

GlaxoSmithKline Pharmaceuticals Limited



Notice

NOTICE IS HEREBY GIVEN THAT the Eighty-Ninth Annual General Meeting of GlaxoSmithKline Pharmaceuticals Limited will be held at the Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020, on **Thursday, 17th April, 2014 at 3.00 p.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2013 and the Profit and Loss Account for the year ended as on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares for the year ended 31st December, 2013.
3. To appoint a Director in place of Ms. A. Bansal who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Mr. P. V. Nayak who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. D. Sundaram who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. Price Waterhouse & Co., Bangalore, Chartered Accountants (Membership No. FRN 007567S), as Auditors of the Company (including all its branches) to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Audit Committee to fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF SUCH MEMBER. A PROXY NEED NOT BE A MEMBER.
The proxy form in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Transfer books of the Company will be closed from 7th April, 2014 to 17th April, 2014 (both days inclusive).
3. Payment of dividend as recommended by the Directors, if approved at the Meeting, will be made to those members whose names are on the Company's Register of Members on 16th April, 2014 and those whose names appear as Beneficial Owners as at the close of the business hours on 5th April, 2014 as per the details to be furnished by the Depositories, viz. National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
4. Please quote your Folio number and our Company's name in all the correspondence with Karvy Computershare Private Limited, located at Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081, who are acting as our Registrars & Share Transfer Agents. Your Folio Number is stated in the Share Certificate and also on the attendance slip sent with this Annual Report.
5. Members are requested to immediately intimate change of address, if any, to the Company/Registrars & Share Transfer Agents quoting reference of the Registered Folio Number.
6. If you have shares registered in the same name or in the same order of names but in several Folios, please let us know so that we may consolidate them into one Folio.
7. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company shall vest in the event of your death. Interested members may write to the Company / Registrars & Share Transfer Agents for the prescribed form.

8. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends up to the 2nd interim dividend for the financial year ended 31st December 1995 have been transferred to the General Revenue Account of the Central Government. Prior to such transfer, the Company had individually informed the members concerned about the particulars of the unclaimed dividend together with warrants for the dividend remained unencashed. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Mumbai, Maharashtra.
9. Please encash your dividend warrants immediately on their receipt by you, as dividends remaining unclaimed for seven years are now required to be transferred to the 'Investor Education and Protection Fund' established by the Central Government under the amended provisions of the Companies Act, 1956. Once transferred, members will be unable to claim any unpaid dividend either from the said Fund or from the Company.
10. Action required to be taken by the members in case of non-receipt/ non-encashment of dividends:
In case of non-receipt / non-encashment of dividend warrants, members are requested to correspond with the Company's Registered Office / the Registrar of Companies, as mentioned hereunder:

Dividend Year	Contact Office	Action to be taken
2006-2012	Registered Office	Letter on a plain paper
2005	Registered Office	Letter on a plain paper. Members are requested to apply before 30 th April, 2014
1969 to 1995	Office of the Registrar of Companies CGO Complex, 'A' Wing, 2nd floor, Next to RBI, CBD-Belapur, Navi Mumbai-400 614, Maharashtra. Tel.: 2757 6802	Claim in Form No. II of the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978.

11. The Ministry of Company Affairs has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Amendment to the Listing Agreement with the Stock Exchanges permit companies to send soft copies of the Annual Report to all those shareholders who have registered their email addresses for the said purpose. Members are requested to support this Green Initiative by registering / updating their e-mail addresses for receiving electronic communications.
12. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the Meeting so that the answers may be made available at the Meeting.
13. Members are requested to bring their personal copy of the Annual Report to the Meeting.

By Order of the Board of Directors
A. A. Nadkarni
Company Secretary

Mumbai, 18th February 2014
Registered Office:
Dr. Annie Besant Road,
Mumbai 400 030



Aligning actions and values



GlaxoSmithKline Pharmaceuticals Limited
Annual Report for the year ended 31st December 2013



A word from the Managing Director

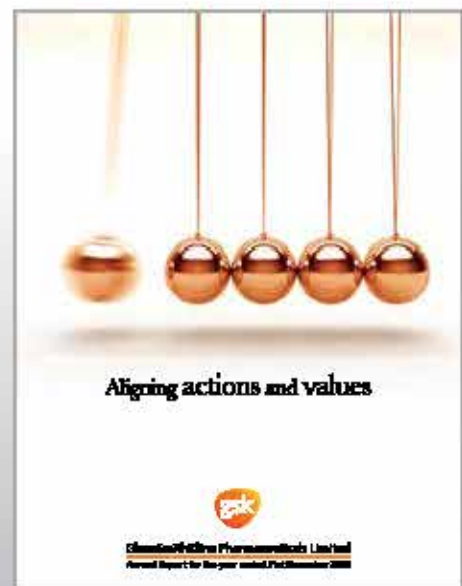
The mission of your company is to improve the quality of human life by enabling people to do more, live longer and feel better. This mission is underpinned by the values which we put ahead of everything else. These are values of patient focus, transparency, integrity and respect for people and these are in the heart of every decision we make. We focus on integrating these values into the culture of the organisation, the decision making and how we work.

The year 2013 was unprecedented in the recent history of GSK in India. Your company encountered a number of challenges. The new price control regime was notified. Your company having some of the biggest products in the industry, therefore, had to face the brunt of this impact. Your company's results were also impacted by a segment of the trade refusing to buy our products, towards the end of the third quarter and through the bulk of the fourth quarter. These two events have significantly impacted the company's results. However, in every adversity lies an opportunity and the resilience of the team has allowed it to focus on improving the prescription generation for your company's products given the reduction in price. This will be consistent with our values of patient focus and enabling access of our medicines to as many people as possible.

Your company globally is also a pioneer, wherein it recently announced its intention of moving itself away from sales based incentives for its frontline employees and to refocus the incentives on those behaviours which improved patient focus and transparency of our communication to our customers to enable them to make an informed choice in the interest of the patient. The healthcare industry is about building trust and the initiatives that we are overlaying on top of our strategic decisions which I have shared with you over the last few years will enable your company to continue to build on the significant trust that it enjoys among patients and customers alike. In doing so, we would also as an outcome, be able to improve our returns to other stakeholders. The long term commitment of the parent organisation to India is reflected in the announcement to invest over Rs. 850 crores in a new greenfield site for manufacturing our products, and which will be of world class standards. All these initiatives put together will undoubtedly enable your company to continue to be a benchmark in serving the healthcare needs of the country appropriately.

At GSK, how we deliver success is just as important as what we achieve. We are driven by **our values – transparency, respect for people, integrity and patient-focus** in everything we do, helping people do more, feel better and live longer.

We believe that operating in a responsible and ethical manner is essential to our business. This belief underlies everything we do, and supports the delivery of our business strategy. Values are the essence of an organisation's identity and it is important to align actions and values into our culture, decision making and how we work.



Aligning Values & Actions to business

Driven by our values in everything we do and backed by robust policies and strong compliance processes, in GlaxoSmithKline, we put the interest of patients and consumers first. In line with our patient focus approach, GSK provides healthcare solutions to patients and continues to enjoy a pre-eminent position in several therapy areas.

With offerings like Uricostat for gout, Gefspan, an anti-infective, Lilo, a statin for lowering blood cholesterol and the Glaxo nutrition range being marketed by GSK Pharmaceutical for GSK's Consumer business, Mass Markets comprise the major portion of patients for the company. Calpol remains as the number one prescribed brand of the Indian Pharmaceutical Industry. To meet the mounting healthcare needs of rural India, the rural marketing initiative REACH further expanded its patient base across geographies with an increased portfolio of products. With coverage of 6000 villages and 20000 healthcare professionals, GSK's efforts at enhancing the knowledge base of healthcare professionals continued. Keeping in mind the benefit of healthcare professionals, 140 knowledge enhancement programs were conducted.

