

## Board of Directors

(As on 18.02.2009)

### Chairman

D. S. Parekh

### Vice-Chairman

V. Thyagarajan

### Managing Director

Dr. H. B. Joshipura

### Directors

P. Bains

R. R. Bajaj

Dr. A. Banerjee

M. B. Kapadia

N. Kaviratne, CBE

V. Narayanan

P. V. Nayak

Dr. M. Reilly

R. C. Sequeira

### Company Secretary

A. A. Nadkarni

### Factories

– 2<sup>nd</sup> Pokhran Road, Thane

– Ambad, Nashik

### Bankers

Citibank N.A.

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

State Bank of India

### Auditors

Price Waterhouse & Co.

### Solicitors

Crawford Bayley & Co.

Gagrat & Co.

### Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Unit: GlaxoSmithKline Pharmaceuticals Limited

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad 500 081

Tel No. 040 - 23420818/23420828

Fax No. 040 - 23420814

Email: satheesh@karvy.com

### Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Tel: 022 - 24959415/434

Fax: 022 - 24981526

Email: ajay.a.nadkarni@gsk.com

## Management Team

### Managing Director

Dr. H. B. Joshipura

### Senior Executive Director

M. B. Kapadia

– Finance, Legal & Corporate Affairs

– Corporate Communications & Administration

### Executive Directors

Dr. A. Banerjee

– Technical

R. C. Sequeira

– Human Resources

### Executive Vice-Presidents

H. Singh

– Pharmaceuticals

M. K. Vasanth Kumar

– Information Technology & Supply Chain

### Vice-Presidents

Dr. S. Joglekar

– Medical & Clinical Research

S. Khanna

– Finance

R. Limaye

– Pharmaceuticals

S. Patel

– Legal & Corporate Affairs

### General Manager

Sunder Rajan

– Corporate Communications

### Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Tel: 022 - 24959595

Fax: 022 - 24959494

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

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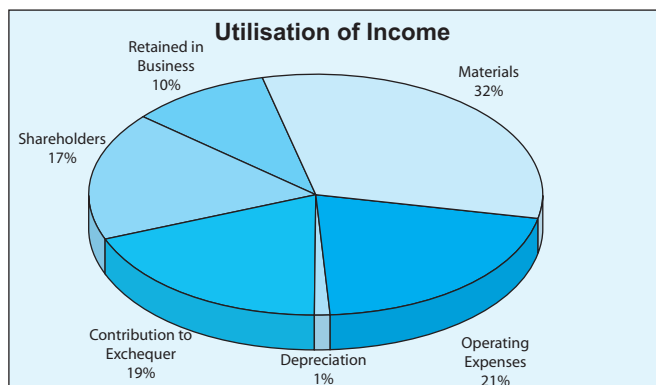
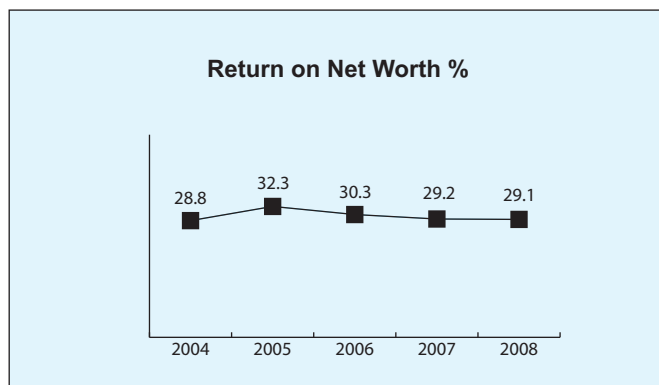
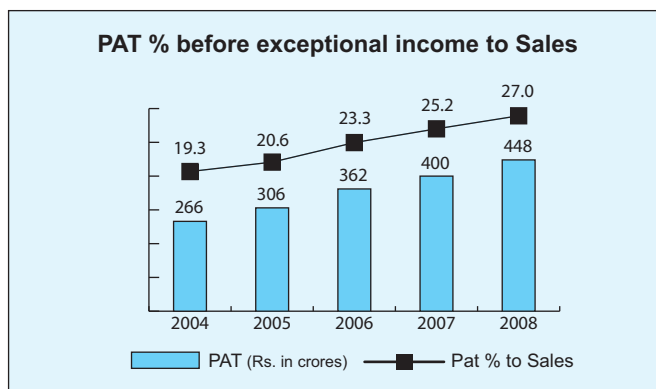
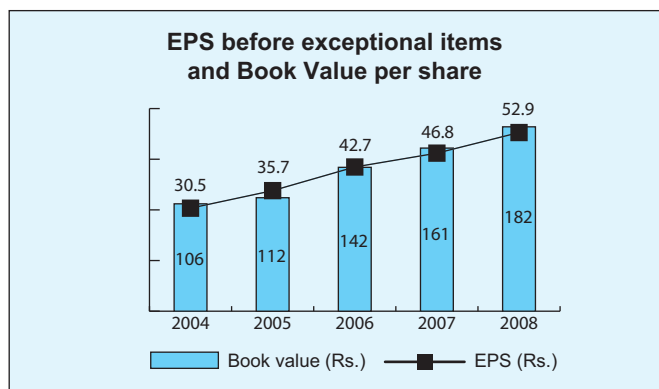
## Financial Summary

(Amounts in Rupees Lakhs)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>PROFIT AND LOSS ACCOUNT</b>										
Sales	1751,56	1712,84	1677,57	1575,89	1479,59	1191,69	1148,22	1097,37	934,62	885,50
Profit before tax	679,90	606,73	555,95	477,91	418,24	284,56	196,33	115,58	84,84	104,95
Tax	231,54	209,94	194,23	171,63	152,19	102,70	67,86	40,26	32,52	27,89
Profit after tax	448,36	396,79	361,72	306,28	266,05	181,86	128,47	75,32	52,32	77,06
Exceptional items (net of tax)	128,21	140,87	183,79	195,80	67,04	(9,63)	(30,41)	(31,34)	18,22	—
Net Profit	576,57	537,66	545,51	502,08	333,09	172,23	98,06	43,98	70,54	77,06
Dividends-equity	338,81	304,93	262,58	237,17	209,57	74,47	52,13	40,96	29,89	35,87
Tax on distributed profit	57,58	51,82	36,83	33,26	27,39	9,54	6,68	(5,16)	6,75	4,24
Retained Earnings	180,18	180,91	246,10	231,65	96,13	88,22	39,25	8,18	33,90	36,95
<b>BALANCE SHEET</b>										
Equity Capital	84,70	84,70	84,70	84,70	87,32	74,48	74,48	74,48	59,78	59,78
Reserves	1456,39	1276,21	1110,01	863,91	836,94	593,01	504,80	486,10	334,67	300,78
Net Worth	1541,09	1360,91	1194,71	948,61	924,26	667,49	579,28	560,58	394,45	360,56
Borrowings	5,65	5,77	5,54	4,85	3,85	2,86	1,98	9,71	34,85	20,70
Total Capital Employed	1546,74	1366,68	1200,25	953,46	928,11	670,35	581,26	570,29	429,30	381,26
Net Fixed Assets	100,35	92,90	94,46	96,94	91,49	99,38	115,40	137,62	101,37	104,56
Investments	751,87	1333,32	1139,41	913,06	776,82	409,12	162,00	151,68	124,87	115,55
Net Current Assets	694,52	(59,54)	(33,62)	(56,54)	59,80	161,85	303,86	280,99	203,06	161,15
<b>OTHER KEY DATA</b>										
Rupees per Rs.10/- Equity Share										
DIVIDENDS	22.00	18.00	17.00	14.00	13.00	10.00	7.00	5.50	5.00	4.00
SPECIAL ADDITIONAL DIVIDEND	18.00	18.00	14.00	14.00	11.00	—	—	—	—	2.00
TOTAL	40.00	36.00	31.00	28.00	24.00	10.00	7.00	5.50	5.00	6.00
EARNINGS before exceptional items	52.93	46.84	42.70	35.69	30.47	24.42	17.25	10.11	8.75	12.89
EARNINGS after exceptional items	68.07	63.48	64.40	58.51	38.15	23.13	13.17	5.90	11.80	12.89
BOOK VALUE	181.95	160.67	141.05	112.00	105.85	89.63	77.78	75.27	65.99	60.31
Number of employees	3722	3620	3850	4016	4136	4271	4654	5338	4943	4529

### NOTES

- The Company has divested its Fine Chemicals business on 30th September, 2007 and its Animal Health business on 31st July, 2006.
- The Company has bought back and extinguished 26,19,529 equity shares during 2005.
- Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
- The Marketing Undertaking of Megdoot Chemicals Limited has demerged into, and Croydon Chemical Works Limited has amalgamated with the Company from 1.1.2002.
- SmithKline Beecham Pharmaceuticals (India) Limited merged with the Company from 1.1.2001.
- The figures for 1999 include profit on sale of property Rs. 21,87 Lakhs.
- Figures have been adjusted/regrouped wherever necessary in line with the Accounts, to facilitate comparison.

## Charts



# Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31<sup>st</sup> December 2008

## 1. Results & Dividend for the year ended 31<sup>st</sup> December 2008

	Year ended 31 <sup>st</sup> December 2008 Rs. in Lakhs	Year ended 31 <sup>st</sup> December 2007 Rs. in Lakhs
SALES (Gross) . . . . .	1751,56.06	1712,84.15
Less: Excise duty on Sales . . . . .	91,15.53	135,70.03
NET SALES . . . . .	1660,40.53	1577,14.12
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	679,89.76	606,73.06
Less: Provision for Taxation . . . . .	231,53.94	209,94.66
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS . . . . .	448,35.82	396,78.40
Exceptional Items (Net of Tax) . . . . .	128,21.08	140,87.45
NET PROFIT AFTER TAX . . . . .	576,56.90	537,65.85
Add: Balance brought forward from the previous year . .	759,88.90	632,75.02
Amount available for disposal . . . . .	1336,45.80	1170,40.87
APPROPRIATIONS :		
General Reserve . . . . .	57,65.69	53,76.59
Equity Dividend (including special additional Dividend) . .	338,81.20	304,93.08
Distribution Tax on Dividend . . . . .	57,58.11	51,82.30
Balance carried forward . . . . .	882,40.80	759,88.90

Note: The financial results for 2007 and 2008 are not comparable in view of the sale of the Fine Chemicals business on 30<sup>th</sup> September 2007.

The growth in Net Sales (net of Excise duty), excluding the Fine Chemicals business which was divested last year, was 10.1% and in Profit before Tax and Exceptional Items was 14.6% for the year ended 31<sup>st</sup> December 2008 on a comparable basis. The growth in Gross Sales was impacted due to the sale of the Fine Chemicals business last year and on account of lower selling prices as a result of the benefit of excise duty reduction being passed on to the consumer. The Profit before Tax and Exceptional Items as a percentage of Net Sales improved to 40.9% in 2008 compared to 39.3% last year, on a comparable basis.

## 2. Dividend

The Directors recommend a Dividend of Rs. 22.00 per Equity Share for the year (previous year Rs.18.00 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs. 186.35 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 31.67 crores.

Having regard to the Company's cash position and the Exceptional Income earned during the year from the profit on sale of investments, the Directors are of the view that a portion of the surplus cash be returned to the shareholders. The Directors are therefore pleased to recommend a special additional Dividend of Rs. 18.00 per Equity Share. If approved by the Shareholders at the Annual General Meeting, the special additional Dividend will absorb Rs. 152.46 crores. The Dividend Distribution Tax borne by the Company on this dividend will amount to Rs. 25.91 crores.

### 3. Management Discussion and Analysis

- (a) Your Company maintained its leadership position in the Pharmaceuticals market with Net Sales of the continuing businesses, excluding the Fine Chemicals business, registering a growth of 10.1%.

Profit Before Tax and Exceptional Items of the Company's continuing businesses grew by 14.6% on a comparable basis. The continued focus on sales of priority products, new product introductions and tight expense control helped improve profits. This was achieved despite cost escalations of certain imported ingredients and inflationary pressures on utilities and freight costs. Higher income from investments contributed further to the improvement in profits.

Cash generation from operations was favourable, driven by the strong business performance and management of working capital. Pursuant to global and local developments in the financial market, appropriate changes were made in the Company's investments portfolio, with cash surpluses continuing to remain deployed largely in Bank Deposits.

#### (b) Pharmaceuticals Business Performance, Opportunities and Outlook

The Indian Pharmaceuticals Market grew by 10% (Source: [ORG IMS] SSA MAT December 2008).

Net sales of the Pharmaceuticals business segment was Rs. 1601 crores.

Your Company enjoys a leadership position in the segments in which its products are represented including Dermatologicals, Corticosteroids, Anti-parasitic, Vitamins, Minerals, Nutritionals and Pain/Analgesics. Augmentin continues to be a leader in the Anti-infectives segment. Betnesol, Eitroxin and Zentel are leaders in the Corticosteroids, Thyroid preparations and Anti-parasitic segments respectively. Calpol, Neosporin and Cobadex CZS maintained their leadership position in the Anti-pyretic, Topical Antibiotic and Antioxidants segments respectively. Cetzine is the number one brand in the Cetrizine oral solid segment and Zobactin continues to be the 4<sup>th</sup> largest brand in the piperacillin combination segment.

In 2008, your Company launched its flagship patented product in the field of Oncology i.e. Tykerb. The response from Doctors is most encouraging and this launch heralds your Company's entry in the Oncology segment with more products expected from GlaxoSmithKline's research pipeline.

In 2008, your Company signed two business development deals with leading Japanese companies. The deal with Daiichi Sankyo for Olmesartan, a latest Angiotensin Receptor Blocker for treating hypertension, resulted in the launch of Benitec in the fourth quarter of 2008. The agreement with Astellas for Micafungin, a critical care anti-fungal, aligns well with your Company's critical care and hospital portfolio. Your Company now has a relationship with three out of the four top Japanese pharmaceutical majors.

Going forward, your Company intends to focus on high growth segments such as CNS (central nervous system), CVS (cardio vascular system) and diabetology, known collectively as the lifestyle diseases segment. Appropriate investments are planned to support such strategic priorities and provide sufficient traction to new product introductions.

On the premise that prevention is less expensive than therapy, Vaccines technology is rapidly evolving with newer and more sophisticated vaccines being introduced, apart from the development of therapeutic vaccines. Your Company's long presence in the Vaccines business will ensure that Indian patients benefit from the GlaxoSmithKline's research-based dynamic vaccines pipeline. Your Company proposes to launch 'Cervarix', a vaccine which prevents cervical cancer.

#### (c) Risk, Concerns and Threats

While the global economic recession will undoubtedly have its repercussions in India, the pharmaceutical industry does not expect any significant impact on its growth prospects. The growth of the Indian pharmaceutical market will be driven by the chronic disease segment due to life style changes, growing disposable incomes particularly in middle class households, improved medical facilities and greater health insurance coverage, all of which are expected to increase the demand for healthcare. The industry continues to remain under price control. The implementation of the new pharmaceutical policy announced by the Government is pending, the impact of which cannot be ascertained. The industry is also faced with suo moto reductions in drug prices by the Government from time to time.

**(d) Research & Development and Regulatory Matters**

GlaxoSmithKline is committed to research and development of medicines that will improve the quality of life of people around the world and which truly make a difference to patients. This R&D effort is supported by the Clinical Operations group in India, which conducts clinical studies across a number of disease areas ranging from Cancer, Depression, Acute Coronary Syndrome, Congestive Coronary Heart Disease, Diabetes and Hepatitis C.

Last year, your Company conducted 17 clinical trials, of which 9 were new studies initiated in 2008 and 280 patients participated. A large number of the clinical trials initiated in 2008 have been in the field of Oncology and Neuropsychiatry. Your Company has trained more than 150 investigators over 60 hospitals across India. The quality of work continues to be of a high order, evidenced by a number of successful internal compliance audits.

During the year under review, in order to support the launch of new drugs that would benefit and improve the quality of life of Indian patients suffering from various diseases, your Company submitted 9 NDAs (New Drug Applications) for GlaxoSmithKline innovator and in-licensed products and 2 INDs (Investigational New Drug Applications) to the CDSCO (Central Drugs Standard Control Organization), Ministry of Health and Family Welfare, Government of India. Your Company has received approval for 4 NDAs and 1 IND from CDSCO which paves the way for speedy introduction of these new drugs. Additionally, to support the R&D efforts of GlaxoSmithKline, your Company submitted 5 global Clinical Trial applications to the CDSCO, and was granted approval to conduct these studies in the Indian population through the Clinical Operations group in India.

Efforts towards a speedy review and approval by local authorities for GlaxoSmithKline's innovator products particularly Tykerb, Arixtra and Cervarix have resulted in early access to new and innovative therapeutic options to patients in the country.

**(e) Exports**

Exports recorded a sales turnover of Rs. 59.27 crores (last year: Rs. 40.32 crores), comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, Mexico, France, Indonesia, Korea and Jordan.

**(f) Internal Control Framework**

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

Your Company's Code of Conduct sets out the fundamental standards to be followed by employees in their everyday actions. In accordance with the Code of Conduct and standards associated with the Code of Conduct, employees are required to become familiar with the legal requirements, policies and procedures applicable to their areas of operation, avoid conflicts of interest and are tasked with upward reporting of all unethical and illegal conduct. All employees are committed to the principle of performance with integrity and ensuring that activities comply with all applicable laws.

Additionally, Managers are required to certify on an annual basis whether there have been any transactions which are fraudulent, illegal or violative of the Code of Conduct. Strong oversight and self monitoring policies and procedures demonstrate your Company's commitment to the highest standards of integrity.

**(g) Human Resources**

Management of Human Resources is a key element of your Company's strategy to drive growth and organisational competitiveness. To this end, your Company continues to lay strong emphasis on Sales training for its field force both at the induction level and through refresher programs to accredit front-line Medical Representatives and Managers on Pathology-Product-Promotion. The Global Sales Leadership Excellence Program has been tailored to the Indian context with all Marketing and Sales employees being introduced to the new competencies - 'High Performance Behaviors' (for Managers) and 'World Class Practices'

(for Medical Representatives). Managers are also committed to holding quarterly 'Real Conversations' meetings with their sales teams around 'Total Sales/ Marketing Practices' and setting clear standards focusing on 'Results-Activities-Behavior'.

Your Company continues to lay emphasis on building organization capability to meet new business needs. In order to support your Company's entry into Oncology, a new Business Unit has been set up and a complete new team with talent and expertise in Oncology has been hired. Key Talent has also been hired in Quality and Procurement to support our manufacturing initiatives. A new structure to ensure greater customer focus was put in place to leverage strengths in the mass market segment, while at the same time allowing the flexibility to develop and grow the semi-specialty and specialty segments of Vaccines, Cardio Vascular/ Diabetes, Dermatology and Oncology. This structure also optimizes on the skills of your Company's workforce while providing them an opportunity for growth and development in the area of their choice.

On the Industrial Relations front, your Company has had a cordial relationship with its employees and unions throughout 2008.

Your Company had a staff strength of 3722 employees as on 31<sup>st</sup> December, 2008 compared to 3620 employees at the end of the previous year. The increased headcount is mainly on account of additional sales executives hired in the newly set up Oncology and Cardio Vascular teams.

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

Year 2008 has proved to be challenging year for the Procurement fraternity and the Pharmaceutical Industry in particular. Various factors including rising crude prices, unpredictable supply of Active Pharmaceutical Ingredients from China and rising commodity prices called for analysis of the supply chain for risk analysis and development of mitigation plans. With the help of globally designed systems, procurement initiated the process of analyzing the vulnerability of vendor base and decoupling it from various uncontrollable factors. Focus on Strategic Sourcing initiatives, eProcurement and Sourcing tools continued throughout the year. Several e-sourcing events were conducted during the year to identify the capabilities of the supply base, benchmark prices and generate competitive advantage in the market. These strategic sourcing efforts and prudent decisions on buying/deferring, helped counter inflationary pressures to a great extent, thus assisting in assurance of supply to the market. Supplier Relationship Management along with other Operational Excellence tools in key categories helped your Company in generating partnership spirit and to be termed as preferred customer among GlaxoSmithKline's vendors base across the world.

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

Your Company's Thane site was approved by the Japanese regulatory authority PMDA and Korean regulatory authority KFDA for the supply of Betamethasone and its derivatives. This was in addition to the already existing MHRA approval. The site has further upgraded the quality systems to meet the requirements of the regulated markets. The Nashik site of your Company has improved the equipment efficiencies of various manufacturing and packing lines through various innovative approaches and technology upgradation. The R&D laboratory at the Nashik site has been upgraded and modernized.

#### **(j) Information Technology (IT) & Supply Chain**

Three new Business Partnering initiatives were rolled out during the year. A Query Management System, 'Field Serve' was implemented to enable field staff to raise queries with all support functions at Head Office for a speedy resolution. A field Human Resource Management System was implemented to monitor and fill up vacant territories faster. A Compliance Management System was deployed to assist the Corporate Legal department in tracking compliance levels across the organisation.

The Disaster Recovery plan for IT systems and all communication links to factories and Mumbai Worli office were tested successfully.

Through the 'Stockist Connect' initiative, your Company has now linked over 1000 stockists using the Internet, most of whom are now actively using the portal to place orders, download company circulars, etc. Supply chain planning and obsolescence control remain a key area of focus.

