules to the Financial Statements — continued**

|  | Rupees in lakhs |           | Previous year<br>Rupees in lakhs |           |
|--|-----------------|-----------|----------------------------------|-----------|
| <b>6 DEFERRED TAX</b>  |                 |           |                                  |           |
| Deferred tax assets and liabilities are attributable to the following items: |                 |           |                                  |           |
| <u>Assets</u>  |                 |           |                                  |           |
| Liability for Drugs Prices Equalisation Account .. .. .                      |                 | 3,53.17   |                                  | 3,83.94   |
| Provision for unencashed leave .. .. .                                       |                 | 5,53.56   |                                  | 4,85.27   |
| Costs of voluntary retirement schemes .. .. .                                |                 | 18,82.65  |                                  | 37,22.94  |
| Costs of merger .. .. .  |                 | 1,24.05   |                                  | 2,32.44   |
| Provision for doubtful debts, loans and advances .. .. .                     |                 | 4,50.73   |                                  | 8,85.63   |
| Long term loss under the head 'capital gains' .. .. .                        |                 | 1,03.89   |                                  | 94.71     |
| Provision for pricing of formulations .. .. .                                |                 | 1,91.01   |                                  | —         |
| Expenses allowable for tax purposes when paid .. .. .                        |                 | 4,58.47   |                                  | 1,92.21   |
| TOTAL .. .. .  |                 | 41,17.53  |                                  | 59,97.14  |
| <u>Liabilities</u>   |                 |           |                                  |           |
| Depreciation .. .. .   |                 | 9,75.81   |                                  | 12,71.06  |
| Fixed assets held for sale .. .. .   |                 | 1,65.37   |                                  | 2,39.72   |
| TOTAL .. .. .  |                 | 11,41.18  |                                  | 15,10.78  |
| TOTAL .. .. .  |                 | 29,76.35  |                                  | 44,86.36  |
| <b>7 INVENTORIES</b>   |                 |           |                                  |           |
| (Inventories have been valued at lower of cost and net realisable value)     |                 |           |                                  |           |
| Stores and spares .. .. .  |                 | 2,27.95   |                                  | 2,32.25   |
| Raw and packing materials .. .. .  |                 | 35,88.17  |                                  | 43,66.78  |
| Work-in-progress .. .. .   |                 | 31,53.39  |                                  | 30,79.69  |
| Finished goods .. .. .   |                 | 148,43.39 |                                  | 149,71.01 |
| TOTAL .. .. .  |                 | 218,12.90 |                                  | 226,49.73 |
| <b>8 SUNDRY DEBTORS</b>  |                 |           |                                  |           |
| (Unsecured)  |                 |           |                                  |           |
| Outstanding for over six months .. .. .                                      | Doubtful        | Good      | Doubtful                         | Good      |
| Others .. .. .   | 12,05.58        | 11,78.95  | 22,82.28                         | 12,06.76  |
|  | 35.20           | 55,59.77  | 54.21                            | 63,99.59  |
|  | 12,40.78        | 67,38.72  | 23,36.49                         | 76,06.35  |
| Less : Provision for doubtful debts. . . . .                                 | (12,40.78)      | —         | (23,36.49)                       | —         |
|  | —               | 67,38.72  | —                                | 76,06.35  |
| TOTAL .. .. .  |                 | 67,38.72  |                                  | 76,06.35  |
| <b>9 CASH AND BANK BALANCES</b>  |                 |           |                                  |           |
| On hand :  |                 |           |                                  |           |
| Cash and stamps .. .. .  |                 | 5.58      |                                  | 12.58     |
| Remittances in transit (Refer note 2(iii) on Schedule 17) .. .. .            |                 | 5.92      |                                  | 5.92      |
| With scheduled banks   |                 |           |                                  |           |
| Current account .. .. .  |                 | 38,64.96  |                                  | 45,87.46  |
| Fixed deposit account .. .. .  |                 | 2,35.17   |                                  | 2,31.30   |
| Call deposit .. .. .   |                 | 6,41.00   |                                  | 15,01.00  |
| TOTAL .. .. .  |                 | 47,52.63  |                                  | 63,38.26  |

## Schedules to the Financial Statements — continued

|           |   | Rupees in lakhs |                  | Previous year<br>Rupees in lakhs |                  |
|-----------|---|-----------------|------------------|----------------------------------|------------------|
| <b>10</b> | <b>OTHER CURRENT ASSETS</b>   |                 |                  |                                  |                  |
|           | Interest accrued on investments/deposits .. .. .  |                 | 14,55.37         |                                  | 14,25.56         |
|           | Fixed assets held for sale (at book value or estimated net<br>realisable value / salvage value, whichever is lower) * .. .. . |                 | 4,91.29          |                                  | 6,55.10          |
|           | <b>TOTAL</b> .. .. .  |                 | <b>19,46.66</b>  |                                  | <b>20,80.66</b>  |
|           | * Realisable value / salvage value is based on valuation reports<br>of approved valuers, where applicable.                    |                 |                  |                                  |                  |
| <b>11</b> | <b>LOANS AND ADVANCES</b>   | <b>Doubtful</b> | <b>Good</b>      | <b>Doubtful</b>                  | <b>Good</b>      |
|           | (Unsecured unless otherwise stated)   |                 |                  |                                  |                  |
|           | Loans and advances recoverable in cash or in<br>kind or for value to be received  |                 |                  |                                  |                  |
|           | Secured .. .. .   | —               | 29.96            | —                                | 32.26            |
|           | Unsecured   |                 |                  |                                  |                  |
|           | Sundry deposits .. .. .   | —               | 19,24.57         | —                                | 17,06.14         |
|           | Other advances .. .. .  | 98.31           | 61,62.36         | 83.78                            | 57,75.19         |
|           | Less : Provision for doubtful advances .. .. .  | (98.31)         | —                | (83.78)                          | —                |
|           |   | —               | 81,16.89         | —                                | 75,13.59         |
|           | Balance with customs, excise and<br>port trust on current accounts .. .. .  | —               | 4,37.13          | —                                | 3,54.70          |
|           | Fixed deposit with a limited company .. .. .  | —               | 10,00.00         | —                                | —                |
|           | Current taxation .. .. .  | —               | 13,75.33         | —                                | 19,19.49         |
|           | [Payments in excess of provisions of Rs. 1064,19.39 lakhs<br>(Previous year Rs. 917,09.13 lakhs)]                             | —               | 109,29.35        | —                                | 97,87.78         |
|           | <b>TOTAL</b> .. .. .  |                 | <b>109,29.35</b> |                                  | <b>97,87.78</b>  |
| <b>12</b> | <b>CURRENT LIABILITIES</b>  |                 |                  |                                  |                  |
|           | Sundry creditors  |                 |                  |                                  |                  |
|           | Small scale industrial undertakings .. .. .<br>(Refer note 10 on Schedule 17)   | 3,49.80         |                  | 1,31.59                          |                  |
|           | Others .. .. .  | 233,95.81       | 237,45.61        | 202,77.28                        | 204,08.87        |
|           | Subsidiary company .. .. .  |                 | 4,58.81          |                                  | 76.28            |
|           | Unpaid dividend * .. .. .   |                 | 4,91.10          |                                  | 4,01.79          |
|           | Unpaid matured fixed deposits * .. .. .   |                 | 6.01             |                                  | 6.27             |
|           | Warrants issued but not encashed - Fixed deposit interest * .. .. .   |                 | 4.67             |                                  | 4.67             |
|           | Drugs Prices Equalisation Account .. .. .   |                 | 10,49.23         |                                  | 10,49.23         |
|           | <b>TOTAL</b> .. .. .  |                 | <b>257,55.43</b> |                                  | <b>219,47.11</b> |
|           | * There are no amounts due and outstanding to be credited<br>to Investor Education and Protection Fund.                       |                 |                  |                                  |                  |
| <b>13</b> | <b>PROVISIONS</b>   |                 |                  |                                  |                  |
|           | For unencashed leave .. .. .  |                 | 16,44.57         |                                  | 13,26.14         |
|           | For proposed equity dividend .. .. .  |                 | 237,16.84        |                                  | 209,57.40        |
|           | For tax on distributed profit .. .. .   |                 | 33,26.29         |                                  | 27,38.87         |
|           | For fringe benefit tax (Provision in excess of<br>payments of Rs. 4,10.00 lakhs) .. .. .                                      |                 | 3,67.49          |                                  | —                |
|           | <b>TOTAL</b> .. .. .  |                 | <b>290,55.19</b> |                                  | <b>250,22.41</b> |

**Schedules to the Financial Statements — continued**

|           |  | Rupees in lakhs  |                  | Previous year<br>Rupees in lakhs |
|-----------|--|------------------|------------------|----------------------------------|
| <b>14</b> | <b>OTHER INCOME</b>  |                  |                  |                                  |
|           | Interest income (Gross):   |                  |                  |                                  |
|           | On deposits with banks and limited companies .. .. .   | 1,42.23          |                  | 1,47.00                          |
|           | On loans .. .. .   | 37.15            |                  | 36.11                            |
|           | On tax refunds .. .. .   | 56.45            |                  | 14.38                            |
|           | On investments - Government securities and other than trade  |                  |                  |                                  |
|           | - long term [net of premium write-off of Rs. 2,45.88 lakhs<br>(previous year Rs. 3,10.20 lakhs)] .. .. .   | 20,22.33         |                  | 23,14.64                         |
|           | - current .. .. .  | 2,28.15          |                  | 3,31.87                          |
|           | Others .. .. .   | 25.50            |                  | 11.80                            |
|           |  | <u>25,11.81</u>  |                  | <u>28,55.80</u>                  |
|           | Less : Interest Expense:   |                  |                  |                                  |
|           | Security deposits .. .. .  | (65.87)          |                  | (68.15)                          |
|           | Others .. .. .   | (1,01.11)        |                  | (1,19.62)                        |
|           |  | <u>(1,66.98)</u> |                  | <u>(1,87.77)</u>                 |
|           |  |                  | 23,44.83         | 26,68.03                         |
|           | Dividend income - Investments other than trade - long term ..  | 1,53.00          |                  | 1,21.50                          |
|           | - current .. .. .  | 6,32.27          | 7,85.27          | 69.27                            |
|           |  |                  |                  | 1,90.77                          |
|           | Miscellaneous income   |                  |                  |                                  |
|           | Export related benefits (net) .. .. .  | 1,32.82          |                  | 2,06.20                          |
|           | Profit on sale/redemption of investments (net) - current ..  | 2,14.97          |                  | —                                |
|           | (Refer note 12 on Schedule 17)   |                  |                  |                                  |
|           | Profit on sale/disposal of fixed assets (net) .. .. .  | 3.99             |                  | 70.17                            |
|           | Exchange gain (net) .. .. .  | 36.34            |                  | 1,13.17                          |
|           | Consignment sales commission .. .. .   | 2,36.73          |                  | 2,13.14                          |
|           | Property rental .. .. .  | 0.42             |                  | 0.93                             |
|           | Clinical research and data management .. .. .  | 14,16.42         |                  | 7,10.12                          |
|           | Manufacturing charges recovery .. .. .   | 11.11            |                  | 1,20.48                          |
|           | Provision written back as no longer required   | 5,84.30          |                  | 3,66.19                          |
|           | Others .. .. .   | 7,96.30          | 34,33.40         | 6,74.39                          |
|           |  |                  |                  | 24,74.79                         |
|           | <b>TOTAL</b>   |                  | <u>65,63.50</u>  | <u>53,33.59</u>                  |
|           | Tax deducted at source :   |                  |                  |                                  |
|           | On interest .. .. .  | 3,59.47          |                  | 4,14.51                          |
|           | Others .. .. .   | 99.92            | 4,59.39          | 1,11.35                          |
|           |  |                  |                  | 5,25.86                          |
| <b>15</b> | <b>MATERIALS</b>   |                  |                  |                                  |
|           | Raw and packing materials consumed .. .. .   |                  | 251,31.10        | 249,55.14                        |
|           | Purchase of finished goods .. .. .   |                  | 383,19.79        | 344,49.26                        |
|           | (Increase)/decrease in work-in-progress and finished goods:  |                  |                  |                                  |
|           | Opening stock  |                  |                  |                                  |
|           | Work-in-progress .. .. .   | 30,79.69         |                  | 27,51.93                         |
|           | Finished goods .. .. .   | 149,71.01        |                  | 131,74.15                        |
|           |  | <u>180,50.70</u> |                  | <u>159,26.08</u>                 |
|           | Add: Adjustment to stocks as at 1st January, 2004, pursuant to<br>the Scheme of Amalgamation of Burroughs Wellcome (India)<br>Limited with the Company |                  |                  |                                  |
|           | Work-in-progress .. .. .   | —                |                  | 2,68.28                          |
|           | Finished goods .. .. .   | —                |                  | 15,37.91                         |
|           |  | <u>—</u>         |                  | <u>18,06.19</u>                  |
|           | Less: Closing stock  |                  |                  |                                  |
|           | Work-in-progress .. .. .   | 31,53.39         |                  | 30,79.69                         |
|           | Finished goods .. .. .   | 148,43.39        |                  | 149,71.01                        |
|           |  | <u>179,96.78</u> | 53.92            | <u>180,50.70</u>                 |
|           | Loss of stock on account of flood .. .. .  |                  | (8,59.05)        | —                                |
|           | <b>TOTAL</b>   |                  | <u>626,45.76</u> | <u>590,85.97</u>                 |

## Schedules to the Financial Statements — continued

### 16 OPERATING AND OTHER EXPENSES

|  | Rupees in lakhs |                  | Previous year<br>Rupees in lakhs |                  |
|--|-----------------|------------------|----------------------------------|------------------|
| Salaries, wages and bonus .. .. .  | 137,50.88       |                  | 128,75.15                        |                  |
| Contributions to : Provident and pension funds .. .. .                   | 8,90.86         |                  | 8,32.57                          |                  |
| Gratuity funds .. .. .   | 3,72.84         |                  | 1,57.35                          |                  |
| Staff welfare .. .. .  | 5,33.09         | 155,47.67        | 5,31.25                          | 143,96.32        |
| Promotion and publicity .. .. .  |                 | 54,08.43         |                                  | 49,97.31         |
| Selling commission on exports .. .. .                                    |                 | 12.85            |                                  | 1.68             |
| Bonus offer discount .. .. .   |                 | 14,36.53         |                                  | 16,01.47         |
| Stock point commission .. .. .   |                 | 10,77.85         |                                  | 10,90.42         |
| Freight (net) .. .. .  |                 | 22,83.66         |                                  | 23,04.99         |
| Travelling .. .. .   |                 | 30,32.35         |                                  | 29,57.69         |
| Provision/write off for doubtful debts, loans and advances (net) .. .. . |                 | 1,80.73          |                                  | 3,00.63          |
| Loss on sale/redemption of investments (net) - long term .. .. .         |                 | —                |                                  | 41.26            |
| (Refer note 12 on Schedule 17)   |                 |                  |                                  |                  |
| Manufacturing charges .. .. .  |                 | 20,97.74         |                                  | 20,54.98         |
| Repairs - Buildings .. .. .  | 2,72.07         |                  | 2,26.98                          |                  |
| - Plant and Machinery .. .. .  | 7,99.49         |                  | 7,37.90                          |                  |
| - Others .. .. .   | 18.85           | 10,90.41         | 14.95                            | 9,79.83          |
| Consumption of stores and spares .. .. .                                 |                 | 2,74.63          |                                  | 2,85.47          |
| Power, fuel and water .. .. .  |                 | 16,60.86         |                                  | 16,47.28         |
| Rent .. .. .   |                 | 6,43.15          |                                  | 4,51.54          |
| Rates and taxes .. .. .  |                 | 9,14.55          |                                  | 8,57.11          |
| Excise duty .. .. .  |                 | 14,92.04         |                                  | 12,41.23         |
| Insurance .. .. .  |                 | 3,35.35          |                                  | 3,28.16          |
| Remuneration to auditors :   |                 |                  |                                  |                  |
| Statutory audit fees .. .. .   | 32.23           |                  | 32.23                            |                  |
| In other capacity in respect of :  |                 |                  |                                  |                  |
| Tax audit fees .. .. .   | 5.79            |                  | 7.27                             |                  |
| Audit of tax accounts .. .. .  | 19.29           |                  | 19.29                            |                  |
| Other services .. .. .   | 25.92           |                  | 26.79                            |                  |
| Reimbursement of expenses .. .. .  | 2.26            |                  | 1.42                             |                  |
|  | 85.49           |                  | 87.00                            |                  |
| Cost audit fees .. .. .  | 6.93            | 92.42            | 5.20                             | 92.20            |
| Date-expired stocks .. .. .  |                 | 15,94.98         |                                  | 14,66.63         |
| Finance charges .. .. .  |                 | 68.87            |                                  | 66.89            |
| Commission to non whole-time Directors .. .. .                           |                 | 18.25            |                                  | 12.00            |
| Directors' sitting fees .. .. .  |                 | 7.60             |                                  | 7.70             |
| Miscellaneous .. .. .  |                 | 48,53.65         |                                  | 40,32.99         |
| Less : Recovery of expenses (net) .. .. .                                |                 | (10,40.78)       |                                  | (9,49.58)        |
| (Refer note 15 on Schedule 17) .. .. .                                   |                 |                  |                                  |                  |
| <b>TOTAL .. .. .</b>   |                 | <b>430,83.79</b> |                                  | <b>402,66.20</b> |

## 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 on a pro-rata basis.

##### (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 an 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. An amount equal to one-third of the aggregate approximate value of the incentive is provided each year.