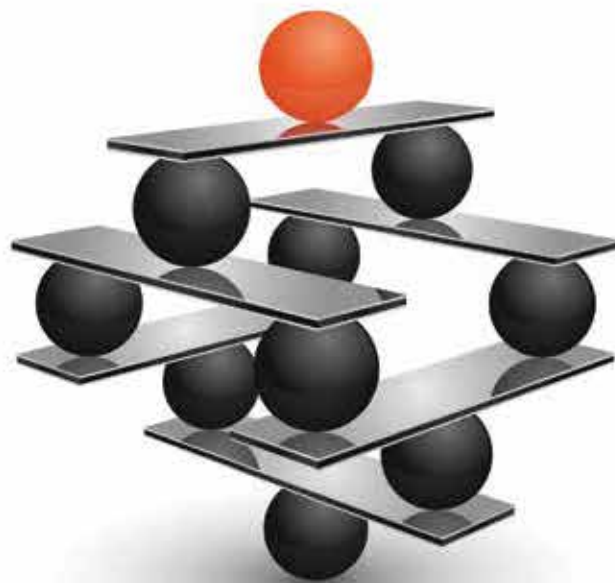
The Mass Specialty business recorded a market competitive growth in the prescriber base with their sustained and focused efforts. This has resulted in benefits to the patient base. Augmentin has gained significantly in market share.

To help patients address health concerns pertaining to hypothyroidism, two additional forms of Eltroxin were launched which have been well received. A disease awareness campaign on congenital hypothyroidism and early screening has enabled better patient outcomes.

The need for calcium supplements to address Osteoporosis has been rising out of improper nutrition and sedentary lifestyles in Urban India. Brand GCM has ensconced its position as the second largest product in the therapeutic area, becoming one of the top 300 products in the pharmaceutical industry in India.

Besides, Mycamine for fungal infections has become the second largest product in this therapeutic area.

In the Specialty business, GSK's leadership in the therapeutic area of Dermatology continues. In clinical dermatology, products like Betnovate N, Betnovate C,



T Bact, Tenovate and cosmetology products like Ansolar and Oilatum sustained growth, benefiting increased number of patients.

GSK Oncology division's vision to improve patients care in cancer management at an affordable price has benefited almost 6000 patients in 2013. The range of products is Tykerb, Hycamtin, Revolade and Votrient. Keeping our commitment to patients as the highest priority and to enhance patient access, two patient support and management programs for Tykerb and Votrient patients - "Swasti" has been initiated. Besides, XGEVA, licensed from Amgen, USA, launched in 2013 for the prevention of Skeletal Related Events in the management of bone metastasised solid tumours, has helped treat more than 1000 patients. GSK has been ranked as the sixth largest MNC in the Oncology segment.

The launch of CardioCheck in the diagnostics segment has further strengthened the Cardio Vascular portfolio. The device helps establish the patient's lipid profile in a few minutes. In the Respiratory division, Seretide Evohaler has made a mark in the category. Lamictal, from the CNS division has become the third largest prescribed Lamotrigine in treating Anti-Epileptic Disease.

GSK Vaccines division relentlessly continued its efforts to raise consumer awareness on vaccines preventable diseases. Synflorix, GSK's pneumococcal conjugate vaccines became the biggest brand in the Vaccines portfolio and was the fastest growing Rs. 100 crore brand in the Indian Pharmaceutical Industry. In the area of preventive healthcare, GSK Vaccines continues to lead the private market for vaccines in India.

New products in 2013

In GSK, the interest of the patient is of prime importance. In line with our patient focus approach, there were new product launches in 2013.

PHYSIOGEL
HYPOALLERGENIC

Physiogel lotion is a hypoallergenic, moisturising lotion that contains natural lipids similar to the skin's physiological lipids and helps in revitalising the skin. The lotion gives protection and relief from dry, sensitive & itchy skin conditions.

ACNE-AID[®]
Wash

Acne-Aid Wash is a facial cleansing foam for oily & acne prone skin. With its deep acting cleansing system, it effectively and gently cleanses the skin. A blend of effective emulsifiers that cleanse the skin along with effective skin conditioners and emollient together make Acne-Aid Wash an effective substitute for common soaps. It is a hypoallergenic and dermatologically tested formulation.

XGEVA is the first and only RANK Ligand inhibitor approved for the prevention of skeletal related events in patients with advanced malignancies involving bone. XGEVA is a fully human monoclonal antibody that binds to RANK Ligand, a protein essential for the formation, function and survival of osteoclasts (the cells that break down bone).

XGEVA
(denosumab solution for injection)

CardioChek analyser device is a multi test diagnostic device for Point-of-care testing, which measures various analytes in blood, including Cholesterol (including HDL Cholesterol and LDL Cholesterol) and Triglycerides. The CardioChek System meets the National Cholesterol Education Program (NCEP) performance criteria for accuracy and precision, as well as meets the stringent Cholesterol Reference Method Laboratory Network (CRMLN) criteria.

CardioChek 

Avamys[®]
nasal spray
(Fluticasone Furoate Nasal Spray)

Avamys[™] is fluticasone furoate nasal spray approved for the treatment of seasonal and perennial allergic rhinitis in adults, adolescents, and children above 2 years of age. It relieves nasal and ocular symptoms of allergic rhinitis and improves quality of life. The easy to use Avamys[™] device delivers consistent dose of the drug in a gentle fine mist form that enables even nasal distribution.

Sustaining excellence

An effective and responsibly managed supply and distribution organisation is critical to get quality products to the right place and at the right time for patients.

The India manufacturing and supply operations continue its long term transformation and improvement programme, while aligning with the global strategy. A series of regional initiatives have been launched including the GSK Production System implementation, the End to End Supply Chain operating model, Strategy Deployment and Performance Management Systems, the Nashik site continues to build capabilities through Quality, Safety, productivity improvements and recruitment of highly skilled professionals.



Board of Directors

(As on 18.02.2014)

Chairman

D. S. Parekh

Vice-Chairman

V. Thyagarajan

Managing Director

Dr. H. B. Joshipura

Directors

R. R. Bajaj

Ms. A. Bansal

P. V. Bhide

S. Harford

M. B. Kapadia

N. Kaviratne CBE

R. Krishnaswamy

P. V. Nayak

A. N. Roy

R. C. Sequeira

D. Sundaram

General Manager – Administration & Company Secretary

A. A. Nadkarni

Bankers

Citibank N.A.

Deutsche Bank

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

Auditors

Price Waterhouse & Co., Bangalore

252, Veer Savarkar Marg,

Shivaji Park, Dadar (West),

Mumbai 400 028.

Solicitors

Gagrat & Co.

Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Unit: GlaxoSmithKline Pharmaceuticals Limited

Plot No. 17-24, Vittal Rao Nagar,

Madhapur, Hyderabad 500 081.

Tel. No. 040-44655201/44655148

Email : premkumar.nair@karvy.com

Share Department

Dr. Annie Besant Road,

Mumbai 400 030.

Telephone: 022-24959415/434

Fax: 022-24981526

Email: ajay.a.nadkarni@gsk.com

Management Team

Managing Director

Dr. H. B. Joshipura

Senior Executive Director

M. B. Kapadia

– Finance

– Secretarial & Administration

Executive Directors

R. C. Sequeira

– Human Resources

R. Krishnaswamy

– Technical

Executive Vice-President

H. Buch

– Pharmaceuticals

Vice-Presidents

R. Bartaria

– Pharmaceuticals

S. Dheri

– Biologicals

S. Khanna

– Finance

K. Hazari

– Legal & Corporate Affairs

C. T. Renganathan

– Pharmaceuticals

General Manager

Dr. (Ms.) V. Desai

– Medical & Clinical Research

Registered Office

Dr. Annie Besant Road, Mumbai 400 030.