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

During the year, your Company continued with its long term ongoing projects while undertaking many new social responsibility field projects across India. Gramin Arogya Vikas Sanstha (GAVS), a Trust supported by the Company launched two new Medical Centers in predominantly tribal regions in Peth Taluka, Nashik with the objective of providing basic healthcare facilities to rural tribal people. Over 30,000 tribal people are benefited by this new healthcare initiative. GAVS also launched three Vocational Training Centers in Peth Taluka, Nashik. The project was undertaken with the long term objective of imparting specialized skills and making them more employable.

The Company in collaboration with Pratham, a Non Government Organization (NGO), started a Shelter for children, located in Behraich, Lucknow, one of the regions from which a large number of children are sent as child labour. The Shelter provides education, food and shelter with psycho-social support to their families. Your Company has, in collaboration with the Niramaya Health Foundation supported a medical centre in the Deonar dumping ground to provide medical facilities to rag-pickers and their families who work in this biggest dumping ground in Mumbai.

The Company continued its initiative of providing telephonic counselling through the GSK HIV / AIDS Helpline and disseminated information on the disease with psycho-social support to callers. Donation of essential medicines / products for humanitarian causes continued through the year. Your Company continued its support to ISKCON Foundation's Mid-Day Meal project in Mumbai for less privileged children. The Company also supported the Salvation Army, an NGO, in upgrading infrastructure facilities at its Shelter Home for destitute children in Ahmednagar, Maharashtra. The Cancer Patients' Aid Association was supported with a donation for a mammography machine for their center in Mumbai.

India is increasingly becoming an integral part of GlaxoSmithKline's social initiatives. During the year, GlaxoSmithKline announced plans to upscale its existing efforts in India and build a new production line at the Company's Nashik factory to supplement its efforts in eliminating Lymphatic Filariasis by 2020 which is regarded as the largest drug donation programme in the global Pharmaceutical Industry. The proposal is expected to deliver an additional 300 million treatments of albendazole per year.

#### **(l) Cautionary Note**

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

#### **4. Directors**

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

#### **5. Directors' Responsibility Statement**

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> December 2008 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

## **6. Corporate Governance**

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

## **7. Auditors**

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

## **8. General**

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

## **9. Employees**

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

On behalf of the Board of Directors

D.S. Parekh  
Chairman

Mumbai, 18<sup>th</sup> February 2009

## Annexure 'A' to the Directors' Report

### I. Conservation of Energy:

The Thane and Nashik factories continued their efforts in identifying and implementing energy Conservation measures. Regular review of energy consumption and effective control on its utilisation was carried out. With crude oil prices soaring high during a large part of the year, the sites focussed on mitigating the impact on growing energy cost by improving energy efficiency. Some of the measures undertaken during the year are listed below -

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

- Replacement of reciprocating air compressor with screw compressor.
- Replacement of solid shaft with hollow shaft for hydrogenator.
- Fuel additives to improve the boiler efficiency.
- Air, steam and Nitrogen system leakage audit.
- Replacement of HCFC based chillers with R134a screw chillers.
- Variable frequency drives for pumps.
- Use of high efficiency electrical motors & pumps.
- Building Management systems for control and tracking of air handling systems for efficient operations.

Apart from the above measures, monitoring of noise levels and re-cycling of waste was carried out. Gaseous emission from boiler chimney was monitored and controlled by ensuring proper combustion efficiency of the equipment.

#### A) Power and Fuel Consumption

		Year Ended 31st December 2008	Year Ended 31st December 2007
1. Electricity			
(a) Purchased units	KWH'000	21,189.36	20,715.03
Total amount	Rs.Lacs	10,37.11	10,17.70
Rate/Unit	Rs.	4.89	4.91
(b) Own generation			
(i) Through DG			
Units	KWH'000	194.87	88.31
Units /Ltr of HSD	KWH'000	5.31	4.60
Cost per unit	Rs.	15.44	22.20
(ii) Coal		—	—
2. Furnace Oil, LDO & LSHS			
Quantity	KL	3,023.80	2,988.61
Total amount	Rs.Lacs	8,93.06	5,78.58
Average rate	Rs./KL	29,534.36	19,359.48
3. Others		—	—

## B) Consumption PU of production

		Year ended 31st December 2008		Year ended 31st December 2007	
		Chemicals (Incl.Bulk Drugs) Per Tonne*	Formulations Per Million Packs	Chemicals (Incl.Bulk Drugs) Per Tonne*	Formulations Per Million Packs
Electricity	Units	352,629	62,049	158,066	66,418
Furnace Oil, LDO & LSHS	KLtrs	71.03	5.75	30.20	4.91

\* Note: Figures are not comparable. The year 2007 bulk drug production includes 49 tonnes of Treated Sena Powder which was not produced during 2008. The utility consumption for this activity is low.

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

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

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

CR&D at Thane carries out custom synthesis for the Discovery Medicinal Chemistry – Molecular Discovery Research (DMC-MDR) group of GSK R&D, UK. These activities are in the area of early phase of drug discovery. The work consists of synthesis of monomers (or building blocks) and also array synthesis. More than 350 new molecules generated by array synthesis have been registered under the Company's collection for high throughput library.

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

GSK plc is keen to enhance and accelerate its technology development capability. As a part of this strategy, the existing PR&D facility is being upgraded to cater to these needs. As a part of the upgrade, a laboratory scale and pilot scale equipment for tablets, oral liquids and semisolids are being installed.

By utilizing the technical skills in India, the facility is expected to support local business and GSK plc for short listing of bulk drugs for pilot scale studies, process understanding and identification of "critical to quality" and "critical to process" parameters. The facility will work in collaboration with GSK plc's Technical Development facility at Mayenne - France.

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

- Pharmaceutical R&D has developed a newer strength of anti-infective formulation in the form of dry powder which can be reconstituted to form a suspension and a topical combination preparation with corticosteroid.
- The department has also evaluated a number of cardiac formulations in collaboration with leading pharmaceutical companies.
- The department undertook a number of trials to implement environmental friendly coating process which will eliminate the use of solvents in the coating formulation.
- The manufacturing processes for many products were simplified and the raw & packaging material were rationalised.
- Anti-counterfeit features are being developed for a number of products.

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

PR&D efforts have helped to introduce new products to grow a diversified business and to deliver more value to the customer. It has also brought out an improvement in processes, product design and operating efficiencies. R&D work has also resulted in improved stability of products and cost reduction. A few processes received from abroad have been successfully modified and commissioned locally. Implementation of Anti-counterfeit features would improve the confidence of our customers in company products.

**Future Plan of Action:**

The Pharmaceutical R&D is being further upgraded for improving analytical capabilities and packaging operations to understand the pharmaceutical processes better. Efforts will continue to exploit the Near-Infrared technology for improving the analytical efficiencies significantly. Emphasis will continue in the areas set out above with in-house development and collaborative work with various business partners.

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

Expenditure on R&D:	Rs. Lakhs
1. Capital	8,04.27
2. Recurring	4,63.69
Total	12,67.96
3. Total R&D expenditure as a percentage of turn over -	0.76%

**Technology Absorption, Adaptation and Innovation:**

Nashik site has introduced automatic cartonator for Liquid bottles (Ostocalcium) to eliminate manual work & improve productivity. The site has installed semiautomatic cartoning machine for packing of small volume ointment products which are currently packed manually. This has improved the productivity.

The site has replaced the HCFC based chilled brine with R134a based systems. These chillers have less specific energy consumption and hence contribute towards reduction in the emission of green house gases, thus supporting the climate change initiative.

As a part of ongoing energy efficiency program, the site has installed liquid desiccant based dehumidification systems to reduce energy costs.

Nashik site has switched over from Solvent based coating for Zinetac tablet to Aqueous coating system, reducing VOC emission substantially.

**III. Foreign Exchange Earnings and Outgo**

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

- (1) Exports amounted to Rs. 5927 Lakhs for the year.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs. 32122 Lakhs (which includes amounts spent on import of raw and packing materials and goods for resale aggregating to Rs. 15860 Lakhs and Dividend payment of Rs. 15450 Lakhs) as compared to Rs. 26685 Lakhs in 2007. The foreign exchange earned was Rs. 9628 Lakhs mainly on account of exports and clinical research and data management as compared to Rs. 8373 Lakhs in 2007. Details have been given in Notes 20 to 23 in Schedule 17 to the financial statements.

# Annexure 'B' to the Directors' Report

## Report on Corporate Governance

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

### 1. Company's philosophy on Code of Governance

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

### 2. Board of Directors

#### ● Composition and size of the Board

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

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

#### ● Board meetings and attendance

Five Board meetings were held in the year 2008 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.	22 <sup>nd</sup> February	12	10
2.	21 <sup>st</sup> April	12	11
3.	28 <sup>th</sup> July	12	11
4.	24 <sup>th</sup> October	12	12
5.	18 <sup>th</sup> December	12	11

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

Name of Director	Category of Directorship	Number of Board Meetings attended	Attendance at the last AGM held on 21 <sup>st</sup> April 2008	Number of Directorships in other companies (excluding Directorships in foreign and private companies)	Number of committee positions held in other companies	
					Chairman	Member
Mr. D. S. Parekh Chairman	Non-Executive & Independent	5	Yes	12*	3	2
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	5	Yes	1	Nil	1
Dr. H. B. Joshipura Managing Director	Executive	5	Yes	1	Nil	Nil
Mr. P. Bains	Non-Executive	4	No	Nil	Nil	Nil
Mr. R. R. Bajaaj	Non-Executive & Independent	5	Yes	2	Nil	Nil
Dr. A. Banerjee	Executive	5	Yes	1	Nil	Nil
Mr. M. B. Kapadia	Executive	5	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	4	Yes	3	1	3
Mr. V. Narayanan	Non-Executive & Independent	5	Yes	10	4	2
Mr. P. V. Nayak	Non-Executive & Independent	5	Yes	2	1	2
Dr. M. Reilly	Non-Executive	2	Yes	Nil	Nil	Nil
Mr. R. C. Sequeira	Executive	5	Yes	2	Nil	Nil

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

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

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

- Details of Directors being re-appointed

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

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

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

**Dr. A. Banerjee**

Dr. A. Banerjee is a Ph.D. in Organic Chemistry and has carried out post-doctoral research at Glasgow University. He joined the Company as a Management Trainee and has held various increasingly senior positions in the manufacturing and technical functions. Dr. Banerjee is a Director of Biddle Sawyer Limited which forms part of the GlaxoSmithKline Group Companies in India. At present, he holds 446 shares of the Company.

**Mr. Nihal Kaviratne CBE**

Mr. Nihal Kaviratne has an Honours degree in Economics from Mumbai University. His global career with Unilever spanned 40 years. He joined them in India as a Management Trainee in 1966, and held a series of increasing senior roles including Head of Marketing Research and Economics and General Manager of Export Division. In 1984 he moved as Managing Director of the Detergents Division in Indonesia, and later became Regional Leader for Latin America and South Asia at Corporate Headquarters in London, Managing Director in Argentina, and Chairman in Indonesia. He was appointed Senior Vice President – Development and Environmental Affairs, Unilever Asia, based in Singapore and Chairman of Unilever's Home and Oral Care businesses in Asia.

He was awarded the CBE for services to UK business interests and for sustainable development in Indonesia. He is a Director of your Company since July 2005.

Mr. Kaviratne is a Director of Titan Industries Limited, Agro Tech Foods Limited and Fullerton India Credit Company Limited. He is also Chairman of TVS Indonesia, and Director of StarHub Limited, TVS Motor Company (Europe) BV The Netherlands and of Wildlife Reserves Singapore.

He is the Chairman of the Audit Committee of Titan Industries Limited and a Member of the Audit Committee of Agro Tech Foods Limited, Fullerton India Credit Company Limited and StarHub Limited. Mr. Kaviratne is a Member of Investor Grievance Committee of Agro Tech Foods Limited. He is a Founding Member of the Executive of APABIS (Asia Pacific Academy of Business in Society), Founder of St. Jude India ChildCare Centres, and is Vice Chairman of the Indian Cancer Society.

**Mr. P. V. Nayak**

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

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

**3. Audit Committee**

- Terms of Reference

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

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) to review with Management the financial statements at the end of a quarter, half year and the annual financial statements before submission to the Board for approval, focusing particularly on:
  - (i) matters required to be included in the Director's Responsibility Statement which form part of the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
  - (ii) changes, if any, in accounting policies and practices and reasons for the same;
  - (iii) major accounting entries involving estimates based on the exercise of judgment by management;
  - (iv) significant adjustments made in the financial statements arising out of audit findings;
  - (v) compliance with listing and other legal requirements relating to financial statements;
  - (vi) disclosure of any related party transactions; and
  - (vii) qualifications in the draft audit report.
- c) to consider the appointment or re-appointment of the statutory auditors, the audit fee, any questions of resignation or dismissal and payment to statutory auditors for any other services rendered by them;
- d) to discuss with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern (in absence of management where necessary);
- e) reviewing, with management, performance of statutory and internal auditors, adequacy of the internal control systems and discuss the same periodically with the statutory auditors, prior to the Board making its statement thereon;
- f) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- g) discussion with internal auditors on any significant findings and follow up thereon;
- h) reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- j) to review the functioning of the Whistle Blower mechanism, in case the same is existing;
- k) to review the external auditors' audit reports and presentations and management's response thereto;
- l) to ensure co-ordination between the internal and external auditors, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
- m) to consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Company subscribes, or of any related codes, policies and procedures, which could have a material effect on the financial position or contingent liabilities of the Company;

- n) to review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
- o) to consider other topics, as defined by the Board;
- p) to review the following information:
  - i) Management discussion and analysis of financial condition and results of operations;
  - ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - iii) Management letters/letters of internal control weaknesses issued by the statutory auditors;
  - iv) Internal audit reports relating to internal control weaknesses; and
  - v) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

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

The Audit Committee comprises of Independent Directors and their meetings were held on 22<sup>nd</sup> February, 21<sup>st</sup> April, 28<sup>th</sup> July and 24<sup>th</sup> October, 2008.

<b>Name</b>	<b>Designation</b>	<b>Category of Directorship</b>	<b>Attendance out of four meetings held</b>
Mr. D. S. Parekh	Chairman	Non-Executive & Independent	4
Mr. V. Narayanan	Member	Non-Executive & Independent	4
Mr. R. R. Bajaj	Member	Non-Executive & Independent	4
Mr. P. V. Nayak	Member	Non-Executive & Independent	4
Mr. N. Kaviratne	Member	Non-Executive & Independent	3

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

The Chairman of the Audit Committee, Mr. D. S. Parekh, was present at the Annual General Meeting of the Company held on 21<sup>st</sup> April 2008.

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

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

Independent Directors are paid sitting fees of Rs.10,000 per meeting as remuneration and commission not exceeding in the aggregate 1% of the profits of the Company per annum.

The details of the remuneration paid to the Directors during the year 2008 are given below:

(Rs. in lakhs)

Executive Directors	Salary	Performance Bonus	Perquisites and Allowances	Contribution to Provident Fund and Superannuation Fund	Total
Dr. H. B. Joshipura	87.22	30.49	55.98	23.55	197.24
Mr. M. B. Kapadia	52.42	20.40	38.25	14.15	125.22
Dr. A. Banerjee	31.61	8.08	14.10	8.53	62.32
Mr. R.C. Sequeira	24.80	6.05	31.07	6.15	68.07

(Rs. in lakhs)

Independent Directors and a Non-Executive Director	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	7.00	4.00	11.00
Mr. R. R. Bajaj	5.00	1.20	6.20
Mr. V. Narayanan	5.00	1.30	6.30
Mr. P. V. Nayak	5.00	0.90	5.90
Mr. N. Kaviratne	5.00	0.80	5.80
Mr. V. Thyagarajan (w.e.f. 1 <sup>st</sup> May 2008)	3.33	0.30	3.63

# payable in 2009

Notes:

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

## 5. Investors / Shareholders Grievance Committee

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

Name of the Member	Designation	Category of Directorship
Mr. D. S. Parekh	Chairman	Non-Executive & Independent
Mr. R. R. Bajaj	Member	Non-Executive & Independent
Dr. H. Joshipura	Member	Executive
Mr. M. B. Kapadia	Member	Executive

During the year under review, the Committee met on the 28<sup>th</sup> July 2008 and all the members attended the meeting.

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

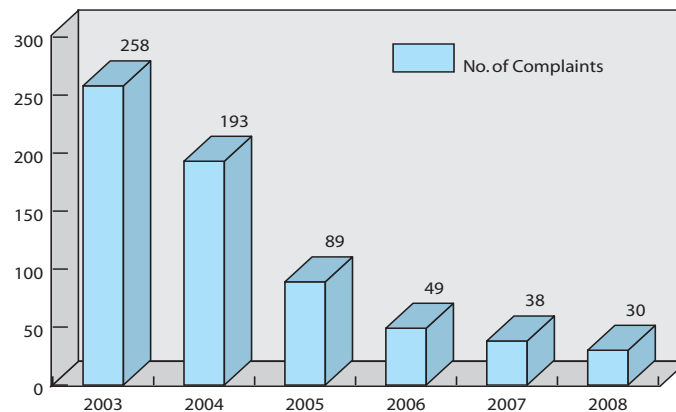
Mr. Ajay Nadkarni  
 Company Secretary  
 Dr. Annie Besant Road  
 Mumbai-400 030

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

### The complaints received during the year are as follows:

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	1	1	2	5	9
Stock Exchanges	1	1	2	1	5
Shareholders	1	13	2	-	16
Total	3	15	6	6	30

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



## 6. **General Body Meetings**

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

Date	Year	Venue	Time
21 <sup>st</sup> April 2008	2007	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020	3.00 p.m.
30 <sup>th</sup> March 2007	2006		3.00 p.m.
12 <sup>th</sup> April 2006	2005		3.00 p.m.

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

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

## 7. **Disclosure**

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

## 8. **Means of Communication**

- The quarterly and half-yearly results are published in widely circulating national and local dailies such as The Economic Times and Business Standard, in English and Maharashtra Times, in Marathi. These are not sent individually to the shareholders.
- The Company's results and official news releases are displayed on the Company's website. The Company's website address is [www.gsk-india.com](http://www.gsk-india.com). The Company had meeting with and made presentations to institutional investors and analysts once during the year.
- The Management Discussion and Analysis Report forms a part of this Annual Report.