(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.

|   | Rupees in lakhs | Previous year<br>Rupees in lakhs |
|---|-----------------|----------------------------------|
| 4 Contingent Liabilities not provided for:  |                 |                                  |
| (i) Cheques discounted with banks   | 12,89.08        | 11,84.21                         |
| (ii) In respect of claims made against the Company not acknowledged as debts by the Company   |                 |                                  |
| - Sales tax matters   | 25,91.36        | 21,75.43                         |
| - Excise matters  | 12,53.44        | 13,85.26                         |
| - Service tax matter  | 1,29.20         | 1,29.20                          |
| - Labour matters  | 16,62.48        | 13,05.71                         |
| - Other legal matters   | 8,62.09         | 6,20.29                          |
| which net of current tax amount to -  | 43,11.15        | 35,60.90                         |
| (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         | 12,97.14                         |
| - Tax on other matters in dispute   | 10,77.46        | 7,23.64                          |
| - Other consequential matters (net of tax)  | 3,76.26         | 3,59.63                          |

#### 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) 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<br>Rupees in lakhs |
|--|-----------------|----------------------------------|
| 5 Uncalled liability on partly paid shares:<br>- in Hill Properties Limited. . . . .   | 0.12            | 0.12                             |
| Note:<br>Future cash outflow is dependent on the call to be made by Hill Properties Limited.   |                 |                                  |
| 6 Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for . . . . .   | 4,70.08         | 55.89                            |
| 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 Director * and officer of the Company  | 21.79           | 22.05                            |
| the maximum amount due during the year was . . . . .   | 22.10           | 22.23                            |
| * Loan granted prior to appointment as a whole time Director.  |                 |                                  |
| 9 (a) Directors' Remuneration  |                 |                                  |
| Salaries (including leave encashment) . . . . .  | 2,01.59         | 1,87.65                          |
| Perquisites . . . . .  | 3.57            | 3.38                             |
| Contribution to provident and superannuation funds . . . . .   | 15.38           | 13.90                            |
| Commission to non whole-time Directors . . . . .   | 18.25           | 12.00                            |
| Directors' sitting fees . . . . .  | 7.60            | 7.70                             |
|  | <u>2,46.39</u>  | <u>2,24.63</u>                   |
| - excludes contribution to gratuity fund, which is based on an actuarial valuation, provision for amounts payable under the long-term incentive plan and an amount of - Nil (previous year Rs. 6.79 lakhs) paid to a whole-time Director in respect of services rendered prior to appointment as a whole-time Director of the Company. |                 |                                  |
| - excludes commission of Rs. 1.46 lakhs (previous year - Nil) to a past non whole-time Director of erstwhile Burroughs Wellcome (India) Limited for the period 1st January, 2004 to 24th September, 2004.  |                 |                                  |
| - includes - Nil (previous year Rs. 11.37 lakhs) to a non whole-time Director in respect of his tenure as a whole-time Director of the Company.  |                 |                                  |
| Pension to past Directors  | 2.86            | 2.99                             |

## Schedules to the Financial Statements — *continued*

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

|   | Rupees in lakhs  | Previous year<br>Rupees in lakhs |
|---|------------------|----------------------------------|
| (b) Computation of Net Profit in accordance with Section 198 of the Companies Act,1956:                                     |                  |                                  |
| Net Profit . . . . .  | 502,08.30        | 333,09.43                        |
| <u>Add / (Deduct) :</u>   |                  |                                  |
| Directors' remuneration. . . . .  | 2,46.39          | 2,24.63                          |
| Depreciation as per the Profit and Loss Account. . . . .  | 15,73.33         | 17,46.75                         |
| Depreciation under Section 350 of the Companies Act,1956 . . . . .  | (12,05.53)       | (13,97.77)                       |
| Provision/write off for doubtful debts, loans and advances (net). . . . .   | 1,80.73          | 3,00.63                          |
| Bad debts written off against provision for doubtful debts, loans and advances . . . . .                                    | (12,61.91)       | (3,10.07)                        |
| Profit on sale/disposal of fixed assets (net). . . . .  | (3.99)           | (70.17)                          |
| Loss/(profit) on sale/redemption of investments (net). . . . .  | (2,14.97)        | 41.26                            |
| Exceptional items:  |                  |                                  |
| - Costs of voluntary retirement schemes and other retirement benefits. . . . .  | 39.90            | 24,42.92                         |
| - Profit on sale of properties . . . . .  | (216,75.40)      | (104,22.45)                      |
| - Expenses incurred on buy back of shares . . . . .   | 1,85.44          | —                                |
| - Impairment loss on fixed assets held for sale . . . . .   | 1,54.79          | 1,73.22                          |
| Taxation for the year (including on exceptional items). . . . .   | 169,98.36        | 140,88.11                        |
| Net Profit . . . . .  | <u>452,25.44</u> | <u>401,26.49</u>                 |
| Maximum remuneration permissible under the Companies Act, 1956 at 10% . . . . .   | <u>45,22.54</u>  | <u>40,12.65</u>                  |
| Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1%. . . . . | 4,52.25          | 4,01.26                          |
| Commission payable for the year restricted to . . . . .   | 18.25            | 12.00                            |

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 :

Halogens - Rs. 0.84 lakhs, Lotus International - Rs. 0.24 lakhs, Phine Kemikals India - Rs. 0.16 lakhs, Rajan Fine Chemicals - Rs. 0.28 lakhs, Rajesh Enterprises - Rs. 0.35 lakhs, Venus Fluorides & Chemicals - Rs. 0.56 lakhs, Borochemie (India) Private Limited - Rs. 1.09 lakhs, K.K. Nag Limited - Rs. 0.29 lakhs, Foods and Inns Limited - Rs. 0.07 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, 2005 and the provision based on the figures for the remaining nine months up to 31st December, 2005, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2005 to 31st March, 2006.

12 Profit on sale/redemption of investments (net) - current is net of loss on sale/redemption of current investments amounting to Rs. 4.60 lakhs (Previous year - Loss on sale/redemption of investments (net) - long term is net of profit on sale/redemption of current investments amounting to Rs. 2,93.64 lakhs).

## Schedules to the Financial Statements — continued

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

|  | Rupees in lakhs  | Previous year<br>Rupees in lakhs |
|--|------------------|----------------------------------|
| 13 Materials cost and other expenditure include samples, free issues etc., which valued at standard cost amount to . . . . .   | 59,85.50         | 58,26.13                         |
| 14 The recurring expenditure on research and development charged off to revenue amounts to . . . . .   | 4,24.18          | 4,00.03                          |
| 15 "Recovery of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 11,57.97 lakhs (previous year Rs. 9,91.77 lakhs), from subsidiary company Rs. 3,88.08 lakhs (previous year Rs. 3,95.80 lakhs), from GlaxoSmithKline Pte Limited, Singapore Rs. 23.40 lakhs (previous year - Nil), and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 5,28.67 lakhs (previous year Rs. 4,37.99 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)          | (24,42.92)                       |
| (ii) Impairment loss on fixed assets held for sale . . . . .   | (1,54.79)        | (1,73.22)                        |
| (iii) Non-recurring expenses for merger/rationalisation initiatives . . . . .  | (62.61)          | (6,47.65)                        |
| (iv) Additional contribution for past years' service to the defined benefit pension fund due to increase in annuity rates by the Life Insurance Corporation of India, in respect of employees whose pension benefits were converted from the defined benefit scheme to a defined contribution scheme effective 1st October, 2003 . . . . .   | —                | (4,20.10)                        |
| (v) Profit on sale of properties . . . . .   | 216,75.40        | 104,22.45                        |
| (vi) Expenses incidental to sale of properties . . . . .   | (16.25)          | (7,29.93)                        |
| (vii) Expenses incurred on buy back of shares . . . . .  | (1,85.44)        | —                                |
| (viii) Provision for pricing of formulations . . . . .   | (17,57.00)       | (4,35.00)                        |
| (ix) Loss of stock and incidental expenses on account of flood (net of insurance claim of Rs. 8,28.40 lakhs) . . . . .   | (43.60)          | —                                |
| Taxation on the above  |                  |                                  |
| Current tax . . . . .  | 39.24            | 2,94.00                          |
| Deferred tax . . . . .   | 1,24.80          | 8,36.76                          |
|  | <u>195,79.85</u> | <u>67,04.39</u>                  |

#### 17 Installed Capacities (per annum)

| Class of Goods                                 | Unit        | Installed Capacity (a) |       |
|--|-------------|------------------------|-------|
|  |             | 2005                   | 2004  |
| Chemicals (including Bulk Drugs)               | Tonnes      | 371                    | 398   |
| Formulations                                   |             |                        |       |
| Liquids- Orals, Topicals, Parenterals and Malt | Kilo litres | 8,400                  | 8,400 |
| Antibiotic Vials                               | Thousands   | 4,000                  | 4,000 |
| Tablets and Capsules                           | Million     | 6,350                  | 8,300 |
| Solids including Powders and Ointments         | Tonnes      | 1,410                  | 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     | Purchase       |                          | Sales            |                            | Stocks at Close |                          |
|--|-------------|------------------------|--------------------------|----------------|----------------|--------------------------|------------------|----------------------------|-----------------|--------------------------|
|  |             | Quantity               | Rupees in Lakhs          | Quantity       | Quantity       | Rupees in Lakhs          | Quantity         | Rupees in Lakhs            | Quantity        | Rupees in Lakhs          |
| Chemicals<br>(including Bulk Drugs)                      | Tonnes      | 1128<br>(880)          | 15,10.38<br>(16,73.11)   | 5578<br>(6142) | 1812<br>(1617) | 20,21.18<br>(22,13.26)   | 5523<br>(6449)   | 105,69.06<br>(114,21.59)   | 1242<br>(1128)  | 13,42.90<br>(15,10.38)   |
| <u>Formulations (including Vitamin Feed Supplements)</u> |             |                        |                          |                |                |                          |                  |                            |                 |                          |
| Liquids- Orals, Topicals, Parenterals                    | Kilo litres | 1666<br>(1426)         | 27,24.55<br>(18,18.30)   | 5132<br>(5420) | 7847<br>(7412) | 66,30.02<br>(63,14.80)   | 12582<br>(12549) | 308,34.44<br>(287,68.09)   | 1745<br>(1666)  | 25,85.86<br>(27,24.55)   |
| Antibiotic Vials   | Thousands   | 2715<br>(2758)         | 11,88.18<br>(11,92.26)   | 9005<br>(9135) | 7248<br>(6908) | 27,47.42<br>(24,29.54)   | 13628<br>(14344) | 106,35.11<br>(96,35.55)    | 3854<br>(2715)  | 12,25.93<br>(11,88.18)   |
| Tablets and Capsules                                     | Million     | 1285<br>(976)          | 51,22.78<br>(47,47.10)   | 6414<br>(7213) | 1422<br>(1469) | 155,25.38<br>(131,00.46) | 7675<br>(7698)   | 655,71.77<br>(617,19.22)   | 1282<br>(1285)  | 54,44.40<br>(51,22.78)   |
| Solids including Powders, Ointments and Malt             | Tonnes      | 681<br>(2698)          | 23,44.97<br>(20,03.01)   | 1615<br>(1454) | 4446<br>(4359) | 67,77.84<br>(54,98.26)   | 5878<br>(5687)   | 297,58.94<br>(269,87.42)   | 768<br>(681)    | 23,91.80<br>(23,44.97)   |
| Vaccines   | Thousands   | 525<br>(465)           | 16,40.83<br>(12,33.01)   | —<br>(—)       | 1367<br>(1449) | 39,84.68<br>(43,12.31)   | 1283<br>(1194)   | 81,77.77<br>(74,04.89)     | 413<br>(525)    | 13,09.57<br>(16,40.83)   |
| Aerosols   | Thousands   | 290<br>(473)           | 4,39.32<br>(5,07.36)     | 1247<br>(1075) | 158<br>(193)   | 6,33.27<br>(5,80.63)     | 1279<br>(1349)   | 20,41.77<br>(20,22.66)     | 338<br>(290)    | 5,42.93<br>(4,39.32)     |
| <b>TOTAL</b>   |             |                        | 149,71.01<br>(131,74.15) |                |                | 383,19.79<br>(344,49.26) |                  | 1575,88.86<br>(1479,59.42) |                 | 148,43.39<br>(149,71.01) |

#### Notes:

- Figures in brackets are in respect of the previous year.
- Additions to stocks as at 1st January, 2004, pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company:  
Liquids 192.615 Kilo litres; Rs. 2,41.07 lakhs, Antibiotic Vials 591 Thousands; Rs. 2,38.25 lakhs, Tablets and Capsules 259.759 Million; Rs. 8,06.72 lakhs, Solids including Powders, Ointments and Malt 20.950 Tonnes; Rs. 2,51.87 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<br>Rupees in lakhs |
|-------------------|------------------|----------------------------------|
| Raw materials     | 179,74.49        | 191,54.56                        |
| Packing materials | 71,56.61         | 58,00.58                         |
|                   | <u>251,31.10</u> | <u>249,55.14</u>                 |

## Schedules to the Financial Statements — continued

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

|  | Rupees in lakhs |                  | Previous year<br>Rupees in lakhs |                  |
|--|-----------------|------------------|----------------------------------|------------------|
|  | %               |                  | %                                |                  |
| 20 Consumption of raw and packing materials  |                 |                  |                                  |                  |
| Purchased indigenously .. .. .   | 73.83           | 185,53.62        | 68.68                            | 171,38.60        |
| Imported by the Company<br>(including duty and other charges) .. .. .  | 26.17           | 65,77.48         | 31.32                            | 78,16.54         |
|  | <u>100.00</u>   | <u>251,31.10</u> | <u>100.00</u>                    | <u>249,55.14</u> |
| 21 C.I.F. value of imports in respect of:  |                 |                  |                                  |                  |
| Raw and packing materials .. .. .  |                 | 57,57.17         |                                  | 59,48.73         |
| Goods for resale .. .. .   |                 | 54,62.25         |                                  | 58,48.19         |
| Components and spare parts for machinery .. .. .   |                 | 2.45             |                                  | 7.68             |
| Capital goods .. .. .  |                 | 2,79.15          |                                  | 16.81            |
|  |                 | <u>115,01.02</u> |                                  | <u>118,21.41</u> |
| 22 Remittance in foreign currency on account of dividend   |                 | <u>2004</u>      |                                  | <u>2003</u>      |
|  |                 | (Final)          |                                  | (Final)          |
| On 3,04,85,250 equity shares to Glaxo Group Limited, U.K. . . . .  |                 | 73,16.46         |                                  | 30,48.53         |
| On 58,80,000 equity shares to Eskaylab Limited, U.K. . . . .   |                 | 14,11.20         |                                  | 5,88.00          |
| On 33,60,000 (Previous year : 24,00,000*) equity shares to<br>Burroughs Wellcome International Limited, U.K. . . . . |                 | 8,06.40          |                                  | 3,60.00          |
| On 31,92,238 (Previous year : 22,80,170*) equity shares to<br>Castleton Investment Limited, Mauritius .. .. .        |                 | 7,66.14          |                                  | 3,42.02          |
|  |                 |                  |                                  |                  |
| * in respect of dividend declared by erstwhile Burroughs<br>Wellcome (India) Limited                                 |                 |                  |                                  |                  |
| 23 Expenditure in foreign currency on account of :<br>(on payment basis)   |                 |                  |                                  |                  |
| - Travelling .. .. .   |                 | 59.70            |                                  | 77.11            |
| - Insurance .. .. .  |                 | 15.55            |                                  | 15.91            |
| - Selling commission on exports .. .. .  |                 | 3.98             |                                  | 1.30             |
| - Others .. .. .   |                 | 1,06.26          |                                  | 1,31.27          |
|  |                 | <u>1,85.49</u>   |                                  | <u>2,25.59</u>   |
| 24 Earnings in foreign exchange on account of :  |                 |                  |                                  |                  |
| F.O.B. value of exports including through merchant exporters .. .. .   |                 | 27,32.28         |                                  | 28,37.44         |
| Domestic sales (Realised in foreign currency) .. .. .  |                 | —                |                                  | 37.66            |
| Recovery of expenses .. .. .   |                 | 47.56            |                                  | 62.02            |
| Clinical research and data management .. .. .  |                 | 14,16.42         |                                  | 7,10.12          |
| Research and development .. .. .   |                 | 3,11.75          |                                  | 1,91.10          |
| Others .. .. .   |                 | 93.77            |                                  | 62.05            |
|  |                 | <u>46,01.78</u>  |                                  | <u>39,00.39</u>  |

## Schedules to the Financial Statements — continued

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

- 25 Segment Information for the year ended 31st December, 2005  
(i) Information about Primary Business Segments (Rupees in lakhs)

|  | Pharmaceuticals |            | Other Businesses |           | Unallocated |            | Total       |             |
|--|-----------------|------------|------------------|-----------|-------------|------------|-------------|-------------|
|  | 2005            | 2004       | 2005             | 2004      | 2005        | 2004       | 2005        | 2004        |
| <u>Revenue</u>   |                 |            |                  |           |             |            |             |             |
| External   | 1286,34.93      | 1179,16.56 | 230,66.45        | 220,90.12 | 47.28       | 57.35      | 1517,48.66  | 1400,64.03  |
| Inter-segment  | —               | —          | —                | —         | —           | —          | —           | —           |
| Total revenue  | 1286,34.93      | 1179,16.56 | 230,66.45        | 220,90.12 | 47.28       | 57.35      | 1517,48.66  | 1400,64.03  |
| <u>Result</u>  |                 |            |                  |           |             |            |             |             |
| Segment result   | 416,29.75       | 368,95.61  | 51,99.30         | 47,10.15  | —           | —          | 468,29.05   | 416,05.76   |
| Unallocated expenditure net of unallocated income            |                 |            |                  |           | (23,83.27)  | (26,40.65) | (23,83.27)  | (26,40.65)  |
| Interest expense   |                 |            |                  |           | (1,66.98)   | (1,87.77)  | (1,66.98)   | (1,87.77)   |
| Interest income  |                 |            |                  |           | 25,11.81    | 28,55.80   | 25,11.81    | 28,55.80    |
| Dividend income and profit on sale/redemption of investments |                 |            |                  |           | 10,00.24    | 1,90.77    | 10,00.24    | 1,90.77     |
| Profit before taxation and exceptional items                 | 416,29.75       | 368,95.61  | 51,99.30         | 47,10.15  | 9,61.80     | 2,18.15    | 477,90.85   | 418,23.91   |
| Provision for taxation                                       |                 |            |                  |           |             |            | (171,62.40) | (152,18.87) |
| Profit after taxation and before exceptional items           | 416,29.75       | 368,95.61  | 51,99.30         | 47,10.15  | 9,61.80     | 2,18.15    | 306,28.45   | 266,05.04   |
| Exceptional items  | 196,44.85       | 53,78.24   | (43.60)          | —         | (1,85.44)   | 1,95.39    | 194,15.81   | 55,73.63    |
| Tax credit   |                 |            |                  |           |             |            | 1,64.04     | 11,30.76    |
| Net Profit   | 612,74.60       | 422,73.85  | 51,55.70         | 47,10.15  | 7,76.36     | 4,13.54    | 502,08.30   | 333,09.43   |
| <u>Other Information</u>                                     |                 |            |                  |           |             |            |             |             |
| Segment assets   | 345,53.38       | 338,37.06  | 94,15.87         | 109,59.33 | 1073,28.55  | 964,94.72  | 1512,97.80  | 1412,91.11  |
| Segment liabilities  | 225,78.19       | 190,57.48  | 18,53.06         | 20,08.83  | 320,05.97   | 277,98.47  | 564,37.22   | 488,64.78   |
| Capital expenditure  | 16,96.22        | 8,81.31    | 19.67            | 6.86      | 6,04.37     | 1,66.03    | 23,20.26    | 10,54.20    |
| Depreciation   | 8,95.73         | 9,48.20    | 2,19.82          | 2,16.34   | 4,57.78     | 5,82.21    | 15,73.33    | 17,46.75    |
| Non-cash expenses other than depreciation                    | 4,04.35         | 3,59.62    | 21.99            | 0.58      | 72.82       | —          | 4,99.16     | 3,60.20     |

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

|                                       | India      |            | Outside India |          | Total      |            |
|---------------------------------------|------------|------------|---------------|----------|------------|------------|
|                                       | 2005       | 2004       | 2005          | 2004     | 2005       | 2004       |
| <u>Revenue by geographical market</u> |            |            |               |          |            |            |
| External                              | 1471,81.50 | 1362,44.14 | 45,67.16      | 38,19.89 | 1517,48.66 | 1400,64.03 |
| Inter-segment                         | —          | —          | —             | —        | —          | —          |
| Total                                 | 1471,81.50 | 1362,44.14 | 45,67.16      | 38,19.89 | 1517,48.66 | 1400,64.03 |
| Carrying amount of segment assets     | 1512,97.80 | 1412,91.11 | —             | —        | 1512,97.80 | 1412,91.11 |
| Capital expenditure                   | 23,20.26   | 10,54.20   | —             | —        | 23,20.26   | 10,54.20   |

- (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

| Rs. in lakhs |            |
|--------------|------------|
| 2005         | 2004       |
| 1485,30.23   | 1375,89.24 |
| 32,18.43     | 24,74.79   |
| 1517,48.66   | 1400,64.03 |

- (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.

## Schedules to the Financial Statements — *continued*

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

#### 26 Related Party disclosures

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

1 Relationships (during the year):

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

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company / ultimate holding company of the above shareholders \*

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham plc, U.K.

Wellcome Limited, U.K.

Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

\* no transactions during the year

(ii) Subsidiary of the Company

Biddle Sawyer Limited, a wholly owned subsidiary of the Company

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

Adechsa GmbH, Switzerland

Glaxo Wellcome Ceylon Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

GlaxoSmithKline Export Limited, U.K.