Telephone: 24959595 • Fax: 24959494

Website: www.gsk-india.com

Factory

Ambad, Nashik

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Performance Summary

(Amounts in Rupees Lakhs)	2013*	2012*	2011*	2010	2009	2008	2007	2006	2005	2004
PROFIT AND LOSS ACCOUNT										
Sales	2593,39	2669,97	2391,73	2155,08	1912,77	1751,56	1712,84	1677,57	1575,89	1479,59
Profit before tax	703,17	994,78	921,60	867,27	758,48	679,90	606,73	555,95	477,91	418,24
Tax	(226,19)	(317,59)	(290,24)	(285,89)	(253,59)	(231,54)	(209,94)	(194,23)	(171,63)	(152,19)
Profit after tax and before exceptional items	476,98	677,19	631,36	581,38	504,89	448,36	396,79	361,72	306,28	266,05
Exceptional items (net of tax)	24,90	(99,93)	(200,76)	(17,69)	7,40	128,21	140,87	183,79	195,80	67,04
Net Profit	501,88	577,26	430,60	563,69	512,29	576,57	537,66	545,51	502,08	333,09
Balance brought forward	1142,95	1110,59	1164,53	1049,23	882,41	759,89	632,75	441,19	259,75	196,93
Dividends	(423,51)	(423,51)	(381,16)	(338,81)	(254,11)	(338,81)	(304,93)	(262,58)	(237,17)	(209,57)
Tax on distributed profit	(71,19)	(63,66)	(60,32)	(53,21)	(40,13)	(57,58)	(51,82)	(36,82)	(33,26)	(27,39)
Transfer to General Reserve	(50,19)	(57,73)	(43,06)	(56,37)	(51,23)	(57,66)	(53,77)	(54,55)	(50,21)	(33,31)
Balance carried forward	1099,94	1142,95	1110,59	1164,53	1049,23	882,41	759,89	632,75	441,19	259,75
BALANCE SHEET										
Equity Capital	84,70	84,70	84,70	84,70	84,70	84,70	84,70	84,70	84,70	87,32
Reserves	1932,49	1925,31	1835,23	1846,11	1674,45	1456,39	1276,21	1110,01	863,91	836,94
Borrowings	4,14	4,59	4,91	5,16	5,42	5,65	5,77	5,54	4,85	3,85
	2021,33	2014,60	1924,84	1935,97	1764,57	1546,74	1366,68	1200,25	953,46	928,11
Fixed Assets	161,93	133,19	115,32	117,65	114,17	100,35	92,90	94,46	96,94	91,49
Investments	57,67	102,58	159,80	160,35	190,91	751,87	1333,32	1139,41	913,06	776,82
Net Deferred Tax	92,11	86,54	61,47	56,40	44,69	29,60	20,14	24,61	29,76	44,86
Net Assets (Current and Non-Current)	1709,62	1692,29	1588,25	1601,57	1414,80	664,92	(79,68)	(58,23)	(86,30)	14,94
	2021,33	2014,60	1924,84	1935,97	1764,57	1546,74	1366,68	1200,25	953,46	928,11

* 2013, 2012 and 2011 based on Revised Schedule VI

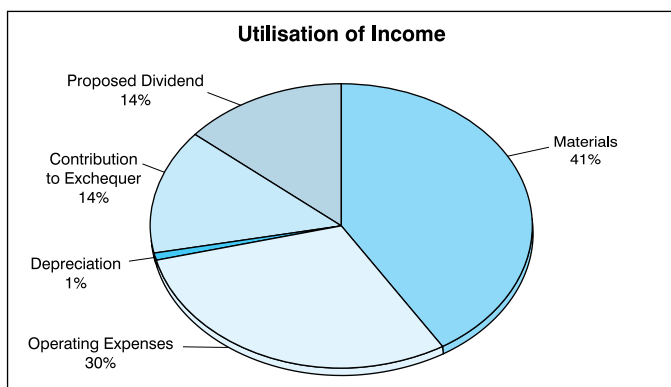
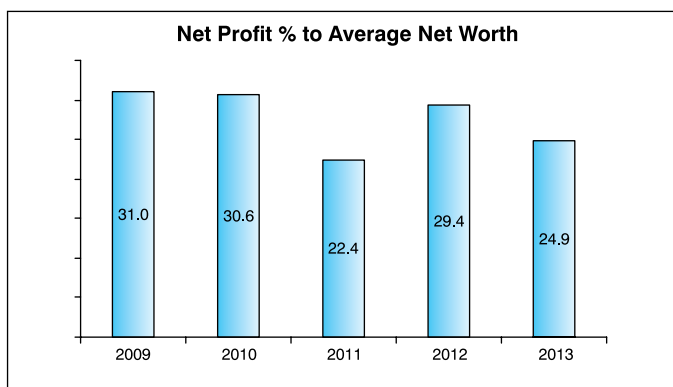
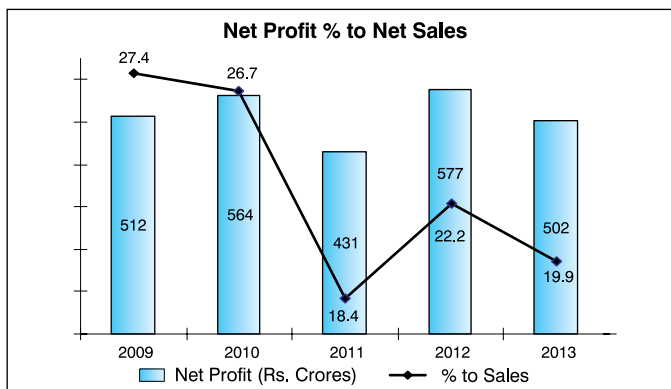
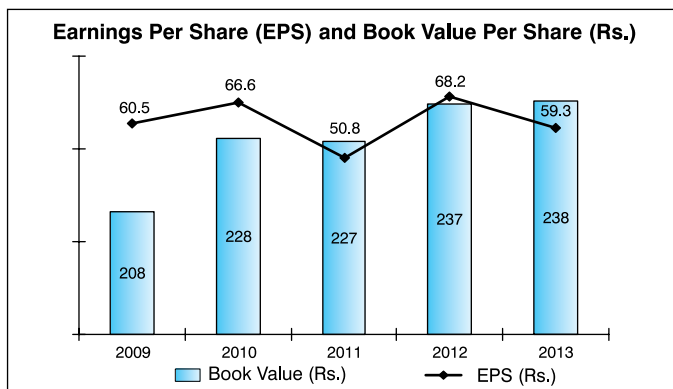
OTHER KEY DATA										
Rupees per Rs.10/- Equity Share										
DIVIDENDS	50.00	50.00	45.00	40.00	30.00	22.00	18.00	17.00	14.00	13.00
SPECIAL ADDITIONAL DIVIDEND	—	—	—	—	—	18.00	18.00	14.00	14.00	11.00
TOTAL	50.00	50.00	45.00	40.00	30.00	40.00	36.00	31.00	28.00	24.00
EARNINGS PER EQUITY SHARE	59.25	68.15	50.84	66.55	60.48	68.07	63.48	64.40	58.51	38.15
BOOK VALUE	238.16	237.31	226.67	227.96	207.69	181.95	160.67	141.05	112.00	105.85

Number of employees	5034	4706	5055	4338	4006	3722	3620	3850	4016	4136
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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.
- Profit And Loss Account balance brought forward as on 1.1.2004 includes Rs. 533 lakhs transferred from erstwhile Burroughs Wellcome (India) Limited, pursuant to the Scheme of Amalgamation.
- Figures have been adjusted/regrouped wherever necessary in line with the financial statements, to facilitate comparison.

Charts



Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2013

1. Results & Dividend for the year ended 31st December 2013

					Year ended 31 st December 2013 Rs. in lakhs	Year ended 31 st December 2012 Rs. in lakhs
Sale of Products (Net of Excise Duty)	..	..	..	..	2520,17.24	2599,93.10
Other Operating Revenue	..	..	..	..	25,97.50	26,50.37
Revenue from Operations	..	..	..	..	2546,14.74	2626,43.47
Profit before Exceptional Items and Tax	..	..	..	..	703,16.57	994,77.65
Exceptional Items	..	..	..	..	26,15.46	(148,21.70)
Profit before Tax	..	..	..	..	729,32.03	846,55.95
Tax expense	..	..	..	..	227,43.79	269,30.06
Net Profit for the year	..	..	..	..	501,88.24	577,25.89
Add: Opening Surplus brought forward from the previous year					1142,94.60	1110,59.15
Less: Appropriations:						
Proposed Dividend (including tax on distributed Profits)					494,70.75	487,17.85
Transfer to General Reserve..	..	..	..	..	50,18.82	57,72.59
Closing Surplus carried forward	..	..	..	..	1099,93.27	1142,94.60

2. Dividend

The Directors recommend a Dividend of Rs. 50 per Equity Share for the year (previous year: Rs. 50 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs. 424 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 71 crores.