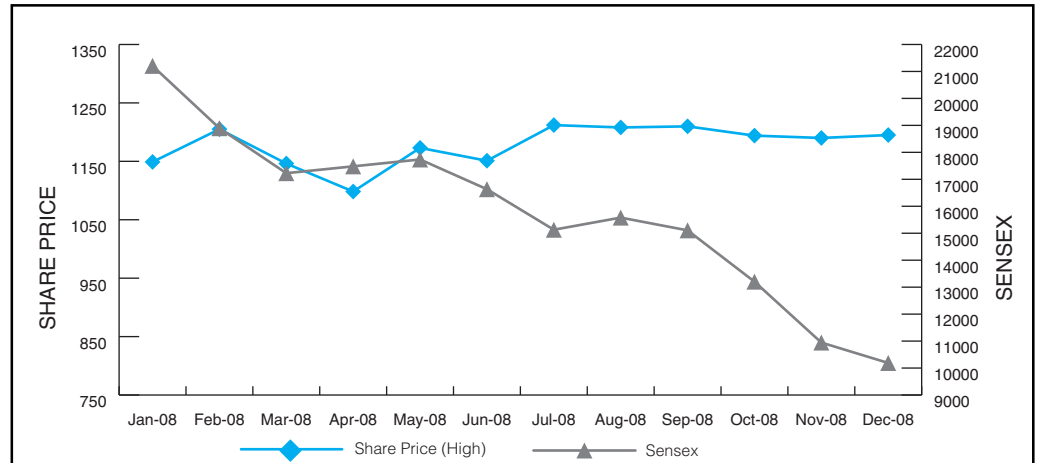
## 9. **General Shareholder Information**

- AGM: Date, Time and Venue 2<sup>nd</sup> April 2009 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020
- Financial Year
  - January to December
  - First Quarter Results – last week of April
  - Half-yearly Results – last week of July
  - Third Quarter Results – last week of October
  - Results for the year ending 31<sup>st</sup> December 2009 – March 2010

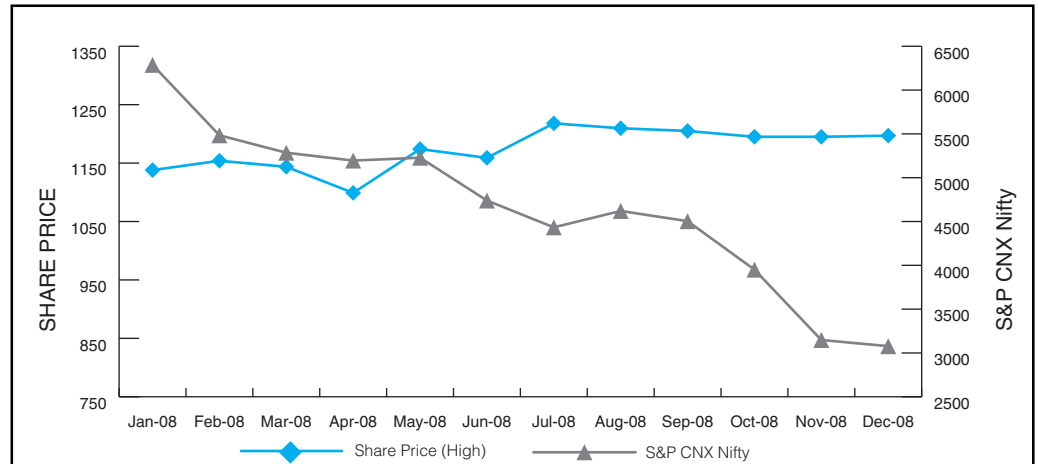
- Date of Book Closure 20<sup>th</sup> March 2009 to 2<sup>nd</sup> April 2009 (both days inclusive)
- Dividend Payment date(s) On or after 2<sup>nd</sup> April 2009
- Listing on Stock Exchange The Stock Exchange, Mumbai, and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009.
- Stock Code – Physical 500660 on The Stock Exchange, Mumbai  
GLAXO on The National Stock Exchange
- Demat ISIN Number for NSDL and CDSL INE 159A01016
- High/low of market price of the Company's shares traded along with the volumes on The Stock Exchange, Mumbai and on the National Stock Exchange during the calendar year 2008 is furnished below :

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of shares)	High (Rupees)	Low (Rupees)	Volume (No. of shares)
January 2008	1,148.95	800.00	739579	1,138.00	704.50	3031963
February 2008	1,205.00	826.10	384916	1,154.00	817.00	1082020
March 2008	1,146.20	925.00	222147	1,143.70	930.30	1334190
April 2008	1,098.30	961.00	116527	1,099.00	961.05	616079
May 2008	1,173.00	1,022.05	125377	1,174.00	1,030.00	496474
June 2008	1,151.00	1,052.00	437319	1,159.00	1,061.20	634476
July 2008	1,212.00	1,048.90	172786	1,218.00	1,068.00	529150
August 2008	1,208.00	1,100.00	68610	1,209.60	1,076.90	280809
September 2008	1,209.85	1,098.00	114150	1,205.00	1,140.00	237222
October 2008	1,194.00	930.00	132524	1,195.00	930.00	577226
November 2008	1,190.00	1,000.50	330784	1,195.00	993.05	503356
December 2008	1,195.00	1,100.05	202068	1,197.00	1,096.75	528733

- Share Performance of the Company in comparison to BSE Sensex



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



- Equity History

Particulars	No. of shares issued (of Rs. 10 each)	Year of issue
Original Holding	18,00,000	1924
Bonus Issue	2,00,000	1947
Bonus Issue	10,00,000	1962
Bonus Issue	24,00,000	1968
Public Issue	18,00,000	1969
Bonus Issue	36,00,000	1977
Bonus Issue	36,00,000	1980
Public cum Rights Issue	56,00,000	1983
Shares allotted to Group Companies	44,89,800	1993
Rights Issue	53,97,700	1993
Bonus Issue	2,98,87,500	1995
Shares issued pursuant to the amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited with the Company	1,47,00,000	2001
Shares issued pursuant to the amalgamation of Burroughs Wellcome (India) Limited with the Company	1,28,47,546	2004
Buy back of equity shares	(26,19,529)	2005
<b>Total</b>	<b>8,47,03,017</b>	

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

Sr. No.	Name of Shareholder	% to Equity
1.	Life Insurance Corporation of India	7.46
2.	Aberdeen Asset Managers Limited A/C Aberdeen International India Opportunities Fund (Mauritius) Limited	3.81
3.	Aberdeen Asset Managers Limited A/C Aberdeen Global - Asia Pacific Fund	1.49
4.	General Insurance Corporation of India	1.45
5.	Life Insurance Corporation of India - Market Plus	1.31
6.	Aberdeen Asset Managers Limited A/C Aberdeen Investment Funds ICVC - Asia Pacific Fund	0.96
7.	Investeringsforeningen Danske Invest	0.92
8.	Life Insurance Corporation of India – Future Plus	0.90
9.	The Oriental Insurance Company Limited	0.87
10.	Life Insurance Corporation of India – Money Plus	0.81

- The distribution of shareholding as on 31.12.2008 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	26708	24.47	334834	0.40
26 to 50	17578	16.11	770369	0.91
51 to 100	23947	21.94	1956235	2.31
101 to 500	37835	34.67	7257072	8.57
501 to 1000	2136	1.96	1483374	1.75
1001 to 10000	782	0.72	1634747	1.93
10001 and above	151	0.13	71266386	84.13
Grand Total	109137	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2008

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	12033580	14.21
FIIIs, NRIs, OCBs	12827371	15.14
Mutual Funds	2359719	2.79
Domestic Companies	1055781	1.25
Resident Individuals	13509078	15.94
Total	84703017	100.00

- Registrars and Share Transfer Agents

Karvy Computershare Private Limited  
 Unit: GlaxoSmithKline Pharmaceuticals Limited  
 Plot No 17-24, Vittal Rao Nagar, Madhapur,  
 Hyderabad 500 081  
 Tel No.: 040-23420818/23420828  
 Fax No.: 040-23420814  
 Contact Person(s): Mr. M. R. V. Subrahmanyam/  
 Mr. Satheesh H. K.  
 Email ID: [satheesh@karvy.com](mailto:satheesh@karvy.com)
  
- Share transfer system

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

45.13% of the paid-up capital has been dematerialised as on 31.12.2008. Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleon Investment Limited who jointly hold 50.67% of the paid-up share capital of the Company, continue to hold their shares in the physical form.
  
- Outstanding GDRs/ADRs/ Warrants or any convertible instruments conversion date and likely impact on equity

Not issued.
  
- Plant locations

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

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

Contact Person(s) : Mr. M. R. V. Subrahmanyam/  
 Mr. Satheesh H. K.

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

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

## **Auditors' Certificate regarding compliance of conditions of Corporate Governance**

To the members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited, for the year ended 31<sup>st</sup> December, 2008, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

Mumbai, 18<sup>th</sup> February, 2009

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, 2008, 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, 2008, 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, 2008 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, 2008;
    - (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.

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

Mumbai, 18<sup>th</sup> February, 2009

## 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, 2008]

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, other than the situation of furniture and office equipment, for which the situation recorded is the location of the company's different establishments.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory, excluding materials in transit, has been physically verified by the management during the year. Further, a major portion of inventory lying with third parties has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.
- (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items of inventory and fixed assets purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books of account and according to the information and explanations given to us, we have not come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the company for the current year.
6. In our opinion, the company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public which have matured and are remaining unpaid as at 31<sup>st</sup> December, 2008. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company, pursuant to the Rules made by the Central Government of India for the maintenance of cost records, under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have generally been maintained and are under preparation. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. (a) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practices in India, in our opinion, the company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- (b) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax, wealth tax, sales tax, service tax and excise duty as at 31<sup>st</sup> December, 2008 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount* Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
The Income-tax Act, 1961	Income-tax including interest, as applicable	16,80.11	#Assessment Year 2005-2006	Appellate Authority – up to Commissioner's level
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	15,94.82	Several demands pertaining to the period 1983-1984 to 2007-2008	Appellate Authority – up to Commissioner's level
		8,99.91	Several demands pertaining to the period 1990-1991 to 2003	Tribunal
The Finance Act, 1994	Service tax	2,55.45	January 2001 to December 2002 and May 2006 to January 2007	Tribunal
		1,12.98	October 1998 to December 2000	The High Court of Judicature at Bombay
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	1,10.37	Several demands pertaining to the period March 1992 to November 2007	Appellate Authority – up to Commissioner's level
		6,48.61	Several demands pertaining to the period July 1993 to January 2007	Tribunal
		30.12	1977 to 1980	The High Court of Judicature at Bombay

\* Net of amounts paid under protest or otherwise

# Subsequent to the year end, out of the total dues of Rs. 16,80.11 lakhs, an amount of Rs. 2,14.53 lakhs has been adjusted by the Income-tax authorities against the refund due to the company.

10. The company has no accumulated losses as at 31<sup>st</sup> December, 2008 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the books of account and records of the company, there has been no default in repayment of dues to any financial institution or bank or debenture holders during the year.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. The company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, the company has not obtained any term loans that were not applied for the purpose for which these were raised.
17. On the basis of the information and explanations given to us and on an overall examination of the Balance Sheet of the company, in our opinion, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debentures.
20. The company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

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

Mumbai, 18<sup>th</sup> February, 2009



# GlaxoSmithKline Pharmaceuticals Limited

## Profit and Loss Account for the year ended 31st December, 2008

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
<b>INCOME</b>			
Sales (Gross) . . . . .		1751,56.06	1712,84.15
Less : Excise duty on sales . . . . .		91,15.53	135,70.03
Net sales . . . . .		1660,40.53	1577,14.12
Other income . . . . .	14	118,55.62	89,83.77
<b>TOTAL INCOME</b> . . . . .		1778,96.15	1666,97.89
<b>EXPENDITURE</b>			
Materials . . . . .	15	647,60.83	628,46.10
Operating and other expenses . . . . .	16	435,11.91	415,62.78
Depreciation . . . . .		16,33.65	16,15.95
<b>TOTAL EXPENDITURE</b> . . . . .		1099,06.39	1060,24.83
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b> . . . . .		679,89.76	606,73.06
Provision for taxation			
Current tax . . . . .		226,72.00	192,50.00
Deferred tax . . . . .		(2,33.06)	10,64.66
		224,38.94	203,14.66
Fringe benefits tax . . . . .		7,15.00	6,80.00
<b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> . . . . .		448,35.82	396,78.40
EXCEPTIONAL ITEMS (net of tax) . . . . .		128,21.08	140,87.45
(Refer note 15 on Schedule 17)			
<b>NET PROFIT</b> . . . . .		576,56.90	537,65.85
Balance brought forward . . . . .		759,88.90	632,75.02
<b>AVAILABLE FOR APPROPRIATION</b> . . . . .		1336,45.80	1170,40.87
<b>APPROPRIATIONS</b>			
Proposed dividend . . . . .		338,81.20	304,93.08
[The proposed dividend includes a special additional dividend of Rs. 152,46.54 lakhs (Previous year Rs.152,46.54 lakhs)]			
Tax on distributed profit . . . . .		57,58.11	51,82.30
		396,39.31	356,75.38
Transfer to general reserve . . . . .		57,65.69	53,76.59
<b>BALANCE CARRIED FORWARD</b> . . . . .		882,40.80	759,88.90
Earnings per share before exceptional items (basic and diluted) (Rs.) . . . . .		52.93	46.84
Earnings per share (basic and diluted) (Rs.) . . . . .		68.07	63.48
Face value of shares Rs. 10 each. (Refer note 29 on Schedule 17)			
<b>Notes to the Financial Statements</b>	17		

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

This is the Profit and Loss 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  
Managing Director  
Senior Executive Director  
Company Secretary

D. S. PAREKH  
Dr. H. B. JOSHIPURA  
M. B. KAPADIA  
A. A. NADKARNI

Mumbai, 18th February, 2009

# GlaxoSmithKline Pharmaceuticals Limited

## Cash Flow Statement for the year ended 31st December, 2008

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items	679,89.76	606,73.06
<i>Adjustments for :</i>		
Depreciation	16,33.65	16,15.95
Interest expense	52.56	63.72
Provision / write off for doubtful debts, loans and advances (net)	38.57	1,77.26
Unrealised loss / (gain) on foreign exchange	(13.10)	2.69
Profit on sale / disposal of fixed assets (net)	(17.62)	(18.85)
(Profit) / Loss on sale / redemption of investments (net)	5.69	(1,72.54)
Provision written back as no longer required	(50.09)	(3,26.40)
Interest income	(70,54.76)	(45,86.45)
Dividend income	(27,89.72)	(23,66.59)
<b>Operating profit before working capital changes</b>	<b>597,94.94</b>	<b>550,61.85</b>
<i>Adjustments for :</i>		
Inventories	(22,41.90)	15,54.96
Trade and other receivables	(38,56.46)	(4,85.95)
Trade payables and other liabilities	27,73.22	2.41
<b>Cash generated from operations</b>	<b>564,69.80</b>	<b>561,33.27</b>
Direct taxes paid (net of refunds) (including fringe benefits tax)	(240,23.21)	(246,80.67)
<b>Cash flow before exceptional items</b>	<b>324,46.59</b>	<b>314,52.60</b>
<i>Exceptional items:</i>		
Payments made for voluntary retirement schemes and other retirement benefits	—	(83.91)
Expenses incidental to sale of the Fine Chemicals business	—	(74.18)
Payment for completion covenants for sale of the Fine Chemicals business	(51.57)	(5,80.00)
Payments for pricing of formulations	(7,53.27)	—
Non recurring expenses for merger / rationalisation initiatives	(4.04)	(17.42)
Government grant through refund of octroi duty	3,04.08	—
<b>Net cash from operating activities</b>	<b>319,41.79</b>	<b>306,97.09</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(23,87.87)	(15,32.58)
Sale of fixed assets	26.83	41.79
Sale of the Fine Chemicals business (Exceptional item)	—	240,00.00
(Purchase) / sale / redemption of investments (net) (Exceptional item)	785,34.73	—
(Purchase) / sale / redemption of investments (net)	(58,06.01)	(193,76.31)
Fixed deposit with a limited company (net)	—	10,00.00
Interest received	55,72.87	46,54.60
Dividend received	27,89.72	23,66.59
<b>Net cash from investing activities</b>	<b>787,30.27</b>	<b>111,54.09</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (repayments) of borrowings (net)	(11.73)	22.96
Interest paid	(32.11)	(63.48)
Dividend paid	(303,04.50)	(261,28.88)
Tax on distributed profit	(51,82.30)	(36,82.68)
<b>Net cash used in financing activities</b>	<b>(355,30.64)</b>	<b>(298,52.08)</b>
<b>Net increase in cash and cash equivalents</b>	<b>751,41.42</b>	<b>119,99.10</b>
Cash and cash equivalents as at 1st January, 2008 (opening balance)	154,97.13	34,98.03
Cash and cash equivalents as at 31st December, 2008 (closing balance)	906,38.55	154,97.13
<b>Net increase in cash and cash equivalents</b>	<b>751,41.42</b>	<b>119,99.10</b>
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	906,53.99	154,99.47
Unrealised gain on foreign currency	(15.44)	(2.34)
Total cash and cash equivalents	<b>906,38.55</b>	<b>154,97.13</b>
2. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.		

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

For and on behalf of the Board

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

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

Mumbai, 18th February, 2009

# Schedules to the Financial Statements

## 1 CAPITAL

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

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

Previous year  
Rupees in lakhs

90,00.00
84,70.77
84,70.30

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

Of the above shares:

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

Prior to the buy back of equity shares\*:

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

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

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

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

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

## 2 RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2008	Additions	Deductions	As at 31st December 2008	As at 31st December 2007
Capital Reserve	1,65.51	—	—	(c) 1,65.51	1,65.51
Capital Redemption Reserve	2,61.95	—	—	(d) 2,61.95	2,61.95
General Reserve	512,05.05	(a) 57,65.69	—	569,70.74	512,05.05
Profit and Loss Account - Surplus	759,88.90	(b) 122,51.90	—	882,40.80	759,88.90
<b>TOTAL</b>	<b>1276,21.41</b>	<b>180,17.59</b>	<b>—</b>	<b>1456,39.00</b>	<b>1276,21.41</b>
<b>Previous Year Total</b>	<b>1110,00.99</b>	<b>180,90.47</b>	<b>(14,70.05)</b>	<b>1276,21.41</b>	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

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

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

## Schedules to the Financial Statements — continued

### 3 UNSECURED LOANS

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

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
5,41.86	23.08	5,64.94	11.73
<u>5,41.86</u>	<u>23.08</u>	<u>5,64.94</u>	<u>11.73</u>
	5,64.94		5,76.67

### 4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st		As at 31st		As at 1st		As at 31st		As at 31st	As at 31st
	January		December		January	For the	On	December	December	December
	2008	Additions	Deductions	2008	2008	Year	Deductions	2008	2008	2007
Freehold land	20.81	—	—	20.81	—	—	—	—	20.81	20.81
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	27,35.28	13.96	—	27,49.24	11,83.36	63.70	—	12,47.06	15,02.18	15,51.92
Leasehold buildings	28,28.62	1,66.78	—	29,95.40	13,21.19	98.96	—	14,20.15	15,75.25	15,07.43
Plant and machinery	172,59.78	14,47.15	1,54.17	185,52.76	128,18.37	10,89.10	1,52.24	137,55.23	47,97.53	44,41.41
Furniture and fittings	30,90.17	1,14.15	28.13	31,76.19	20,76.90	2,64.28	22.22	23,18.96	8,57.23	10,13.27
Vehicles	6,91.87	1,93.36	2,09.31	6,75.92	5,23.72	1,17.61	2,07.94	4,33.39	2,42.53	1,68.15
<b>TOTAL</b>	266,70.80	19,35.40	3,91.61	282,14.59	179,23.54	16,33.65	3,82.40	191,74.79	90,39.80	
Previous year - Total	253,62.69	18,55.70	(b) 5,47.59	266,70.80	167,82.61	16,15.95	(b) 4,75.02	179,23.54		87,47.26
Work-in-progress at cost and advance payments against capital expenditure									9,95.45	5,42.98
								<b>TOTAL</b>	<u>100,35.25</u>	<u>92,90.24</u>

Notes:

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

(b) Deductions for the previous year include fixed assets transferred pursuant to sale of the Fine Chemicals business.

## 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 .. .. .

26,58.24

27,00.70

###### 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  
200, 5.40% Bonds, 2009 of Rs. 10,00,000 each .. .. .  
200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each .. .. .

20,00.00

20,00.29

20,00.00

20,00.00

Grasim Industries Limited  
Nil, (Previous year : 20, 6.08% Non-Convertible Debentures, 2010  
of Rs. 50,00,000 each) .. .. .

—

10,04.73

Housing Development Finance Corporation Limited  
Nil, (Previous year : 9,00,000 Equity Shares of Rs. 10 each fully paid)  
Nil, (Previous year : 150, 6.10% Non-Convertible Debentures, 2008  
of Rs. 10,00,000 each) .. .. .

—

1,18.13

—

15,00.00

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

20,00.34

20,06.26

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

10,00.00

10,00.00

350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each .. .. .

34,90.90

—

Indian Railway Finance Corporation Limited  
50, 6.20% Bonds, 2010 of Rs. 10,00,000 each .. .. .  
Nil, (Previous year : 50, 5.99% Bonds, 2008 of Rs. 10,00,000 each) .. .. .  
20, 9.76% Bonds, 2012 of Rs. 10,00,000 each .. .. .

5,04.33

5,06.85

—

5,01.48

2,01.54

2,01.90

LIC Housing Finance Limited  
25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each .. .. .  
25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each .. .. .  
10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each .. .. .  
100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each .. .. .  
100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each .. .. .

5,02.02

5,17.38

5,17.45

5,31.91

10,13.38

10,31.73

10,01.48

10,01.48

10,01.61

—

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

9,03.08

9,15.87

National Bank for Agriculture and Rural Development  
100, 9.65% Non Priority Sector Bonds 2010 IX G Series of Rs. 10,00,000 each  
100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each

10,00.00

10,00.00

10,00.00

10,00.00

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

—

5,01.12

Power Finance Corporation Limited  
Nil, (Previous year : 1,500, 5.85% Bonds, 2010 of Rs. 1,00,000 each) .. .. .  
100, 9.80% Bonds, 2012 of Rs. 10,00,000 each .. .. .