SB Corporate GMS-NA, USA

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited

GlaxoSmithKline Canada Inc

P.T. Glaxo Wellcome Indonesia

(iv) Directors and Executive Committee members and their relatives:

Dr. A. Banerjee

Mr. A.S. Lakshmanan

Mr. D.S. Parekh

Mr. H. Singh

Mr. J. Dwivedy

Mr. J.D. Coombe \* (up to 26th July, 2005)

Dr. K. Marthak (up to 24th July, 2005)

Mr. K. Shivkumar

Mr. M.B. Kapadia

Mr. M.K. Vasanth Kumar

Dr. M. Reilly \*

Mr. N. Kaviratne (with effect from 26th July, 2005)

\* no transactions during the year

Mr. P. Bains \* (with effect from 26th July, 2005)

Mr. P. Parsonson \* (alternate director with effect from 26th July, 2005)

Mr. P.V. Nayak

Mr. R.R. Bajaj

Mr. S.J. Scarff \* (up to 26th July, 2005)

Mr. S. Kalyanasundaram

Mr. T. Sengupta

Mr. V. Narayanan

Mr. V. Thyagarajan \*

Mrs. Deepak Kaur

Mrs. Ketki Marthak (up to 24th July, 2005)

Mrs. Neeru Nayak



## Schedules to the Financial Statements — *continued*

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

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

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

Rupees in lakhs

|   | Subsidiary of the company (ii) |         | Other companies in the GSK Group (iii) |           |
|---|--------------------------------|---------|--|-----------|
|   | 2005                           | 2004    | 2005                                   | 2004      |
| 1 Purchase of materials/finished goods                        | —                              | —       | 65,41.48                               | 73,30.07  |
| 2 Sale of materials/finished goods                            | —                              | —       | 10,25.54                               | 12,18.18  |
| 3 Expenses recharged to other companies                       | 3,88.08                        | 3,95.80 | 11,18.30                               | 8,91.81   |
| 4 Research and development recoveries                         | —                              | —       | 2,31.56                                | 1,91.10   |
| 5 Expenses recharged by other companies                       | —                              | —       | 6,11.10                                | 4,79.83   |
| 6 Manufacturing charges recovered                             | 11.11                          | 10.90   | —                                      | 1,00.38   |
| 7 Consignment sales commission paid                           | —                              | —       | 54.16                                  | 52.06     |
| 8 Consignment sales commission received                       | 1,17.06                        | 1,19.26 | 1,16.46                                | 97.84     |
| 9 Clinical research and data management recoveries            | —                              | —       | 14,16.42                               | 7,10.12   |
| 10 Outstanding (payables)/receivables at the year end (net) # | (4,58.81)                      | (76.28) | 2,01.52                                | (4,75.35) |

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

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

|  | Rupees in lakhs<br>2005 | Rupees in lakhs<br>2004 |
|--|-------------------------|-------------------------|
| (a) Purchase of materials/finished goods                     |                         |                         |
| GlaxoSmithKline Biologicals S.A., Belgium                    | 33,98.38                | 37,49.25                |
| GlaxoSmithKline Export Limited, U.K.                         | 30,43.22                | 29,53.01                |
| (b) Sale of materials/finished goods                         |                         |                         |
| Adechsa GmbH, Switzerland                                    | 7,97.21                 | 4,73.88                 |
| GlaxoSmithKline Pakistan Limited                             | 2,23.93                 | 1,89.05                 |
| GlaxoSmithKline Export Limited, U.K.                         | —                       | 5,12.30                 |
| (c) Expenses recharged to other companies                    |                         |                         |
| GlaxoSmithKline Asia Private Limited, India                  | 10,10.10                | 7,02.17                 |
| GlaxoSmithKline Services Unlimited, U.K.                     | 46.40                   | 1,27.60                 |
| (d) Research and development recoveries                      |                         |                         |
| GlaxoSmithKline Services Unlimited, U.K.                     | 2,31.56                 | 1,91.10                 |
| (e) Expenses recharged by other companies                    |                         |                         |
| GlaxoSmithKline Consumer Healthcare Limited, India           | 5,93.59                 | 4,60.10                 |
| (f) Manufacturing charges recovered                          |                         |                         |
| GlaxoSmithKline Asia Private Limited, India                  | —                       | 1,00.38                 |
| (g) Consignment sales commission paid                        |                         |                         |
| GlaxoSmithKline Consumer Healthcare Limited, India           | 54.16                   | 52.06                   |
| (h) Consignment sales commission received                    |                         |                         |
| GlaxoSmithKline Asia Private Limited, India                  | 1,16.46                 | 97.84                   |
| (i) Clinical research and data management recoveries         |                         |                         |
| GlaxoSmithKline Biologicals S.A., Belgium                    | 4,60.47                 | 3,77.50                 |
| GlaxoSmithKline Services Unlimited, U.K.                     | 9,55.95                 | 3,32.62                 |
| (j) Outstanding (payables)/receivables at the year end (net) |                         |                         |
| Adechsa GmbH, Switzerland                                    | 88.74                   | 75.94                   |
| GlaxoSmithKline Pakistan Limited                             | —                       | 3.01                    |
| GlaxoSmithKline Asia Private Limited, India                  | 81.13                   | (45.44)                 |
| GlaxoSmithKline Consumer Healthcare Limited, India           | 5,43.39                 | 5,25.64                 |
| GlaxoSmithKline Biologicals S.A., Belgium                    | (2,87.82)               | (6,33.75)               |
| GlaxoSmithKline Services Unlimited, U.K.                     | 2,71.32                 | 3,30.99                 |
| GlaxoSmithKline Export Limited, U.K.                         | (4,68.44)               | (7,45.40)               |
| GlaxoSmithKline Pte Limited, Singapore                       | (26.11)                 | 3.05                    |

## Schedules to the Financial Statements — continued

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

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

|   |                                | Rupees in lakhs |         |
|---|--------------------------------|-----------------|---------|
|   |                                | 2005            | 2004    |
| 1 | Remuneration/sitting fees      | 4,19.22         | 3,63.13 |
| 2 | Interest income on loans given | 2.24            | 2.65    |
| 3 | Rent paid for residential flat | 10.62           | 9.56    |
| 4 | Outstanding loans receivable   | 66.15           | 68.35   |

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

|     |                                | Rupees in lakhs |       |
|-----|--------------------------------|-----------------|-------|
|     |                                | 2005            | 2004  |
| (a) | Remuneration/sitting fees      |                 |       |
|     | Mr. S. Kalyanasundaram         | 86.13           | 80.56 |
|     | Mr. M.B. Kapadia               | 92.19           | 82.46 |
|     | Dr. A. Banerjee                | 42.22           | 37.33 |
| (b) | Interest income on loans given |                 |       |
|     | Dr. A. Banerjee                | 0.36            | 0.47  |
|     | Mr. H. Singh                   | 0.33            | 0.30  |
|     | Mr. J. Dwivedy                 | 0.29            | 0.35  |
|     | Mr. K. Shivkumar               | 0.43            | 0.64  |
|     | Mr. M.K. Vasanth Kumar         | 0.83            | 0.89  |
| (c) | Rent paid for residential flat |                 |       |
|     | Mrs. Deepak Kaur               | 1.40            | 2.40  |
|     | Mrs. Ketki Marthak             | 4.90            | 2.68  |
|     | Mrs. Neeru Nayak               | 3.60            | 3.76  |
| (d) | Outstanding loans receivable   |                 |       |
|     | Dr. A. Banerjee                | 11.89           | 12.05 |
|     | Mr. H. Singh                   | 10.42           | 10.78 |
|     | Mr. J. Dwivedy                 | 9.72            | 9.83  |
|     | Mr. K. Shivkumar               | 14.09           | 14.27 |
|     | Mr. M.K. Vasanth Kumar         | 20.03           | 21.42 |

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. 1,29.56 lakhs (Previous year Rs. 1,21.30 lakhs)
  - later than one year and not later than five years Rs. 2,65.87 lakhs (Previous year Rs. 3,95.43 lakhs)

28 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 | 306,28.45   | 266,05.04     |
| Profit after taxation   | Rupees in lakhs | 502,08.30   | 333,09.43     |
| Weighted average number of shares                               | Nos.            | 8,58,12,126 | 8,73,22,546   |
| Earnings per share before exceptional items (Basic and Diluted) | Rs.             | 35.69       | 30.47         |
| Earnings per share (Basic and Diluted)                          | Rs.             | 58.51       | 38.15         |
| Face value per share  | Rs.             | 10          | 10            |

## Schedules to the Financial Statements — continued

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

29 Pursuant to the buy back announcement made by the Company on 30th April, 2005, the Company has bought back from the open market through stock exchanges and extinguished 26,19,529 equity shares of Rs. 10 each during the year for a total consideration of Rs. 207,30.92 lakhs at an average price of Rs. 791.40 per share. Consequently, an amount of Rs. 2,61.95 lakhs being the nominal value of equity shares bought back and extinguished has been transferred to Capital Redemption Reserve from General Reserve and an amount of Rs. 204,68.97 lakhs being the premium on buyback has been appropriated from Share Premium Account to the extent of Rs. 69,43.41 lakhs and General Reserve to the extent of Rs. 135,25.56 lakhs.

#### 30 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details State Code 11

Registration No. 01151

Balance Sheet Date 31 12 05

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

|   |   |
|---|---|
| Public Issue  | Right Issue   |
| <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span> | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span> |
| Bonus Issue   | Private Placement   |
| <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span> | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span> |

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

|                      |   |   |
|----------------------|---|---|
|                      | Total Liabilities (including shareholders' funds)   | Total Assets  |
|                      | <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> | <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> |
| Sources of Funds     | Paid-Up Capital   | Reserves and Surplus  |
|                      | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">0</span>   | <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">6</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">8</span>   |
|                      | Secured Loans   | Unsecured Loans   |
|                      | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span>   | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">2</span>   |
| Application of Funds | Net Fixed Assets  | Investments   |
|                      | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">6</span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">4</span>   | <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">6</span> <span style="border: 1px solid black; padding: 0 5px;">7</span>   |
|                      | Net Current Assets*   | Miscellaneous Expenditure   |
|                      | <span style="border: 1px solid black; padding: 0 5px;">(</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">6</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">)</span> | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span>   |
|                      | Accumulated Losses  |   |
|                      | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">N</span> <span style="border: 1px solid black; padding: 0 5px;">I</span> <span style="border: 1px solid black; padding: 0 5px;">L</span>   |   |

\*including net deferred tax asset

IV. Performance of Company (Amount rupees in thousands)

|   |   |
|---|---|
| Turnover (Sales and Other Income)   | Total Expenditure   |
| <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> | <span style="border: 1px solid black; padding: 0 5px;">1</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> |
| Profit before tax and exceptional items   | Profit after tax before exceptional items   |
| <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">7</span> <span style="border: 1px solid black; padding: 0 5px;">9</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">5</span>   | <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">6</span> <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">4</span> <span style="border: 1px solid black; padding: 0 5px;">5</span>   |
|   | Profit after tax after exceptional items  |
|   | <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">0</span>   |
| Earning Per Share in Rs. before exceptional items   | Earning Per Share in Rs. after exceptional items  |
| <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">3</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">.</span> <span style="border: 1px solid black; padding: 0 5px;">6</span> <span style="border: 1px solid black; padding: 0 5px;">9</span>   | <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;"></span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">.</span> <span style="border: 1px solid black; padding: 0 5px;">5</span> <span style="border: 1px solid black; padding: 0 5px;">1</span>   |
|   | Dividend Rate   |
|   | <span style="border: 1px solid black; padding: 0 5px;">2</span> <span style="border: 1px solid black; padding: 0 5px;">8</span> <span style="border: 1px solid black; padding: 0 5px;">0</span> <span style="border: 1px solid black; padding: 0 5px;">%</span>   |

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

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

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

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

Mumbai, 13th February, 2006

For and on behalf of the Board

|                           |                    |
|---------------------------|--------------------|
| Chairman                  | D. S. PAREKH       |
| Managing Director         | S. KALYANASUNDARAM |
| 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          | 31.12.2005                              | 9,60,000 shares of Rs. 10 each | 100%              | Rs. lakhs<br>9,27.72  | Rs. lakhs<br>—  | Rs. lakhs<br>28,98.13   | Rs. lakhs<br>—  |

For and on behalf of the Board

|                           |                    |
|---------------------------|--------------------|
| Chairman                  | D. S. PAREKH       |
| Managing Director         | S. KALYANASUNDARAM |
| Senior Executive Director | M. B. KAPADIA      |
| Company Secretary         | A. A. NADKARNI     |

Mumbai, 13th February, 2006.

# Biddle Sawyer Limited

## Directors' Report to the Members

Your Directors are pleased to present the 60th Annual Report and the audited accounts of the Company for the year ended 31st December 2005.

### Financial Results

|  | Year ended<br>31st December<br>2005 | Year ended<br>31st December<br>2004 |
|--|-------------------------------------|-------------------------------------|
|  | Rs. in lakhs                        | Rs. in lakhs                        |
| Net Sales and other income                   | 34,98.28                            | 35,03.06                            |
| Profit before taxation and exceptional items | 14,19.94                            | 13,86.68                            |
| Provision for Tax                            | 5,10.74                             | 5,07.19                             |
| Deferred Tax charge/ (credit)                | (18.86)                             | (0.35)                              |
| Net profit after tax                         | 9,27.72                             | 8,79.84                             |
| Add: Balance brought forward                 | 28,98.81                            | 20,18.97                            |
| Balance carried forward                      | 38,26.53                            | 28,98.81                            |

### Dividend

The Directors do not recommend any dividend for the year ended 31st December 2005.

### Operations

The net sales for the year ended 31st December 2005 were Rs.33,23.43 lakhs as compared to Rs. 33,78.52 lakhs for the previous year. The profit after tax increased by 5.4% from Rs.8,79.84 lakhs to Rs. 9,27.72 lakhs.

### Directors

Mr. S. Kalyanasundaram 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 2005 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 coming 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

You are requested to appoint Statutory 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 bankers, suppliers and trade associates during the year.

For and on behalf of the Board

Mumbai,  
Dated: 13th February 2006

S. Kalyanasundaram  
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<br>31st December<br>2005 | Year ended<br>31st December<br>2004 |
|-----------------------|--------------|-------------------------------------|-------------------------------------|
| 1. Electricity:       |              |                                     |                                     |
| a) Purchased          |              |                                     |                                     |
|                       | Units        | 182                                 | 1,096                               |
|                       | Total Amount | Rs. 850                             | 5,120                               |
|                       | Rate/Unit    | Rs. 4.67                            | 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

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

31st December 2005  
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 2005  
Rs. in lakhs

|  |        |
|--|--------|
| 1) Foreign Exchange earned                       | Nil    |
| 2) Foreign Exchange outgo - CIF Value of imports | 197.40 |
| 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, 2005, 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 and 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, 2005.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: 13th February, 2006.*

**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, 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, 2005, 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, 2005.
- (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 assets.
- (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: 13th February, 2006.*

## Balance Sheet as at 31st December, 2005

|  | Schedule | Rs. ('000) | 31/12/2005<br>Rs. ('000) | Rs. ('000) | 31/12/2004<br>Rs. ('000) |
|--|----------|------------|--------------------------|------------|--------------------------|
| <b>SOURCES OF FUNDS</b>  |          |            |                          |            |                          |
| <b>SHAREHOLDERS' FUNDS:</b>  |          |            |                          |            |                          |
| a) Share Capital   | 1        | 96,00      |                          | 96,00      |                          |
| b) Reserves & Surplus  | 2        | 42,77,04   |                          | 33,49,32   |                          |
|  |          |            | 43,73,04                 |            | 34,45,32                 |
| <b>TOTAL Rs.</b>   |          |            | <b>43,73,04</b>          |            | <b>34,45,32</b>          |
| <b>APPLICATION OF FUNDS</b>  |          |            |                          |            |                          |
| <b>FIXED ASSETS:</b>   |          |            |                          |            |                          |
| Gross Block  | 3        | 1,99,32    |                          | 1,99,32    |                          |
| Less: Depreciation   |          | 1,80,22    |                          | 1,76,73    |                          |
| Net Block :  |          |            | 19,10                    |            | 22,59                    |
| <b>INVESTMENTS</b>   | 4        |            | 35,00,00                 |            | 20,00,00                 |
| <b>CURRENT ASSETS,</b>   |          |            |                          |            |                          |
| <b>LOANS AND ADVANCES:</b>   |          |            |                          |            |                          |
| a) Inventories   | 5        | 4,18,83    |                          | 3,89,61    |                          |
| b) Sundry Debtors  | 6        | 4,58,81    |                          | 76,28      |                          |
| c) Cash & Bank Balances  | 7        | 7,05       |                          | 8,14,96    |                          |
| d) Other Current Assets  | 8        | 98,09      |                          | 98,43      |                          |
| e) Loans & Advances  | 9        | 1,52,83    |                          | 2,79,89    |                          |
|  |          | 11,35,61   |                          | 16,59,17   |                          |
| <b>Less: CURRENT LIABILITIES &amp; PROVISIONS:</b>                         |          |            |                          |            |                          |
| Current Liabilities  | 10       | 2,96,40    |                          | 2,32,31    |                          |
|  |          | 2,96,40    |                          | 2,32,31    |                          |
| Net Current Assets   |          |            | 8,39,21                  |            | 14,26,86                 |
| <b>DEFERRED TAX ASSET</b>  |          | 18,12      |                          | —          |                          |
| <b>LESS: DEFERRED TAX LIABILITY</b>  |          | (3,39)     |                          | (4,13)     |                          |
|  |          |            | 14,73                    |            | (4,13)                   |
| <b>TOTAL Rs.</b>   |          |            | <b>43,73,04</b>          |            | <b>34,45,32</b>          |
| 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)  |          |            |                          |            |                          |
| Place: Mumbai  |          |            |                          |            |                          |
| Date: 13th February, 2006.   |          |            |                          |            |                          |
| For and on behalf of the Board   |          |            |                          |            |                          |
| S. Kalyanasundaram   |          |            |                          |            |                          |
| Chairman   |          |            |                          |            |                          |
| M. B. Kapadia  |          |            |                          |            |                          |
| Director   |          |            |                          |            |                          |
| I. Javeri  |          |            |                          |            |                          |
| Company Secretary  |          |            |                          |            |                          |

## Profit and Loss Account for the year ended 31st December, 2005.

|  | Schedule | Rs. ('000) | 31/12/2005<br>Rs. ('000) | Rs. ('000) | 31/12/2004<br>Rs. ('000) |
|--|----------|------------|--------------------------|------------|--------------------------|
| <b>INCOME</b>  |          |            |                          |            |                          |
| Sales  |          | 34,57,74   |                          | 35,18,78   |                          |
| Less : Excise duty on sales  |          | (1,34,31)  |                          | (1,40,26)  |                          |
| Net Sales  |          | 33,23,43   |                          | 33,78,52   |                          |
| Other Income   | 11       | 1,74,85    |                          | 1,24,54    |                          |
|  |          |            | 34,98,28                 |            | 35,03,06                 |
| <b>EXPENDITURE</b>   |          |            |                          |            |                          |
| Materials  | 12       | 12,49,98   |                          | 12,65,55   |                          |
| Operating and other expenses   | 13       | 8,24,87    |                          | 8,46,65    |                          |
| Depreciation   |          | 3,49       |                          | 4,18       |                          |
|  |          |            | 20,78,34                 |            | 21,16,38                 |
| Profit before tax  |          |            | 14,19,94                 |            | 13,86,68                 |
| Less:  |          |            |                          |            |                          |
| Provision for taxation   |          | 5,10,74    |                          | 5,07,19    |                          |
| Deferred tax charge/(credit)   |          | (18,86)    |                          | (35)       |                          |
|  |          | 4,91,88    |                          | 5,06,84    |                          |
| Fringe Benefit Tax   |          | 34         | 4,92,22                  | —          | 5,06,84                  |
| Net Profit   |          |            | 9,27,72                  |            | 8,79,84                  |
| Balance brought forward  |          |            | 28,98,81                 |            | 20,18,97                 |
|  |          |            | 38,26,53                 |            | 28,98,81                 |
| Balance carried forward  |          |            | 38,26,53                 |            | 28,98,81                 |
| Earnings per share (basic and diluted) (Rs.)   |          |            | 96.64                    |            | 91.65                    |
| Face value of shares - Rs. 10 each<br>(Refer note 12 on Schedule 14)                 |          |            |                          |            |                          |
| Notes to the Accounts  | 14       |            |                          |            |                          |
| The Schedules referred to above form an integral part of the Profit and Loss Account |          |            |                          |            |                          |
| As per our report of even date attached  |          |            |                          |            |                          |
| For CORNELIUS & DAVAR  |          |            |                          |            |                          |
| Chartered Accountants  |          |            |                          |            |                          |
| RUSTOM D. DAVAR  |          |            |                          |            |                          |
| (Partner)  |          |            |                          |            |                          |
| Place: Mumbai  |          |            |                          |            |                          |
| Date: 13th February, 2006.   |          |            |                          |            |                          |
| For and on behalf of the Board   |          |            |                          |            |                          |
| S. Kalyanasundaram   |          |            |                          |            |                          |
| Chairman   |          |            |                          |            |                          |
| M. B. Kapadia  |          |            |                          |            |                          |
| Director   |          |            |                          |            |                          |
| I. Javeri  |          |            |                          |            |                          |
| Company Secretary  |          |            |                          |            |                          |