3. Management Discussion and Analysis

(a) Finance and Accounts

Sale of Products (net of Excise Duty) declined by 3.1% as compared with the previous year, with sales of the Pharmaceutical business being lower than last year by 4.3%. The introduction of the revamped Drugs (Prices Control) Order extending coverage to the National List of Essential Medicines impacted sales in the second half of the year. The Pharmaceuticals business was also affected by significant supply constraints through the year. In addition, during the second half of the year, a segment of the trade did not buy the Company's products and the Company believes that, having regard to its internal plans, it would have lost a sales opportunity on this account in the region of Rs.180 crores. The maximum impact of the above developments was felt in the Mass Markets and Mass Speciality businesses, each of which declined by 12% compared to last year. Sales in the Speciality segments which include dermatologicals and oncology grew by 9%, and Vaccines sales recorded a growth of 12% compared to the previous year.

The above factors, coupled with material cost escalations and the adverse exchange rate movement, had its inevitable impact on Gross Margin which declined by 9.3% compared to last year. Incremental investments were required on the manufacturing side in manpower and other spends and in costs associated with outsourcing finished products from third parties. Field force recruitment was restricted to segments that required resourcing for growth. Significant investments were made for the consumer brands Iodex and Ostocalcium which are managed by GSK's Consumer Healthcare business in India. Profit after Exceptional items and Tax amounted to 20% of Net Sales (previous year: 22%) and declined by 13.1% as compared to the previous year.

Cash generation from Operations continued to remain favourable this year and is in line with business performance. Your Company continues to look for ways and means of deploying accumulated cash balances which remain invested largely in bank deposits.

Your Company has not accepted any fixed deposits during the year. There was no outstanding towards unclaimed deposit payable to depositors as on 31st December 2013.

(b) Pharmaceuticals Business performance and outlook

Your Company continues to enjoy a leadership position in the therapy areas in which it provides health care solutions to patients.

Your Company has strategically decided to expand its presence in the Specialty segment six years back. The initiative continues to reflect in its outcome. The growing trend from Specialty contribution to Sales continued in 2013 and has reached 23%.

Your Company's leadership in the therapeutic area of Dermatology has been maintained. In clinical dermatology, most of the steroid products like Betnovate N, Betnovate C, T Bact, Tenovate and the cosmetology products like Ansolar and Oilatum sustained market competitive growth, thereby benefiting increased number of patients.

Your Company's Oncology division's vision to improve patient care in cancer management by offering access to breakthrough medicine from GSK's pipeline at an affordable price (Tiered Pricing Policy) has benefited almost six thousand patients with our range of products – Tykerb, Hycamtin, Revolade & Votrient in 2013. Your Company has also initiated two patient support and management programs “Swasti” for Tykerb and Votrient to enhance patients access. Patient care is the basic mantra of Oncology and the mission has reflected in its competitive performance, ranked as the 6th largest MNC in Oncology segment (source: IPSOS MAT JUNE 13). In June 2013, your Company has launched XGEVA licensed from Amgen, USA for the prevention of SRE (Skeletal Related Events) in the management of bone metastasised solid tumors. The XGEVA launch has helped treat more than one thousand patients within six months of its introduction. Oncology division's ability to differentiate from competition has reflected in an independent survey conducted by McCANN Health & GFK in the Asia Pacific Region which rated your Company as the number one company to provide medical education to Health Care Providers especially, Oncologists, Diabetologists and Consulting Physicians.

Your Company's Cardio Vascular presence was strengthened by launching “Cardio Check” in the diagnostics segment. The device helps establish the patient's lipid profile in a few minutes. The point of care addresses the unmet need of the physician to diagnose the lipid profile in the Doctor's clinic itself to improve the patient outcome. This strategic expansion is aimed at improving the Company's equity among the physicians in the cardiology segment. This will help your Company to leverage for its existing range of products.

The revitalised Respiratory division focus has become strong with the launch of a dose counter supported Seretide Evohaler. The new product has achieved 5% of the market share in the SFC Inhaler segment in 2013. Your Company's recently launched CNS division has begun making its impact with Lamictal becoming the 3rd largest prescribed Lamotrogine in treating Anti Epileptic Disease as per SMSRC Prescription Track.

The Mass Speciality business saw constraints on Augmentin on account of limitations at the site of the overseas supplier. Limitations of supply from a local contract manufacturer impacted the antibiotic Ceftum in the first half of the year. Sustained and focused efforts have helped the Mass Speciality business record a market competitive growth in the prescriber base resulting in benefits to a larger pool of patients.

Market competitive growth has helped some dosage forms of Augmentin to record significant gain in share, thereby benefiting a much larger patient pool. To help patients with hypothyroidism, two additional put ups of Eltroxin were launched and were well received by patients and prescribers. A focused campaign to increase awareness of congenital hypothyroidism has helped increase disease awareness and resulted in early treatment of patients, thereby enabling better patient outcomes.

The need for calcium supplements is a growing problem arising out of improper nutrition and limited outdoor activity in urban India. To service this growing need, your Company has launched CCM and this brand has rapidly become the 2nd largest product in the therapeutic area (source: IMS MAT DEC 13). It has also in the current year become one of the top three hundred products in the Pharmaceutical Industry in India. To help patients afflicted by allergic rhinitis, your Company has launched Avamys, a leading health solution from GSK plc's portfolio. It has been well received by the patients and the prescribers and has rapidly become the 2nd largest brand in its relevant market in the first year of introduction (source: IMS TSA MAT DEC 13).

Serious fungal infections in the intensive care setting are a barrier to treatment of patients. Mycamine which was launched by your Company a few years ago has become the 2nd largest product in this therapeutic area among twenty six offerings with competitive increase in market share. (source: IMS TSA MAT DEC 13).

Mass Markets service the largest patient pool of your Company. New offerings like Uricostat in the treatment of gout, Cefspan, an anti-infective, Lilo, a statin for lowering blood cholesterol and the nutritional range (being marketed by your Company on behalf of GSK's Consumer business) have all recorded significant acceptance by the patients and the prescribers alike. To meet the increasing healthcare needs of rural India, the rural team "Reach" continued to expand its patient base as the portfolio of products offered to patients in these geographies continued to expand. This team now services six thousand villages and twenty thousand healthcare professionals. Your Company's efforts at increasing the knowledge base of healthcare professionals in these geographies continued and 140 programs were conducted for the benefit of healthcare professionals in these geographies. Calpol continues to remain the most prescribed brand in the Indian Pharmaceutical Industry (source: IMS TSA JAN 14).

In the area of preventive healthcare, GSK Vaccines became the leading company in the private market for vaccines in India. The recently introduced vaccine for pneumococcal conjugate disease, Synflorix, became the biggest brand in the vaccine portfolio of your Company in the second year of its launch. The efforts of your Company in raising awareness about vaccines preventable diseases continued with increasing fervour.

Exports recorded a sales turnover of Rs. 9.5 crores comprising of both Bulk Drugs and Formulations. Exports of Bulk Drugs were to major markets like Japan, France, Jordan, and Sri Lanka.

(c) Opportunities, risk, concerns and threats

The Indian Government notified the National Pharmaceutical Policy and the new Drugs (Prices Control) Order, 2013 was implemented in May 2013. The new DPCO expanded the list of drugs from 74 to 348 (approximate 650 formulations got added). It brought about challenges for the Pharmaceutical Industry with regard to labeling of the new notified prices on all the products available in the market within a period of 45 days from the date of the Notification coupled with challenges with regard to recall and storage of recalled drugs. This has impacted sales in the second half of the year.

However, some of the stakeholders continued to oppose the new DPCO and a petition is pending before the Supreme Court. Any changes to the new DPCO would have an impact on the working of your Company.

Your Company has recently made an announcement with regard to its intent of creating a new Greenfield site with additional manufacturing capability, with an estimated investment of Rs. 860 crores. This new facility will substantially increase the capacity of manufacturing base and enable us to bring more medicines to the people of India.

(d) Regulatory Affairs, Clinical Research, Medical Affairs and Medical Governance

During the year under review, in order to support the commercial availability of new drugs that would benefit and improve the quality of life of Indian patients suffering from various diseases, your Company submitted several applications for New Products in India to the CDSCO (Central Drugs Standard Control Organization), Ministry of Health and Family Welfare, Government of India. After a thorough review of these applications, your Company has received approval for some of these products from CDSCO, which will enable timely access to new and innovative therapeutic options to patients in our country.