—

15,02.68

10,15.79

10,19.20

Previous year

Rupees  
in lakhs

Rupees  
in lakhs



## Schedules to the Financial Statements — continued

	Rupees in lakhs		Previous year 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 .. .. .		3,56.63		3,56.63
Provision for employee benefits .. .. .		19,75.43		12,00.51
Costs of voluntary retirement schemes .. .. .		43.76		1,80.51
Costs of merger .. .. .		9.40		40.32
Provision for doubtful debts, loans and advances .. .. .		4,45.22		4,32.60
Long term loss under the head 'capital gains' .. .. .		—		32.62
Provision for pricing of formulations .. .. .		2,10.89		2,10.89
Expenses allowable for tax purposes when paid .. .. .		8,28.98		5,41.70
	TOTAL ..	<u>38,70.31</u>		<u>29,95.78</u>
<u>Liabilities</u>				
Depreciation .. .. .		8,08.04		8,78.87
Fixed assets held for sale .. .. .		1,02.73		1,02.73
	TOTAL ..	<u>9,10.77</u>		<u>9,81.60</u>
	TOTAL ..	<u>29,59.54</u>		<u>20,14.18</u>
<b>7 INVENTORIES</b>				
(Inventories have been valued at lower of cost and net realisable value)				
Stores and spares .. .. .		3,93.60		3,76.39
Raw and packing materials .. .. .		62,34.92		42,42.89
Work-in-progress .. .. .		36,90.35		29,85.50
Finished goods .. .. .		125,19.34		129,91.53
	TOTAL ..	<u>228,38.21</u>		<u>205,96.31</u>
<b>8 SUNDRY DEBTORS</b>				
(Unsecured)				
Outstanding for over six months .. .. .	Doubtful	Good	Doubtful	Good
Others .. .. .	11,39.30	2,18.25	10,44.46	1,47.59
	2.76	55,76.13	60.45	36,29.02
	<u>11,42.06</u>	<u>57,94.38</u>	<u>11,04.91</u>	<u>37,76.61</u>
Less : Provision for doubtful debts. . . . .	(11,42.06)	—	(11,04.91)	—
	<u>—</u>	<u>57,94.38</u>	<u>—</u>	<u>37,76.61</u>
	TOTAL ..	<u>57,94.38</u>		<u>37,76.61</u>
<b>9 CASH AND BANK BALANCES</b>				
Cash and cheques on hand .. .. .		5.73		4,03.01
Remittances in transit (Refer note 2(iii) on Schedule 17) .. .. .		5.92		5.92
With scheduled banks				
Current account .. .. .		43,67.45		41,82.50
Fixed deposit account .. .. .		848,00.00		97,00.00
Call / margin money deposit .. .. .		14,74.89		12,08.04
	TOTAL ..	<u>906,53.99</u>		<u>154,99.47</u>

## Schedules to the Financial Statements — continued

	Rupees in lakhs		Previous year Rupees in lakhs	
<b>10 OTHER CURRENT ASSETS</b>				
Interest accrued on investments/deposits .. .. .		40,96.38		24,90.18
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) * .. .. .		3,02.25		3,02.25
<b>TOTAL .. .. .</b>		<b>43,98.63</b>		<b>27,92.43</b>
* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.				
<b>11 LOANS AND ADVANCES</b>	<b>Doubtful</b>	<b>Good</b>	<b>Doubtful</b>	<b>Good</b>
(Unsecured)				
Advances to subsidiary company .. .. .	—	30.62	—	—
Loans and advances recoverable in cash or in kind or for value to be received				
Sundry deposits .. .. .	—	24,47.11	—	22,16.01
Other advances .. .. .	1,67.81	65,10.18	1,67.81	54,48.09
Less : Provision for doubtful advances .. .. .	(1,67.81)	—	(1,67.81)	—
	—	89,87.91	—	76,64.10
Balance with customs, excise and port trust on current accounts	—	8,61.86	—	3,85.55
Current taxation (Refer note 31 on Schedule 17) .. .. .	—	55,67.79	—	50,49.58
	—	154,17.56	—	130,99.23
<b>TOTAL .. .. .</b>		<b>154,17.56</b>		<b>130,99.23</b>
<b>12 CURRENT LIABILITIES</b>				
Sundry creditors (Refer note 10 on Schedule 17)		251,65.93		226,29.78
Subsidiary company .. .. .		—		41.74
Unpaid dividend * .. .. .		9,37.78		7,49.20
Unpaid matured fixed deposits * .. .. .		2.37		2.70
Warrants issued but not encashed - Fixed deposit interest * .. .. .		4.64		4.67
Drugs Prices Equalisation Account .. .. .		10,49.23		10,49.23
<b>TOTAL .. .. .</b>		<b>271,59.95</b>		<b>244,77.32</b>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.				
<b>13 PROVISIONS</b>				
For proposed equity dividend .. .. .		338,81.20		304,93.08
For tax on distributed profit .. .. .		57,58.11		51,82.30
For fringe benefits tax (Refer note 32 on Schedule 17) .. .. .		17.48		7.48
For employee benefits [includes actuarial loss of Rs. 23,49.86 lakhs recognised in the year (previous year - actuarial gain of Rs. 4,44.41 lakhs)] .. .. .		57,93.95		35,72.16
<b>TOTAL .. .. .</b>		<b>454,50.74</b>		<b>392,55.02</b>

## Schedules to the Financial Statements — continued

### 14 OTHER INCOME

	Rupees in lakhs		Previous year Rupees in lakhs
Operating income			
Service income			
Clinical research and data management	.. ..	32,53.69	35,86.08
Other services	.. ..	7,80.16	9,40.34
Expenses relating to the above	.. ..	(33,39.68)	(40,27.48)
		6,94.17	4,98.94
Export related benefits (net)	.. ..	1,56.39	1,04.97
Exchange gain (net)	.. ..	2,45.57	1,55.95
Consignment sales commission	.. ..	2,57.30	2,23.82
Manufacturing charges recovery	.. ..	30.06	11.53
Provision written back as no longer required	.. ..	50.09	3,26.40
Others	.. ..	5,93.33	5,81.45
		20,26.91	19,03.06
Treasury income			
Dividend income - Investments other than trade - long term	.. ..	2,25.26	1,98.01
- current	.. ..	25,64.46	21,68.58
		27,89.72	23,66.59
Profit on sale / redemption of investments (net) - current	.. ..	—	1,72.54
(Refer note 12 (a) on Schedule 17)			25,39.13
Interest income (Gross):			
On deposits with banks and limited companies	.. ..	27,58.54	1,92.18
On loans	.. ..	20.52	25.89
On tax refunds	.. ..	—	5,86.66
On investments - Government securities and other than trade			
- long term [net of premium write-off of Rs. 1,24.31 lakhs (Previous year Rs. 1,57.16 lakhs)]	.. ..	39,58.35	37,66.95
- current	.. ..	3,03.17	—
Others	.. ..	14.18	14.77
		70,54.76	45,86.45
Less : Interest expense:			
Security deposits	.. ..	(49.99)	(62.30)
Others	.. ..	(2.57)	(1.42)
		(52.56)	(63.72)
		70,02.20	45,22.73
Other income			
Profit on sale / disposal of fixed assets (net)	.. ..	17.62	18.85
Others	.. ..	19.17	—
		36.79	18.85
<b>TOTAL</b>	.. ..	<b>118,55.62</b>	<b>89,83.77</b>
Tax deducted at source :			
On interest	.. ..	4,36.67	2,77.23
Others	.. ..	2,81.80	1,80.93
		7,18.47	4,58.16

### 15 MATERIALS

Raw and packing materials consumed	.. ..	351,86.12	321,52.25
Purchase of finished goods	.. ..	298,07.37	293,65.32
(Increase) / decrease in work-in-progress and finished goods:			
Opening stock			
Work-in-progress	.. ..	29,85.50	32,73.78
Finished goods	.. ..	129,91.53	159,75.92
		159,77.03	192,49.70
Less: Closing stock			
Work-in-progress	.. ..	36,90.35	29,85.50
Finished goods	.. ..	125,19.34	129,91.53
		162,09.69	159,77.03
		(2,32.66)	32,72.67
Transfer of stock pursuant to sale of the Fine Chemicals business			
Raw and packing materials	.. ..	—	(3,51.79)
Work-in-progress	.. ..	—	(29.54)
Finished goods	.. ..	—	(15,62.81)
		—	(19,44.14)
<b>TOTAL</b>		<b>647,60.83</b>	<b>628,46.10</b>

## Schedules to the Financial Statements — *continued*

### 16 OPERATING AND OTHER EXPENSES

	Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus .. .. .	154,30.74		139,21.67
Contributions to : Provident and pension funds .. .. .	9,81.17		9,38.04
Gratuity funds .. .. .	85.99		1,30.39
Staff welfare .. .. .	<u>7,77.17</u>	172,75.07	<u>5,79.85</u> 155,69.95
Sales promotion .. .. .		52,85.07	53,35.72
Selling commission on exports .. .. .		11.36	8.10
Bonus offer discount .. .. .		8,59.63	11,08.31
Stock point commission .. .. .		8,21.70	9,97.80
Freight (net) .. .. .		24,80.44	24,09.64
Travelling .. .. .		33,31.81	31,01.03
Provision / write off for doubtful debts, loans and advances (net) .. .. .		38.57	1,77.26
Manufacturing charges .. .. .		35,22.53	34,47.29
Repairs - Buildings .. .. .	2,27.50		2,84.47
- Plant and Machinery .. .. .	11,32.88		8,85.64
- Others .. .. .	<u>20.06</u>	13,80.44	<u>31.07</u> 12,01.18
Consumption of stores and spares .. .. .		3,31.49	4,74.55
Power, fuel and water .. .. .		24,74.55	20,53.77
Rent .. .. .		8,66.92	8,00.93
Rates and taxes .. .. .		11,13.62	9,46.34
Printing, postage and telephones .. .. .		9,44.08	9,97.92
Sales training, briefing and conference .. .. .		11,14.29	9,82.99
Excise duty .. .. .		(4,87.76)	6,84.28
Insurance .. .. .		2,71.81	3,22.59
Remuneration to auditors :			
Statutory audit fees .. .. .	36.24		36.24
In other capacity in respect of :			
Tax audit fees .. .. .	6.74		5.90
Audit of tax accounts .. .. .	22.47		19.66
Other services .. .. .	25.00		16.31
Reimbursement of expenses .. .. .	<u>1.61</u>		<u>3.75</u>
Cost audit fees .. .. .	92.06		81.86
	<u>4.25</u>	96.31	<u>7.35</u> 89.21
Date-expired stocks .. .. .		19,68.30	17,48.87
Commission to non whole-time Directors .. .. .		30.33	19.46
Directors' sitting fees .. .. .		8.50	12.20
Miscellaneous .. .. .		39,08.51	37,73.38
Recovery of expenses (net) (Refer note 14 on Schedule 17) .. .. .		(7,95.98)	(6,72.51)
Expenses relating to service income (Refer Schedule 14) .. .. .		<u>(33,39.68)</u>	<u>(40,27.48)</u>
TOTAL .. .. .		<u>435,11.91</u>	<u>415,62.78</u>

## Schedules to the Financial Statements — *continued*

### 17 NOTES TO THE FINANCIAL STATEMENTS

#### Statement of Accounting Policies

##### (a) Basis of Accounting

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

##### (b) Fixed Assets and Depreciation

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

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

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

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

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

Leasehold land is not amortised.

Leasehold improvements are amortised over the period of the lease.

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

##### (c) Investments

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

##### (d) Inventories

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

##### (e) Revenue Recognition

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

##### (f) Foreign Currency Transactions

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

##### (g) Proposed Dividend

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

##### (h) Research and Development

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

## Schedules to the Financial Statements — *continued*

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

(i) Excise Duty

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

(j) Long-term Incentive

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

(k) Taxes on Income

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

(l) Employee Benefits

(a) Long-term Employee Benefits

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

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

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

1 The Company received a demand for Rs. 71.79 lakhs from the Central Government contained in its orders dated 18th June, 1990 and 16th November, 1990 in respect of prices relating to Betamethasone bulk drugs and formulations therefrom. These orders were challenged by the Company by a writ petition in the Hon'ble High Court at Delhi. After hearing the submissions of the Company, as well as the Government, in the writ petition, the Hon'ble High Court by its judgement and order dated 19th October, 2001, was pleased to set aside the impugned demands raised by the Central Government. The claim to interest made by the Government vide its letter dated 29th October, 1996, demanding interest of Rs. 117.66 lakhs for the period 12th May, 1981 to 17th October, 1996 thereby, does not survive. The Hon'ble High Court has also directed that the Company be given an opportunity to present its case with full facts to enable the Central Government to raise a fresh demand. The Company has sent a letter to the Government giving details of the quantities based on which the demand has to be raised as per the judgement of the Hon'ble High Court at Delhi and has intimated to the Government that according to the Company, after considering the set offs which the Company has claimed, the amount payable would be Rs. 18.68 lakhs. The Company had accrued a liability of Rs. 18.68 lakhs of which an amount of Rs. 8.19 lakhs has been paid to the Government in the earlier years. Accordingly, the Company has retained the liability of Rs. 10.49 lakhs in the Balance Sheet.

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

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

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

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

## Schedules to the Financial Statements — continued

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

any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails.

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. In the meanwhile, the Government of India has filed an application in the Supreme Court praying that the writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from various High Courts. The Supreme Court is yet to hear the transfer petition.

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

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

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

	Rupees in lakhs	Previous year Rupees in lakhs
4 Contingent Liabilities not provided for:		
(i) Cheques discounted with banks	6,85.69	13,73.98
(ii) In respect of claims made against the Company not acknowledged as debts by the Company		
- Sales tax matters	32,29.65	31,97.86
- Excise matters	7,98.63	11,01.22
- Service tax matters	2,42.18	2,42.18
- Labour matters	33,75.66	29,37.65
- Other legal matters	8,69.90	9,74.00
which net of current tax amount to -	56,21.42	55,79.77
(iii) Taxation matters in respect of which appeals are pending		
- Tax on matters in dispute	87,87.48	77,23.35
- Other consequential matters (net of tax)	3,74.39	3,74.39

#### Notes:

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

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

## Schedules to the Financial Statements — continued

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

	Rupees in lakhs	Previous year Rupees in lakhs
5		
Uncalled liability on partly paid shares:		
- in Hill Properties Limited	0.12	0.12
Note:		
Future cash outflow is dependent on the call to be made by Hill Properties Limited.		
6		
Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	7,32.25	2,73.25
7		
Fixed Assets include the following investments representing ownership of residential flats :		
- 5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited.	7.22	7.22
- 10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited.	2.00	2.00
- 10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited.	48.13	48.13
- 5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.	23.62	23.62
- 10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.	33.31	33.31
- 20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited.	45.59	45.59
- 5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited.	67.00	67.00
- 20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited.	19.32	19.32
8		
Loans and Advances include amounts due from a Director * and an officer of the Company	15.24	18.17
the maximum amount due during the year was	18.22	21.57
* Loan granted prior to appointment as a whole time Director.		
9		
(a) Directors' Remuneration		
Salaries	3,80.81	3,29.55
Payments under the long-term incentive plan	—	27.41
Perquisites	6.21	4.14
Contribution to provident and superannuation funds	52.38	41.61
Commission to non whole-time Directors	30.33	19.46
Directors' sitting fees	8.50	12.20
	<u>4,78.23</u>	<u>4,34.37</u>
- excludes contribution to gratuity fund, which is based on an actuarial valuation and the amount recognised as expense for the year under the long-term incentive plan.		
- subject to approval of members in General Meeting - Nil (Previous year - Rs. 22.76 lakhs).		
Pension to past Directors	3.61	3.61

## Schedules to the Financial Statements — continued

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

	Rupees in lakhs	Previous year Rupees in lakhs
(b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956:		
Net Profit .. .. .	576,56.90	537,65.85
<u>Add / (Deduct) :</u>		
Directors' remuneration .. .. .	4,78.23	4,34.37
Depreciation as per the Profit and Loss Account .. .. .	16,33.65	16,15.95
Depreciation under Section 350 of the Companies Act, 1956 .. .. .	(12,58.07)	(12,48.79)
Provision / write off for doubtful debts, loans and advances (net) .. .. .	38.57	1,77.26
Bad debts written off against provision for doubtful debts, loans and advances .. .. .	(1.41)	(77.08)
Profit on sale / disposal of fixed assets (net) .. .. .	(17.62)	(18.85)
Profit on sale / redemption of investments (net) .. .. .	—	(1,72.54)
Exceptional items:		
- Profit on sale / redemption of investments (net) .. .. .	(147,13.84)	—
- Costs of voluntary retirement schemes and other retirement benefits .. .. .	—	83.91
- Profit on sale of the Fine Chemicals business .. .. .	—	(198,29.63)
Taxation for the year (including on exceptional items) .. .. .	225,69.64	253,58.56
Net Profit .. .. .	<u>663,86.05</u>	<u>600,89.01</u>
Maximum remuneration permissible under the Companies Act, 1956 at 10% .. .. .	66,38.61	60,08.90
Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1% .. .. .	6,63.86	6,00.89
Commission payable for the year restricted to .. .. .	<u>30.33</u>	<u>19.46</u>
10 Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:		
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal .. .. .	—	—
(ii) Interest due thereon .. .. .	—	—
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year .. .. .	13.38	—
(ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 .. .. .	0.09	—
(c) (i) Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms .. .. .	—	—
(ii) Normal Interest payable for the period of delay in making payment, as per the agreed terms .. .. .	—	—
(d) (i) Total Interest accrued during the year .. .. .	0.09	—
(ii) Total Interest accrued during the year and remaining unpaid .. .. .	—	—
(e) Included in (d) above is Nil being interest on amounts outstanding as at the beginning of the accounting year		

The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

11 The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2008 and the provision based on the figures for the remaining nine months up to 31st December, 2008, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2008 to 31st March, 2009.

## Schedules to the Financial Statements — continued

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

- 12 (a) In the previous year, profit on sale / redemption of investments (net) current is net of loss on sale/redemption of long term investments amounting to Rs. 2,74.39 lakhs.
- (b) Profit on sale / redemption of investments (net) (Exceptional Item) comprises profit on sale of long term investments amounting to Rs. 132,66.51 lakhs, current investments of Rs. 14,54.07 lakhs and loss on sale of current investments of Rs. 6.74 lakhs.
- (c) Miscellaneous expenses in Schedule - 16 'Operating and Other Expenses' includes loss on sale of long term investments Rs. 5.69 lakhs.
- 13 The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,63.69 lakhs (Previous year - Rs. 4,40.16 lakhs).
- 14 "Recovery of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 10,61.83 lakhs (Previous year - Rs. 8,83.17 lakhs), from subsidiary company Rs. 4,13.61 lakhs (Previous year - Rs. 4,12.81 lakhs), from GlaxoSmithKline Pte Limited Rs. 11.18 lakhs (Previous year - Rs. 6.10 lakhs), from GlaxoSmithKline S.A.E Rs. 14.17 lakhs (Previous year - Rs. 9.57 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 22.26 lakhs (Previous year - Rs. 22.40 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 7,27.07 lakhs (Previous year - Rs. 6,61.54 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

	Rupees in lakhs	Previous year Rupees in lakhs
15 Exceptional items :		
(i) Costs of voluntary retirement schemes and other retirement benefits . . . . .	—	(83.91)
(ii) Profit on sale of the Fine Chemicals business . . . . .	—	198,29.63
(iii) Provision for completion covenants for sale of the Fine Chemicals business	—	(16,64.60)
(iv) Expenses incidental to sale of the Fine Chemicals business. . . . .	—	(74.18)
(v) Provision for pricing of formulations . . . . .	(4,31.28)	—
(vi) Profit on sale / redemption of investments (net) . . . . .	147,13.84	—
(vii) Actuarial Gain/(Loss) on employee benefits . . . . .	(23,49.86)	4,44.41
(viii) Government grant through refund of octroi duty . . . . .	3,04.08	—
Taxation on the above		
Current tax . . . . .	(1,28.00)	(42,35.72)
Deferred tax . . . . .	7,12.30	(1,28.18)
	<u>128,21.08</u>	<u>140,87.45</u>

#### 16 Installed Capacities (per annum)

Class of Goods	Unit	Installed Capacity (a)	
		2008	2007
Chemicals (including Bulk Drugs)	Tonnes	184	184
Formulations			
Liquids - Orals, Topicals and Parenterals	Kilo litres	8,400	8,400
Antibiotic Vials	Thousands	5,000	5,000
Tablets and Capsules	Million	6,950	6,750
Solids including Powders and Ointments	Tonnes	2,225	1,550
Aerosol Cans	Thousands	3,000	3,000

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

## Schedules to the Financial Statements — continued

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

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

Class of Goods	Unit	Stocks at Commencement		Production	Purchases		Sales		Stocks at Close	
		Quantity	Rupees in Lakhs		Quantity	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity
Chemicals (including Bulk Drugs)	Tonnes	1 (1550)	6,19.87 (18,74.47)	23 (4310)	199 (1345)	10,11.19 (14,51.20)	188 (5536)	47,23.02 (106,23.98)	35 (1)	6,83.66 (6,19.87)
Formulations (including Vitamin Feed Supplements)										
Liquids- Orals, Topicals and Parenterals	Kilo litres	995 (1227)	22,40.99 (22,63.20)	6359 (5770)	1138 (1139)	32,50.39 (29,08.43)	7276 (7124)	289,03.62 (275,06.09)	1194 (995)	23,36.37 (22,40.99)
Antibiotic Vials	Thousands	1270 (1109)	9,54.97 (8,74.64)	4976 (4720)	5935 (4377)	34,98.06 (29,50.87)	10241 (8930)	129,26.55 (117,25.15)	1885 (1270)	12,39.03 (9,54.97)
Tablets and Capsules	Million	1047 (1160)	50,18.16 (53,68.97)	8707 (7859)	556 (777)	120,04.55 (126,44.10)	9218 (8744)	813,10.35 (782,11.04)	1081 (1047)	48,54.76 (50,18.16)
Solids including Powders and Ointments	Tonnes	382 (376)	24,01.36 (29,45.42)	2257 (1960)	965 (889)	44,62.90 (39,49.06)	3227 (2847)	364,40.07 (327,27.28)	371 (382)	20,15.70 (24,01.36)
Vaccines	Thousands	564 (657)	14,63.75 (20,83.56)	— (-)	1282 (1347)	35,04.86 (34,14.60)	1427 (1433)	83,48.55 (80,65.97)	417 (564)	10,01.53 (14,63.75)
Aerosol Cans	Thousands	156 (266)	2,92.43 (5,65.66)	1097 (1082)	222 (174)	9,86.32 (8,12.19)	1189 (1402)	25,03.90 (24,24.64)	243 (156)	3,88.29 (2,92.43)
Purchase of physician samples			— (-)		— (-)	10,89.10 (12,34.87)		— (-)		— (-)
<b>TOTAL</b>			<u>129,91.53</u> (159,75.92)			<u>298,07.37</u> (293,65.32)		<u>1751,56.06</u> (1712,84.15)		<u>125,19.34</u> (129,91.53)

Notes:

- Figures in brackets are in respect of the previous year.
- Transfer of stocks as at 30th September, 2007, pursuant to sale of the Fine Chemicals business :  
Chemicals (including Bulk Drugs) 1510 Tonnes; Rs. 15,62.81 lakhs
- The closing stock quantities stated above are after adjustments for in-transit breakages / damages and date expired stocks. Closing stock quantities, if derived from opening stocks, production, purchases and sales would be different due to these adjustments.
- Actual production includes quantities produced in the factories of third parties on loan licenses.
- Sales quantities include free issues.