**Biddle Sawyer Limited**
**Cash Flow Statement for the year ended 31st December, 2005**

|  | 31/12/2005<br>Rs. ('000) | 31/12/2004<br>Rs. ('000) |
|--|--------------------------|--------------------------|
| <b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>            |                          |                          |
| Profit before tax  | 14,19,94                 | 13,86,68                 |
| Adjustments for :  |                          |                          |
| Depreciation   | 3,49                     | 4,18                     |
| Interest income  | (1,74,23)                | (1,21,86)                |
| Dividend income  | (1)                      | —                        |
| <b>Operating profit before working capital changes</b>   | <b>12,49,19</b>          | <b>12,69,00</b>          |
| Adjustments for :  |                          |                          |
| Inventories  | (29,22)                  | 36,27                    |
| Trade and other receivables                              | (2,67,77)                | 2,03,03                  |
| Trade payables and other liabilities                     | 64,09                    | (94,40)                  |
| <b>Cash generated from operations</b>                    | <b>10,16,29</b>          | <b>14,13,90</b>          |
| Direct taxes paid (net of refunds)                       | (4,98,78)                | (4,22,77)                |
| <b>Net cash from operating activities</b> A              | <b>5,17,51</b>           | <b>9,91,13</b>           |
| <b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>            |                          |                          |
| (Purchase) / sale of investments (net)                   | (15,00,00)               | (20,00,00)               |
| Interest received  | 1,74,57                  | 23,82                    |
| Dividend received  | 1                        | —                        |
| <b>Net cash used in investing activities</b> B           | <b>(13,25,42)</b>        | <b>(19,76,18)</b>        |
| <b>Net decrease in cash and cash equivalents</b> (A + B) | <b>(8,07,91)</b>         | <b>(9,85,05)</b>         |
| Cash and cash equivalents as at                          |                          |                          |
| 1st January, 2005 (opening balance)                      | 8,14,96                  | 18,00,01                 |
| 31st December, 2005 (closing balance)                    | 7,05                     | 8,14,96                  |
| <b>Net decrease in cash and cash equivalents</b>         | <b>(8,07,91)</b>         | <b>(9,85,05)</b>         |

NOTES:

- Cash and cash equivalents include:
 

|                                 |      |         |
|---------------------------------|------|---------|
| Cash and bank balances          | 7,05 | 8,14,96 |
| Total cash and cash equivalents | 7,05 | 8,14,96 |
- 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

S. Kalyanasundaram                      M. B. Kapadia  
Chairman    Director

RUSTOM D. DAVAR  
(Partner)  
Place: Mumbai  
Date: 13th February, 2006.

I. Javeri  
Company Secretary

**Schedules to the Accounts**

|  | 31/12/2005<br>Rs. ('000) | 31/12/2004<br>Rs. ('000) |
|--|--------------------------|--------------------------|
| <b>SCHEDULE 1 : SHARE CAPITAL</b>  |                          |                          |
| <b>AUTHORISED</b>  |                          |                          |
| 1,500,000 Ordinary Shares of Rs.10/- each  | 1,50,00                  | 1,50,00                  |
| <b>ISSUED, SUBSCRIBED &amp; PAID-UP:</b>   |                          |                          |
| 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.)            |                          |                          |
| <b>TOTAL : Rs.</b>   | <b>96,00</b>             | <b>96,00</b>             |
| <b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>   |                          |                          |
| <b>CAPITAL RESERVE:</b>  |                          |                          |
| As per last Balance Sheet  | 2,91                     | 2,91                     |
| <b>GENERAL RESERVE:</b>  |                          |                          |
| As per last Balance Sheet  | 4,47,60                  | 4,47,60                  |
| <b>PROFIT &amp; LOSS ACCOUNT</b>   | <b>38,26,53</b>          | <b>28,98,81</b>          |
| <b>TOTAL : Rs.</b>   | <b>42,77,04</b>          | <b>33,49,32</b>          |

|   | 31/12/2005<br>Rs. ('000) | 31/12/2004<br>Rs. ('000) |
|---|--------------------------|--------------------------|
| <b>SCHEDULE 4: INVESTMENTS (AT COST):</b>   |                          |                          |
|   | Book Value               | Book Value               |
| <b>LONG TERM INVESTMENTS</b>  |                          |                          |
| <b>NON-TRADE (QUOTED)</b>   |                          |                          |
| Housing Development Finance Corporation Limited 200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each | 20,00,00                 | 20,00,00                 |
| <b>CURRENT (at lower of cost and fair value)</b>  |                          |                          |
| <b>NON-TRADE (UNQUOTED)</b>   |                          |                          |
| Deutsche Short Maturity Fund - Growth Option 42,67,740.999 Units of Rs. 10 each                                   | 5,00,00                  | —                        |
| DSP Merrill Lynch Short Term Fund - Growth Option 41,63,821.389 Units of Rs. 10 each                              | 5,00,00                  | —                        |
| HSBC Income Fund Short Term Institutional - Growth Option 42,50,652.475 Units of Rs. 10 each                      | 5,00,00                  | —                        |
| <b>TOTAL :Rs.</b>   | <b>35,00,00</b>          | <b>20,00,00</b>          |
| Quoted : Market Value Rs. 19,22,00,000 (Previous year Rs. 19,18,00,000)<br>Unquoted : Book Value Rs. 15,00,00,000 |                          |                          |
| <b>SCHEDULE 5: INVENTORIES</b>  |                          |                          |
| (AT COST OR MARKET VALUE WHICHEVER IS LESS AND AS VALUED AND CERTIFIED BY THE MANAGEMENT)                         |                          |                          |
| Raw Materials   | 1,38,42                  | 1,28,75                  |
| Packing Materials   | 22,34                    | 16,04                    |
| Work-in-Progress  | 38,12                    | 2,03                     |
| Finished Goods  | 2,19,95                  | 2,42,79                  |
| <b>TOTAL :Rs.</b>   | <b>4,18,83</b>           | <b>3,89,61</b>           |
| <b>SCHEDULE 6: SUNDRY DEBTORS - UNSECURED</b>   |                          |                          |
| Less than six months and considered good  | 4,58,81                  | 76,28                    |
| <b>TOTAL : Rs.</b>  | <b>4,58,81</b>           | <b>76,28</b>             |
| <b>SCHEDULE 7: CASH AND BANK BALANCE</b>  |                          |                          |
| Bank balance with Scheduled Banks:  |                          |                          |
| On Current Accounts   | 7,05                     | 14,96                    |
| On Deposits   | —                        | 8,00,00                  |
| <b>TOTAL : Rs.</b>  | <b>7,05</b>              | <b>8,14,96</b>           |
| <b>SCHEDULE 8: OTHER CURRENT ASSETS</b>   |                          |                          |
| Interest accrued on Investments   | 98,09                    | 98,43                    |
| <b>TOTAL : Rs.</b>  | <b>98,09</b>             | <b>98,43</b>             |
| <b>SCHEDULE 9: LOANS AND ADVANCES</b>   |                          |                          |
| (Unsecured, Considered good)  |                          |                          |
| Sundry Deposit  | 11,45                    | 1,55                     |
| Balance with Central, State Excise and Insurance companies  | 94                       | 89                       |
| Other advances  | 1,16,43                  | 2,41,14                  |
| Advance Income-tax (Net of Provision)   | 24,01                    | 36,31                    |
| <b>TOTAL Rs.</b>  | <b>1,52,83</b>           | <b>2,79,89</b>           |
| <b>SCHEDULE 10: CURRENT LIABILITIES</b>   |                          |                          |
| Sundry Creditors *  | 2,25,16                  | 1,61,07                  |
| D.P.E.A.  | 71,24                    | 71,24                    |
| * No dues to S.S.I Units  | —                        | —                        |
| <b>TOTAL Rs.</b>  | <b>2,96,40</b>           | <b>2,32,31</b>           |
| <b>SCHEDULE 11: OTHER INCOME</b>  |                          |                          |
| Dividend Income   | 1                        | —                        |
| {Tax deducted at source Nil/- (Previous year Nil)}  |                          |                          |
| Interest income   | 1,74,23                  | 1,21,86                  |
| {Tax deducted at source Rs. 36,56,335 (Previous year Rs. 1,54,379)}   |                          |                          |
| Miscellaneous Income  | 61                       | 2,68                     |
| <b>TOTAL Rs.</b>  | <b>1,74,85</b>           | <b>1,24,54</b>           |

**SCHEDULE 3 : FIXED ASSETS**

| Sr No. | Particulars          | GROSS BLOCK            |                           |                               |                      | DEPRECIATION         |                    |   |                        | NET BLOCK      |                |
|--------|----------------------|------------------------|---------------------------|-------------------------------|----------------------|----------------------|--------------------|---|------------------------|----------------|----------------|
|        |                      | At Cost as on 01/01/05 | Additions during the year | Sale/scrapped during the year | Total as at 31/12/05 | Depn. as on 01/01/05 | Depn. for the year | Depn. in respect of items sold/scrapped | Depn. to date 31/12/05 | As at 31/12/05 | As at 31/12/04 |
|        |                      |                        |                           |                               |                      |                      |                    |   |                        |                |                |
| 1      | Land                 | 2,08                   | —                         | —                             | 2,08                 | —                    | —                  | —                                       | —                      | 2,08           | 2,08           |
| 2      | Factory Building     | 16,98                  | —                         | —                             | 16,98                | 7,72                 | 59                 | —                                       | 8,31                   | 8,67           | 9,26           |
| 3      | Plant & Machinery    | 1,10,32                | —                         | —                             | 1,10,32              | 99,31                | 2,84               | —                                       | 1,02,15                | 8,17           | 11,01          |
| 4      | Furniture & Fixtures | 13,48                  | —                         | —                             | 13,48                | 13,24                | 6                  | —                                       | 13,30                  | 18             | 24             |
| 5      | Cycles               | 5                      | —                         | —                             | 5                    | 5                    | —                  | —                                       | 5                      | —              | —              |
| 6      | Computers            | 56,41                  | —                         | —                             | 56,41                | 56,41                | —                  | —                                       | 56,41                  | —              | —              |
|        | <b>Total</b>         | <b>1,99,32</b>         | <b>—</b>                  | <b>—</b>                      | <b>1,99,32</b>       | <b>1,76,73</b>       | <b>3,49</b>        | <b>—</b>                                | <b>1,80,22</b>         | <b>19,10</b>   | <b>22,59</b>   |
|        | Previous Year        | 1,99,32                | —                         | —                             | 1,99,32              | 1,72,55              | 4,18               | —                                       | 1,76,73                | 22,59          | —              |



|  | 31/12/2005 |                 | 31/12/2004     |                 |
|--|------------|-----------------|----------------|-----------------|
|  | Rs. ('000) | Rs. ('000)      | Rs. ('000)     | Rs. ('000)      |
| <b>SCHEDULE 12: MATERIALS</b>  |            |                 |                |                 |
| Raw and packing materials consumed                                   |            | 3,33,53         |                | 3,90,04         |
| Purchase of Finished Goods   |            | 9,29,70         |                | 7,70,39         |
| (Increase)/Decrease in Work-in-Process and Finished Goods:           |            |                 |                |                 |
| Opening Stocks   |            |                 |                |                 |
| Work-in-Process  |            | 2,03            |                | 9,75            |
| Finished Goods   |            | 2,42,79         |                | 3,40,19         |
|  |            | <u>2,44,82</u>  |                | <u>3,49,94</u>  |
| Less: Closing Stocks   |            |                 |                |                 |
| Work-in-Process  |            | 38,12           |                | 2,03            |
| Finished Goods   |            | 2,19,95         |                | 2,42,79         |
|  |            | <u>2,58,07</u>  | <u>(13,25)</u> | <u>2,44,82</u>  |
|  |            |                 |                | 1,05,12         |
| <b>TOTAL Rs.</b>   |            | <u>12,49,98</u> |                | <u>12,65,55</u> |
| <b>SCHEDULE 13: OTHER EXPENSES</b>                                   |            |                 |                |                 |
| Selling & Distribution Expenses                                      |            | 6,79,34         |                | 7,22,48         |
| Manufacturing Charges  |            | 12,64           |                | 10,90           |
| Repairs - Building   |            | —               |                | 5               |
| Power & Fuel   |            | 14              |                | 5               |
| Rent   |            | 1,42            |                | 1,16            |
| Rates & Taxes  |            | 54,41           |                | 23,89           |
| Excise Duty  |            | (1,91)          |                | 17,46           |
| Insurance  |            | 75              |                | 81              |
| Remuneration of auditors :   |            |                 |                |                 |
| Statutory audit fees   |            | 1,16            |                | 88              |
| Tax audit fees   |            | 28              |                | 22              |
| Other services   |            | 20              |                | 14              |
|  |            | <u>1,64</u>     |                | <u>1,24</u>     |
| Reimbursement of expenses  |            | 12              |                | 12              |
|  |            |                 |                |                 |
|  |            | 1,76            |                | 1,36            |
| Finance Charges  |            | 19              |                | 1,57            |
| Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited |            | 59,09           |                | 58,69           |
| Miscellaneous Expenses   |            | 17,04           |                | 8,23            |
| <b>TOTAL Rs.</b>   |            | <u>8,24,87</u>  |                | <u>8,46,65</u>  |

**SCHEDULE : 14****Notes annexed to and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2005.****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 when goods are invoiced on despatch to customers and are recorded inclusive of excise duty but are net of trade discounts and sales tax.

**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. 5,56,62,343/- (Previous year Rs. 4,39,67,648/-)
- Taxation matters in respect of which appeals are pending Rs.5,53,715/- (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 Equalisation Account (DPEA) under Drugs (Prices 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.

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

|   | 2005<br>Rs. ('000) | 2004<br>Rs. ('000) |
|---|--------------------|--------------------|
| in respect of deferred tax asset consisting of :                    |                    |                    |
| Provision for pricing of formulation                                | 17,97              | —                  |
| Expenses allowable for tax purposes when paid                       | 15                 | —                  |
|   | <u>18,12</u>       | <u>—</u>           |
| in respect of deferred tax liability consisting of :                |                    |                    |
| Book-tax timing difference on account of depreciation               | (3,39)             | (4,13)             |
|   | <u>(3,39)</u>      | <u>(4,13)</u>      |
|   | <u>14,73</u>       | <u>(4,13)</u>      |
| <b>5 Value of Imported Raw Materials calculated on C.I.F. basis</b> | <b>1,97,40</b>     | <b>3,40,26</b>     |

**6 Consumption of Raw Materials & Packing Materials:**

| Particulars   | Units | 2005    |                | 2004    |                |
|---|-------|---------|----------------|---------|----------------|
|   |       | Qty.    | Rs. ('000)     | Qty.    | Rs. ('000)     |
| Alpha D3  | Lacs  | 228.270 | 2,94,71        | 223.478 | 3,28,09        |
| Packing Material  |       |         | 38,82          |         | 60,54          |
| Other Basic Raw Materials none of which account for more than 10% of the total value of consumption |       |         | —              |         | 1,41           |
| <b>Total</b>  |       |         | <u>3,33,53</u> |         | <u>3,90,04</u> |

**Biddle Sawyer Limited**

| 7 Value & Percentage of Imported / Indigenous Materials Consumed: |  |                    |  |                    |  |  |  |  |  |
|---|--|--------------------|--|--------------------|--|--|--|--|--|
|   |  | 2005<br>Rs. ('000) |  | 2004<br>Rs. ('000) |  |  |  |  |  |
| Purchased indigenously including canalised items                  |  | 34,16              |  | 24,26              |  |  |  |  |  |
|   |  | 10%                |  | 6%                 |  |  |  |  |  |
| Imported by the Company including customs duty & clearing charges |  | 2,99,37            |  | 3,65,78            |  |  |  |  |  |
|   |  | 90%                |  | 94%                |  |  |  |  |  |

| 8 Statement of Installed Capacities (per annum) |  |           |  |                    |  |         |  |  |  |
|---|--|-----------|--|--------------------|--|---------|--|--|--|
| Class of Goods                                  |  | Units     |  | Installed Capacity |  |         |  |  |  |
|   |  |           |  | 2005               |  | 2004    |  |  |  |
| Tablets   |  | Lacs      |  | 1575               |  | 1575    |  |  |  |
| Liquids   |  | Litres    |  | 180000             |  | 180000  |  |  |  |
| Capsules  |  | Lacs      |  | 180                |  | 180     |  |  |  |
| Dry Syrup                                       |  | Kg        |  | 10000              |  | 10000   |  |  |  |
| Injections                                      |  | Vials/Amp |  | 3600000            |  | 3600000 |  |  |  |
| Eye Drops                                       |  | Amp       |  | 1200000            |  | 1200000 |  |  |  |
| Ointment (5 to 30 GMs)                          |  | Tubes     |  | 1050000            |  | 1050000 |  |  |  |

Licensed capacity is not indicated as Industrial Licencing for bulk drugs, intermediates and their formulations stands abolished in terms of Press Note No. 4 (1994 Series) dated 25th October, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.

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

| Class of Goods | Unit   | Stocks at Commencement |                   | Production         |                      | Purchase   |                        | Sales                |                      | Stocks at Close        |                  |                      |
|----------------|--------|------------------------|-------------------|--------------------|----------------------|------------|------------------------|----------------------|----------------------|------------------------|------------------|----------------------|
|                |        | Quantity               | Rs. ('000)        | Quantity           | Quantity             | Rs. ('000) | Quantity               | Rs. ('000)           | Quantity             | Rs. ('000)             | Quantity         | Rs. ('000)           |
|                |        | Formulations           | Lacs              | 89.04<br>(224.29)  | 1,17,30<br>(2,57.69) | —<br>(—)   | 542.88<br>(541.47)     | 9,29,70<br>(7,70.39) | 536.40<br>(591.94)   | 24,67,67<br>(25,13.95) | 97.54<br>(89.04) | 1,47,53<br>(1,17,30) |
| Liquids        | Litres | —<br>(15067.90)        | —<br>(9.00)       | —<br>(—)           | —<br>(—)             | —<br>(—)   | 631.00<br>(7598.30)    | 98<br>(11,90)        | —<br>(—)             | —<br>(—)               |                  |                      |
| Capsules       | Lacs   | 46.26<br>(26.14)       | 125.49<br>(73.50) | 187.49<br>(227.55) | —<br>(—)             | —<br>(—)   | 198.92<br>(201.06)     | 9,89,09<br>(9,92,93) | 26.00<br>(46.26)     | 72.42<br>(1,25.49)     |                  |                      |
| TOTAL          |        | 2,42,79<br>(3,40,19)   |                   |                    | 9,29,70<br>(7,70,39) |            | 34,57,74<br>(35,18,78) |                      | 2,19,95<br>(2,42,79) |                        |                  |                      |

Notes:

- Figures in brackets are in respect of the previous year.
- The closing stocks stated above are after adjustments for in-transit breakages / damages, date expired stocks. Closing stock figures, if derived from opening stocks, production and sales would be different due to these adjustments.
- Actual production includes quantities produced in the factories of third parties on loan licenses.
- The Company has only one segment namely pharmaceuticals; hence no separate disclosure of segment-wise information has been made.