Some of the innovator products approved by the regulatory agency in India during the year under review include a biological oncology product panitumumab in-licenced from Amgen (Vectibix) for the treatment of patients of metastatic colorectal carcinoma as third line treatment option, a line extension for amoxicillin and clavulanic acid formulation (Augmentin Drops) for paediatric use, expansion of use of DTaP vaccine (Boostrix) for use in adults and new indication for the use of cefixime formulation (Cefspan) in enteric fever. All these new products approved for the Company during the year under review will be beneficial to Indian patients. In addition, the Company also received approval for import and marketing of 7 cosmetic products in India.

GlaxoSmithKline globally continues to be committed to Research and Development of medicines that will improve the quality of life of people around the world and truly make a difference to patients. Our scientists work hard to discover new medicines that prevent, treat or cure diseases.

Your Company conducted studies in oncology, anti-infectives and osteoporosis, after obtaining necessary Ethics Committee and regulatory approvals. Your Company has trained 42 new investigators on Good Clinical Practices and protocol-related science at approximately 40 clinical trial sites across India. Quality continues to be a priority as demonstrated by a number of internal and external compliance audits with no critical findings. To strengthen quality of data, quality checks are meticulously reviewed, systems and processes are simplified to ensure compliance to regulations. This will help generate accurate and meaningful data, and ensure that the rights, dignity and safety of patients taking part in our studies are protected.

The Medical Affairs team has provided valuable medical inputs for the development and execution of launch strategy for several products including Avamys (fluticasone furoate), Xgeva (denosumab), Cardio Check, Physiogel and Acne-aid wash. The team played a crucial role in communicating high-quality scientific information to the medical fraternity. It was involved in conducting scientific engagement activities such as advisory board meetings, congress presentations, publications, satellite symposia and provision of evidence-based medical information to healthcare practitioners. The Medical Affairs team and the Medical Governance teams ensure that your Company's promotional activities and HCP (healthcare practitioner) engagements are in line with all the applicable guidelines and standard operating practices.

(e) Internal Control Framework

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

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

Additionally, employees 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.

Your Company's policies and updated Global Code of Practice for Promotion and Customer Interactions prescribe the nature of practices and prohibits specifically those which are unethical. Your Company is a signatory to the OPPI (Organisation of Pharmaceuticals Producers in India) Code of marketing conduct. Your Company is also governed by the anti-bribery and corruption programme which is applicable across the global organisation and complies with the principles laid down under US Foreign Corrupt Practices Act and British anti-bribery laws.

(f) Human Resources

2013 has seen a good progress in the key areas of the Human Resources function in your Company i.e. Talent Management, Capability Building and Employee Engagement. Your Company has been conferred the prestigious Confederation of Indian Industries (CII) Award for “Significant Achievement in HR Excellence” in 2013. A team of trained assessors from CII spent around 300 man-hours for evaluation, post submission of the application document. The robustness of the assessing process continued through a review of assessor findings by distinguished jurors. Your Company was rated amongst top 50 (41) companies in India and also amongst the top 3 in the Drugs, Pharmaceuticals & Healthcare segment in the Fortune magazine study of “India’s Most Admired Companies” in 2013. Business Today in its “The Best Companies to Work For” also ranked your Company amongst the top three among the pharmaceutical companies in India.

Talent Management practices have seen a continued investment in building the talent pipeline across the business. The Management Trainees programme branded as ‘future leaders programme’ has seen continued hiring in this area, like previous years, from key business school campuses.

The Learning & Development plan has been in place to provide training inputs for employees across functions and levels. They have addressed both skill and knowledge gaps. Leadership programs continue with First Line Leaders program, Leading Delivery for second line leaders and Leading Business for grooming people into senior leadership roles.

Coaching continues to be an important leadership approach and your Company has covered a significant population of its managers through the “Practical Coaching at the Workplace” programme. In addition select leaders have attended a Job Plus Coaching programme by which they have been trained and certified to coach key talent and other employees.

Lecture series and other knowledge sessions have been conducted on the important aspect of Employee Safety e.g. Driving Two Wheelers Safely. Wellness and Wellbeing services provided employees with counselling opportunities on the day-to-day issues faced in life.

“PULSE” volunteering and “Orange Day” wherein employees are encouraged to contribute to society saw good enthusiasm amongst the employees. PULSE is a volunteering programme by which selected employees work with an NGO on projects for a span of 3-6 months while Orange Day sees employees going on joint field work with specific NGOs for a day.

On the Industrial Relations front, your Company continues to share a cordial relationship with the Unions and acknowledges the contribution of the Unions and the Employees towards meeting the objectives of your Company.

(g) Supply Chain

Manufacturing

The India manufacturing operations continues its journey on the road-map and defined long term strategy. Capacity expansion project of Eltroxin have been started at the Nashik site. Your Company continues to work on building capacities through dual sourcing for key products. The Nashik site is continuously building capabilities through productivity, OEE improvements, recruitment of professionals, specifically in Quality, EHS and Manufacturing, as well as recruitment of fresh diploma engineers on the shop floor. High speed Ointment filling and packing line was installed and commissioned during the year. The Nashik site continues to deliver for Government Tenders which are highly customised packs, and is geared up for implementation of Serialisation requirements as mandated by Government for Export products.

Manufacturing Excellence

The Nashik Site is working on various regional initiatives like operations excellence programme, End to End Supply chain, performance management systems in line with Global Manufacturing and Supply initiatives.

In line with Global Best Practices in the area of Manufacturing and Supply chain, your Company has been working on strategy deployment, performance management, lean leadership, visual factory, gemba with purpose etc. Through strategy deployment, the Nashik site is striving to engage everybody and aligning the collective efforts of everyone with the site roadmap to deliver the business goals. Several improvement projects have been identified related to OEE improvement, cost reduction, productivity improvement, quality & safety improvement which are in progress. The Nashik site achieved a new landmark in supporting patient requirements by recording the highest production in the dermatology range of 128 Mn tubes.

Logistics

In line with business needs, the focus continued on base capability build up, infrastructure development, standardizing the way of working and making progress in our performance system & governing mechanism. The year saw the enhancement in cool storage capability, complete Corporate Security & Investigations (CSI) review of business partners, roll out of various quality & customer connect programs. There was an external challenge of implementing the new DPCO within 45 days and detailed planning and execution ensured compliance.

(h) Corporate Social Responsibility

As a part of its social development initiatives, your Company's commitment towards Corporate Social Responsibility continued by supporting the ongoing long term social projects and the addition of new projects through various non-governmental organisations.

Your Company through Gramin Arogya Vikas Sanstha (GAVS), a registered public trust promoted by the Company, through its tribal healthcare project in Nashik, Maharashtra has reached out to approximately 260 villages through health centres and mobile vans. There have been more than 40,000 direct beneficiaries and 1.25 lakh indirect beneficiaries through health checkup camps and education sessions. This project is in partnership with NGO Niramaya Health Foundation.

Your Company continued its support to the Institute for Indian Mother and Child, an NGO in West Bengal with primary healthcare services to mother and child, educating the community on ante-natal, natal and post natal. In 2013, there have been more than 2.2 lakh beneficiaries which included mothers for maternal and child health screening, dietary supplements and other healthcare needs.

Your Company continued to support through Niramaya Health Foundation, another healthcare project in the slums of the dumping grounds of Deonar, Mumbai. To meet the immediate health care needs, a fully-equipped mobile medical van is available to attend to 30,000 slum dwellers.

During the year, your Company continued to support three voluntary organisations for cancer care towards underprivileged patients – Sri Chaitanya Seva Trust, Mumbai; Indian Cancer Society, Mumbai; and Bangalore Hospice Trust, Karunashraya, Karnataka through screening camps to facilitate early detection, treatment, rehabilitation and palliative care etc. Over 95 camps were conducted, following which approximately 9000 patients were screened for cancer. More than 100 cancer patients were rehabilitated through vocational training and more than 1100 critically ill cancer patients were supported through donation of medicines.