18	Break-up of raw and packing materials consumed				
	Raw materials	..	..	..	..
	Packing materials	..	..	..	..

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

	Rupees in lakhs	Previous year Rupees in lakhs
Raw materials	257,36.40	232,99.11
Packing materials	94,49.72	88,53.14
<b>TOTAL</b>	<u>351,86.12</u>	<u>321,52.25</u>

## Schedules to the Financial Statements — continued

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

		Rupees in lakhs		Previous year Rupees in lakhs	
19	Consumption of raw and packing materials				
		%		%	
	Purchased indigenously	70.14	246,78.95	72.58	233,37.31
	Imported by the Company (including duty and other charges) ..	29.86	105,07.17	27.42	88,14.94
		<u>100.00</u>	<u>351,86.12</u>	<u>100.00</u>	<u>321,52.25</u>
20	C.I.F. value of imports in respect of:				
	Raw and packing materials .. .. .		104,83.12		78,62.36
	Goods for resale .. .. .		53,76.82		48,78.63
	Components and spare parts for machinery .. .. .		17.59		16.08
	Capital goods .. .. .		5,26.59		2,27.86
			<u>164,04.12</u>		<u>129,84.93</u>
21	Remittance in foreign currency on account of dividend		2007 (Final)		2006 (Final)
	On 3,04,85,250 equity shares to Glaxo Group Limited, U.K. ..		109,74.69		94,50.43
	On 58,80,000 equity shares to Eskaylab Limited, U.K. . . . .		21,16.80		18,22.80
	On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K. .. . . .		12,09.60		10,41.60
	On 31,92,238 equity shares to Castleton Investment Limited, Mauritius		11,49.21		9,89.59
22	Expenditure in foreign currency on account of : (on payment basis)				
	- Travelling .. .. .		1,05.89		1,23.41
	- Selling commission on exports .. .. .		6.55		9.18
	- Royalty .. .. .		—		46.01
	- Others .. .. .		1,55.59		2,17.05
			<u>2,68.03</u>		<u>3,95.65</u>
23	Earnings in foreign exchange on account of :				
	F.O.B. value of exports including through merchant exporters ..		59,26.71		40,32.14
	Recovery of expenses .. .. .		65.01		58.68
	Clinical research and data management		32,53.69		35,86.08
	Research and development .. .. .		2,84.27		2,94.50
	Others .. .. .		98.09		4,01.25
			<u>96,27.77</u>		<u>83,72.65</u>

## Schedules to the Financial Statements — continued

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

#### 24 Employee Benefits

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

##### 1 Brief description of the Plans

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

	Rupees in lakhs	Previous year Rupees in lakhs
2 <u>Charge to the Profit and Loss Account based on contributions:</u>		
Superannuation	3,48.96	3,40.85
Employees' pension scheme	2,40.92	2,42.31
Provident fund	3,91.29	3,54.88
	9,81.17	9,38.04

##### 3 Disclosures for defined benefit plans based on actuarial reports as on 31st December, 2008:

	Rupees in lakhs		Previous Year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(i) <u>Change in Defined Benefit Obligation</u>				
Opening defined benefit obligation	25,38.38	20,33.94	27,02.25	22,93.55
Current service cost	1,11.99	30.69	1,26.23	41.06
Interest cost	2,02.81	1,60.79	2,00.30	1,67.87
Actuarial loss / (gain)	9,36.76	9,06.39	(1,17.77)	(3,68.59)
Liabilities settled on sale of business	—	—	(51.75)	(1.84)
Benefits paid	(4,95.32)	(1,18.21)	(3,20.88)	(98.11)
Closing defined benefit obligation	32,94.62	30,13.60	25,38.38	20,33.94
(ii) <u>Change in Fair Value of Assets</u>				
Opening fair value of plan assets	28,54.40		28,21.94	
Expected return on plan assets	2,05.87		2,19.08	
Actuarial gain / (loss)	(16.85)		(1,17.80)	
Contributions by employer	65.00		3,03.81	
Assets distributed on sale of business	—		(51.75)	
Benefits paid	(4,95.32)		(3,20.88)	
Closing fair value of plan assets	26,13.10		28,54.40	

## Schedules to the Financial Statements — continued

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

	Rupees in lakhs		Previous Year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(iii) <u>Amount recognised in the Balance Sheet</u>				
Present value of obligations as at year end	32,94.62	30,13.60	25,38.38	20,33.94
Fair value of plan assets as at year end	26,13.10		28,54.40	
Amount not recognised as an asset	—		22.94	
Net (asset) / liability recognised as at year end	6,81.52	30,13.60	(2,93.08)	20,33.94
(iv) <u>Expenses recognised in the Profit and Loss Account</u>				
Current service cost	1,11.99	30.69	1,26.23	41.06
Interest on defined benefit obligation	2,02.81	1,60.79	2,00.30	1,67.87
Expected return on plan assets	(2,05.87)		(2,19.08)	
Net actuarial loss / (gain) recognised in the current year	9,53.61	9,06.39	0.03	(3,68.59)
Effect of the limit in Para 59(b) of the revised AS 15	(22.94)		22.94	
Total expense	10,39.60	10,97.87	1,30.42	(1,59.66)
(v) <u>Asset information</u>				
Government of India Securities	45%		37%	
Corporate Bonds	25%		37%	
Special Deposit Scheme	24%		25%	
Others	6%		1%	
(vi) <u>Principal actuarial assumptions used</u>				
Discount rate (p.a.)	5.95%	5.95%	8.35%	8.35%
Expected rate of return on plan assets (p.a.)	7.50%		7.50%	
Annual increase in health care premiums (p.a.)		5%		5%
(vii) <u>Effect of change in Assumed Health Care Cost Trend rate</u>				
<u>1% increase</u>				
Effect on the aggregate of service cost and interest cost		25.43		22.52
Effect on defined benefit obligation		2,53.57		1,87.98
<u>1% decrease</u>				
Effect on the aggregate of service cost and interest cost		(23.34)		(19.42)
Effect on defined benefit obligation		(2,78.80)		(1,71.66)
(viii) <u>Experience adjustments</u>				
Defined benefit obligation	32,94.62	30,13.60	25,38.38	20,33.94
Plan assets	26,13.10		28,54.40	
Deficit / (Surplus)	6,81.52	30,13.60	(3,16.02)	20,33.94
Experience adjustments on plan liabilities	1,99.47	74.05	58.90	(1,53.14)
Experience adjustments on plan assets	(16.85)		(1,17.80)	
(ix) Expected employer's contribution for the next year	3,00.00	1,39.59	4,00.00	1,36.23

4 The liability for leave encashment and compensated absences as at year end is Rs. 20,98.82 lakhs (Previous year - Rs. 15,38.22 lakhs).

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

## Schedules to the Financial Statements — *continued*

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

#### 26 Related Party disclosures

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

##### 1 Relationships (during the year):

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

Glaxo Group Limited, U.K.  
 Eskaylab Limited, U.K.  
 Burroughs Wellcome International Limited, U.K.  
 Castleton Investment Limited, Mauritius

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

GlaxoSmithKline plc, U.K.  
 GlaxoSmithKline Finance plc, U.K.  
 SmithKline Beecham plc, U.K.  
 Wellcome Limited, U.K.  
 Wellcome Foundation Limited, U.K.  
 Wellcome Consumer Healthcare Limited, U.K.

\* no transactions during the year

##### (ii) Subsidiary of the Company

Biddle Sawyer Limited, a wholly owned subsidiary of the Company

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

GlaxoSmithKline Limited, Kenya  
 Smithkline Beecham Private Limited, Sri Lanka  
 GlaxoSmithKline Bangladesh Limited, Bangladesh  
 GlaxoSmithKline Pakistan Limited, Pakistan  
 GlaxoSmithKline Asia Private Limited, India  
 GlaxoSmithKline Consumer Healthcare Limited, India  
 GlaxoSmithKline Biologicals S.A., Belgium  
 GlaxoSmithKline Services Unlimited, U.K.  
 Glaxo Operations UK Limited, U.K.  
 GlaxoSmithKline S.A.E., Egypt  
 Laboratoire GlaxoSmithKline S.A.S., France  
 GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia  
 GlaxoSmithKline Export Limited, U.K.  
 GlaxoSmithKline Pte Limited, Singapore  
 GlaxoSmithKline Australia Pty Limited, Australia  
 GlaxoSmithKline Trading Services Limited, Ireland  
 US Pharmaceuticals, U.S.A.

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

Dr. A. Banerjee	Mr. R. C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. H. Singh	Mr. R. Limaye
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. M.B. Kapadia	Mr. Sunder Rajan
Mr. M.K. Vasanth Kumar	Mr. S. Khanna
Dr. M. Reilly *	Mrs. S. Patel
Mr. N. Kaviratne	Mr. V. Narayanan
Mr. P. Bains *	Mr. V. Thyagarajan
Mr. P.V. Nayak	Mrs. Neeru Nayak

\* no transactions during the year

## Schedules to the Financial Statements — continued

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

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

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

Rupees in lakhs

	Subsidiary of the company (ii)		Other companies in the GSK Group (iii)	
	2008	2007	2008	2007
1 Purchase of materials/finished goods	—	—	85,79.71	72,13.31
2 Sale of materials/finished goods	—	—	41,52.38	23,13.75
3 Expenses recharged to other companies	4,13.61	4,12.81	14,61.02	13,05.93
4 Research and development recoveries	—	—	2,84.27	2,94.50
5 Expenses recharged by other companies	—	—	8,94.83	8,09.23
6 Manufacturing charges recovered	30.06	11.53	—	—
7 Consignment sales commission received	1,20.64	1,20.31	1,11.91	81.87
8 Clinical research and data management recoveries	—	—	32,53.69	35,86.08
9 Outstanding (payables)/receivables at the year end (net) #	30.62	(41.74)	(1,02.62)	(35.32)

# 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 2008	Rupees in lakhs 2007
(a) Purchase of materials/finished goods		
GlaxoSmithKline Biologicals S.A., Belgium	30,40.00	29,54.51
GlaxoSmithKline Export Limited, U.K.	54,78.69	41,60.59
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	13,78.05	8,45.09
GlaxoSmithKline Trading Services Limited, Ireland	26,50.33	14,67.63
(c) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	13,62.94	9,04.68
(d) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,84.27	2,94.50
(e) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	8,17.29	7,53.88
(f) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	1,11.91	81.87
(g) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	12,95.12	9,86.30
GlaxoSmithKline Services Unlimited, U.K.	19,58.57	25,63.85
(h) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	57.98	(1,09.71)
GlaxoSmithKline Consumer Healthcare Limited, India	5,51.07	6,57.83
GlaxoSmithKline Biologicals S.A., Belgium	77.35	(1,06.52)
GlaxoSmithKline Export Limited, U.K.	(14,48.60)	(6,88.80)
GlaxoSmithKline Trading Services Limited, Ireland	2,69.22	3,62.15
GlaxoSmithKline Services Unlimited, U.K.	2,76.45	(2,26.08)
GlaxoSmithKline Pakistan Limited, Pakistan	66.97	81.70

## 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:

- 1 Remuneration/commission/sitting fees
- 2 Payments under the long-term incentive plan
- 3 Interest income on loans given
- 4 Rent for residential flat
- 5 Outstanding loans receivable

	Rupees in lakhs 2008	Rupees in lakhs 2007
1	7,51.91	7,66.65
2	—	78.37
3	1.86	2.15
4	4.62	4.14
5	43.18	55.86

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

(a) Remuneration/commission/sitting fees

Dr. H.B. Joshipura

Mr. M.B. Kapadia

(b) Payments under the long-term incentive plan

Mr. M.B. Kapadia

Dr. A. Banerjee

Mr. K. Shivkumar

(c) Interest income on loans given

Dr. A. Banerjee

Mr. H. Singh

Mr. M.K. Vasanth Kumar

Mr. S. Khanna

Mrs. S. Patel

(d) Rent for residential flat

Dr. A. Banerjee

Mrs. Neeru Nayak

(e) Outstanding loans receivable

Dr. A. Banerjee

Mr. M.K. Vasanth Kumar

Mr. S. Khanna

Mrs. S. Patel

	Rupees in lakhs 2008	Rupees in lakhs 2007
Dr. H.B. Joshipura	1,97.24	2,00.90
Mr. M.B. Kapadia	1,25.22	1,15.01
Mr. M.B. Kapadia	—	13.70
Dr. A. Banerjee	—	13.70
Mr. K. Shivkumar	—	13.53
Dr. A. Banerjee	0.34	0.35
Mr. H. Singh	0.28	0.30
Mr. M.K. Vasanth Kumar	0.66	0.72
Mr. S. Khanna	0.30	0.34
Mrs. S. Patel	0.28	0.28
Dr. A. Banerjee	0.72	0.54
Mrs. Neeru Nayak	3.90	3.60
Dr. A. Banerjee	11.38	11.55
Mr. M.K. Vasanth Kumar	15.52	17.08
Mr. S. Khanna	6.96	7.99
Mrs. S. Patel	9.32	9.44

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 - Nil (Previous year - Rs. 1,28.54 lakhs)

## Schedules to the Financial Statements — *continued*

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

28 Amount recognised as expense for the year under the long-term incentive plan is Rs. 1,26.03 lakhs (Previous year - Rs. 62.13 lakhs).

The total carrying amount of the corresponding liability at the year end is Rs. 2,69.92 lakhs (Previous year - Rs. 1,46.98 lakhs).

29 Earnings per share

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

			Previous Year
Profit after taxation and before exceptional items	Rupees in lakhs	448,35.82	396,78.40
Profit after taxation	Rupees in lakhs	576,56.90	537,65.85
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	52.93	46.84
Earnings per share (Basic and Diluted)	Rs.	68.07	63.48
Face value per share	Rs.	10	10

30 In the previous year, the Company sold the Fine Chemicals business as a going concern to Thermo Electron LLS India Private Limited for a total consideration of Rs. 240,00 lakhs at a profit of Rs. 198,29.63 lakhs. Accordingly, figures for the current year are to that extent not comparable with those of the previous year.

31 Current taxation represents payments in excess of provisions of Rs. 1709,15.11 lakhs (Previous year - Rs. 1481,15.11 lakhs).

32 Provision for fringe benefits tax represents provision in excess of payments of Rs. 28,35.00 lakhs (Previous year - Rs. 21,30.00 lakhs).

33 Investments purchased and sold / redeemed during the year:

Government of India Treasury Bills  
Face value Rs. 1,18,63.50 lakhs

ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option  
10,30,71,647.097 Units of Rs. 10 each

ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option  
50,09,165.589 Units of Rs. 10 each

DWS Money Plus Fund - Institutional Plan - Daily Dividend Option  
2,10,92,483.143 Units of Rs. 10 each

DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option  
3,71,058.423 Units of Rs. 1,000 each

DSP Merrill Lynch Liquidity Fund - Institutional Plan - Daily Dividend Option  
2,00,224.316 Units of Rs. 1,000 each

HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option  
1,65,32,024.617 Units of Rs. 10 each

HDFC Liquid Fund Premium Plan - Daily Dividend Option  
1,23,19,721.016 Units of Rs. 10 each

## Schedules to the Financial Statements — *continued*

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

HSBC Liquid Plus - Institutional Plus - Daily Dividend Option  
36,84,019.931 Units of Rs. 10 each

ICICI Prudential Floating Rate Plan D - Daily Dividend Option  
1,37,956.832 Units of Rs. 10 each

IDFC Liquid Plus Fund - Investment Plan - Plan B - Daily Dividend Option  
8,12,79,113.889 Units of Rs. 10 each

IDFC Liquid Fund - Daily Dividend Option  
2,24,41,327.031 Units of Rs. 1,000 each

Principal Floating Rate Fund Flexible Maturity Plan Institutional Option - Daily Dividend Option  
39,25,901.954 Units of Rs. 10 each

SBI - Short Horizon Fund - Liquid Plus - Institutional Plan - Daily Dividend Option  
1,94,78,417.481 Units of Rs. 10 each

SBI Debt Fund Series - 90 days-17-(06-Nov-07) - Dividend Option  
83,575.000 Units of Rs. 10 each

Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option  
3,31,663.640 Units of Rs. 10 each

Templeton India Treasury Management Account Super Institutional Plan Daily Dividend Reinvestment Option  
1,21,37,654.775 Units of Rs. 1,000 each

Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option  
2,13,728.112 Units of Rs. 10 each

Templeton India Ultra Short Bond Fund - Super Institutional - Daily Dividend Reinvestment Option  
5,25,35,579.098 Units of Rs. 10 each

	Rupees in lakhs
34 Mutual Funds - Unquoted in respect of the previous year are as given below :	
ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option 3,51,88,240.306 Units of Rs. 10 each	35,18.86
ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option 50,03,250.331 Units of Rs. 10 each	5,00.32
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option 5,98,70,790.569 Units of Rs. 10 each	59,91.99
DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option 6,90,530.492 Units of Rs. 1,000 each	69,06.61
HDFC Floating Rate Income Fund - Short Term Plan - Growth Option 1,76,91,756.526 Units of Rs. 10 each	20,00.00
HDFC Cash Management Fund - Saving Plus Plan - Wholesale Growth Option 43,40,868.987 Units of Rs. 10 each	6,33.37

## Schedules to the Financial Statements — *continued*

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

	Rupees in lakhs
HDFC Fixed Maturity Plan 18M October 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00
HDFC Fixed Maturity Plan 17M November 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00
HDFC Fixed Maturity Plan 16M December 2006 (2) - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option 2,86,06,443.570 Units of Rs. 10 each	28,83.79
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option 7,02,52,155.022 Units of Rs. 10 each	70,34.06
ICICI Prudential Institutional Short Term Plan - Cumulative Option 63,49,432.623 Units of Rs. 10 each	8,19.19
ICICI Prudential Floating Rate Plan C - Growth Option 1,90,30,038.916 Units of Rs. 10 each	20,00.00
ICICI Prudential Floating Rate Plan D - Daily Dividend Option 3,42,14,528.704 Units of Rs. 10 each	34,21.68
IDFC Liquid Plus Fund - Investment Plan - Plan B - Daily Dividend Option 4,07,88,438.542 Units of Rs. 10 each	40,80.78
IDFC Liquid Fund - Daily Dividend Option 3,19,932.814 Units of Rs. 1,000 each	32,00.00
Principal Floating Rate Fund Flexible Maturity Plan Institutional Option - Daily Dividend Option 7,41,38,387.898 Units of Rs. 10 each	74,22.96
SBI - Short Horizon Fund - Liquid Plus - Institutional Plan - Daily Dividend Option 5,58,15,403.961 Units of Rs. 10 each	55,84.11
SBI Debt Fund Series - 90 days-17-(06-Nov-07) - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option 1,55,49,451.537 Units of Rs. 10 each	16,15.28
Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment Option 3,04,479.925 Units of Rs. 1,000 each	30,45.56
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option 1,03,89,611.643 Units of Rs. 10 each	10,44.20
	<b><u>637,02.76</u></b>

## Schedules to the Financial Statements — continued

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

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

##### I. Registration Details

Registration No.

0 1 1 5 1

Balance Sheet Date

3 1 1 2 0 8

State Code

1 1

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

Public Issue

N I L

Bonus Issue

N I L

Right Issue

N I L

Private Placement

N I L

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

Total Liabilities (including shareholders' funds)

2 2 8 1 9 5 7 0

Sources of Funds

Paid-Up Capital

8 4 7 0 3 0

Secured Loans

N I L

Application of Funds

Net Fixed Assets

1 0 0 3 5 2 5

Net Current Assets\*

6 9 4 5 1 6 2

Accumulated Losses

N I L

Total Assets

2 2 8 1 9 5 7 0

Reserves and Surplus

1 4 5 6 3 9 0 0

Unsecured Loans

5 6 4 9 4

Investments

7 5 1 8 7 3 7

Miscellaneous Expenditure

N I L

\*including net deferred tax asset

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

Turnover (Sales and Other Income)

1 7 7 8 9 6 1 5

Profit before tax and exceptional items

6 7 9 8 9 7 6

Earning Per Share in Rs.  
before exceptional items

5 2 . 9 3

Total Expenditure

1 0 9 9 0 6 3 9

Profit after tax before exceptional items

4 4 8 3 5 8 2

Profit after tax after exceptional items

5 7 6 5 6 9 0

Earning Per Share in Rs.  
after exceptional items

6 8 . 0 7

Dividend Rate

4 0 0 %

## Schedules to the Financial Statements — continued

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

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

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

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

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

	For and on behalf of the Board	
K. H. Vachha Partner Membership No. 30798 For and on behalf of Price Waterhouse & Co. Chartered Accountants	Chairman	D. S. PAREKH
	Managing Director	Dr. H. B. JOSHIPURA
	Senior Executive Director	M. B. KAPADIA
Mumbai, 18th February, 2009	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	31.12.2008	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 14,51.61	Rs. lakhs —	Rs. lakhs 62,06.19	Rs. lakhs —

	For and on behalf of the Board	
	Chairman	D. S. PAREKH
	Managing Director	Dr. H. B. JOSHIPURA
	Senior Executive Director	M. B. KAPADIA
Mumbai, 18th February, 2009	Company Secretary	A. A. NADKARNI

# Biddle Sawyer Limited

## Directors' Report to the Members

Your Directors are pleased to present the 63<sup>rd</sup> Annual report and the audited accounts of the Company for the year ended 31<sup>st</sup> December 2008.