11 Related Party disclosures:

- Related parties with whom there were transactions during the year are listed below:  
Holding Company:  
The company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.
- The following transactions were carried out with the related parties at normal commercial terms in the ordinary course of business.

(Rs. In '000s)

|   | Holding Company |         | GSK Group |      |
|---|-----------------|---------|-----------|------|
|   | 2005            | 2004    | 2005      | 2004 |
| 1 Payment of manufacturing charges                        | 11,11           | 10,90   | —         | —    |
| 2 Payment of common costs                                 | 59,09           | 58,69   | —         | —    |
| 3 Payment of CSA commission                               | 1,29,00         | 1,29,48 | —         | —    |
| 4 Payment of marketing commission                         | 3,68,57         | 3,69,93 | —         | —    |
| 5 Outstanding payable/(receivable) by the Company (net) @ | (4,58,81)       | (76,28) | —         | —    |

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

12 Earnings per share

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

|  |           | Previous year |        |
|--|-----------|---------------|--------|
|  | Rs. 000's | 2005          | 2004   |
| Profit after taxation                  | 9,27,72   | 8,79,84       |        |
| Weighted average number of shares      | Nos.      | 960000        | 960000 |
| Earnings per share (Basic and Diluted) | Rs.       | 96.64         | 91.65  |
| Face value per share                   | Rs.       | 10            | 10     |

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

I. Registration Details

Registration No. 6218 State Code 11

Balance Sheet Date 31/12/05

II. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

|                             |        |                    |        |
|-----------------------------|--------|--------------------|--------|
| Total Liabilities           | 437304 | Total Assets       | 437304 |
| <b>Sources of Funds</b>     |        |                    |        |
| Paid-Up Capital             | 9600   | Reserves & Surplus | 427704 |
| Secured Loans               | NIL    | Unsecured Loans    | NIL    |
| <b>Application of Funds</b> |        |                    |        |
| Fixed Assets                | 1910   | Investments        | 350000 |
| Net Current Assets          | 83921  | Misc. Expenditure  | NIL    |
| Accumulated Losses          | NIL    |                    |        |
| Deferred Tax Asset          | 1473   |                    |        |

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

|                          |        |                   |        |
|--------------------------|--------|-------------------|--------|
| Turnover                 | 349828 | Total Expenditure | 207834 |
| Profit Before Tax        | 141994 | Profit After Tax  | 92772  |
| Earning Per Share in Rs. | 97     | Dividend Rate (%) | NIL    |

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

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

14 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) S. Kalyanasundaram Chairman M. B. Kapadia Director

Place: Mumbai Date: 13th February, 2006. I Javeri Company Secretary

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

1. We have audited the attached Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the 'company') and its subsidiary as at 31<sup>st</sup> December, 2005, 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. 43,73.04 lakhs as at 31<sup>st</sup> December, 2005 and total revenues of Rs. 34,98.28 lakhs for the year ended on that date. The financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of GlaxoSmithKline Pharmaceuticals Limited and its aforesaid subsidiary, in our opinion, the consolidated financial statements together with the notes thereon and attached thereto give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary as at 31<sup>st</sup> December, 2005;
  - (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, 13<sup>th</sup> February, 2006

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, 2005

|   | Schedule | Rupees in lakhs |                  | Previous year<br>Rupees in lakhs |                  |
|---|----------|-----------------|------------------|----------------------------------|------------------|
| <b>SOURCES OF FUNDS</b>                                       |          |                 |                  |                                  |                  |
| <b>SHAREHOLDERS' FUNDS</b>                                    |          |                 |                  |                                  |                  |
| Capital .. .. .   | 1        | 84,70.30        |                  | 87,32.25                         |                  |
| Reserves and surplus .. .. .                                  | 2        | 868,45.07       | 953,15.37        | 836,42.64                        | 923,74.89        |
| <b>LOAN FUNDS</b>   |          |                 |                  |                                  |                  |
| Unsecured loans .. .. .                                       | 3        |                 | 4,85.42          |                                  | 3,84.48          |
| <b>TOTAL</b> .. .. .  |          |                 | <u>958,00.79</u> |                                  | <u>927,59.37</u> |
| <b>APPLICATION OF FUNDS</b>                                   |          |                 |                  |                                  |                  |
| <b>FIXED ASSETS</b>   |          |                 |                  |                                  |                  |
| Gross block .. .. .   | 4        | 297,25.02       |                  | 296,78.51                        |                  |
| Less : Depreciation .. .. .                                   |          | 207,05.87       |                  | 196,93.34                        |                  |
| Net block .. .. .   |          | 90,19.15        |                  | 99,85.17                         |                  |
| Capital work-in-progress .. .. .                              |          | 15,37.32        | 105,56.47        | 4,50.55                          | 104,35.72        |
| <b>INVESTMENTS</b> .. .. .                                    | 5        |                 | 900,44.37        |                                  | 749,21.28        |
| <b>DEFERRED TAX</b>   |          |                 |                  |                                  |                  |
| Deferred tax assets .. .. .                                   | 6        | 41,35.65        |                  | 59,97.14                         |                  |
| Deferred tax liabilities .. .. .                              |          | 11,44.57        | 29,91.08         | 15,14.91                         | 44,82.23         |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                     |          |                 |                  |                                  |                  |
| Inventories .. .. .   | 7        | 222,31.73       |                  | 230,39.34                        |                  |
| Sundry debtors .. .. .  | 8        | 67,38.72        |                  | 76,06.35                         |                  |
| Cash and bank balances .. .. .                                | 9        | 47,59.68        |                  | 71,53.22                         |                  |
| Other current assets .. .. .                                  | 10       | 20,44.75        |                  | 21,79.09                         |                  |
| Loans and advances .. .. .                                    | 11       | 110,82.18       |                  | 100,67.67                        |                  |
|   |          |                 | <u>468,57.06</u> | <u>500,45.67</u>                 |                  |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b>              |          |                 |                  |                                  |                  |
| Liabilities .. .. .   | 12       | 255,93.00       |                  | 221,03.12                        |                  |
| Provisions .. .. .  | 13       | 290,55.19       |                  | 250,22.41                        |                  |
|   |          |                 | <u>546,48.19</u> | <u>471,25.53</u>                 |                  |
| <b>NET CURRENT ASSETS</b> .. .. .                             |          |                 | (77,91.13)       |                                  | 29,20.14         |
| <b>TOTAL</b> .. .. .  |          |                 | <u>958,00.79</u> |                                  | <u>927,59.37</u> |
| <b>Notes to the Consolidated Financial Statements</b> .. .. . | 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, 13th February, 2006

For and on behalf of the Board

|                           |                    |
|---------------------------|--------------------|
| Chairman                  | D. S. PAREKH       |
| Managing Director         | S. KALYANASUNDARAM |
| 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, 2005

|  | Schedule | Rupees in lakhs   |           | Previous year<br>Rupees in lakhs |
|--|----------|-------------------|-----------|----------------------------------|
| <b>INCOME</b>  |          |                   |           |                                  |
| Sales (Gross) . . . . .  |          | 1610,46.60        |           | 1514,78.20                       |
| Less : Excise duty on sales . . . . .  |          | 91,92.94          |           | 105,10.44                        |
| Net sales . . . . .  |          | 1518,53.66        |           | 1409,67.76                       |
| Other income . . . . .   | 14       | 66,06.41          |           | 53,28.68                         |
| <b>TOTAL INCOME</b> . . . . .  |          | <b>1584,60.07</b> |           | <b>1462,96.44</b>                |
| <b>EXPENDITURE</b>   |          |                   |           |                                  |
| Materials . . . . .  | 15       | 638,95.13         |           | 603,51.52                        |
| Operating and other expenses . . . . .   | 16       | 437,23.93         |           | 409,83.40                        |
| Depreciation . . . . .   |          | 19,98.31          |           | 21,72.42                         |
| <b>TOTAL EXPENDITURE</b> . . . . .   |          | <b>1096,17.37</b> |           | <b>1035,07.34</b>                |
| <b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b> . . . . .  |          | <b>488,42.70</b>  |           | <b>427,89.10</b>                 |
| Provision for taxation   |          |                   |           |                                  |
| Current tax . . . . .  |          | 152,60.84         |           | 144,71.19                        |
| Deferred tax . . . . .   |          | 16,33.92          |           | 12,54.52                         |
|  |          | 168,94.76         |           | 157,25.71                        |
| Fringe benefit tax . . . . .   |          | 7,77.83           | 176,72.59 | —                                |
| <b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> . . . . .  |          | <b>311,70.11</b>  |           | <b>270,63.39</b>                 |
| <b>EXCEPTIONAL ITEMS (net of tax)</b> . . . . .  |          | <b>195,44.42</b>  |           | <b>67,04.39</b>                  |
| (Refer note 16 on Schedule 17)   |          |                   |           |                                  |
| <b>NET PROFIT</b> . . . . .  |          | <b>507,14.53</b>  |           | <b>337,67.78</b>                 |
| Balance brought forward . . . . .  |          | 277,00.41         |           | 204,26.95                        |
| Additions as at 1st January, 2004, of erstwhile Burroughs Wellcome (India) Limited, pursuant to the Scheme of Amalgamation . . . . . |          | —                 |           | 5,32.95                          |
| <b>AVAILABLE FOR APPROPRIATION</b> . . . . .   |          | <b>784,14.94</b>  |           | <b>547,27.68</b>                 |
| <b>APPROPRIATIONS</b>  |          |                   |           |                                  |
| Proposed dividend . . . . .  |          | 237,16.84         |           | 209,57.40                        |
| [The proposed dividend includes a special additional one-time dividend of Rs. 118,58.42 lakhs (Previous year Rs. 96,05.47 lakhs)]    |          |                   |           |                                  |
| Tax on distributed profit . . . . .  |          | 33,26.29          |           | 27,38.87                         |
|  |          | 270,43.13         |           | 236,96.27                        |
| Transfer to general reserve . . . . .  |          | 50,20.83          | 320,63.96 | 33,31.00                         |
| <b>BALANCE CARRIED FORWARD</b> . . . . .   |          | <b>463,50.98</b>  |           | <b>277,00.41</b>                 |
| Earnings per share before exceptional items (basic and diluted) (Rs.) . . . . .  |          | 36.32             |           | 30.99                            |
| Earnings per share (basic and diluted) (Rs.) . . . . .   |          | 59.10             |           | 38.67                            |
| Face value of shares Rs. 10 each.<br>(Refer note 20 on Schedule 17)  |          |                   |           |                                  |
| <b>Notes to the Consolidated Financial Statements</b> . . . . .  | 17       |                   |           |                                  |

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

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

For and on behalf of the Board

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

|                           |                    |
|---------------------------|--------------------|
| Chairman                  | D. S. PAREKH       |
| Managing Director         | S. KALYANASUNDARAM |
| Senior Executive Director | M. B. KAPADIA      |
| Company Secretary         | A. A. NADKARNI     |

Mumbai, 13th February, 2006

# Consolidated Cash Flow Statement of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2005

|   | Rupees in lakhs    | Previous year<br>Rupees in lakhs |
|---|--------------------|----------------------------------|
| <b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>   |                    |                                  |
| Profit before taxation and exceptional items  | 488,42.70          | 427,89.10                        |
| <i>Adjustments for :</i>  |                    |                                  |
| Depreciation  | 19,98.31           | 21,72.42                         |
| Interest expense  | 1,67.17            | 1,87.77                          |
| Provision/write off for doubtful debts, loans and advances (net)  | 1,80.73            | 3,00.63                          |
| Unrealised loss on foreign exchange   | 12.41              | 0.39                             |
| Profit on sale/disposal of fixed assets (net)   | (3.99)             | (70.17)                          |
| Loss/(profit) on sale/redemption of investments (net)   | (2,14.97)          | 41.26                            |
| Provision written back as no longer required  | (5,84.30)          | (3,66.19)                        |
| Interest income   | (26,86.04)         | (29,77.66)                       |
| Dividend income   | (7,85.28)          | (1,90.77)                        |
| <b>Operating profit before working capital changes</b>  | <u>469,26.74</u>   | <u>418,86.78</u>                 |
| <i>Adjustments for :</i>  |                    |                                  |
| Inventories   | 8,07.61            | (54.11)                          |
| Trade and other receivables   | 1,34.81            | 1,31.58                          |
| Trade payables and other liabilities  | 34,37.43           | 11,67.27                         |
| <b>Cash generated from operations</b>   | <u>513,06.59</u>   | <u>431,31.52</u>                 |
| Direct taxes paid (net of refunds) (including fringe benefit tax)   | (150,75.48)        | (144,54.21)                      |
| <b>Cash flow before exceptional items</b>   | <u>362,31.11</u>   | <u>286,77.31</u>                 |
| <i>Exceptional items :</i>  |                    |                                  |
| Payments made for voluntary retirement schemes and other retirement benefits  | (31.01)            | (48,64.23)                       |
| Expenses incurred on buy back of shares   | (1,44.12)          | —                                |
| Expenses incidental to sale of properties   | (5.43)             | —                                |
| Payments for pricing of formulations  | (6,04.62)          | —                                |
| Non recurring expenses for merger / rationalisation initiatives   | (64.12)            | (6,87.96)                        |
| Loss of stock on account of flood   | (43.60)            | —                                |
| Additional contribution for past years' service to the defined benefit pension fund   | (4,00.00)          | (2,23.00)                        |
| <b>Net cash from operating activities</b>   | <u>349,38.21</u>   | <u>229,02.12</u>                 |
| <b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>   |                    |                                  |
| Purchase of fixed assets  | (23,39.14)         | (9,37.20)                        |
| Sale of fixed assets  | 85.91              | 1,34.99                          |
| Sale of properties (Exceptional item)   | 218,03.70          | 104,92.03                        |
| (Purchase)/sale/redemption of investments (net)   | (151,54.00)        | (284,24.19)                      |
| Fixed deposit with a limited company  | (10,00.00)         | —                                |
| Interest received   | 29,02.45           | 33,60.17                         |
| Dividend received   | 7,85.28            | 1,90.77                          |
| <b>Net cash from/(used in) investing activities</b>   | <u>70,84.20</u>    | <u>(151,83.43)</u>               |
| <b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>   |                    |                                  |
| Proceeds / (repayments) of borrowings   | 1,00.94            | 98.21                            |
| Buy back of equity shares   | (207,30.92)        | —                                |
| Interest paid   | (1,66.60)          | (1,71.03)                        |
| Dividend paid   | (208,68.09)        | (87,94.08)                       |
| Tax on distributed profit   | (27,38.87)         | (11,30.58)                       |
| <b>Net cash used in financing activities</b>  | <u>(444,03.54)</u> | <u>(99,97.48)</u>                |
| <b>Net decrease in cash and cash equivalents</b>  | <u>(23,81.13)</u>  | <u>(22,78.79)</u>                |
| Cash and cash equivalents as at 1st January, 2005 (opening balance)   | 71,52.81           | 77,39.58                         |
| Cash and cash equivalents taken over on 1st January, 2004 (Refer note 3 below)  | —                  | 16,92.02                         |
| Cash and cash equivalents as at 31st December, 2005 (closing balance)   | <u>47,71.68</u>    | <u>71,52.81</u>                  |
| <b>Net decrease in cash and cash equivalents</b>  | <u>(23,81.13)</u>  | <u>(22,78.79)</u>                |
| <b>NOTES:</b>   |                    |                                  |
| 1. Cash and cash equivalents include:   |                    |                                  |
| Cash and bank balances  | 47,59.68           | 71,53.22                         |
| Unrealised gain on foreign currency   | 12.00              | (0.41)                           |
| Total cash and cash equivalents   | <u>47,71.68</u>    | <u>71,52.81</u>                  |
| 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. |                    |                                  |
| 3. Cash and cash equivalents of Rs. 16,92.02 lakhs of erstwhile Burroughs Wellcome (India) Limited have been added on amalgamation. The amalgamation is a non cash transaction.                 |                    |                                  |

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, 13th February, 2006

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For and on behalf of the Board

|                           |                    |
|---------------------------|--------------------|
| Chairman                  | D. S. PAREKH       |
| Managing Director         | S. KALYANASUNDARAM |
| 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   | 90,00.00 |
| ISSUED   |          |
| 8,47,07,710 (Previous year 8,73,27,239) equity shares of Rs.10 each, fully paid-up   | 84,70.77 |
| SUBSCRIBED AND PAID-UP   |          |
| 8,47,03,017* (Previous year 8,73,22,546*) equity shares of Rs.10 each, fully paid-up | 84,70.30 |

| Rupees in lakhs |          |
|-----------------|----------|
| 90,00.00        | 90,00.00 |
| 84,70.77        | 87,32.72 |
| 84,70.30        | 87,32.25 |

Previous year  
Rupees in lakhs

The Company has bought back and extinguished 26,19,529 equity shares during the year (Refer note 21 on Schedule 17).

\* excludes 3,352 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<br>1st January<br>2005 | Additions on<br>Amalgamation<br>(a) | Additions        | Deductions         | As at<br>31st December<br>2005 | As at<br>31st December<br>2004 |
|-----------------------------------|------------------------------|-------------------------------------|------------------|--------------------|--------------------------------|--------------------------------|
| Capital Reserve                   | 1,70.97                      | —                                   | —                | —                  | (g) 1,70.97                    | 1,70.97                        |
| Capital Redemption Reserve        | 0.05                         | —                                   | (b) 2,61.95      | —                  | 2,62.00                        | 0.05                           |
| Investment Allowance Reserve      | 1.64                         | —                                   | —                | —                  | 1.64                           | 1.64                           |
| Share Premium Account             | 69,43.41                     | —                                   | —                | (e) (69,43.41)     | —                              | 69,43.41                       |
| General Reserve                   | 488,26.16                    | —                                   | (c) 50,20.83     | (f) (137,87.51)    | 400,59.48                      | 488,26.16                      |
| Profit and Loss Account - Surplus | 277,00.41                    | —                                   | (d) 186,50.57    | —                  | 463,50.98                      | 277,00.41                      |
| <b>TOTAL</b>                      | <b>836,42.64</b>             | <b>—</b>                            | <b>239,33.35</b> | <b>(207,30.92)</b> | <b>868,45.07</b>               | <b>836,42.64</b>               |
| <b>Previous Year Total</b>        | <b>587,91.23</b>             | <b>147,79.90</b>                    | <b>100,71.51</b> | <b>—</b>           | <b>836,42.64</b>               |                                |

(a) Additions as at 1st January, 2004, pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited (BWIL) with the Company.

(b) Transfer from General Reserve on account of buy back of equity shares.

(c) Transfer from Profit and Loss Account.

(d) Increase in balance of profit carried forward.

(e) Premium on buy back of equity shares.

(f) Transfer to Capital Redemption Reserve Rs. 2,61.95 lakhs and premium on buy back of equity shares Rs. 135,25.56 lakhs.

(g) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile BWIL Rs. 0.51 lakhs.