A successful partnership with Pratham continued in 2013 with the education projects in Behraich, Uttar Pradesh and Jodhpur, Rajasthan. Through the shelter homes a total of 63 children went back to their homes with social workers of Pratham monitoring that they have been continuing with their education in the local schools successfully and 89 new children were enrolled. GSK continued to support Paraplegic Foundation in Mumbai for rehabilitation of the severely orthopaedically disabled lower socio-economic class patients. Besides, your Company extended its support towards the education of disadvantaged orphaned children in Barasat district of West Bengal through Kamakhya Balak Ashram by building a school block and has partnered with Aural Education for Hearing Impaired (AURED) in Hyderabad, Andhra Pradesh to help early intervention and detection.

Your Company supported other education projects including Ashirwad Special Education School, Delhi which serves mentally challenged children, Pushpawati Runtha Kanya Vidyalaya, Chandak Kanya Vidyalaya, Vanita Vikas Mandal in Nashik, Maharashtra and Nai Dharti in Patna, Bihar, by supporting the education of underprivileged girls. Your Company continued its support to educate the underprivileged children of Shree Ichhyaamni Vidyamandir, Avishkar Education Sanstha, Shri Ram Vidyalaya managed by Tarun Aikal Mandal and the Down's Syndrome Care Association in Nashik, Maharashtra. Besides, your Company initiated support to The Association of Parents of Mentally Retarded Children, Nashik for medical equipments and The National Federation of Blind, Nashik, towards vocational training and rehabilitation.

Your Company also supported the relief operations of the disaster hit victims of the Uttarakhand floods and Typhoon Phailin by donating medicines through Americares India Foundation.

GlaxoSmithKline Plc continued their donation of Albendazole. In 2013, we donated 325 million albendazole tablets to support the Government of India's Lymphatic Filariasis elimination programme. In addition, for de-worming of school-age children in India, in 2013, 11.2 million albendazole tablets were donated.

(i) Cautionary Note

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

4. Directors

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

5. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2013 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 & Business Sustainability Report

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. Further a Business Responsibility Report, describing the initiatives taken by your Company from an environmental, social and governance perspective, given in Annexure 'C', also forms a part of this Report.

7. Auditors

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

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

8. General

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

9. 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.

The Board and the Management of your Company are indeed appreciative of the substantial support being received from GSK plc the parent organization in providing new healthcare solutions which are products of its discovery labs and the technology improvements which benefits your Company immensely.

On behalf of the Board of Directors

D. S. Parekh
Chairman

Mumbai, 18th February 2014

Annexure 'A' to the Directors' Report

I. Conservation of Energy:

Nashik Site has undertaken various initiatives for energy conservation in the year 2013:

- Energy Meters have been installed for all major areas and Panels at Site, with an Energy Monitoring system to identify and benchmark area wise energy consumption.
- Various power saving initiatives have been undertaken to reduce energy consumption, like increased operational control of Utilities, Replacement of Low efficiency AC, stoppage of low efficiency equipment operation, Flow balancing chilled water etc., saving 400000 kWh/Year.
- The Site is working on various Options of reducing Energy Consumption in 2014, including Biomass Boiler, HVAC consumption reduction, Controls Optimization.

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

Power and fuel consumption:

		Year ended 31 st December 2013	Year ended 31 st December 2012
1. Electricity			
(a) Purchased units	KWH'000	14,816.70	16,569.94
Total amount	Rs. Lacs	1,213.15	1,258.87
Rate/Unit	Rs.	8.19	7.60
(b) Own generation			
(i) Through DG			
Units	KWH'000	38.82	36.58
Units/ltr of HSD		1.76	1.84
Cost per unit	Rs.	30.23	31.04
(ii) Coal		NA	NA
2. Furnace Oil, LDO & LSHS			
Quantity	KL	938.22	871.30
Total amount	Rs. Lacs	428.81	413.35
Average rate	Rs./KL	45,704.86	47,440.69

Consumption per unit of production:

		2013		2012	
		Chemicals (Incl. Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl. Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	(Units)	–	79,657	–	84,212
Furnace Oil, LDO & LSHS	Kltrs	–	5.25	–	4.82
Natural Gas	Th.NM3	–	–	–	–

II. Research and Development (R&D):

The Company R&D unit, namely Pharmaceutical Research & Development (PR&D) is approved by Department of Science and Industrial Research, Government of India.

Pharmaceutical Research and Development (PR&D), Nashik

Pharmaceutical R&D introduced PCS (Product Control Strategy) in combination with TRA (Technical Risk Assessment) & Process Robustness Diagnostic for developing and optimizing the manufacturing processes and to reduce the waste. The department undertook a number of improvement initiatives and new source qualifications through MRA (Material Risk Assessment).

During the year, Technical resources were fully aligned to support the supply chain constraints issue by product transfer activities to create headroom capacity. The department successfully implemented new sources of APIs and excipients which has resulted improvement in security of supply and in cost savings.

PR&D supported emerging markets by developing Branded Generics products through Blue print approach and also worked on number of anti-counterfeit measures.

The company continues to be privileged to have access to various research databases used worldwide and to latest technologies developed by GlaxoSmithKline Group.

Important milestones achieved by PR&D:

- Roll out of TRA & PCS concept to the existing products.
- Reduction in Cost of Waste through better process performance by implementing Process robustness diagnosis for Eltroxin.
- Implementation of Product transfer performance management through standard ways of working.
- Development on 'Branded Generics' Losartan and combination products for emerging market
- Manufacturing capacity enhancement for Cephalexin, Cefum, Betnovates and Zinetac range of products.
- Improved product sustainability by implementing greener processes. (e.g. aqueous coating of Zinetac 300 mg tablets). Development of Anti-counterfeit features (New labels for Zyloric Tablets and SMS technology for Augmentin 625 Tablets)
- Manufacturing and testing improvement initiatives (e.g. New PET liners for Nashik liquid products, process simplification for Phexin Tablets, Robust testing method for Topgraf Ointment)

Future Plans:

- Introduction of new strengths for Eltroxin Tablets.
- Support Greenfield project team to implement latest technology like continuous manufacturing processes.
- Continued technical support for India Strategy.
- Drive process robustness diagnostic to reduce the waste.
- Identify and work on various opportunities in pack redesign, configuration, barcoding and serialization.

Expenditure on R&D:

												Rs. Lakhs
Capital	..	..	..	..	..	..	..	..	..	..	..	11.52
Recurring	..	..	..	..	..	..	..	..	..	..	..	262.86
Total	..	..	..	..	..	..	..	..	..	..	..	274.38
Total R&D expenditure as a percentage of turnover												0.11%

GSK plc the parent organization of your company is one of the biggest investors in R&D to bring new products and vaccines to the market. Your company has been a beneficiary of this significant investment in R&D and it is the effort of the parent organization which has enabled your company to bring a number of new drugs to market since inception.

Technology Absorption, Adaptation and Innovation

SMS technology implemented for Eltroxin 25 & 50 mcg tabs was a part of GSK's consumer empowerment program. This is an anti counterfeit technology in which every bottle pack is printed with a unique identification number. The patient when sends this unique identification number via SMS gets an auto generated message that, "This is the valid code for the GSK product" having an unique alpha numeric identification number for each pack, it is very difficult for a counterfeiter to duplicate this number. Hence patient can check the product authentication by sending a simple SMS.

III. Foreign Exchange Earnings and Outgo:

(1) Exports amounted to Rs. 947 lakhs for the year.

(2) Total Foreign Exchange used and earned:

During the 12 month period, the foreign exchange outgo was Rs. 53804 lakhs (which includes amounts spent on import of raw and packing materials and finished goods aggregating to Rs. 30031 lakhs and Dividend payment of Rs. 21459 lakhs) as compared to Rs. 41414 lakhs in 2012. The foreign exchange earned was Rs. 6255 lakhs mainly on account of exports and clinical research and data management as compared to Rs. 7152 lakhs in 2012. Details have been given in Notes 41 to 44 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 fourteen 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 Ten Non-Executive Directors, of which, seven are Independent Directors.