### Financial Results

	Year ended 31 <sup>st</sup> December 2008	Year ended 31 <sup>st</sup> December 2007
	Rs. in lakhs	Rs. in lakhs
Net Sales and other income	37,97.97	35,41.49
Profit before taxation and exceptional items	21,11.31	20,56.57
Provision for Tax	6,60.00	6,50.00
Deferred Tax charge/ (credit)	(0.30)	(3.44)
Net profit after tax	14,51.61	14,10.41
Add: Balance brought forward	62,06.87	47,96.46
Balance carried forward	76,58.48	62,06.87

### Dividend

The Directors do not recommend any dividend for the year ended 31<sup>st</sup> December 2008.

### Operations

The net sales for the year ended 31<sup>st</sup> December 2008 were Rs. 33.00 crores as compared to Rs. 31.06 crores for the previous year. The profit after tax increased by 3% from Rs. 14.10 crores to Rs. 14.52 crores.

### Directors

Mr. M. B. Kapadia retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

### Directors' Responsibility Statement:

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> December 2008 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

### Information Pursuant to Section 217 of the Companies Act, 1956

There are no employees covered within the purview of the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956, as amended by the 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 the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed.

### Appointment of Auditors

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

### Appreciation

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

For and on behalf of the Board

Mumbai  
Dated: 18<sup>th</sup> February 2009

Dr. H. B. Joshipura  
Chairman

## Annexure to Directors' Report

### A. CONSERVATION OF ENERGY:

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

### B. TECHNOLOGY ABSORPTION:

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

#### FORM 'A'

#### I. Power and Fuel Consumption:

		Year ended 31 <sup>st</sup> December 2008	Year ended 31 <sup>st</sup> December 2007
1. Electricity:			
a) Purchased			
Units	Kwh	Nil	Nil
Total Amount	Rs.	Nil	Nil
Rate/Unit	Rs.	Nil	Nil
b) Own Generation			
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
 

	31 <sup>st</sup> December 2008 Rs. in lakhs
1) Capital	Nil
2) Recurring	Nil
3) Total	Nil
4) Total R & D expenditure as per percentage of total turnover	Nil

#### Technology absorption, adaption and innovation

- Efforts in brief made towards technology absorption, adoption and innovation: Nil
- Benefits derived as a result of above efforts: Nil
- 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 therefore, and future plan of action – NA

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

	31 <sup>st</sup> December 2008 Rs. in lakhs
1) Foreign Exchange earned	Nil
2) Foreign Exchange outgo- CIF Value of Imports	553.47
3) Travelling & Subscription	Nil

**Auditors' Report**

To Members of Biddle Sawyer Limited

- 1) We have audited the attached Balance Sheet of BIDDLE SAWYER LIMITED, as at 31st December, 2008, the Profit and Loss Account of the Company 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 responsibilities are to express opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 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 in terms of Section 227 (4A) of the Companies Act, 1956, of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the confirmation and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in Paragraph 3, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company, in so far as appears from our examination of the books of the Company;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement complies with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) On the basis of our review of the confirmations received from the Companies in which the Directors of the Company serve as Director and the information and explanations given to us, none of the Directors of the Company prima facie are disqualified from being appointed as Directors under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (f) Subject to the above, in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by Companies Act, 1956, in the manner so required and give a true and fair view:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2008;
    - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For CORNELIUS & DAVAR  
*Chartered Accountants*

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

*Mumbai*  
Dated: 18th February, 2009.

**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 of fixed assets, namely land, showing the location thereof.  
(b) The fixed assets have been physically verified by the management and, 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 and have been properly dealt with in the books of account.
- (iii) The Company has not taken or granted any loans, secured or unsecured from/to companies, firms, or other parties covered in the register maintained under Section 301 of Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books of account and according to the information and explanations given to us, we have not come across nor have we been informed of any instance of major weaknesses in the aforesaid internal controls.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the Company for the current year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- (vii) The Company has internal audit system commensurate with size of the Company and the nature of its business.
- (viii) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any product of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor Education and Protection Fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amount payable in respect of aforesaid dues were outstanding as at 31st December, 2008, 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, 2008.
- (x) The Company does not have any accumulated losses as at 31st December, 2008. 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 books of accounts and records of the Company, there has been no default in repayment of dues to any financial institution or bank during the year. The Company has not issued any debentures.
- (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 provisions of clause 4(xv) of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xvi) According to information and explanations given to us, the Company has not taken any term loans. Therefore, the provision of clause 4(xvi) of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures.
- (xx) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For CORNELIUS & DAVAR  
*Chartered Accountants*

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

*Mumbai*  
Dated: 18th February, 2009.

## Balance Sheet as at 31st December, 2008

	Schedule	Rs. ('000)	31/12/2008 Rs. ('000)	Rs. ('000)	31/12/2007 Rs. ('000)
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	96,00		96,00	
Reserves and Surplus	2	81,08,99	82,04,99	66,57,38	67,53,38
<b>LOAN FUNDS:</b>					
Secured Loans	3		—		3,12
<b>TOTAL</b>			<b>82,04,99</b>		<b>67,56,50</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	4	1,99,32		1,99,32	
Less: Depreciation		1,84,35		1,84,35	
Less: Impairment		12,89		12,89	
Net Block			2,08		2,08
<b>INVESTMENTS</b>	5		25,25,75		60,76,28
<b>DEFERRED TAX</b>					
Deferred Tax Assets			18,59		18,29
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	6	4,59,39		5,24,38	
Sundry Debtors	7	—		41,74	
Cash and Bank Balances	8	50,19,50		—	
Other Current Assets	9	1,94,39		1,07,54	
Loans and Advances	10	4,29,32		2,60,30	
		61,02,60		9,33,96	
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>					
Current Liabilities	11	4,44,03		2,74,11	
		4,44,03		2,74,11	
<b>NET CURRENT ASSETS</b>			<b>56,58,57</b>		<b>6,59,85</b>
<b>TOTAL</b>			<b>82,04,99</b>		<b>67,56,50</b>

Notes to the Accounts

15

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

As per our report of even date attached

For CORNELIUS &amp; DAVAR

Chartered Accountants

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 18th February, 2009

For and on behalf of the Board

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

S. Balasubramanian  
Company Secretary

## Profit and Loss Account for the year ended 31st December, 2008

	Schedule	Rs. ('000)	31/12/2008 Rs. ('000)	Rs. ('000)	31/12/2007 Rs. ('000)
<b>INCOME</b>					
Sales		35,43,55		35,24,66	
Less : Excise duty on sales		2,43,28		4,18,22	
Net Sales		33,00,26		31,06,44	
Other Income	12	4,97,71	37,97,97	4,35,05	35,41,49
<b>EXPENDITURE</b>					
Materials	13	8,17,55		8,18,42	
Operating and other expenses	14	8,69,11		6,49,91	
Depreciation/impairment		—		16,19	
			16,86,66		14,84,52
Profit before tax			21,11,31		20,56,97
Less: Provision for taxation		6,60,00		6,50,00	
Deferred tax charge/(credit)		(30)	6,59,70	(3,44)	6,46,56
Profit after tax			14,51,61		14,10,41
Balance brought forward			62,06,87		47,96,46
			76,58,48		62,06,87
Balance carried forward			76,58,48		62,06,87
Earnings per share (basic and diluted) (Rs.)			151.21		146.92

Notes to the Accounts

15

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

As per our report of even date attached

For CORNELIUS &amp; DAVAR

Chartered Accountants

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 18th February, 2009

For and on behalf of the Board

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

S. Balasubramanian  
Company Secretary

Cash Flow Statement for the year ended 31st December, 2008

	31/12/2008 Rs. ('000)	31/12/2007 Rs. ('000)
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	21,11,31	20,56,97
Adjustments for :		
Depreciation / Impairment	—	16,19
Interest income	(2,71,26)	(1,22,79)
Profit on sale of investments (net)	(37,87)	(1,18,85)
Dividend income	(1,88,57)	(1,62,64)
<b>Operating profit before working capital changes</b>	<b>16,13,61</b>	<b>16,68,88</b>
Adjustments for :		
Inventories	64,99	58,75
Trade and other receivables	(1,67,25)	25,92
Trade payables and other liabilities	1,69,92	11,39
<b>Cash generated from operations</b>	<b>16,81,27</b>	<b>17,64,94</b>
Direct taxes paid (net of refunds)	(6,20,03)	(5,78,56)
<b>Net cash from operating activities</b> A	<b>10,61,24</b>	<b>11,86,38</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) / sale of investments (net)	35,88,40	(15,44,28)
Interest received	1,84,41	1,13,34
Dividend received	1,88,57	1,62,64
<b>Net cash used in investing activities</b> B	<b>39,61,38</b>	<b>(12,68,30)</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (repayments) of borrowings (net)	(3,12)	3,12
	C	3,12
<b>Net (increase) / decrease in cash and cash equivalents</b> (A + B+ C)	<b>50,19,50</b>	<b>(78,80)</b>
Cash and cash equivalents as at 1st January, 2008 (opening balance)	—	78,80
Cash and cash equivalents as at 31st December, 2008 (closing balance)	50,19,50	—
<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>50,19,50</b>	<b>(78,80)</b>

NOTES:

- Cash and cash equivalents include:  
Cash and bank balances 50,19,50  
Total cash and cash equivalents 50,19,50
- 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

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 18th February, 2009

S. Balasubramanian  
Company Secretary

For and on behalf of the Board

Schedules to the Accounts

	31/12/2008 Rs. ('000)	31/12/2007 Rs. ('000)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
Authorised 1,500,000 Ordinary Shares of Rs.10/- each	1,50,00	1,50,00
ISSUED, SUBSCRIBED & PAID-UP: 960,000 Ordinary Shares of Rs.10/- each fully paid up (of the above 750,000 ordinary shares have been allotted as fully paid-up Bonus shares by capitalisation of General Reserve) (All the above shares are held by GlaxoSmithKline Pharmaceuticals Limited, the holding Company and its nominees.)	96,00	96,00
<b>TOTAL :</b>	<b>96,00</b>	<b>96,00</b>
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>		
<b>CAPITAL RESERVE:</b>		
As per last Balance Sheet	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>76,58,48</b>	<b>62,06,87</b>
<b>TOTAL :</b>	<b>81,08,99</b>	<b>66,57,38</b>
<b>SCHEDULE 3: SECURED LOANS</b>		
Bank Cash Credit	—	3,12
(Secured by Hypothecation of Stocks & Book Debts)	—	—
<b>TOTAL :</b>	<b>—</b>	<b>3,12</b>

SCHEDULE 4 : FIXED ASSETS

Sr No.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		At Cost as on 01/01/08	Additions during the year	Sale/scrapped during the year	Total as at 31/12/08	Depn. as on 01/01/08	Depn. / Impairment for the year	Depn. in respect of items sold/scrapped	Depn. to date 31/12/08	As at 31/12/08	As at 31/12/07
1	Land	2,08	—	—	2,08	—	—	—	2,08	2,08	—
2	Factory Building	16,98	—	—	16,98	16,98	—	16,98	—	—	—
3	Plant & Machinery	1,10,32	—	—	1,10,32	1,10,32	—	1,10,32	—	—	—
4	Furniture & Fixtures	13,48	—	—	13,48	13,48	—	13,48	—	—	—
5	Cycles	5	—	—	5	5	—	5	—	—	—
6	Computers	56,41	—	—	56,41	56,41	—	56,41	—	—	—
	<b>TOTAL</b>	<b>1,99,32</b>	<b>—</b>	<b>—</b>	<b>1,99,32</b>	<b>1,97,24</b>	<b>—</b>	<b>1,97,24</b>	<b>2,08</b>	<b>2,08</b>	<b>—</b>
	Previous Year	1,99,32	—	—	1,99,32	1,81,05	16,19	1,97,24	2,08	—	—

31/12/2008 31/12/2007

SCHEDULE 5: INVESTMENTS

LONG TERM INVESTMENTS (AT COST)

NON-TRADE (QUOTED)

	Rs. ('000) Book Value	Rs. ('000) Book Value
Housing Development Finance Corporation Limited 200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each	20,00,00	20,00,00
National Thermal Power Corporation 14, 5.95% Bonds, 2011 of Rs. 2,00,000 each	25,20	25,20
Industrial Development Bank of India Limited. 1, 6% Bonds, 2009 of Rs. 10,00,000 each	9,65	9,65
LIC Housing Finance Limited 50, 8.55% Non-Convertible Debentures, 2011 of Rs. 10,00,000 each	4,90,90	4,90,90
<b>CURRENT (at lower of cost and fair value)</b>		
<b>NON-TRADE (UNQUOTED)</b>		
ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option	—	4,53,43
Nil, (Previous year : 45,34,270.647 Units of Rs. 10 each)	—	—
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option	—	8,64,11
Nil, (Previous year : 86,82,864.496 Units of Rs. 10 each)	—	—
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option	—	6,28,91
Nil, (Previous year : 62,83,894.910 Units of Rs. 10 each)	—	—
DSP Merrill Lynch Short Term Fund - Growth Option	—	1,24,74
Nil, (Previous year : 10,38,821.389 Units of Rs. 10 each)	—	—
ICICI Prudential Floating Rate Plan D - Daily Dividend Option	—	9,56,05
Nil, (Previous year : 95,60,401.092 Units of Rs. 10 each)	—	—
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option	—	5,23,29
Nil, (Previous year : 51,917.700 Units of Rs. 1,000 each)	—	—
<b>TOTAL :</b>	<b>25,25,75</b>	<b>60,76,28</b>

Quoted : Market Value Rs. 25,13,09,000

(Previous year : Rs. 24,53,27,000)

Unquoted : Book Value Nil (Previous year : Rs. 35,50,53,064)

Purchased and Sold during the year

ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option 23,29,374.972 Units of Rs. 10 each		
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option 3,20,253.992 Units of Rs. 10 each		
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option 4,09,769.965 Units of Rs. 10 each		
HDFC Cash Management Fund - Saving Plus Plan - Wholesale - Daily Dividend Option 52,40,959.537 Units of Rs. 10 each		
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option 52,46,118.875 Units of Rs. 10 each		
ICICI Prudential Floating Rate Plan D - Daily Dividend Option 38,548.611 Units of Rs. 10 each		
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option 2,729.679 Units of Rs. 1,000 each		

SCHEDULE 6: INVENTORIES

(AT COST OR MARKET VALUE WHICHEVER IS LESS AND AS VALUED AND CERTIFIED BY THE MANAGEMENT)

	31/12/2008 Rs. ('000)	31/12/2007 Rs. ('000)
Raw Materials	2,39,19	3,02,81
Packing Materials	24,97	14,94
Work-in-Progress	17,78	—
Finished Goods	1,77,45	2,06,63
<b>TOTAL :</b>	<b>4,59,39</b>	<b>5,24,38</b>

SCHEDULE 7: SUNDRY DEBTORS - UNSECURED

Less than six months and considered good	—	41,74
<b>TOTAL :</b>	<b>—</b>	<b>41,74</b>

SCHEDULE 8: CASH AND BANK BALANCE

Bank balance with Scheduled Banks:		
On Current Accounts	68,50	—
On Deposits	49,51,00	—
<b>TOTAL :</b>	<b>50,19,50</b>	<b>—</b>

SCHEDULE 9: OTHER CURRENT ASSETS

Interest accrued on Investments	1,94,39	1,07,54
<b>TOTAL :</b>	<b>1,94,39</b>	<b>1,07,54</b>

	31/12/2008		31/12/2007	
	Rs.	Rs.	Rs.	Rs.
	('000)	('000)	('000)	('000)
<b>SCHEDULE 10: LOANS AND ADVANCES</b>				
(Unsecured, Considered good)				
Sundry Deposit		13,70		1,45
Balance with Central, State Excise and Insurance companies		1,11		1,40
Other advances		3,50,21		1,53,18
Advance Income-tax (Net of Provision)		64,30		1,04,27
<b>TOTAL :</b>		<b>4,29,32</b>		<b>2,60,30</b>
<b>SCHEDULE 11: CURRENT LIABILITIES</b>				
Sundry Creditors				
Micro and Small enterprises (Refer note 13 on Schedule 15)				
Others	3,72,79	3,72,79	2,02,87	2,02,87
D.P.E.A.		71,24		71,24
<b>TOTAL :</b>		<b>4,44,03</b>		<b>2,74,11</b>
<b>SCHEDULE 12: OTHER INCOME</b>				
Dividend Income		1,88,57		1,62,64
{Tax deducted at source Nil/- (Previous year Nil)}				
Profit on Sale of Investments		37,87		1,18,85
Interest income		2,71,26		1,22,79
{Tax deducted at source Rs. 27,17,759 (Previous year Rs. 26,25,480)}				
Exchange gain (net)		—		30,76
Miscellaneous Income		1		1
<b>TOTAL :</b>		<b>4,97,71</b>		<b>4,35,05</b>
<b>SCHEDULE 13: MATERIALS</b>				
Raw and packing materials consumed		7,69,01		4,83,79
Purchase of Finished Goods		37,14		51,73
(Increase)/Decrease in Work-in-Process and Finished Goods:				
Opening Stocks				
Work-in-Process		—		37,47
Finished Goods		2,06,63		4,52,06
		<b>2,06,63</b>		<b>4,89,53</b>
Less: Closing Stocks				
Work-in-Process		17,78		—
Finished Goods		1,77,45		2,06,63
		<b>1,95,23</b>		<b>2,06,63</b>
<b>TOTAL :</b>		<b>8,17,55</b>		<b>8,18,42</b>
<b>SCHEDULE 14: OTHER EXPENSES</b>				
Selling & Distribution Expenses		7,15,35		5,51,74
Manufacturing Charges		60,69		26,37
Rent		1,92		1,12
Rates & Taxes		53,50		67,91
Excise Duty		(73,02)		(82,53)
Insurance		89		81
Remuneration of auditors :				
Statutory audit fees		1,80		1,18
Tax audit fees		45		28
Other services		36		21
		<b>2,61</b>		<b>1,67</b>
Reimbursement of expenses		43	3,04	39
Finance Charges			22	14
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited		68,92		69,07
Exchange loss (net)		25,81		—
Miscellaneous Expenses		11,80		13,22
<b>TOTAL :</b>		<b>8,69,11</b>		<b>6,49,91</b>

**SCHEDULE 15 :****NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2008.****1 Statement of Significant Accounting Policies:****a) Basis of Accounting**

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

**b) Fixed Assets and Depreciation**

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

The Company provides for depreciation on a straight line method. The depreciation rates used by the Company are equal to or higher than the principal rates

specified in Schedule XIV to the Companies Act, 1956 and where higher are as follows:

	S. L. M. Rates %
Buildings	3.50
Plant and Machinery (excluding Gas Installations)	10.00
Furniture and Fittings	10.00
Vehicles and Mainframe Computers	25.00
Personal Computers and Laptops	33.33

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

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

**c) Investments**

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

**d) Inventories**

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

**e) Revenue Recognition**

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

**f) Foreign Currency transactions**

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

**g) Research and Development**

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

**h) Excise Duty**

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

**i) Taxes on Income**

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

**Other Accounting Policies**

These are consistent with the generally accepted accounting principles.

**2 Contingent Liabilities not provided for:**

- Claims against the Company not acknowledged as debts Rs.7,84,29,375/- (Previous year Rs. 7,05,15,411/-)
- Taxation matters in respect of which appeals are pending Rs. 6,41,587/- (Previous year NIL)
- Guarantee given by the Company to the Customs Authorities Rs. 2,00,00,000/- (Previous year Rs.2,00,00,000/-)
- Based on the data obtained by Government, it had directed the Company to pay a tentative amount of Rs. 49,28,762/- along with interest due thereon into the Drugs Prices Equilisation Account (DPEA) under Drugs (Price Control) Order 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by the Company. The Company had filed its reply contending that no amount is payable into DPEA.

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



## 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, 2008, 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. 82,04.99 lakhs as at 31<sup>st</sup> December, 2008 and total revenues of Rs. 37,97.97 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, 2008;
  - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary for the year ended on that date.