## Schedules to the Consolidated Financial Statements — continued

### 3 UNSECURED LOANS

|   |    |
|---|----|
| Interest free sales tax loan from SICOM Limited | .. |
| <b>TOTAL</b>                                    | .. |

| Rupees in lakhs |                | Previous year<br>Rupees in lakhs |                |
|-----------------|----------------|----------------------------------|----------------|
| Long Term       | Short Term     | Long Term                        | Short Term     |
| 4,83.21         | 2.21           | 3,81.92                          | 2.56           |
| <u>4,83.21</u>  | <u>2.21</u>    | <u>3,81.92</u>                   | <u>2.56</u>    |
|                 | <u>4,85.42</u> |                                  | <u>3,84.48</u> |

### 4 FIXED ASSETS

Rupees in lakhs

|   | Gross block (at cost)  |                               |                        |                 | Depreciation             |                        |                               |                 |                | Net block                |                          |                          |
|---|------------------------|-------------------------------|------------------------|-----------------|--------------------------|------------------------|-------------------------------|-----------------|----------------|--------------------------|--------------------------|--------------------------|
|   | As at 1st January 2005 | Additions on Amalgamation (a) | Additions/ Adjustments | Deductions      | As at 31st December 2005 | As at 1st January 2005 | Additions on Amalgamation (a) | For the Year    | On Deductions  | As at 31st December 2005 | As at 31st December 2005 | As at 31st December 2004 |
| Goodwill (b)  | 42,14.97               | —                             | —                      | —               | 42,14.97                 | 29,50.45               | —                             | 4,21.49         | —              | 33,71.94                 | 8,43.03                  | 12,64.52                 |
| Freehold land   | 41.81                  | —                             | —                      | 18.92           | 22.89                    | —                      | —                             | —               | —              | —                        | 22.89                    | 41.81                    |
| Leasehold land  | 46.49                  | —                             | —                      | —               | 46.49                    | —                      | —                             | —               | —              | —                        | 46.49                    | 46.49                    |
| Freehold buildings (c)  | 26,70.93               | —                             | 50.88                  | 2,42.91         | 24,78.90                 | 11,56.66               | —                             | 54.20           | 1,33.50        | 10,77.36                 | 14,01.54                 | 15,14.27                 |
| Leasehold buildings   | 23,77.81               | —                             | 22.35                  | —               | 24,00.16                 | 10,53.66               | —                             | 82.42           | —              | 11,36.08                 | 12,64.08                 | 13,24.15                 |
| Plant and machinery   | 152,77.39              | —                             | 8,21.79                | 8,02.80         | 152,96.38                | 116,67.82              | —                             | 9,44.32         | 7,49.55        | 118,62.59                | 34,33.79                 | 36,09.57                 |
| Furniture and fittings  | 26,96.75               | —                             | 2,85.80                | 31.98           | 29,50.57                 | 14,61.46               | —                             | 2,08.26         | 20.40          | 16,49.32                 | 13,01.25                 | 12,35.29                 |
| Trademarks (d)  | 17,17.57               | —                             | —                      | —               | 17,17.57                 | 9,72.40                | —                             | 1,71.76         | —              | 11,44.16                 | 5,73.41                  | 7,45.17                  |
| Vehicles  | 6,34.79                | —                             | 52.67                  | 90.37           | 5,97.09                  | 4,30.89                | —                             | 1,15.86         | 82.33          | 4,64.42                  | 1,32.67                  | 2,03.90                  |
| <b>TOTAL</b>  | <b>296,78.51</b>       | <b>—</b>                      | <b>12,33.49</b>        | <b>11,86.98</b> | <b>297,25.02</b>         | <b>196,93.34</b>       | <b>—</b>                      | <b>19,98.31</b> | <b>9,85.78</b> | <b>207,05.87</b>         | <b>90,19.15</b>          |                          |
| Previous year - Total   | 300,82.83              | 8,16.11                       | 10,08.72               | 22,29.15        | 296,78.51                | 188,37.16              | 4,83.66                       | 21,72.42        | 17,99.90       | 196,93.34                |                          | 99,85.17                 |
| Work-in-progress at cost and advance payments against capital expenditure |                        |                               |                        |                 |                          |                        |                               |                 |                |                          | 15,37.32                 | 4,50.55                  |
|   |                        |                               |                        |                 |                          |                        |                               |                 |                |                          | <b>105,56.47</b>         | <b>104,35.72</b>         |
|   |                        |                               |                        |                 |                          |                        |                               | <b>TOTAL</b>    |                |                          |                          |                          |

Notes:

- Additions as at 1st January, 2004, pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company.
- 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.



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

### 5 INVESTMENTS

#### LONG TERM (at Cost)

#### IN GOVERNMENT SECURITIES

##### Quoted

7.40% Government of India Securities, 2012

|                            | Rupees<br>in lakhs | Previous year<br>Rupees<br>in lakhs |
|----------------------------|--------------------|-------------------------------------|
| Face value Rs. 25,00 lakhs | 27,79.18           | 28,15.51                            |

##### Unquoted

|  |      |      |
|--|------|------|
| National Savings Certificate<br>(Lodged with Government authorities) | 0.17 | 0.17 |
|--|------|------|

#### TRADE

##### Unquoted

|   |      |      |
|---|------|------|
| Biotech Consortium India Limited<br>50,000 Equity Shares of Rs. 10 each fully paid. | 5.00 | 5.00 |
|---|------|------|

|  |      |      |
|--|------|------|
| Dinette Exclusive Club Private Limited<br>500 Equity Shares of Rs. 100 each fully paid | 0.50 | 0.50 |
|--|------|------|

#### OTHER THAN TRADE

##### Quoted

|  |          |          |
|--|----------|----------|
| Export Import Bank of India<br>15, 6.31% Bonds, 2010 of Rs. 1,00,00,000 each | 15,26.56 | 15,32.19 |
| 200, 5.40% Bonds, 2009 of Rs. 10,00,000 each                                 | 20,02.11 | 20,02.95 |

|   |          |          |
|---|----------|----------|
| Grasim Industries Limited<br>20, 6.08% Non-Convertible Debentures, 2010 of Rs. 50,00,000 each | 10,08.82 | 10,10.70 |
| 10, 6.75% Non-Convertible Debentures, 2009 of Rs. 50,00,000 each                              | 5,12.31  | 5,15.10  |
| 10, Floating Rate Inverse Mibor Non-Convertible Debentures, 2007 of Rs. 50,00,000 each        | 5,20.33  | 5,31.98  |

|   |          |          |
|---|----------|----------|
| Housing Development Finance Corporation Limited<br>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                                   | 15,04.21 | 15,06.29 |
| 400, 5.85% Non Convertible Debentures, 2009 of Rs. 10,00,000 each                                   | 40,18.10 | 40,23.41 |

|  |          |          |
|--|----------|----------|
| Indian Railway Finance Corporation Limited<br>50, 10.90% Bonds, 2006 of Rs. 10,00,000 each | 5,01.57  | 5,09.00  |
| 50, 8.05% Bonds, 2007 of Rs. 10,00,000 each  | 5,05.09  | 5,08.24  |
| 100, 7.63% Bonds, 2007 of Rs. 10,00,000 each   | 10,19.24 | 10,28.87 |
| 50, 6.20% Bonds, 2010 of Rs. 10,00,000 each  | 5,11.48  | 5,13.62  |
| 50, 5.99% Bonds, 2008 of Rs. 10,00,000 each  | 5,05.57  | 5,07.46  |

|   |          |          |
|---|----------|----------|
| LIC Housing Finance Limited<br>25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each | 5,45.38  | 5,58.16  |
| 25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each                                | 5,58.26  | 5,70.28  |
| 10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each                                 | 10,65.30 | 10,80.68 |

|   |          |          |
|---|----------|----------|
| National Hydroelectric Power Corporation Limited<br>10, 7.70% Bonds, 2010 of Rs. 1,00,00,000 each | 10,68.09 | 10,81.80 |
| 9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each  | 9,37.90  | 9,47.96  |

|   |          |          |
|---|----------|----------|
| National Thermal Power Corporation Limited<br>750, 10% Bonds, 2008 of Rs. 2,00,000 each | 16,81.22 | 17,42.36 |
|---|----------|----------|

|  |         |         |
|--|---------|---------|
| Power Grid Corporation of India Limited<br>40, 6.10% Bonds, 2008 of Rs. 12,50,000 each | 5,06.08 | 5,08.37 |
| 40, 6.10% Bonds, 2009 of Rs. 12,50,000 each  | 5,08.35 | 5,10.52 |
| 40, 6.10% Bonds, 2010 of Rs. 12,50,000 each  | 5,10.51 | 5,12.56 |

|  |          |          |
|--|----------|----------|
| Power Finance Corporation Limited<br>1,500, 5.85% Bonds, 2010 of Rs. 1,00,000 each | 15,14.34 | 15,19.72 |
|--|----------|----------|

|  |          |          |
|--|----------|----------|
| Reliance Industries Limited<br>100, 8.25% Non-Convertible Debentures, 2006 of Rs. 10,00,000 each | 10,03.85 | 10,13.10 |
| 74 Equity Shares of Rs. 10 each fully paid   | 0.01     | 0.01     |

|   |          |          |
|---|----------|----------|
| Tata Sons Limited<br>15, 6.58% Non-Convertible Debentures, 2008 of Rs. 1,00,00,000 each | 15,23.33 | 15,32.24 |
|---|----------|----------|

|  |          |          |
|--|----------|----------|
| Unit Trust of India<br>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<br>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<br>45,000, 5.10% 5-Year Capital Gains Bonds, 2009 of Rs. 10,000 each | 45,00.00 | 45,00.00 |
|--|----------|----------|

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

### 5 INVESTMENTS (continued)

**CURRENT** (at lower of cost and fair value)

#### **IN GOVERNMENT SECURITIES**

##### Quoted

|   | Rupees<br>in lakhs | Previous year<br>Rupees<br>in lakhs |
|---|--------------------|-------------------------------------|
| Government of India Treasury Bills<br>Face Value Rs. 130,00 lakhs, (Previous year : Rs. 180,00 lakhs) .. .. . | 126,31.82          | 171,59.84                           |

#### **OTHER THAN TRADE**

##### Quoted

|  |          |   |
|--|----------|---|
| HDFC Bank Limited<br>1,500 Units of Certificate of Deposit - Cumulative of Rs. 1,00,000 each .. .. .             | 14,76.00 | — |
| Industrial Development Finance Corporation Limited<br>100 Units of Commercial Paper of Rs. 5,00,000 each .. .. . | 4,92.87  | — |
| Power Finance Corporation Limited<br>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<br>1,00,84,921.322 Units of Rs. 10 each .. .. .   | 10,08.49 | —        |
| ABN AMRO Floating Rate Fund - Institutional Growth Option<br>95,70,843.383 Units of Rs. 10 each .. .. .  | 10,00.00 | —        |
| ABN AMRO Cash Fund - Institutional Growth Option<br>95,44,899.206 Units of Rs. 10 each .. .. .   | 10,00.00 | —        |
| ABN AMRO Cash Fund - Institutional Daily Dividend Option<br>1,01,83,476.349 Units of Rs. 10 each .. .. .   | 10,18.35 | —        |
| Deutsche Floating Rate Fund Regular Plan - Growth Option<br>2,32,04,862.763 Units of Rs. 10 each, (Previous year : 48,31,291.308 Units of Rs. 10 each)               | 25,00.00 | 5,00.00  |
| Deutsche Floating Rate Fund Regular Plan - Weekly Dividend Option<br>40,12,856.158 Units of Rs. 10 each, (Previous year : 1,95,94,628.047 Units of Rs. 10 each)      | 4,11.75  | 20,07.76 |
| Deutsche Short Maturity Fund - Growth Option<br>2,16,34,097.759 Units of Rs. 10 each .. .. .   | 25,00.00 | —        |
| DSP Merrill Lynch Short Term Fund - Growth Option<br>41,63,821.389 Units of Rs. 10 each .. .. .  | 5,00.00  | —        |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option<br>Nil, (Previous year : 50,00,000 Units of Rs. 10 each) .. .. .                       | —        | 5,00.00  |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Quarterly Dividend Option<br>Nil, (Previous year : 49,98,883.839 Units of Rs. 10 each) .. .. .       | —        | 5,06.45  |
| Grindlays Floating Rate Fund - Short Term Super Institutional Plan C - Weekly Dividend Option<br>Nil, (Previous year : 1,50,89,327.654 Units of Rs. 10 each) .. .. . | —        | 15,09.77 |
| Grindlays Fixed Maturity 3rd Plan - Dividend Option<br>Nil, (Previous year : 2,00,00,000 Units of Rs. 10 each) .. .. .   | —        | 20,00.00 |
| Grindlays Fixed Maturity 15th Plan A - Growth Option<br>50,00,000 Units of Rs. 10 each .. .. .   | 5,00.00  | —        |
| Grindlays Fixed Maturity 17th Plan - Dividend Option<br>50,00,000 Units of Rs. 10 each .. .. .   | 5,00.00  | —        |
| Grindlays Super Saver Income Fund - Short Term Plan C - Growth Option<br>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<br>1,00,66,135.421 Units of Rs. 10 each .. .. .                                      | 10,10.84 | —        |
| Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option<br>80,00,000 Units of Rs. 10 each .. .. .   | 8,00.00  | —        |
| HDFC Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>Nil, (Previous year : 4,89,25,316.409 Units of Rs. 10 each) .. .. .               | —        | 49,05.91 |
| HDFC Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option<br>91,21,542.175 Units of Rs. 10 each .. .. .   | 9,21.16  | —        |
| HDFC Floating Rate Income Fund - Short Term Plan - Growth Option<br>1,76,91,756.526 Units of Rs. 10 each .. .. .   | 20,00.00 | —        |
| HDFC Cash Management Fund - Saving Plus Plan - Growth Option<br>1,37,19,690.929 Units of Rs. 10 each .. .. .   | 20,00.00 | —        |
| HDFC Cash Management Fund - Saving Plus Plan - Dividend Option<br>2,00,88,601.506 Units of Rs. 10 each .. .. .   | 20,11.97 | —        |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Weekly Dividend Option<br>Nil, (Previous year : 2,51,88,645.742 Units of Rs. 10 each) .. .. .              | —        | 25,22.09 |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option<br>1,63,21,954.016 Units of Rs. 10 each .. .. .                                      | 16,34.35 | —        |

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

### 5 INVESTMENTS (continued)

|   | Rupees<br>in lakhs | Previous year<br>Rupees<br>in lakhs |
|---|--------------------|-------------------------------------|
| HSBC Income Fund - Short Term Plan - Institutional Growth Option<br>1,29,14,211.812 Units of Rs. 10 each  | 15,00.00           | —                                   |
| HSBC Floating Rate Fund - Long Term Plan - Institutional Weekly Dividend Option<br>1,36,30,498.691 Units of Rs. 10 each, (Previous year : 1,00,57,206.743 Units of Rs. 10 each) | 13,64.00           | 10,05.73                            |
| HSBC Floating Rate Fund - Long Term Plan - Institutional Growth Option<br>1,00,00,000 Units of Rs. 10 each  | 10,00.00           | 10,00.00                            |
| Prudential ICICI Fixed Maturity Plan - Yearly - Series XXV - Dividend Option<br>81,81,785.761 Units of Rs. 10 each  | 8,18.18            | —                                   |
| Prudential ICICI Institutional - Short Term Plan - Cumulative Option<br>77,50,856.470 Units of Rs. 10 each  | 10,00.00           | —                                   |
| Prudential ICICI Floating Rate Plan C - Growth Option<br>1,90,30,038.916 Units of Rs. 10 each   | 20,00.00           | —                                   |
| Prudential ICICI Long Term Floating Rate Plan B - Growth Option<br>97,80,142.399 Units of Rs. 10 each   | 10,00.00           | —                                   |
| Templeton Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option<br>Nil, (Previous year : 1,94,02,970.595 Units of Rs. 10 each)                              | —                  | 20,00.00                            |
| Templeton Floating Rate Income Fund - Short Term Plan - Growth Option<br>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<br>2,95,10,076.150 Units of Rs. 10 each                                      | 29,51.08           | —                                   |
| Templeton Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>Nil, (Previous year : 1,59,70,135.846 Units of Rs. 10 each)                             | —                  | 16,00.00                            |
| <b>TOTAL</b>  | <b>900,44.37</b>   | <b>749,21.28</b>                    |
| Aggregate of Unquoted Investments - At Book value   | 453,98.09          | 279,63.38                           |
| Aggregate of Quoted Investments - At Book value   | 446,46.28          | 469,57.90                           |
| - At Market value   | 545,02.59          | 529,30.69                           |
| <b><u>Purchased and Sold/Redeemed during the year</u></b>   |                    |                                     |
| Government of India Treasury Bills<br>Face value Rs. 48,25 lakhs  |                    |                                     |
| Deutsche Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option<br>90,10,311.101 Units of Rs. 10 each  |                    |                                     |
| Deutsche Floating Rate Fund Regular Plan - Weekly Dividend Option<br>3,44,84,434.844 Units of Rs. 10 each   |                    |                                     |
| Grindlays Fixed Maturity 10th Plan - Dividend Option<br>2,00,00,000 Units of Rs. 10 each  |                    |                                     |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Growth Option<br>95,10,675.734 Units of Rs. 10 each   |                    |                                     |
| Grindlays Floating Rate Fund - Long Term Institutional Plan B - Quarterly Dividend Option<br>50,45,466.420 Units of Rs. 10 each   |                    |                                     |
| Grindlays Super Saver Income Fund - Short Term Plan C - Growth Option<br>74,02,573.285 Units of Rs. 10 each   |                    |                                     |
| Grindlays Cash Fund - Super Institutional Plan C - Daily Dividend Option<br>3,33,46,07,293.676 Units of Rs. 10 each   |                    |                                     |
| Grindlays Floating Rate - Short Term Super Institutional Plan C - Weekly Dividend Option<br>50,93,380.492 Units of Rs. 10 each  |                    |                                     |
| HDFC Cash Management Fund - Saving Plus Plan - Dividend Option<br>90,96,627.954 Units of Rs. 10 each  |                    |                                     |
| HDFC Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>2,56,30,523.104 Units of Rs. 10 each   |                    |                                     |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Daily Dividend Option<br>99,86,817.401 Units of Rs. 10 each   |                    |                                     |
| HSBC Floating Rate Fund - Short Term Plan - Institutional Weekly Dividend Option<br>4,98,274.556 Units of Rs. 10 each   |                    |                                     |
| Prudential ICICI Floating Rate Plan C - Dividend Option<br>5,33,74,606.297 Units of Rs. 10 each   |                    |                                     |
| Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option<br>1,60,82,982.495 Units of Rs. 10 each   |                    |                                     |
| Templeton Floating Rate Income Fund - Long Term Plan - Dividend Reinvestment Option<br>1,21,45,210.152 Units of Rs. 10 each   |                    |                                     |
| Templeton Floating Rate Income Fund - Short Term Plan - Dividend Reinvestment Option<br>1,51,97,905.657 Units of Rs. 10 each  |                    |                                     |

## Schedules to the Consolidated Financial Statements — continued

|  | Rupees in lakhs |                  | Previous year<br>Rupees in lakhs |                  |
|--|-----------------|------------------|----------------------------------|------------------|
| <b>6 DEFERRED TAX</b>  |                 |                  |                                  |                  |
| Deferred tax assets and liabilities are attributable to the following items: |                 |                  |                                  |                  |
| <b>Assets</b>  |                 |                  |                                  |                  |
| Liability for Drugs Prices Equalisation Account .. .. .                      |                 | 3,53.17          |                                  | 3,83.94          |
| Provision for unencashed leave .. .. .                                       |                 | 5,53.56          |                                  | 4,85.27          |
| Costs of voluntary retirement schemes .. .. .                                |                 | 18,82.65         |                                  | 37,22.94         |
| Costs of merger .. .. .  |                 | 1,24.05          |                                  | 2,32.44          |
| Provision for doubtful debts, loans and advances .. .. .                     |                 | 4,50.73          |                                  | 8,85.63          |
| Long term loss under the head 'capital gains' .. .. .                        |                 | 1,03.89          |                                  | 94.71            |
| Provision for pricing of formulations .. .. .                                |                 | 2,08.98          |                                  | —                |
| Expenses allowable for tax purposes when paid .. .. .                        |                 | 4,58.62          |                                  | 1,92.21          |
| <b>TOTAL</b> .. .. .   |                 | <b>41,35.65</b>  |                                  | <b>59,97.14</b>  |
| <b>Liabilities</b>   |                 |                  |                                  |                  |
| Depreciation .. .. .   |                 | 9,79.20          |                                  | 12,75.19         |
| Fixed assets held for sale .. .. .   |                 | 1,65.37          |                                  | 2,39.72          |
| <b>TOTAL</b> .. .. .   |                 | <b>11,44.57</b>  |                                  | <b>15,14.91</b>  |
| <b>TOTAL</b> .. .. .   |                 | <b>29,91.08</b>  |                                  | <b>44,82.23</b>  |
| <b>7 INVENTORIES</b>   |                 |                  |                                  |                  |
| (Inventories have been valued at lower of cost and net realisable value)     |                 |                  |                                  |                  |
| Stores and spares .. .. .  |                 | 2,27.95          |                                  | 2,32.25          |
| Raw and packing materials .. .. .  |                 | 37,48.93         |                                  | 45,11.57         |
| Work-in-progress .. .. .   |                 | 31,91.51         |                                  | 30,81.72         |
| Finished goods .. .. .   |                 | 150,63.34        |                                  | 152,13.80        |
| <b>TOTAL</b> .. .. .   |                 | <b>222,31.73</b> |                                  | <b>230,39.34</b> |
| <b>8 SUNDRY DEBTORS</b>  |                 |                  |                                  |                  |
| (Unsecured)  |                 |                  |                                  |                  |
| Outstanding for over six months .. .. .                                      |                 | 12,05.58         | 11,78.95                         | 22,82.28         |
| Others .. .. .   |                 | 35.20            | 55,59.77                         | 54.21            |
|  |                 | 12,40.78         | 67,38.72                         | 23,36.49         |
| Less : Provision for doubtful debts .. .. .                                  |                 | (12,40.78)       | —                                | (23,36.49)       |
|  |                 | —                | 67,38.72                         | —                |
| <b>TOTAL</b> .. .. .   |                 |                  | <b>67,38.72</b>                  | <b>76,06.35</b>  |
| <b>9 CASH AND BANK BALANCES</b>  |                 |                  |                                  |                  |
| On hand :  |                 |                  |                                  |                  |
| Cash and stamps .. .. .  |                 | 5.58             |                                  | 12.58            |
| Remittances in transit (Refer note 3(iii) on Schedule 17) .. .. .            |                 | 5.92             |                                  | 5.92             |
| With scheduled banks   |                 |                  |                                  |                  |
| Current account .. .. .  |                 | 38,72.01         |                                  | 46,02.42         |
| Fixed deposit account .. .. .  |                 | 2,35.17          |                                  | 10,31.30         |
| Call deposit .. .. .   |                 | 6,41.00          |                                  | 15,01.00         |
| <b>TOTAL</b> .. .. .   |                 | <b>47,59.68</b>  |                                  | <b>71,53.22</b>  |