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

• Board meetings and attendance

Six Board meetings were held in 2013 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.	19 th February	14	13
2.	16 th April	14	14
3.	7 th May	14	11
4.	7 th August	14	13
5.	11 th November	14	12
6.	20 th December	14	13

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

Name of Director	Category of Directorship	Number of Board Meetings attended	Attendance at the last AGM held on 16th April 2013	Number of Directorships in other companies (excluding Directorships in foreign and private companies)	Number of mandatory committee positions held in other companies	
					Chairman	Member
Mr. D. S. Parekh Chairman	Non-Executive	5	Yes	7*	1	2
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	6	Yes	1	Nil	2
Dr. H. B. Joshipura Managing Director	Executive	5	Yes	1	Nil	Nil
Mr. R. R. Bajaaj	Non-Executive & Independent	6	Yes	1	Nil	Nil
Ms. A. Bansal (w. e. f. 19.02.2013)	Non-Executive & Independent	6	Yes	Nil	Nil	Nil
Mr. P. V. Bhide	Non-Executive & Independent	6	Yes	8	2	4
Mr. S. Harford	Non-Executive	4	Yes	Nil	Nil	Nil
Mr. M. B. Kapadia	Executive	6	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	6	Yes	1	Nil	Nil
Mr. R. Krishnaswamy	Executive	6	Yes	1	Nil	Nil
Mr. P. V. Nayak	Non-Executive & Independent	6	Yes	1	Nil	1
Mr. A. N. Roy	Non-Executive & Independent	5	Yes	1	1	Nil
Mr. R. C. Sequeira	Executive	4	Yes	2	Nil	Nil
Mr. D. Sundaram	Non-Executive & Independent	5	Yes	5	2	1

* In addition, Mr. D. S. Parekh is Alternate Director on 2 Public Limited Companies.

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

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

- Details of Directors being appointed/re-appointed

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

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

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

Ms. A. Bansal

Anjali Bansal is Managing Director of Spencer Stuart's Indian business, which she was instrumental in establishing. Based in Mumbai, she also co-leads the firm's Board Services and CEO search efforts in the Asia Pacific region. Anjali works in various geographies across the United States, Europe and Asia, advising companies on CEO and senior executive searches, board governance and succession planning. She consults with clients across sectors, including private equity, financial services, industrial, technology and consumer. Before her career in search, Anjali was with McKinsey & Company. Based in New York and Mumbai, she consulted on strategy and organizational issues. Anjali is a recognized expert and frequent commentator on board governance, CEO succession, entrepreneurship and other executive leadership issues. She has been named as one of the "most powerful women in business in India" by Fortune Magazine and by Business Today.

In addition, she serves as an Independent director on the United Way of Mumbai and is a charter member of The Indus Entrepreneurs (TiE). She is also on the South Asia Advisory Board of the Columbia University. Previously, she chaired the board of FWFB (Friends of Women's World Banking), a leading development and livelihood-promoting institution. She is an active contributor to the CII and the Bombay Chamber of Commerce. Anjali received a master's degree in international affairs, with distinction, from Columbia University, where she majored in international finance and business, as well as a bachelor's degree in computer engineering from Gujarat University. She was appointed as Non-Executive Independent Director of the Company from 19th February 2013.

Mr. P. V. Nayak

Mr. Nayak, 70, graduated with combined honours in Economics and Politics from the University of York, England. He then read law at Gray's Inn, London. From 1970 to 1989, he held several senior level positions in Anil Starch Products, Borosil Glass Works (a corning subsidiary at that time) and Union Carbide. He also practiced management consultancy with A. F. Ferguson & Co. Mr. Nayak joined the Company in 1989 and was elevated to the Board in 1992. At the time of his retirement from service on 30th September 2003, he was Senior Executive Director in charge of Human Resources, Legal and Licensing, Corporate Communications, Administration and Agrivet Farm Care business. Earlier, he was also in charge of the Qualigens Fine Chemicals business. He was appointed as Non-Executive Director of the Company from 9th October 2003. At present, he holds 576 shares of the Company.

Mr. Nayak is a Director of Siemens Limited, Virbac Animal Health India Private Limited and BNP Paribas Trustee India Private Limited. He is the Member of the Investor Grievance Committee and Remuneration Committee of Siemens Limited.

Mr. D. Sundaram

Mr. Sundaram, 60, is a commerce graduate and a post graduate in Management Studies from Madras University. He is a Fellow of the Institute of Cost Accountants and has done the Advanced Management Programme at Harvard Business School.

Mr. Sundaram joined Hindustan Lever (Unilever group) in India as Management Trainee in 1975 and held increasingly senior roles in HLL in Accounting, Commercial and Treasury functions at Mumbai, was Finance Officer at Unilever (London) for Africa and Middle East Region, Finance Director and Board Member of Brooke Bond Lipton India Limited and was Senior Vice-President (Finance and IT), South Asia and Middle East Group based at London. Mr. Sundaram was appointed as Finance Director and Board Member of Hindustan Lever

Limited and subsequently became Vice-Chairman and CFO of the Company; he was also responsible for Pakistan, Bangladesh and Sri Lanka. Mr. Sundaram was twice awarded CFO of the year for the FMCG sector by CNBC TV 18 in 2006 and 2009; he was given the “icon of the profession” award by Institute of Cost Accountants. Currently he is the Vice-Chairman and Managing Director of TVS Capital Funds Limited since July 2009.

He is an Independent Director on the Boards of State Bank of India, SBI Capital Market and TVS Electronics Ltd among others. He is the Chairman of the Audit Committee of SBI Capital Market and TVS Electronics Limited. He is a Member of Audit Committee and Remuneration Committee of State Bank of India.

3. Audit Committee

- Terms of Reference

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

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

- k) to review the external auditors' audit reports and presentations and management's response thereto;
- l) to ensure co-ordination between the internal and external auditors, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
- m) to consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Company subscribes, or of any related codes, policies and procedures, which could have a material effect on the financial position or contingent liabilities of the Company;
- n) to review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
- o) to consider other topics, as defined by the Board;
- p) to review the following information:
 - i) Management discussion and analysis of financial condition and results of operations;
 - ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - iii) Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - iv) Internal audit reports relating to internal control weaknesses; and
 - v) The appointment, removal and terms of remuneration of the Chief Internal Auditor.
- Details of the composition of the Audit Committee and attendance of Members are as follows:

Six Audit Committee meetings were held in 2013. The Committee comprises of Independent and Non-Executive Directors and their meetings were held on 19th February, 16th April, 7th May, 7th August, 14th October and 11th November 2013.

Name	Designation	Category of Directorship	Attendance out of six meetings held
Mr. D. Sundaram	Chairman	Non-Executive & Independent	5
Mr. D .S. Parekh	Member	Non-Executive	4
Mr. V. Thyagarajan	Member	Non- Executive	6
Mr. P .V. Nayak	Member	Non-Executive & Independent	6
Mr. N. Kaviratne	Member	Non-Executive & Independent	6
Mr. P. V .Bhide (w.e.f 7 th May 2013)	Member	Non-Executive & Independent	3

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

The Chairman of the Audit Committee, Mr. D. Sundaram, was present at the Annual General Meeting of the Company held on 16th April 2013.

4. Remuneration to Directors

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

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

The details of the remuneration paid to the Directors during 2013 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	201.20	59.58	85.04	54.32	400.14
Mr. M. B. Kapadia	94.50	48.31	66.01	25.52	234.34
Mr. R. C. Sequeira	52.31	19.60	44.18	14.12	130.21
Mr. R. Krishnaswamy	50.66	19.45	59.34	13.68	143.13

(Rs. in lakhs)

Independent Directors and Non-Executive Directors	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	7.00	4.10	11.10
Mr. R. R. Bajaj	5.00	1.00	6.00
Mr. P. V. Nayak	5.00	1.40	6.40
Mr. N. Kaviratne	5.00	1.40	6.40
Mr. V. Thyagarajan	5.00	1.50	6.50
Mr. D. Sundaram	5.00	1.30	6.30
Mr. P. V. Bhide	5.00	1.20	6.20
Mr. A. N. Roy	5.00	0.80	5.80
Ms. A. Bansal (w.e.f. 19.02.2013)	4.32	2.00	6.32

payable in 2014

Notes:

- The agreement between the Company and each of the Executive Directors is for a period of five years (three years in case of Mr. R. C. Sequeira) 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 up to a maximum of one percent of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 for such period and such amount as may be decided by the Board of Directors from time to time.
- Presently, the Company does not have a scheme for grant of its stock options either to the Executive Directors or employees. However, the Executive Directors and some senior employees of the Company are entitled to Stock Options, Share Value Plan and Performance Share Plan of GlaxoSmithKline plc. During the year, in addition to the above, Dr. H. B. Joshipura, Mr. M. B. Kapadia and Mr. R. C. Sequeira were paid an amount of Rs. 33,34,859, Rs. 23,17,884 and Rs. 11,04,613 respectively under the GlaxoSmithKline plc. Share Value Plan.
- None of the Directors other than those listed above are paid remuneration.
- Mr. D. S. Parekh and Mr. P. V. Nayak hold 612 and 576 shares of the Company, respectively. None of the other Non-Executive Directors hold any shares of the Company.