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

Mumbai, 18<sup>th</sup> February, 2009

# Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary as at 31st December, 2008

	Schedule	Rupees in lakhs		Previous year Rupees in lakhs
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Capital .. .. .	1	84,70.30		84,70.30
Reserves and surplus .. .. .	2	1490,82.71	1575,53.01	1296,13.51
				1380,83.81
<b>LOAN FUNDS</b>				
Secured loans . . . . .	3	—		3.12
Unsecured loans .. .. .	4	5,64.94	5,64.94	5,76.67
				5,79.79
			1581,17.95	1386,63.60
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross block .. .. .	5	326,28.88		310,85.09
Less : Depreciation .. .. .		235,87.00		223,35.75
Net block .. .. .		90,41.88		87,49.34
Capital work-in-progress .. .. .		9,95.45	100,37.33	5,42.98
				92,92.32
<b>INVESTMENTS</b>				
<b>DEFERRED TAX</b>				
Deferred tax assets .. .. .	6	38,88.90		30,14.07
Deferred tax liabilities .. .. .	7	9,10.77	29,78.13	9,81.60
				20,32.47
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories .. .. .	8	232,97.60		211,20.69
Sundry debtors .. .. .	9	57,94.38		37,76.61
Cash and bank balances .. .. .	10	956,73.49		154,99.47
Other current assets .. .. .	11	45,93.02		28,99.97
Loans and advances .. .. .	12	158,16.26		133,59.53
				1451,74.75
				566,56.27
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities .. .. .	13	275,73.34		247,09.67
Provisions .. .. .	14	454,50.74		392,55.02
				730,24.08
				639,64.69
<b>NET CURRENT ASSETS</b> .. .. .			721,50.67	(73,08.42)
			1581,17.95	1386,63.60
<b>Notes to the Consolidated Financial Statements</b>	18			

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

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

For and on behalf of the Board

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

Mumbai, 18th February, 2009

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

## Consolidated Profit and Loss Account of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2008

	Schedule	Rupees in lakhs		Previous year Rupees in lakhs
<b>INCOME</b>				
Sales (Gross) . . . . .		1786,99.61		1748,08.81
Less : Excise duty on sales . . . . .		93,58.81		139,88.25
Net sales . . . . .		1693,40.80		1608,20.56
Other income . . . . .	15	121,96.93		92,86.98
<b>TOTAL INCOME</b> . . . . .		<b>1815,37.73</b>		<b>1701,07.54</b>
<b>EXPENDITURE</b>				
Materials . . . . .	16	655,78.38		636,64.52
Operating and other expenses . . . . .	17	442,24.63		420,80.85
Depreciation . . . . .		16,33.65		20,53.68
<b>TOTAL EXPENDITURE</b> . . . . .		<b>1114,36.66</b>		<b>1077,99.05</b>
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b> . . . . .		<b>701,01.07</b>		<b>623,08.49</b>
Provision for taxation				
Current tax . . . . .		233,32.00		199,00.00
Deferred tax . . . . .		(2,33.36)		10,61.22
		230,98.64		209,61.22
Fringe benefits tax . . . . .		7,15.00	238,13.64	6,80.00
<b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> . . . . .		<b>462,87.43</b>		<b>406,67.27</b>
EXCEPTIONAL ITEMS (net of tax) . . . . .		128,21.08		140,87.45
(Refer note 15 on Schedule 18)				
<b>NET PROFIT</b> . . . . .		<b>591,08.51</b>		<b>547,54.72</b>
Balance brought forward . . . . .		797,57.75		660,55.00
<b>AVAILABLE FOR APPROPRIATION</b> . . . . .		<b>1388,66.26</b>		<b>1208,09.72</b>
<b>APPROPRIATIONS</b>				
Proposed dividend . . . . .		338,81.20		304,93.08
[The proposed dividend includes a special additional dividend of Rs. 152,46.54 lakhs (Previous year Rs.152,46.54 lakhs)]				
Tax on distributed profit . . . . .		57,58.11		51,82.30
		396,39.31		356,75.38
Transfer to general reserve . . . . .		57,65.69	454,05.00	53,76.59
<b>BALANCE CARRIED FORWARD</b> . . . . .		<b>934,61.26</b>		<b>797,57.75</b>
Earnings per share before exceptional items (basic and diluted) (Rs.) . . . . .		54.65		48.01
Earnings per share (basic and diluted) (Rs.) . . . . .		69.78		64.64
Face value of shares Rs. 10 each. (Refer note 21 on Schedule 18)				
<b>Notes to the Consolidated Financial Statements</b>	18			

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

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

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

Mumbai, 18th February, 2009

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

# Consolidated Cash Flow Statement of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2008

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items	701,01.07	623,08.49
<i>Adjustments for :</i>		
Depreciation	16,33.65	20,53.68
Interest expense	52.56	63.72
Provision / write off for doubtful debts, loans and advances (net)	38.57	1,77.26
Unrealised loss / (gain) on foreign exchange	(13.10)	2.69
Profit on sale / disposal of fixed assets (net)	(17.62)	(18.85)
Profit on sale / redemption of investments (net)	(32.18)	(2,91.39)
Provision written back as no longer required	(50.09)	(3,26.40)
Interest income	(73,26.02)	(47,09.24)
Dividend income	(29,78.29)	(25,29.23)
<b>Operating profit before working capital changes</b>	<b>614,08.55</b>	<b>567,30.73</b>
<i>Adjustments for :</i>		
Inventories	(21,76.91)	16,13.71
Trade and other receivables	(40,34.83)	(4,47.96)
Trade payables and other liabilities	29,54.26	1.73
<b>Cash generated from operations</b>	<b>581,51.07</b>	<b>578,98.21</b>
Direct taxes paid (net of refunds) (including fringe benefits tax)	(246,43.24)	(252,59.23)
<b>Cash flow before exceptional items</b>	<b>335,07.83</b>	<b>326,38.98</b>
<i>Exceptional items:</i>		
Payments made for voluntary retirement schemes and other retirement benefits	—	(83.91)
Expenses incidental to sale of the Fine Chemicals business	—	(74.18)
Payment for completion covenants for sale of the Fine Chemicals business	(51.57)	(5,80.00)
Payments for pricing of formulations	(7,53.27)	—
Non recurring expenses for merger / rationalisation initiatives	(4.04)	(17.42)
Government grant through refund of octroi duty	3,04.08	—
<b>Net cash from operating activities</b>	<b>A 330,03.03</b>	<b>318,83.47</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(23,87.87)	(15,32.58)
Sale of fixed assets	26.83	41.79
Sale of the Fine Chemicals business (Exceptional item)	—	240,00.00
(Purchase) / sale / redemption of investments (net) (Exceptional item)	785,34.73	—
(Purchase) / sale / redemption of investments (net)	(22,17.61)	(209,20.59)
Fixed deposit with a limited company (net)	—	10,00.00
Interest received	57,57.28	47,67.94
Dividend received	29,78.29	25,29.23
<b>Net cash from investing activities</b>	<b>B 826,91.65</b>	<b>98,85.79</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (repayments) of borrowings (net)	(14.85)	26.08
Interest paid	(32.11)	(63.48)
Dividend paid	(303,04.50)	(261,28.88)
Tax on distributed profit	(51,82.30)	(36,82.68)
<b>Net cash used in financing activities</b>	<b>C (355,33.76)</b>	<b>(298,48.96)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(A + B + C) 801,60.92</b>	<b>119,20.30</b>
Cash and cash equivalents as at 1st January, 2008 (opening balance)	154,97.13	35,76.83
Cash and cash equivalents as at 31st December, 2008 (closing balance)	956,58.05	154,97.13
<b>Net increase in cash and cash equivalents</b>	<b>801,60.92</b>	<b>119,20.30</b>
<b>NOTES:</b>		
1. Cash and cash equivalents include:		
Cash and bank balances	956,73.49	154,99.47
Unrealised gain on foreign currency	(15.44)	(2.34)
Total cash and cash equivalents	<b>956,58.05</b>	<b>154,97.13</b>

2. The Consolidated Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

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

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

Mumbai, 18th February, 2009

For and on behalf of the Board

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

# Schedules to the Consolidated Financial Statements

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

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

Of the above shares:

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

Prior to the buy back of equity shares\*:

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

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

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

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

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

## 2 RESERVES AND SURPLUS

	Rupees in lakhs				
	As at 1st January 2008	Additions	Deductions	As at 31st December 2008	As at 31st December 2007
Capital Reserve	1,70.97	—	—	(c) 1,70.97	1,70.97
Capital Redemption Reserve	2,62.00	—	—	(d) 2,62.00	2,62.00
Investment Allowance Reserve	1.64	—	—	1.64	1.64
General Reserve	494,21.15	(a) 57,65.69	—	551,86.84	494,21.15
Profit and Loss Account - Surplus	797,57.75	(b) 137,03.51	—	934,61.26	797,57.75
<b>TOTAL</b>	1296,13.51	194,69.20	—	1490,82.71	1296,13.51
Previous Year Total	1120,04.22	190,79.34	(14,70.05)	1296,13.51	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

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

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

## Schedules to the Consolidated Financial Statements — continued

### 3 SECURED LOANS

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

TOTAL . .

### 4 UNSECURED LOANS

Interest free sales tax loan from SICOM Limited

TOTAL . .

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
—	—	—	3.12
—	—	—	3.12
—	—	—	3.12
5,41.86	23.08	5,64.94	11.73
5,41.86	23.08	5,64.94	11.73
—	5,64.94	—	5,76.67

### 5 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2008	Additions	Deductions	As at 31st December 2008	As at 1st January 2008	For the Year	On Deductions	As at 31st December 2008	As at 31st December 2008	As at 31st December 2007
Goodwill (a)	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—
Freehold land	22.89	—	—	22.89	—	—	—	—	22.89	22.89
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (b)	27,52.26	13.96	—	27,66.22	12,00.34	63.70	—	12,64.04	15,02.18	15,51.92
Leasehold buildings	28,28.62	1,66.78	—	29,95.40	13,21.19	98.96	—	14,20.15	15,75.25	15,07.43
Plant and machinery	174,26.51	14,47.15	1,54.17	187,19.49	129,85.11	10,89.10	1,52.24	139,21.97	47,97.52	44,41.40
Furniture and fittings	31,03.65	1,14.15	28.13	31,89.67	20,90.37	2,64.28	22.22	23,32.43	8,57.24	10,13.28
Vehicles	6,91.92	1,93.36	2,09.31	6,75.97	5,23.77	1,17.61	2,07.94	4,33.44	2,42.53	1,68.15
<b>TOTAL</b>	<b>310,85.09</b>	<b>19,35.40</b>	<b>3,91.61</b>	<b>326,28.88</b>	<b>223,35.75</b>	<b>16,33.65</b>	<b>3,82.40</b>	<b>235,87.00</b>	<b>90,41.88</b>	
Previous year - Total	297,76.98	18,55.70	(c) 5,47.59	310,85.09	207,57.09	20,53.68	(c) 4,75.02	223,35.75		87,49.34
Work-in-progress at cost and advance payments against capital expenditure									9,95.45	5,42.98
								<b>TOTAL</b>	<b>100,37.33</b>	<b>92,92.32</b>

Notes:

- Amortised over a period of ten years.
- Freehold buildings include investments representing ownership of residential flats (Refer note 8 on Schedule 18).
- Deductions for the previous year include fixed assets transferred pursuant to sale of the Fine Chemicals business.

## Schedules to the Consolidated Financial Statements — continued

### 6 INVESTMENTS

#### LONG TERM (at Cost)

##### IN GOVERNMENT SECURITIES

###### Quoted

7.40% Government of India Securities, 2012

	Rupees in lakhs	Previous year Rupees in lakhs
Face value Rs. 25,00 lakhs	26,58.24	27,00.70

###### Unquoted

National Savings Certificate (Lodged with Government authorities)	0.17	0.17
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##### TRADE

###### Unquoted

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

###### Quoted

Export Import Bank of India 200, 5.40% Bonds, 2009 of Rs. 10,00,000 each	20,00.00	20,00.29
200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each	20,00.00	20,00.00

Grasim Industries Limited Nil, (Previous year : 20, 6.08% Non-Convertible Debentures, 2010 of Rs. 50,00,000 each)	—	10,04.73
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Housing Development Finance Corporation Limited Nil, (Previous year : 9,00,000 Equity Shares of Rs. 10 each fully paid)	—	1,18.13
Nil, (Previous year : 150, 6.10% Non-Convertible Debentures, 2008 of Rs. 10,00,000 each)	—	15,00.00
400, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each	40,00.34	40,06.26
100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each	10,00.00	10,00.00
350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	34,90.90	—

Indian Railway Finance Corporation Limited 50, 6.20% Bonds, 2010 of Rs. 10,00,000 each	5,04.33	5,06.85
Nil, (Previous year : 50, 5.99% Bonds, 2008 of Rs. 10,00,000 each)	—	5,01.48
20, 9.76% Bonds, 2012 of Rs. 10,00,000 each	2,01.54	2,01.90

Industrial Development Bank of India Limited 1, 6% Bonds, 2009 of Rs.10,00,000 each	9.65	9.65
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LIC Housing Finance Limited 25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each	5,02.02	5,17.38
25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each	5,17.45	5,31.91
10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each	10,13.38	10,31.73
100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	10,01.48	10,01.48
100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	10,01.61	—
50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	4,90.90	4,90.90

National Hydroelectric Power Corporation Limited 9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each	9,03.08	9,15.87
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National Thermal Power Corporation 14, 5.95% Bonds, 2011 of Rs. 2,00,000 each	25.20	25.20
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## Schedules to the Consolidated Financial Statements — continued

		Rupees in lakhs	Previous year Rupees in lakhs
<b>7 DEFERRED TAX</b>			
Deferred tax assets and liabilities are attributable to the following items:			
<u>Assets</u>			
Liability for Drugs Prices Equalisation Account . . . . .		3,56.63	3,56.63
Provision for employee benefits . . . . .		19,75.43	12,00.51
Costs of voluntary retirement schemes . . . . .		43.76	1,80.51
Costs of merger . . . . .		9.40	40.32
Provision for doubtful debts, loans and advances . . . . .		4,45.22	4,32.60
Long term loss under the head 'capital gains' . . . . .		—	32.62
Provision for pricing of formulations . . . . .		2,29.04	2,29.04
Expenses allowable for tax purposes when paid . . . . .		8,29.42	5,41.84
TOTAL . . . . .		<u>38,88.90</u>	<u>30,14.07</u>
<u>Liabilities</u>			
Depreciation . . . . .		8,08.04	8,78.87
Fixed assets held for sale . . . . .		1,02.73	1,02.73
TOTAL . . . . .		<u>9,10.77</u>	<u>9,81.60</u>
TOTAL . . . . .		<u>29,78.13</u>	<u>20,32.47</u>
<b>8 INVENTORIES</b>			
(Inventories have been valued at lower of cost and net realisable value)			
Stores and spares . . . . .		3,93.60	3,76.39
Raw and packing materials . . . . .		64,99.08	45,60.64
Work-in-progress . . . . .		37,08.13	29,85.50
Finished goods . . . . .		126,96.79	131,98.16
TOTAL . . . . .		<u>232,97.60</u>	<u>211,20.69</u>
<b>9 SUNDRY DEBTORS</b>			
(Unsecured)			
		<u>Doubtful</u>	<u>Good</u>
Outstanding for over six months . . . . .		11,39.30	2,18.25
Others . . . . .		2.76	55,76.13
		<u>11,42.06</u>	<u>57,94.38</u>
Less : Provision for doubtful debts . . . . .		(11,42.06)	—
		<u>—</u>	<u>57,94.38</u>
TOTAL . . . . .		<u>57,94.38</u>	<u>37,76.61</u>
		<u>Doubtful</u>	<u>Good</u>
		10,44.46	1,47.59
		60.45	36,29.02
		<u>11,04.91</u>	<u>37,76.61</u>
		<u>(11,04.91)</u>	<u>—</u>
		<u>—</u>	<u>37,76.61</u>
TOTAL . . . . .		<u>57,94.38</u>	<u>37,76.61</u>
<b>10 CASH AND BANK BALANCES</b>			
Cash and cheques on hand . . . . .		5.73	4,03.01
Remittances in transit (Refer note 3(iii) on Schedule 18) . . . . .		5.92	5.92
With scheduled banks			
Current account . . . . .		44,35.95	41,82.50
Fixed deposit account . . . . .		897,51.00	97,00.00
Call / margin money deposit . . . . .		14,74.89	12,08.04
TOTAL . . . . .		<u>956,73.49</u>	<u>154,99.47</u>

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

		Rupees in lakhs		Previous year Rupees in lakhs	
<b>11</b>	<b>OTHER CURRENT ASSETS</b>				
	Interest accrued on investments / deposits . . . . .		42,90.77		25,97.72
	Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) *		3,02.25		3,02.25
	<b>TOTAL</b> . . . . .		<u>45,93.02</u>		<u>28,99.97</u>
	* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.				
<b>12</b>	<b>LOANS AND ADVANCES</b> (Unsecured)	<u>Doubtful</u>	<u>Good</u>	<u>Doubtful</u>	<u>Good</u>
	Loans and advances recoverable in cash or in kind or for value to be received				
	Sundry deposits . . . . .	—	24,60.81	—	22,17.46
	Other advances . . . . .	1,67.81	68,61.42	1,67.81	56,02.59
	Less : Provision for doubtful advances . . . . .	(1,67.81)	—	(1,67.81)	—
		—	93,22.23	—	78,20.05
	Balance with customs, excise and port trust on current accounts	—	8,61.94	—	3,85.63
	Current taxation (Refer note 23 on Schedule 18) . . . . .	—	56,32.09	—	51,53.85
		—	158,16.26	—	133,59.53
	<b>TOTAL</b> . . . . .		<u>158,16.26</u>		<u>133,59.53</u>
<b>13</b>	<b>CURRENT LIABILITIES</b>				
	Sundry creditors . . . . .		255,08.08		228,32.63
	Unpaid dividend * . . . . .		9,37.78		7,49.20
	Unpaid matured fixed deposits * . . . . .		2.37		2.70
	Warrants issued but not encashed - Fixed deposit interest *		4.64		4.67
	Drugs Prices Equalisation Account . . . . .		11,20.47		11,20.47
	<b>TOTAL</b> . . . . .		<u>275,73.34</u>		<u>247,09.67</u>
	* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.				
<b>14</b>	<b>PROVISIONS</b>				
	For proposed equity dividend . . . . .		338,81.20		304,93.08
	For tax on distributed profit . . . . .		57,58.11		51,82.30
	For fringe benefits tax (Refer note 24 on Schedule 18) . . . . .		17.48		7.48
	For employee benefits [includes actuarial loss of Rs. 23,49.86 lakhs recognised in the year (previous year - actuarial gain of Rs. 4,44.41 lakhs)] . . . . .		57,93.95		35,72.16
	<b>TOTAL</b> . . . . .		<u>454,50.74</u>		<u>392,55.02</u>

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

		Rupees in lakhs		Previous year Rupees in lakhs	
<b>15</b>	<b>OTHER INCOME</b>				
	Operating income				
	Service income				
	Clinical research and data management	..	32,53.69	35,86.08	
	Other services	..	7,80.16	9,40.34	
	Expenses relating to the above	..	(33,39.68)	(40,27.48)	
			6,94.17	4,98.94	
	Export related benefits (net)	..	1,56.39	1,04.97	
	Exchange gain (net)	..	2,45.57	1,86.71	
	Consignment sales commission	..	1,36.66	1,03.51	
	Provision written back as no longer required	..	50.09	3,26.40	
	Others	..	5,93.33	5,81.46	18,01.99
			18,76.21		
	Treasury income				
	Dividend income - Investments other than trade - long term		2,25.26	1,98.01	
	- current		27,53.03	23,31.22	
			29,78.29	25,29.23	
	Profit on sale / redemption of investments (net) - current		32.18	2,91.39	28,20.62
	(Refer note 12(a) on Schedule 18)				
	Interest income (Gross):				
	On deposits with banks and limited companies	..	28,45.39	1,92.18	
	On loans	..	20.52	25.89	
	On tax refunds	..	22.40	5,86.66	
	On investments - Government securities and other than trade				
	- long term [net of premium write-off of Rs. 1,24.31 lakhs (Previous year Rs. 1,57.16 lakhs)]	..	41,20.36	38,89.74	
	- current	..	3,03.17	—	
	Others	..	14.18	14.77	
			73,26.02	47,09.24	
	Less : Interest expense:				
	Security deposits	..	(49.99)	(62.30)	
	Others	..	(2.57)	(1.42)	
			(52.56)	(63.72)	
			72,73.46		46,45.52
	Other income				
	Profit on sale / disposal of fixed assets (net)	..	17.62	18.85	
	Others	..	19.17	—	18.85
			36.79		
	<b>TOTAL</b>	..	<b>121,96.93</b>	<b>92,86.98</b>	
	Tax deducted at source :				
	On interest	..	4,63.85	3,03.48	
	Others	..	2,81.80	1,80.93	4,84.41
			7,45.65		
<b>16</b>	<b>MATERIALS</b>				
	Raw and packing materials consumed	..	359,55.13	326,36.04	
	Purchase of finished goods	..	298,44.51	294,17.05	
	(Increase) / decrease in work-in-progress and finished goods:				
	Opening stock				
	Work-in-progress	..	29,85.50	33,11.25	
	Finished goods	..	131,98.16	164,27.98	
			161,83.66	197,39.23	
	Less: Closing stock				
	Work-in-progress	..	37,08.13	29,85.50	
	Finished goods	..	126,96.79	131,98.16	
			164,04.92	161,83.66	35,55.57
			(2,21.26)		
	Transfer of stock pursuant to sale of the Fine Chemicals business				
	Raw and packing materials	..	—	(3,51.79)	
	Work-in-progress	..	—	(29.54)	
	Finished goods	..	—	(15,62.81)	(19,44.14)
	<b>TOTAL</b>	..	<b>655,78.38</b>	<b>636,64.52</b>	

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

		Rupees in lakhs		Previous year Rupees in lakhs	
<b>17</b>	<b>OPERATING AND OTHER EXPENSES</b>				
	Salaries, wages and bonus	154,30.74		139,21.67	
	Contributions to : Provident and pension funds	9,81.17		9,38.04	
	Gratuity funds	85.99		1,30.39	
	Staff welfare	7,77.17	172,75.07	5,79.85	155,69.95
	Sales promotion		54,29.93		53,36.17
	Selling commission on exports		11.36		8.10
	Bonus offer discount		8,62.48		11,12.86
	Stock point commission		8,21.70		9,97.80
	Freight (net)		24,80.44		24,09.64
	Travelling		33,31.81		31,01.03
	Provision / write off for doubtful debts, loans and advances (net)		38.57		1,77.26
	Manufacturing charges		35,53.16		34,62.13
	Repairs - Buildings	2,27.50		2,84.47	
	- Plant and Machinery	11,32.88		8,85.64	
	- Others	20.06	13,80.44	31.07	12,01.18
	Consumption of stores and spares		3,31.49		4,74.55
	Power, fuel and water		24,74.55		20,53.77
	Rent		8,68.84		8,02.05
	Rates and taxes		11,67.12		10,14.25
	Printing, postage and telephones		9,44.08		9,97.93
	Sales training, briefing and conference		11,14.29		9,82.99
	Excise duty		(5,60.78)		6,01.75
	Insurance		2,72.70		3,23.40
	Remuneration to auditors :				
	Statutory audit fees	36.24		36.24	
	In other capacity in respect of:				
	Tax audit fees	6.74		5.90	
	Audit of tax accounts	22.47		19.66	
	Other services	25.00		16.31	
	Reimbursement of expenses	1.61		3.75	
		92.06		81.86	
	Cost audit fees	4.25	96.31	7.35	89.21
	Date-expired stocks		20,62.62		18,31.56
	Commission to non whole-time Directors		30.33		19.46
	Directors' sitting fees		8.50		12.20
	Miscellaneous		39,51.66		37,88.79
	Recovery of expenses (net) (Refer note 14 on Schedule 18)		(3,82.37)		(2,59.70)
	Expenses relating to service income (Refer Schedule 15)		(33,39.68)		(40,27.48)
	<b>TOTAL</b>		<b>442,24.63</b>		<b>420,80.85</b>

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

### 18 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Statement of Accounting Policies

##### (a) Basis of Accounting

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

##### (b) Principles of consolidation

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

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

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

Name of the Company	Country of incorporation	% voting power held as at 31st December, 2008	% voting power held as at 31st December, 2007
Biddle Sawyer Limited (BSL)	India	100	100

##### (c) Other Significant Accounting Policies

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

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

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

2. Further, BSL received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40.80 lakhs comprising Rs. 1,42.74 lakhs in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98.06 lakhs upto 31st July, 1998. BSL had been legally advised that the demand of Rs. 1,42.74 lakhs is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by BSL in a writ petition filed in the Mumbai High Court. The Mumbai High Court has granted an interim stay of the demand, subject to BSL depositing 50% of the principal amount. Accordingly, BSL has deposited an amount of Rs. 71.50 lakhs with the Government on 3rd May, 1999. This is a normal interim order passed by the High Court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if BSL succeeds at the final hearing of the matter. In the meanwhile, the Government has filed an application in the Supreme Court praying that this writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from the various High Courts. The Supreme Court is yet to hear the Transfer Petition.

3. Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):

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

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

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

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

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.

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

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

The Company is contesting the matter with the concerned authorities.

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

				Previous year Rupees in lakhs
5	Contingent Liabilities not provided for:			
	(i) Cheques discounted with banks	..	..	6,85.69
	(ii) In respect of claims made against the Company not acknowledged as debts by the Company			
	- Sales tax matters	..	..	32,29.65
	- Excise matters	..	..	7,98.63
	- Service tax matters	..	..	2,42.18
	- Labour matters	..	..	41,59.95
	- Other legal matters	..	..	8,69.90
	which net of current tax amount to -	..	..	61,39.13
	(iii) Taxation matters in respect of which appeals are pending			
	- Tax on matters in dispute	..	..	87,93.90
	- Other consequential matters (net of tax)	..	..	3,74.39
	(iv) Guarantee given to the Customs authorities	..	..	2,00.00
	(v) Based on the data obtained by Government, it had directed BSL to pay a tentative amount of Rs. 49.29 lakhs along with interest due thereon into the Drugs Prices Equalisation Account (DPEA) under the Drugs (Prices Control) Order, 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by BSL. BSL had filed its reply contending that no amount is payable into DPEA.			

#### Notes:

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

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

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

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

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

	Rupees in lakhs	Previous year Rupees in lakhs
6 Uncalled liability on partly paid shares:		
- in Hill Properties Limited	0.12	0.12
Note:		
Future cash outflow is dependent on the call to be made by Hill Properties Limited.		
7 Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	7,32.25	2,73.25
8 Fixed Assets include the following investments representing ownership of residential flats :		
- 5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited.	7.22	7.22
- 10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited.	2.00	2.00
- 10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited.	48.13	48.13
- 5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.	23.62	23.62
- 10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.	33.31	33.31
- 20 shares of Rs. 50 each fully paid-up in Cooperage Woodhouse Co-operative Housing Society Limited.	45.59	45.59
- 5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited.	67.00	67.00
- 20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited.	19.32	19.32
9 Loans and Advances include amounts due from a Director * and an officer of the Company the maximum amount due during the year was	15.24	18.17
* Loan granted prior to appointment as a whole time Director.	18.22	21.57
10 Directors' Remuneration		
Salaries	3,80.81	3,29.55
Payments under the long-term incentive plan	—	27.41
Perquisites	6.21	4.14
Contribution to provident and superannuation funds	52.38	41.61
Commission to non whole-time Directors	30.33	19.46
Directors' sitting fees	8.50	12.20
	<u>4,78.23</u>	<u>4,34.37</u>
- excludes contribution to gratuity fund, which is based on an actuarial valuation and the amount recognised as expense for the year under the long-term incentive plan.		
- subject to approval of members in General Meeting - Nil (Previous year - Rs. 22.76 lakhs).		
Pension to past Directors	3.61	3.61
11 The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2008 and the provision based on the figures for the remaining nine months up to 31st December, 2008, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2008 to 31st March, 2009.		
12 (a) Profit on sale / redemption of investments (net) - current is net of loss on sale / redemption of long term investments amounting to Rs. 5.69 lakhs and loss on sale / redemption of current investments of Rs. 2.93 lakhs (Previous year profit on sale / redemption of investments (net) current is net of loss on sale / redemption of long term investments amounting to Rs. 2,74.39 lakhs).		
(b) Profit on sale / redemption of investments (net) (Exceptional Item) comprises profit on sale of long term investments amounting to Rs. 132,66.51 lakhs, current investments of Rs. 14,54.07 lakhs and loss on sale of current investments of Rs. 6.74 lakhs.		
13 The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,63.69 lakhs (Previous year - Rs. 4,40.16 lakhs).		

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

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

- 14 "Recovery of expenses (net)" in Schedule 17 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 10,61.83 lakhs (Previous year - Rs. 8,83.17 lakhs), from GlaxoSmithKline Pte Limited Rs. 11.18 lakhs (Previous year - Rs. 6.10 lakhs), from GlaxoSmithKline S.A.E Rs. 14.17 lakhs (Previous year - Rs. 9.57 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 22.26 lakhs (Previous year - Rs. 22.40 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 7,27.07 lakhs (Previous year - Rs. 6,61.54 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

	Rupees in lakhs	Previous year Rupees in lakhs
15 Exceptional items :		
(i) Costs of voluntary retirement schemes and other retirement benefits ..	—	(83.91)
(ii) Profit on sale of the Fine Chemicals business .. .. .	—	198,29.63
(iii) Provision for completion covenants for sale of the Fine Chemicals business ..	—	(16,64.60)
(iv) Expenses incidental to sale of the Fine Chemicals business .. .. .	—	(74.18)
(v) Provision for pricing of formulations .. .. .	(4,31.28)	—
(vi) Profit on sale / redemption of investments (net) .. .. .	147,13.84	—
(vii) Actuarial Gain/(Loss) on employee benefits .. .. .	(23,49.86)	4,44.41
(viii) Government grant through refund of octroi duty .. .. .	3,04.08	—
Taxation on the above		
Current tax .. .. .	(1,28.00)	(42,35.72)
Deferred tax .. .. .	7,12.30	(1,28.18)
	<u>128,21.08</u>	<u>140,87.45</u>

- 16 The disclosures as required as per the revised AS 15 are set out in note 24 of notes to the financial statements of the Company. Since there are no employees in BSL, the disclosures for consolidated financial statements are the same as those given for the Company.

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

#### 18 Related Party disclosures

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

##### 1 Relationships (during the year):

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

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

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

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham plc, U.K.

Wellcome Limited, U.K.

Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

\* no transactions during the year

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

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

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

GlaxoSmithKline Limited, Kenya  
 Smithkline Beecham Private Limited, Sri Lanka  
 GlaxoSmithKline Bangladesh Limited, Bangladesh  
 GlaxoSmithKline Pakistan Limited, Pakistan  
 GlaxoSmithKline Asia Private Limited, India  
 GlaxoSmithKline Consumer Healthcare Limited, India  
 GlaxoSmithKline Biologicals S.A., Belgium  
 GlaxoSmithKline Services Unlimited, U.K.  
 Glaxo Operations UK Limited, U.K.  
 GlaxoSmithKline S.A.E., Egypt  
 Laboratoire GlaxoSmithKline S.A.S., France  
 GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia  
 GlaxoSmithKline Export Limited, U.K.  
 GlaxoSmithKline Pte Limited, Singapore  
 GlaxoSmithKline Australia Pty Limited, Australia  
 GlaxoSmithKline Trading Services Limited, Ireland  
 US Pharmaceuticals, U.S.A

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

Dr. A. Banerjee	Mr. R. C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. H. Singh	Mr. R. Limaye
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. M.B. Kapadia	Mr. Sunder Rajan
Mr. M.K. Vasanth Kumar	Mr. S. Khanna
Dr. M. Reilly *	Mrs. S. Patel
Mr. N. Kaviratne	Mr. V. Narayanan
Mr. P. Bains *	Mr. V. Thyagarajan
Mr. P.V. Nayak	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

	Other companies in the GSK Group (ii)	
	2008	2007
1 Purchase of materials/finished goods	85,79.71	72,13.31
2 Sale of materials/finished goods	41,52.38	23,13.75
3 Expenses recharged to other companies	14,61.02	13,05.93
4 Research and development recoveries	2,84.27	2,94.50
5 Expenses recharged by other companies	8,94.83	8,09.23
6 Consignment sales commission received	1,11.91	81.87
7 Clinical research and data management recoveries	32,53.69	35,86.08
8 Outstanding (payables)/receivables at the year end (net) #	(1,02.62)	(35.32)

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

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

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

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

	Rupees in lakhs 2008	Rupees in lakhs 2007
(a) Purchase of materials/finished goods GlaxoSmithKline Biologicals S.A., Belgium GlaxoSmithKline Export Limited, U.K.	30,40.00 54,78.69	29,54.51 41,60.59
(b) Sale of materials/finished goods GlaxoSmithKline Pakistan Limited, Pakistan GlaxoSmithKline Trading Services Limited, Ireland	13,78.05 26,50.33	8,45.09 14,67.63
(c) Expenses recharged to other companies GlaxoSmithKline Asia Private Limited, India	13,62.94	9,04.68
(d) Research and development recoveries GlaxoSmithKline Services Unlimited, U.K.	2,84.27	2,94.50
(e) Expenses recharged by other companies GlaxoSmithKline Consumer Healthcare Limited, India	8,17.29	7,53.88
(f) Consignment sales commission received GlaxoSmithKline Asia Private Limited, India	1,11.91	81.87
(g) Clinical research and data management recoveries GlaxoSmithKline Biologicals S.A., Belgium GlaxoSmithKline Services Unlimited, U.K.	12,95.12 19,58.57	9,86.30 25,63.85
(h) Outstanding (payables)/receivables at the year end (net) GlaxoSmithKline Asia Private Limited, India GlaxoSmithKline Consumer Healthcare Limited, India GlaxoSmithKline Biologicals S.A., Belgium GlaxoSmithKline Export Limited, U.K. GlaxoSmithKline Trading Services Limited, Ireland GlaxoSmithKline Services Unlimited, U.K. GlaxoSmithKline Pakistan Limited, Pakistan	57.98 5,51.07 77.35 (14,48.60) 2,69.22 2,76.45 66.97	(1,09.71) 6,57.83 (1,06.52) (6,88.80) 3,62.15 (2,26.08) 81.70

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

	Rupees in lakhs 2008	Rupees in lakhs 2007
1 Remuneration/commission/sitting fees	7,51.91	7,66.65
2 Payments under the long-term incentive plan	—	78.37
3 Interest income on loans given	1.86	2.15
4 Rent for residential flat	4.62	4.14
5 Outstanding loans receivable	43.18	55.86

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

	Rupees in lakhs 2008	Rupees in lakhs 2007
(a) Remuneration/commission/sitting fees Dr. H.B. Joshipura Mr. M.B. Kapadia	1,97.24 1,25.22	2,00.90 1,15.01
(b) Payments under the long-term incentive plan Mr. M.B. Kapadia Dr. A. Banerjee Mr. K. Shivkumar	— — —	13.70 13.70 13.53
(c) Interest income on loans given Dr. A. Banerjee Mr. H. Singh Mr. M.K. Vasanth Kumar Mr. S. Khanna Mrs. S. Patel	0.34 0.28 0.66 0.30 0.28	0.35 0.30 0.72 0.34 0.28

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

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

Rupees in lakhs

	2008	2007
(d) Rent for residential flat		
Dr. A. Banerjee	0.72	0.54
Mrs. Neeru Nayak	3.90	3.60
(e) Outstanding loans receivable		
Dr. A. Banerjee	11.38	11.55
Mr. M.K. Vasanth Kumar	15.52	17.08
Mr. S. Khanna	6.96	7.99
Mrs. S. Patel	9.32	9.44

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 17.
- (iii) The future minimum lease payments under non-cancellable operating lease - not later than one year - Nil (Previous year - Rs. 1,28.54 lakhs)

20 Amount recognised as expense for the year under the long-term incentive plan is Rs. 1,26.03 lakhs (Previous year - Rs. 62.13 lakhs).

The total carrying amount of the corresponding liability at the year end is Rs. 2,69.92 lakhs (Previous year - Rs. 1,46.98 lakhs).

21 Earnings per share

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

			Previous Year
Profit after taxation and before exceptional items	Rupees in lakhs	462,87.43	406,67.27
Profit after taxation	Rupees in lakhs	591,08.51	547,54.72
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	54.65	48.01
Earnings per share (Basic and Diluted)	Rs.	69.78	64.64
Face value per share	Rs.	10	10

22 In the previous year, the Company sold the Fine Chemicals business as a going concern to Thermo Electron LLS India Private Limited for a total consideration of Rs. 240,00 lakhs at a profit of Rs. 198,29.63 lakhs. Accordingly, figures for the current year are to that extent not comparable with those of the previous year.

23 Current taxation represents payments in excess of provisions of Rs. 1751,52.32 lakhs (Previous year - Rs. 1516,92.32 lakhs).

24 Provision for fringe benefits tax represents provision in excess of payments of Rs. 28,35.00 lakhs (Previous year - Rs. 21,30.00 lakhs).

25 Investments purchased and sold / redeemed during the year:

Government of India Treasury Bills

Face value Rs. 1,18,63.50 lakhs

ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option

10,54,01,022.069 Units of Rs. 10 each

ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option

50,09,165.589 Units of Rs. 10 each

DWS Money Plus Fund - Institutional Plan - Daily Dividend Option

2,14,12,737.135 Units of Rs. 10 each

DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option

4,09,769.965 Units of Rs. 10 each

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

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

DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option	3,71,058.423 Units of Rs. 1,000 each
DSP Merrill Lynch Liquidity Fund - Institutional Plan - Daily Dividend Option	2,00,224.316 Units of Rs. 1,000 each
HDFC Cash Management Fund - Saving Plus Plan - Wholesale - Daily Dividend Option	52,40,959.537 Units of Rs. 10 each
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option	1,65,32,024.617 Units of Rs. 10 each
HDFC Liquid Fund Premium Plan - Daily Dividend Option	1,23,19,721.016 Units of Rs. 10 each
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option	89,30,138.806 Units of Rs. 10 each
ICICI Prudential Floating Rate Plan D - Daily Dividend Option	1,76,505.443 Units of Rs. 10 each
IDFC Liquid Plus Fund - Investment Plan - Plan B - Daily Dividend Option	8,12,79,113.889 Units of Rs. 10 each
IDFC Liquid Fund - Daily Dividend Option	2,24,41,327.031 Units of Rs. 1,000 each
Principal Floating Rate Fund Flexible Maturity Plan Institutional Option - Daily Dividend Option	39,25,901.954 Units of Rs. 10 each
SBI - Short Horizon Fund - Liquid Plus - Institutional Plan - Daily Dividend Option	1,94,78,417.481 Units of Rs. 10 each
SBI Debt Fund Series - 90 days-17-(06-Nov-07) - Dividend Option	83,575.000 Units of Rs. 10 each
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option	3,31,663.640 Units of Rs. 10 each
Templeton India Treasury Management Account Super Institutional Plan Daily Dividend Reinvestment Option	1,21,37,654.775 Units of Rs. 1,000 each
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option	2,13,728.112 Units of Rs. 10 each
Templeton India Ultra Short Bond Fund - Super Institutional - Daily Dividend Reinvestment Option	5,25,35,579.098 Units of Rs. 10 each
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option	2,729.679 Units of Rs. 1,000 each

26 Mutual Funds - Unquoted in respect of the previous year are as given below :

	Rupees in lakhs
ABN AMRO Money Plus Fund - Institutional Plan - Daily Dividend Option	
3,97,22,510.953 Units of Rs. 10 each	39,72.29
ABN AMRO Cash Fund - Institutional Plus - Daily Dividend Option	
50,03,250.331 Units of Rs. 10 each	5,00.32
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option	
6,61,54,685.479 Units of Rs. 10 each	66,20.90
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Option	
86,82,864.496 Units of Rs. 10 each	8,64.11
DSP Merrill Lynch Liquid Plus - Institutional Plan - Daily Dividend Option	
6,90,530.492 Units of Rs. 1,000 each	69,06.61
DSP Merrill Lynch Short Term Fund - Growth Option	
10,38,821.389 Units of Rs. 10 each	1,24.74
HDFC Floating Rate Income Fund - Short Term Plan - Growth Option	
1,76,91,756.526 Units of Rs. 10 each	20,00.00
HDFC Cash Management Fund - Saving Plus Plan - Wholesale Growth Option	
43,40,868.987 Units of Rs. 10 each	6,33.37
HDFC Fixed Maturity Plan 18M October 2006 - Wholesale Plan - Growth Option	
50,00,000 Units of Rs. 10 each	5,00.00

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

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

Rupees in lakhs

HDFC Fixed Maturity Plan 17M November 2006 - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00
HDFC Fixed Maturity Plan 16M December 2006 (2) - Wholesale Plan - Growth Option 50,00,000 Units of Rs. 10 each	5,00.00
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment Option 2,86,06,443.570 Units of Rs. 10 each	28,83.79
HSBC Liquid Plus - Institutional Plus - Daily Dividend Option 7,02,52,155.022 Units of Rs. 10 each	70,34.06
ICICI Prudential Institutional Short Term Plan - Cumulative Option 63,49,432.623 Units of Rs. 10 each	8,19.19
ICICI Prudential Floating Rate Plan C - Growth Option 1,90,30,038.916 Units of Rs. 10 each	20,00.00
ICICI Prudential Floating Rate Plan D - Daily Dividend Option 4,37,74,929.796 Units of Rs. 10 each	43,77.73
IDFC Liquid Plus Fund - Investment Plan - Plan B - Daily Dividend Option 4,07,88,438.542 Units of Rs. 10 each	40,80.78
IDFC Liquid Fund - Daily Dividend Option 3,19,932.814 Units of Rs. 1,000 each	32,00.00
Principal Floating Rate Fund Flexible Maturity Plan Institutional Option - Daily Dividend Option 7,41,38,387.898 Units of Rs. 10 each	74,22.96
SBI - Short Horizon Fund - Liquid Plus - Institutional Plan - Daily Dividend Option 5,58,15,403.961 Units of Rs. 10 each	55,84.11
SBI Debt Fund Series - 90 days-17-(06-Nov-07) - Dividend Option 50,00,000 Units of Rs. 10 each	5,00.00
Templeton Floating Rate Income Fund - Long Term Plan - Institutional Dividend Reinvestment Option 1,55,49,451.537 Units of Rs. 10 each	16,15.28
Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment Option 3,04,479.925 Units of Rs. 1,000 each	30,45.56
Templeton India Short Term Income Plan - Institutional Weekly Dividend Reinvestment Option 51,917.700 Units of Rs. 1,000 each	5,23.29
Templeton Floating Rate Income Fund - Short Term Plan - Institutional Dividend Reinvestment Option 1,03,89,611.643 Units of Rs. 10 each	10,44.20
	<b><u>672,53.29</u></b>

27 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.

28 Previous year's figures have been regrouped wherever necessary. Also refer note 22.

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

For and on behalf of the Board

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

Mumbai, 18th February, 2009

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