## Schedules to the Consolidated Financial Statements — continued

|           |   | Rupees in lakhs |                  | Previous year<br>Rupees in lakhs |                  |
|-----------|---|-----------------|------------------|----------------------------------|------------------|
| <b>10</b> | <b>OTHER CURRENT ASSETS</b>   |                 |                  |                                  |                  |
|           | Interest accrued on investments/deposits .. .. .  |                 | 15,53.46         |                                  | 15,23.99         |
|           | Fixed assets held for sale (at book value or estimated net<br>realisable value / salvage value, whichever is lower) * |                 | 4,91.29          |                                  | 6,55.10          |
|           | <b>TOTAL</b> .. .. .  |                 | <u>20,44.75</u>  |                                  | <u>21,79.09</u>  |
|           | * Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.               |                 |                  |                                  |                  |
| <b>11</b> | <b>LOANS AND ADVANCES</b><br>(Unsecured unless otherwise stated)  | <u>Doubtful</u> | <u>Good</u>      | <u>Doubtful</u>                  | <u>Good</u>      |
|           | Loans and advances recoverable in cash or in<br>kind or for value to be received                                      |                 |                  |                                  |                  |
|           | Secured .. .. .   | —               | 29.96            | —                                | 32.26            |
|           | <u>Unsecured</u>  |                 |                  |                                  |                  |
|           | Sundry deposits .. .. .   | —               | 19,36.02         | —                                | 17,07.69         |
|           | Other advances .. .. .  | 98.31           | 62,79.65         | 83.78                            | 60,16.33         |
|           | Less : Provision for doubtful advances .. .. .  | (98.31)         | —                | (83.78)                          | —                |
|           |   | —               | 82,45.63         | —                                | 77,56.28         |
|           | Balance with customs, excise and port trust on current accounts ..  | —               | 4,37.21          | —                                | 3,55.59          |
|           | Fixed deposit with a limited company .. .. .  | —               | 10,00.00         | —                                | —                |
|           | Current taxation .. .. .  | —               | 13,99.34         | —                                | 19,55.80         |
|           | [Payments in excess of provisions of Rs. 1088,56.60 lakhs<br>(Previous year Rs. 936,35.60 lakhs)]                     |                 |                  |                                  |                  |
|           | <b>TOTAL</b> .. .. .  | —               | <u>110,82.18</u> | —                                | <u>100,67.67</u> |
|           |   |                 | <u>110,82.18</u> |                                  | <u>100,67.67</u> |
| <b>12</b> | <b>CURRENT LIABILITIES</b>  |                 |                  |                                  |                  |
|           | Sundry creditors  |                 |                  |                                  |                  |
|           | Small scale industrial undertakings .. .. .   | 3,49.80         |                  | 1,31.59                          |                  |
|           | Others .. .. .  | 236,20.95       | 239,70.75        | 204,38.33                        | 205,69.92        |
|           | Unpaid dividend * .. .. .   |                 | 4,91.10          |                                  | 4,01.79          |
|           | Unpaid matured fixed deposits * .. .. .   |                 | 6.01             |                                  | 6.27             |
|           | Warrants issued but not encashed - Fixed deposit interest * .. .. .   |                 | 4.67             |                                  | 4.67             |
|           | Drugs Prices Equalisation Account .. .. .   |                 | 11,20.47         |                                  | 11,20.47         |
|           | <b>TOTAL</b> .. .. .  |                 | <u>255,93.00</u> |                                  | <u>221,03.12</u> |
|           | * There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.                  |                 |                  |                                  |                  |
| <b>13</b> | <b>PROVISIONS</b>   |                 |                  |                                  |                  |
|           | For unencashed leave .. .. .  |                 | 16,44.57         |                                  | 13,26.14         |
|           | For proposed equity dividend .. .. .  |                 | 237,16.84        |                                  | 209,57.40        |
|           | For tax on distributed profit .. .. .   |                 | 33,26.29         |                                  | 27,38.87         |
|           | For fringe benefit tax (Provision in excess of payments of Rs. 4,10.34 lakhs)   |                 | 3,67.49          |                                  | —                |
|           | <b>TOTAL</b> .. .. .  |                 | <u>290,55.19</u> |                                  | <u>250,22.41</u> |

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

|  | Rupees in lakhs  |           | Previous year<br>Rupees in lakhs |
|--|------------------|-----------|----------------------------------|
| <b>14 OTHER INCOME</b>   |                  |           |                                  |
| Interest income (Gross):                                       |                  |           |                                  |
| On deposits with banks and limited companies ..                | 1,96.39          |           | 1,57.14                          |
| On loans .. .. .   | 37.15            |           | 36.11                            |
| On tax refunds .. .. .   | 59.52            |           | 27.67                            |
| On investments - Government securities and other than trade    |                  |           |                                  |
| - long term [net of premium write-off of Rs. 2,45.88 lakhs     | 21,39.33         |           | 24,13.07                         |
| (previous year Rs. 3,10.20 lakhs)]                             |                  |           |                                  |
| - current .. .. .  | 2,28.15          |           | 3,31.87                          |
| Others .. .. .   | 25.50            |           | 11.80                            |
|  | <u>26,86.04</u>  |           | <u>29,77.66</u>                  |
| Less : Interest Expense:                                       |                  |           |                                  |
| Security deposits .. .. .                                      | (65.87)          |           | (68.15)                          |
| Others .. .. .   | (1,01.30)        |           | (1,19.62)                        |
|  | <u>(1,67.17)</u> |           | <u>(1,87.77)</u>                 |
|  |                  | 25,18.87  | 27,89.89                         |
| Dividend income - Investments other than trade - long term ..  | 1,53.00          |           | 1,21.50                          |
| - current .. .. .  | 6,32.28          | 7,85.28   | 69.27                            |
|  |                  |           | <u>1,90.77</u>                   |
| Miscellaneous income   |                  |           |                                  |
| Export related benefits (net) .. .. .                          | 1,32.82          |           | 2,06.20                          |
| Profit on sale/redemption of investments (net) - current       | 2,14.97          |           | —                                |
| (Refer note 12 on Schedule 17)                                 |                  |           |                                  |
| Profit on sale/disposal of fixed assets (net) .. .. .          | 3.99             |           | 70.17                            |
| Exchange gain (net) .. .. .                                    | 33.32            |           | 1,13.88                          |
| Consignment sales commission .. .. .                           | 1,19.67          |           | 93.88                            |
| Property rental .. .. .  | 0.42             |           | 0.93                             |
| Clinical research and data management .. .. .                  | 14,16.42         |           | 7,10.12                          |
| Manufacturing charges recovery .. .. .                         | —                |           | 1,09.58                          |
| Provision written back as no longer required .. .. .           | 5,84.30          |           | 3,66.19                          |
| Others .. .. .   | 7,96.35          | 33,02.26  | 6,77.07                          |
|  |                  |           | <u>23,48.02</u>                  |
|  |                  | 66,06.41  | 53,28.68                         |
| Tax deducted at source :                                       |                  |           |                                  |
| On interest .. .. .  | 3,96.03          |           | 4,16.05                          |
| Others .. .. .   | 99.92            | 4,95.95   | 1,11.35                          |
|  |                  |           | <u>5,27.40</u>                   |
| <b>15 MATERIALS</b>  |                  |           |                                  |
| Raw and packing materials consumed .. .. .                     |                  | 254,64.02 | 253,45.18                        |
| Purchase of finished goods .. .. .                             |                  | 392,49.49 | 352,19.65                        |
| (Increase)/decrease in work-in-progress and finished goods:    |                  |           |                                  |
| Opening stock  |                  |           |                                  |
| Work-in-progress .. .. .                                       | 30,81.72         |           | 27,61.68                         |
| Finished goods .. .. .   | 152,13.80        |           | 135,14.34                        |
|  | <u>182,95.52</u> |           | <u>162,76.02</u>                 |
| Add: Adjustment to stocks as at 1st January, 2004, pursuant to |                  |           |                                  |
| the Scheme of Amalgamation of Burroughs Wellcome (India)       |                  |           |                                  |
| Limited with the Company                                       |                  |           |                                  |
| Work-in-progress .. .. .                                       | —                |           | 2,68.28                          |
| Finished goods .. .. .   | —                |           | 15,37.91                         |
|  | <u>—</u>         |           | <u>18,06.19</u>                  |
| Less: Closing stock  |                  |           |                                  |
| Work-in-progress .. .. .                                       | 31,91.51         |           | 30,81.72                         |
| Finished goods .. .. .   | 150,63.34        |           | 152,13.80                        |
|  | <u>182,54.85</u> | 40.67     | <u>182,95.52</u>                 |
| Loss of stock on account of flood .. .. .                      |                  | (8,59.05) | —                                |
|  |                  |           | <u>(2,13.31)</u>                 |
|  |                  | 638,95.13 | 603,51.52                        |
| <b>TOTAL</b>   |                  |           |                                  |

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

| 16 OPERATING AND OTHER EXPENSES   | Rupees in lakhs |           | Previous year<br>Rupees in lakhs |
|---|-----------------|-----------|----------------------------------|
| Salaries, wages and bonus .. .. .   | 137,50.88       |           | 128,75.15                        |
| Contributions to : Provident and pension funds .. .. .  | 8,90.86         |           | 8,32.57                          |
| Gratuity funds .. .. .  | 3,72.84         |           | 1,57.35                          |
| Staff welfare .. .. .   | 5,33.09         | 155,47.67 | 5,31.25                          |
| Promotion and publicity .. .. .   |                 | 54,59.31  | 50,99.12                         |
| Selling commission on exports .. .. .   |                 | 12.85     | 1.68                             |
| Bonus offer discount .. .. .  |                 | 14,38.72  | 16,08.29                         |
| Stock point commission .. .. .  |                 | 10,77.85  | 10,90.42                         |
| Freight (net) .. .. .   |                 | 22,83.69  | 23,04.99                         |
| Travelling .. .. .  |                 | 30,32.35  | 29,57.69                         |
| Provision/write off for doubtful debts, loans and advances (net) .. .. .                        |                 | 1,80.73   | 3,00.63                          |
| Loss on sale/redemption of investments (net) - long term (Refer note 12 on Schedule 17) .. .. . |                 | —         | 41.26                            |
| Manufacturing charges .. .. .   |                 | 20,99.27  | 20,54.98                         |
| Repairs - Buildings .. .. .   | 2,72.07         |           | 2,27.03                          |
| - Plant and Machinery .. .. .   | 7,99.49         |           | 7,37.90                          |
| - Others .. .. .  | 18.85           | 10,90.41  | 14.95                            |
| Consumption of stores and spares .. .. .  |                 | 2,74.63   | 2,85.47                          |
| Power, fuel and water .. .. .   |                 | 16,61.00  | 16,47.42                         |
| Rent .. .. .  |                 | 6,44.57   | 4,52.70                          |
| Rates and taxes .. .. .   |                 | 9,74.46   | 9,11.98                          |
| Excise duty .. .. .   |                 | 14,90.13  | 12,58.69                         |
| Insurance .. .. .   |                 | 3,36.10   | 3,28.97                          |
| Remuneration to auditors :  |                 |           |                                  |
| Statutory audit fees .. .. .  | 32.23           |           | 32.23                            |
| In other capacity in respect of :   |                 |           |                                  |
| Tax audit fees .. .. .  | 5.79            |           | 7.27                             |
| Audit of tax accounts .. .. .   | 19.29           |           | 19.29                            |
| Other services .. .. .  | 25.92           |           | 26.79                            |
| Reimbursement of expenses .. .. .   | 2.26            |           | 1.42                             |
|   | 85.49           |           | 87.00                            |
| Cost audit fees .. .. .   | 6.93            | 92.42     | 5.20                             |
| Date-expired stocks .. .. .   |                 | 17,05.93  | 15,71.20                         |
| Finance charges .. .. .   |                 | 68.87     | 68.46                            |
| Commission to non whole-time Directors .. .. .  |                 | 18.25     | 12.00                            |
| Directors' sitting fees .. .. .   |                 | 7.60      | 7.70                             |
| Miscellaneous .. .. .   |                 | 48,79.82  | 40,65.13                         |
| Less : Recovery of expenses (net) (Refer note 15 on Schedule 17) .. .. .                        |                 | (6,52.70) | (5,53.78)                        |
| TOTAL .. .. .   |                 | 437,23.93 | 409,83.40                        |



## 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, 2005 | % voting power held as at 31st December, 2004 |
|-----------------------------|--------------------------|---|---|
| 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 Biddle Sawyer Limited.

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 has 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 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 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 deposit any



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

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

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.

|  | Rupees in lakhs | Previous year<br>Rupees in lakhs |
|--|-----------------|----------------------------------|
| 5 Contingent Liabilities not provided for:   |                 |                                  |
| (i) Cheques discounted with banks  | 12,89.08        | 11,84.21                         |
| (ii) In respect of claims made against the Company not acknowledged as debts by the Company  |                 |                                  |
| - Sales tax matters  | 25,91.36        | 21,75.43                         |
| - Excise matters   | 12,53.44        | 13,85.26                         |
| - Service tax matter   | 1,29.20         | 1,29.20                          |
| - Labour matters   | 22,19.10        | 17,45.38                         |
| - Other legal matters  | 8,62.09         | 6,20.29                          |
| which net of current tax amount to -   | 46,80.41        | 38,39.68                         |
| (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         | 12,97.14                         |
| - Tax on other matters in dispute  | 10,83.00        | 7,29.18                          |
| - Other consequential matters (net of tax)   | 3,76.26         | 3,59.63                          |
| (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 Amoxycillin 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.

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

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

|  | Rupees in<br>lakhs | Previous<br>year<br>Rupees in<br>lakhs |
|--|--------------------|--|
| 6 Uncalled liability on partly paid shares:  |                    |  |
| - in Hill Properties Limited. . . . .  | 0.12               | 0.12                                   |
| Note:  |                    |  |
| Future cash outflow is dependent on the call to be made by Hill Properties Limited.  |                    |  |
| 7 Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for . . . . .   | 4,70.08            | 55.89                                  |
| 8 Fixed Assets include the following investments representing ownership of residential flats :   |                    |  |
| - 5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited  | 7.22               | 7.22                                   |
| - 10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited  | 2.00               | 2.00                                   |
| - 10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited . . . . .   | 48.13              | 48.13                                  |
| - 5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.  | 23.62              | 23.62                                  |
| - 10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.   | 33.31              | 33.31                                  |
| - 20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited . . . . .  | 45.59              | 45.59                                  |
| - 5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited  | 67.00              | 67.00                                  |
| - 20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited  | 19.32              | 19.32                                  |
| 9 Loans and Advances include amounts due from Director * and officer of the Company the maximum amount due during the year was . . . . .   | 21.79<br>22.10     | 22.05<br>22.23                         |
| * Loan granted prior to appointment as a whole time Director.  |                    |  |
| 10 Directors' Remuneration   |                    |  |
| Salaries (including leave encashment) . . . . .  | 2,01.59            | 1,87.65                                |
| Perquisites . . . . .  | 3.57               | 3.38                                   |
| Contribution to provident and superannuation funds . . . . .   | 15.38              | 13.90                                  |
| Commission to non whole-time Directors . . . . .   | 18.25              | 12.00                                  |
| Directors' sitting fees . . . . .  | 7.60               | 7.70                                   |
|  | <u>2,46.39</u>     | <u>2,24.63</u>                         |
| - excludes contribution to gratuity fund, which is based on an actuarial valuation, provision for amounts payable under the long-term incentive plan and an amount of - Nil (previous year Rs. 6.79 lakhs) paid to a whole-time Director in respect of services rendered prior to appointment as a whole-time Director of the Company.   |                    |  |
| - excludes commission of Rs. 1.46 lakhs (previous year - Nil) to a past non whole-time Director of erstwhile Burroughs Wellcome (India) Limited for the period 1st January, 2004 to 24th September, 2004.  |                    |  |
| - includes - Nil (previous year Rs. 11.37 lakhs) to a non whole-time Director in respect of his tenure as a whole-time Director of the Company.  |                    |  |
| Pension to past Directors . . . . .  | 2.86               | 2.99                                   |
| 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, 2005 and the provision based on the figures for the remaining nine months upto 31st December, 2005, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2005 to 31st March, 2006. |                    |  |
| 12 Profit on sale/redemption of investments (net) - current is net of loss on sale/redemption of current investments amounting to Rs. 4.60 lakhs (Previous year - Loss on sale/redemption of investments (net) - long term is net of profit on sale/redemption of current investments amounting to Rs. 2,93.64 lakhs).   |                    |  |
| 13 Materials cost and other expenditure include samples, free issues etc., which valued at standard cost amount to . . . . .   | 60,42.46           | 58,78.26                               |
| 14 The recurring expenditure on research and development charged off to revenue amounts to   | 4,24.18            | 4,00.03                                |

## 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. 11,57.97 lakhs (previous year Rs. 9,91.77 lakhs), from GlaxoSmithKline Pte Limited, Singapore Rs. 23.40 lakhs (previous year - Nil), and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 5,28.67 lakhs (previous year Rs. 4,37.99 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

|  | Rupees in lakhs  | Previous year<br>Rupees in lakhs |
|--|------------------|----------------------------------|
| 16 Exceptional items :   |                  |                                  |
| (i) Costs of voluntary retirement schemes and other retirement benefits . . . . .  | (39.90)          | (24,42.92)                       |
| (ii) Impairment loss on fixed assets held for sale . . . . .   | (1,54.79)        | (1,73.22)                        |
| (iii) Non-recurring expenses for merger/rationalisation initiatives . . . . .  | (62.61)          | (6,47.65)                        |
| (iv) Additional contribution for past years' service to the defined benefit pension fund due to increase in annuity rates by the Life Insurance Corporation of India, in respect of employees whose pension benefits were converted from the defined benefit scheme to a defined contribution scheme effective 1st October, 2003 | —                | (4,20.10)                        |
| (v) Profit on sale of properties . . . . .   | 216,75.40        | 104,22.45                        |
| (vi) Expenses incidental to sale of properties . . . . .   | (16.25)          | (7,29.93)                        |
| (vii) Expenses incurred on buy back of shares . . . . .  | (1,85.44)        | —                                |
| (viii) Provision for pricing of formulations . . . . .   | (18,10.40)       | (4,35.00)                        |
| (ix) Loss of stock and incidental expenses on account of flood (net of insurance claim of Rs. 8,28.40 lakhs)   | (43.60)          | —                                |
| Taxation on the above  |                  |                                  |
| Current tax . . . . .  | 39.24            | 2,94.00                          |
| Deferred tax . . . . .   | 1,42.77          | 8,36.76                          |
|  | <u>195,44.42</u> | <u>67,04.39</u>                  |

### 17 Segment Information for the year ended 31st December, 2005

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

|   | Pharmaceuticals |            | Other Businesses |           | Unallocated |            | Total       |             |
|---|-----------------|------------|------------------|-----------|-------------|------------|-------------|-------------|
|   | 2005            | 2004       | 2005             | 2004      | 2005        | 2004       | 2005        | 2004        |
| <b>Revenue</b>  |                 |            |                  |           |             |            |             |             |
| External  | 1318,27.22      | 1211,68.30 | 230,66.45        | 220,90.12 | 47.28       | 57.36      | 1549,40.95  | 1433,15.78  |
| Inter-segment   | —               | —          | —                | —         | —           | —          | —           | —           |
| Total revenue   | 1318,27.22      | 1211,68.30 | 230,66.45        | 220,90.12 | 47.28       | 57.36      | 1549,40.95  | 1433,15.78  |
| <b>Result</b>   |                 |            |                  |           |             |            |             |             |
| Segment result  | 425,63.57       | 377,95.68  | 51,99.30         | 47,10.15  | —           | —          | 477,62.87   | 425,05.83   |
| Unallocated expenditure net of unallocated income         |                 |            |                  |           | (24,39.29)  | (26,97.39) | (24,39.29)  | (26,97.39)  |
| Interest expense  |                 |            |                  |           | (1,67.17)   | (1,87.77)  | (1,67.17)   | (1,87.77)   |
| Interest income   |                 |            |                  |           | 26,86.04    | 29,77.66   | 26,86.04    | 29,77.66    |
| Dividend income and profit on sale/redemption investments |                 |            |                  |           | 10,00.25    | 1,90.77    | 10,00.25    | 1,90.77     |
| Profit before taxation and exceptional items              | 425,63.57       | 377,95.68  | 51,99.30         | 47,10.15  | 10,79.83    | 2,83.27    | 488,42.70   | 427,89.10   |
| Provision for taxation                                    |                 |            |                  |           |             |            | (176,72.59) | (157,25.71) |
| Profit after taxation and before exceptional items        | 425,63.57       | 377,95.68  | 51,99.30         | 47,10.15  | 10,79.83    | 2,83.27    | 311,70.11   | 270,63.39   |
| Exceptional items   | 195,91.45       | 53,78.24   | (43.60)          | —         | (1,85.44)   | 1,95.39    | 193,62.41   | 55,73.63    |
| Tax credit  |                 |            |                  |           |             |            | 1,82.01     | 11,30.76    |
| Net Profit  | 621,55.02       | 431,73.92  | 51,55.70         | 47,10.15  | 8,94.39     | 4,78.66    | 507,14.53   | 337,67.78   |
| <b>Other Information</b>                                  |                 |            |                  |           |             |            |             |             |
| Segment assets  | 358,75.74       | 356,34.15  | 94,15.87         | 109,59.33 | 1063,01.94  | 948,06.33  | 1515,93.55  | 1413,99.81  |
| Segment liabilities                                       | 222,50.21       | 192,11.17  | 18,53.06         | 20,08.83  | 321,74.91   | 278,04.92  | 562,78.18   | 490,24.92   |
| Capital expenditure                                       | 16,96.22        | 8,81.31    | 19.67            | 6.86      | 6,04.37     | 1,66.03    | 23,20.26    | 10,54.20    |
| Depreciation  | 13,17.98        | 13,71.01   | 2,19.82          | 2,16.34   | 4,60.51     | 5,85.07    | 19,98.31    | 21,72.42    |
| Non-cash expenses other than depreciation                 | 4,04.35         | 3,59.62    | 21.99            | 0.58      | 72.82       | —          | 4,99.16     | 3,60.20     |

## 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      |            |
|---------------------------------------|------------|------------|---------------|----------|------------|------------|
|                                       | 2005       | 2004       | 2005          | 2004     | 2005       | 2004       |
| <u>Revenue by geographical market</u> |            |            |               |          |            |            |
| External                              | 1503,73.79 | 1394,95.89 | 45,67.16      | 38,19.89 | 1549,40.95 | 1433,15.78 |
| Inter-segment                         | —          | —          | —             | —        | —          | —          |
| Total                                 | 1503,73.79 | 1394,95.89 | 45,67.16      | 38,19.89 | 1549,40.95 | 1433,15.78 |
| Carrying amount of segment assets     | 1515,93.55 | 1413,99.81 | —             | —        | 1515,93.55 | 1413,99.81 |
| Capital expenditure                   | 23,20.26   | 10,54.20   | —             | —        | 23,20.26   | 10,54.20   |

(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

| Rs. in lakhs |            |
|--------------|------------|
| 2005         | 2004       |
| 1518,53.66   | 1409,67.76 |
| 30,87.29     | 23,48.02   |
| 1549,40.95   | 1433,15.78 |

(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.

### 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.

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

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

Wellcome Foundation Limited, U.K.  
Wellcome Consumer Healthcare Limited, U.K.

\* no transactions during the year

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

Adechsa GmbH, Switzerland  
Glaxo Wellcome Ceylon Limited, Sri Lanka  
GlaxoSmithKline Pakistan Limited  
GlaxoSmithKline Asia Private Limited, India  
GlaxoSmithKline Consumer Healthcare Limited, India  
GlaxoSmithKline Biologicals S.A., Belgium  
GlaxoSmithKline Services Unlimited, U.K.  
GlaxoSmithKline Export Limited, U.K.  
SB Corporate GMS-NA, USA  
GlaxoSmithKline Pte Limited, Singapore  
GlaxoSmithKline Australia Pty Limited  
GlaxoSmithKline Canada Inc  
P.T. Glaxo Wellcome Indonesia

- (iii) Directors and Executive Committee members and their relatives:

|   |  |
|---|--|
| Dr. A. Banerjee                                     | Mr. P. Bains *(with effect from 26th July, 2005)                         |
| Mr. A.S. Lakshmanan                                 | Mr. P. Parsonson * (alternate director with effect from 26th July, 2005) |
| Mr. D.S. Parekh                                     | Mr. P.V. Nayak   |
| Mr. H. Singh  | Mr. R.R. Bajaj   |
| Mr. J. Dwivedy                                      | Mr. S.J. Scarff * (up to 26th July, 2005)                                |
| Mr. J.D. Coombe * (upto 26th July, 2005)            | Mr. S. Kalyanasundaram   |
| Dr. K. Marthak (upto 24th July, 2005)               | Mr. T. Sengupta  |
| Mr. K. Shivkumar                                    | Mr. V. Narayanan   |
| Mr. M.B. Kapadia                                    | Mr. V. Thyagarajan *   |
| Mr. M.K. Vasanth Kumar                              | Mrs. Deepak Kaur   |
| Dr. M. Reilly *                                     | Mrs. Ketki Marthak (upto 24th July, 2005)                                |
| Mr. N. Kaviratne (with effect from 26th July, 2005) | Mrs. Neeru Nayak   |

\* 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 |           |
|--|-----------------|-----------|
|  | 2005            | 2004      |
| 1. Purchase of materials/finished goods                        | 65,41.48        | 73,30.07  |
| 2. Sale of materials/finished goods                            | 10,25.54        | 12,18.18  |
| 3. Expenses recharged to other companies                       | 11,18.30        | 8,91.81   |
| 4. Research and development recoveries                         | 2,31.56         | 1,91.10   |
| 5. Expenses recharged by other companies                       | 6,11.10         | 4,79.83   |
| 6. Manufacturing charges recovered                             | —               | 1,00.38   |
| 7. Consignment sales commission paid                           | 54.16           | 52.06     |
| 8. Consignment sales commission received                       | 1,16.46         | 97.84     |
| 9. Clinical research and data management recoveries            | 14,16.42        | 7,10.12   |
| 10. Outstanding (payables)/receivables at the year end (net) # | 2,01.52         | (4,75.35) |

# 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<br>2005 | Rupees in lakhs<br>2004 |
|--|-------------------------|-------------------------|
| (a) Purchase of materials/finished goods                     |                         |                         |
| GlaxoSmithKline Biologicals S.A., Belgium                    | 33,98.38                | 37,49.25                |
| GlaxoSmithKline Export Limited, U.K.                         | 30,43.22                | 29,53.01                |
| (b) Sale of materials/finished goods                         |                         |                         |
| Adechsa GmbH, Switzerland                                    | 7,97.21                 | 4,73.88                 |
| GlaxoSmithKline Pakistan Limited                             | 2,23.93                 | 1,89.05                 |
| GlaxoSmithKline Export Limited, U.K.                         | —                       | 5,12.30                 |
| (c) Expenses recharged to other companies                    |                         |                         |
| GlaxoSmithKline Asia Private Limited, India                  | 10,10.10                | 7,02.17                 |
| GlaxoSmithKline Services Unlimited, U.K.                     | 46.40                   | 1,27.60                 |
| (d) Research and development recoveries                      |                         |                         |
| GlaxoSmithKline Services Unlimited, U.K.                     | 2,31.56                 | 1,91.10                 |
| (e) Expenses recharged by other companies                    |                         |                         |
| GlaxoSmithKline Consumer Healthcare Limited, India           | 5,93.59                 | 4,60.10                 |
| (f) Manufacturing charges recovered                          |                         |                         |
| GlaxoSmithKline Asia Private Limited, India                  | —                       | 1,00.38                 |
| (g) Consignment sales commission paid                        |                         |                         |
| GlaxoSmithKline Consumer Healthcare Limited, India           | 54.16                   | 52.06                   |
| (h) Consignment sales commission received                    |                         |                         |
| GlaxoSmithKline Asia Private Limited, India                  | 1,16.46                 | 97.84                   |
| (i) Clinical research and data management recoveries         |                         |                         |
| GlaxoSmithKline Biologicals S.A., Belgium                    | 4,60.47                 | 3,77.50                 |
| GlaxoSmithKline Services Unlimited, U.K.                     | 9,55.95                 | 3,32.62                 |
| (j) Outstanding (payables)/receivables at the year end (net) |                         |                         |
| Adechsa GmbH, Switzerland                                    | 88.74                   | 75.94                   |
| GlaxoSmithKline Pakistan Limited                             | —                       | 3.01                    |
| GlaxoSmithKline Asia Private Limited, India                  | 81.13                   | (45.44)                 |
| GlaxoSmithKline Consumer Healthcare Limited, India           | 5,43.39                 | 5,25.64                 |
| GlaxoSmithKline Biologicals S.A., Belgium                    | (2,87.82)               | (6,33.75)               |
| GlaxoSmithKline Services Unlimited, U.K.                     | 2,71.32                 | 3,30.99                 |
| GlaxoSmithKline Export Limited, U.K.                         | (4,68.44)               | (7,45.40)               |
| GlaxoSmithKline Pte Limited, Singapore                       | (26.11)                 | 3.05                    |

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

|                                  | Rupees in lakhs |         |
|----------------------------------|-----------------|---------|
|                                  | 2005            | 2004    |
| 1 Remuneration/sitting fees      | 4,19.22         | 3,63.13 |
| 2 Interest income on loans given | 2.24            | 2.65    |
| 3 Rent paid for residential flat | 10.62           | 9.56    |
| 4 Outstanding loans receivable   | 66.15           | 68.35   |

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

|                               | Rupees in lakhs |       |
|-------------------------------|-----------------|-------|
|                               | 2005            | 2004  |
| (a) Remuneration/sitting fees |                 |       |
| Mr. S. Kalyanasundaram        | 86.13           | 80.56 |
| Mr. M.B. Kapadia              | 92.19           | 82.46 |
| Dr. A. Banerjee               | 42.22           | 37.33 |

## 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 |       |
|------------------------------------|-----------------|-------|
|                                    | 2005            | 2004  |
| (b) Interest income on loans given |                 |       |
| Dr. A. Banerjee                    | 0.36            | 0.47  |
| Mr. H. Singh                       | 0.33            | 0.30  |
| Mr. J. Dwivedy                     | 0.29            | 0.35  |
| Mr. K. Shivkumar                   | 0.43            | 0.64  |
| Mr. M.K. Vasanth Kumar             | 0.83            | 0.89  |
| (c) Rent paid for residential flat |                 |       |
| Mrs. Deepak Kaur                   | 1.40            | 2.40  |
| Mrs. Ketki Marthak                 | 4.90            | 2.68  |
| Mrs. Neeru Nayak                   | 3.60            | 3.76  |
| (d) Outstanding loans receivable   |                 |       |
| Dr. A. Banerjee                    | 11.89           | 12.05 |
| Mr. H. Singh                       | 10.42           | 10.78 |
| Mr. J. Dwivedy                     | 9.72            | 9.83  |
| Mr. K. Shivkumar                   | 14.09           | 14.27 |
| Mr. M.K. Vasanth Kumar             | 20.03           | 21.42 |

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. 1,29.56 lakhs (Previous year Rs. 1,21.30 lakhs)
  - later than one year and not later than five years Rs. 2,65.87 lakhs (Previous year Rs. 3,95.43 lakhs)

20 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 | 311,70.11   | 270,63.39     |
| Profit after taxation   | Rupees in lakhs | 507,14.53   | 337,67.78     |
| Weighted average number of shares                               | Nos.            | 8,58,12,126 | 8,73,22,546   |
| Earnings per share before exceptional items (Basic and Diluted) | Rs.             | 36.32       | 30.99         |
| Earnings per share (Basic and Diluted)                          | Rs.             | 59.10       | 38.67         |
| Face value per share  | Rs.             | 10          | 10            |

21 Pursuant to the buy back announcement made by the Company on 30th April, 2005, the Company has bought back from the open market through stock exchanges and extinguished 26,19,529 equity shares of Rs. 10 each during the year for a total consideration of Rs. 207,30.92 lakhs at an average price of Rs. 791.40 per share. Consequently, an amount of Rs. 2,61.95 lakhs being the nominal value of equity shares bought back and extinguished has been transferred to Capital Redemption Reserve from General Reserve and an amount of Rs. 204,68.97 lakhs being the premium on buyback has been appropriated from Share Premium Account to the extent of Rs. 69,43.41 lakhs and General Reserve to the extent of Rs. 135,25.56 lakhs.

22. 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.

23. 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<br>Partner<br>Membership No. 30798<br>For and on behalf of<br>Price Waterhouse & Co.<br>Chartered Accountants | For and on behalf of the Board<br>Chairman<br>Managing Director<br>Senior Executive Director<br>Company Secretary | D. S. PAREKH<br>S. KALYANASUNDARAM<br>M. B. KAPADIA<br>A. A. NADKARNI |
| Mumbai, 13th February, 2006  |   |   |



## Financial Summary

| (Amounts in Rupees Lakhs)            | 2005    | 2004    | 2003    | 2002    | 2001    | 2000   | 1999   | 1998   | 1997    | 1996   |
|--------------------------------------|---------|---------|---------|---------|---------|--------|--------|--------|---------|--------|
| <b>PROFIT AND LOSS ACCOUNT</b>       |         |         |         |         |         |        |        |        |         |        |
| Sales                                | 1575,89 | 1479,59 | 1191,69 | 1148,22 | 1097,37 | 934,62 | 885,50 | 793,84 | 696,01  | 645,01 |
| Profit before tax                    | 477,91  | 418,24  | 284,56  | 196,33  | 115,58  | 84,84  | 104,95 | 120,03 | 86,62   | 86,18  |
| Tax                                  | 171,63  | 152,19  | 102,70  | 67,86   | 40,26   | 32,52  | 27,89  | 33,40  | 30,96   | 36,50  |
| Profit after tax                     | 306,28  | 266,05  | 181,86  | 128,47  | 75,32   | 52,32  | 77,06  | 86,63  | 55,66   | 49,68  |
| Exceptional items (net of tax)       | 195,80  | 67,04   | (9,63)  | (30,41) | (31,34) | 18,22  | —      | —      | (14,47) | (1,78) |
| Net Profit                           | 502,08  | 333,09  | 172,23  | 98,06   | 43,98   | 70,54  | 77,06  | 86,63  | 41,19   | 47,90  |
| Dividends-equity                     | 237,17  | 209,57  | 74,47   | 52,13   | 40,96   | 29,89  | 35,87  | 29,88  | 23,91   | 23,91  |
| Tax on distributed profit            | 33,26   | 27,39   | 9,54    | 6,68    | (5,16)  | 6,75   | 4,24   | 2,99   | 3,89    | —      |
| Retained Earnings                    | 231,65  | 96,13   | 88,22   | 39,25   | 8,18    | 33,90  | 36,95  | 53,76  | 13,39   | 23,99  |
| <b>BALANCE SHEET</b>                 |         |         |         |         |         |        |        |        |         |        |
| Equity Capital                       | 84,70   | 87,32   | 74,48   | 74,48   | 74,48   | 59,78  | 59,78  | 59,78  | 59,78   | 59,78  |
| Reserves                             | 863,91  | 836,94  | 593,01  | 504,80  | 486,10  | 334,67 | 300,78 | 263,83 | 210,07  | 196,68 |
| Net Worth                            | 948,61  | 924,26  | 667,49  | 579,28  | 560,58  | 394,45 | 360,56 | 323,61 | 269,85  | 256,46 |
| Borrowings                           | 4,85    | 3,85    | 2,86    | 1,98    | 9,71    | 34,85  | 20,70  | 20,11  | 51,36   | 26,51  |
| Total Capital Employed               | 953,46  | 928,11  | 670,35  | 581,26  | 570,29  | 429,30 | 381,26 | 343,72 | 321,21  | 282,97 |
| Net Fixed Assets                     | 96,94   | 91,49   | 99,38   | 115,40  | 137,62  | 101,37 | 104,56 | 92,36  | 91,95   | 86,51  |
| Investments                          | 913,06  | 776,82  | 409,12  | 162,00  | 151,68  | 124,87 | 115,55 | 116,58 | 89,42   | 80,39  |
| Net Current Assets*                  | (56,54) | 59,80   | 161,85  | 303,86  | 280,99  | 203,06 | 161,15 | 134,78 | 139,84  | 116,07 |
| <b>OTHER KEY DATA</b>                |         |         |         |         |         |        |        |        |         |        |
| Rupees per Rs.10/-<br>Equity Share   |         |         |         |         |         |        |        |        |         |        |
| DIVIDENDS                            | 28.00   | 24.00   | 10.00   | 7.00    | 5.50    | 5.00   | 6.00   | 5.00   | 4.00    | 4.00   |
| EARNINGS before<br>exceptional items | 35.69   | 30.47   | 24.42   | 17.25   | 10.11   | 8.75   | 12.89  | 14.49  | 9.31    | 8.31   |
| EARNINGS after<br>exceptional items  | 58.51   | 38.15   | 23.13   | 13.17   | 5.90    | 11.80  | 12.89  | 14.49  | 6.89    | 8.01   |
| BOOK VALUE                           | 112.00  | 105.85  | 89.63   | 77.78   | 75.27   | 65.99  | 60.31  | 54.13  | 45.14   | 42.90  |

### NOTES

- The Company has bought back and extinguished 26,19,529 equity shares during 2005.
- Dividend for 2005 includes a special additional one-time dividend - Rs. 118,58.42 Lakhs (Rs. 14.00 per equity share of Rs. 10/-)
- Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
- Dividend for 2004 includes a special additional one-time dividend - Rs. 96,05.47 Lakhs (Rs. 11.00 per equity share of Rs. 10/-)
- 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.