5. Investors / Shareholders Grievance Committee

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

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

During the year under review, the Committee met on the 20th December 2013 and the Chairman and all the members attended the meeting.

Name, designation and address of the Compliance Officer:

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

The complaints received during the year are as follows:

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	7	8	7	4	26
Stock Exchanges	1	–	3	–	4
Shareholders	3	4	–	1	8
Total	11	12	10	5	38

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

6. General Body Meetings

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

Date	Year	Venue	Time
16 th April 2013	2012	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai – 400 020	3.00 p.m.
10 th April 2012	2011		3.00 p.m.
29 th March 2011	2010		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 47 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 fraud, malpractice or any other activity or event which is against the interest of the Company.

8. Means of Communication

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

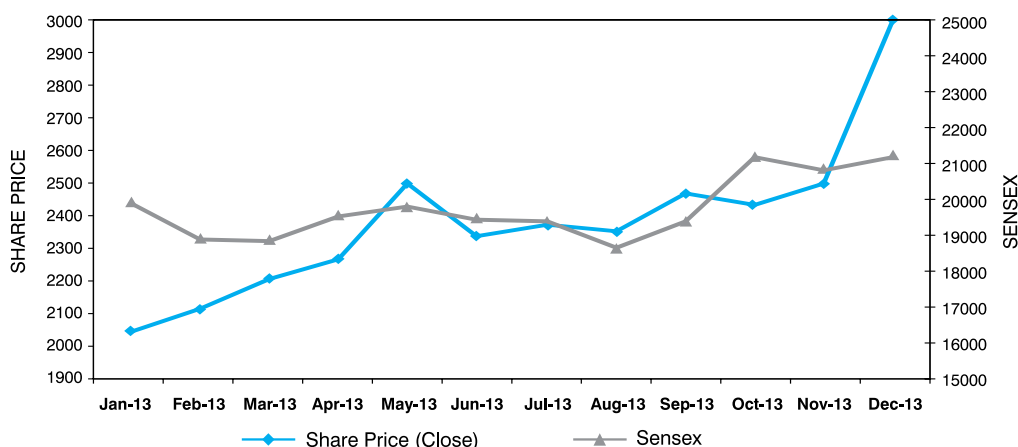
9. General Shareholder Information

- AGM: Date, Time and Venue 17th April 2014 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020
- Financial Year
 - i) January to December
 - ii) First Quarter Results – Second week of May
 - iii) Half-yearly Results – Second week of August
 - iv) Third Quarter Results – First week of November
 - v) Results for the year ending 31st December 2013 - February 2015
- Date of Book Closure 7th April 2014 to 17th April 2014 (both days inclusive)
- Dividend Payment date(s) On or after 19th April 2014
- Listing on Stock Exchange The Stock Exchange, Mumbai, and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1st April 2013 to 31st March 2014.
- Stock Code – Physical 500660 on The Stock Exchange, Mumbai
GLAXO on The National Stock Exchange
- Demat ISIN Number for NSDL and CDSL INE 159A01016

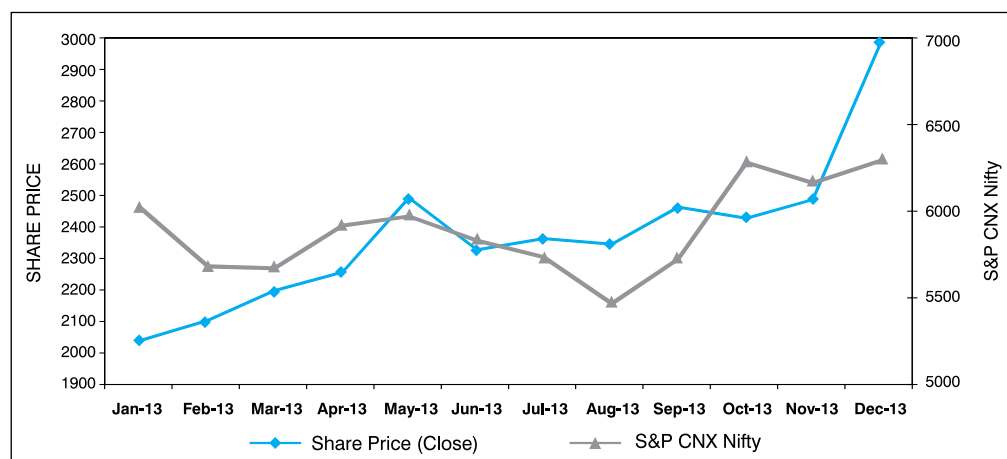
- High/low of market price of the Company's shares traded along with the volumes on The Stock Exchange, Mumbai and on the National Stock Exchange during the calendar year 2013 is furnished below :

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of Shares)	High (Rupees)	Low (Rupees)	Volume (No. of Shares)
January 2013	2,215.00	2,025.00	76,115	2,219.80	2,005.00	4,85,864
February 2013	2,520.00	2,005.00	1,77,167	2,143.95	2,015.15	2,80,350
March 2013	2,215.00	2,090.00	2,09,906	2,249.00	2,075.00	5,84,399
April 2013	2,288.00	2,155.00	63,750	2,298.00	2,181.50	2,79,110
May 2013	2,550.00	2,225.00	2,44,087	2,550.00	2,222.00	6,99,459
June 2013	2,899.00	2,281.00	2,21,416	2,898.00	2,265.00	8,07,019
July 2013	2,684.00	2,300.00	89,520	2,689.00	2,301.30	3,95,694
August 2013	2,424.95	2,175.00	44,528	2,435.40	2,160.00	4,33,683
September 2013	2,485.45	2,226.10	62,390	2,500.00	2,239.95	2,54,933
October 2013	2,515.00	2,400.00	27,606	2,520.00	2,375.00	3,72,252
November 2013	2,511.00	2,370.00	29,697	2,515.00	2,377.00	4,41,203
December 2013	3,001.80	2,427.25	2,12,589	3,002.00	2,425.00	18,63,223

- Share Performance of the Company in comparison to BSE Sensex



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



- Equity History

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

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

Sr. No.	Name of Shareholder	% to Equity
1.	Life Insurance Corporation of India	5.69
2.	Aberdeen Global Indian Equity (Mauritius) Limited	3.88
3.	Aberdeen Emerging Markets Fund	3.11
4.	Aberdeen Global-Emerging Markets Equity Fund	3.10
5.	Aberdeen Emerging Markets Equity Fund, A Series of The Aberdeen Institutional Commingled Funds, LLC	1.63
6.	Aberdeen Global-Asia Pacific Equity Fund	1.58
7.	General Insurance Corporation of India	1.18
8.	Investeringsforeningen Danske Invest	0.88
9.	Aberdeen Investment Funds ICVC – Aberdeen Asia Pacific	0.80
10.	The Oriental Insurance Company Limited	0.74

- The distribution of shareholding as on 31.12.2013 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	28745	28.17	338308	0.40
26 to 50	16392	16.07	709372	0.84
51 to 100	21352	20.93	1737756	2.05
101 to 500	32523	31.87	6307601	7.45
501 to 1000	2020	1.98	1416316	1.67
1001 to 10000	869	0.85	1892578	2.23
10001 and above	135	0.13	72301086	85.36
Grand Total	102036	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2013 is as follows:

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, Fls & Banks	7501864	8.86
FIIs, NRIs, OCBs	20355926	24.03
Mutual Funds	1152919	1.36
Domestic Companies	1066335	1.26
Resident Individuals	11590584	13.68
Others	117901	0.14
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 - 44655000
Fax No.: 040 - 23420814
Contact Person(s): Mr. T. P. Raju /
Mr. Premkumar Nair
Email ID: prem Kumar.nair@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

96.94% of the paid-up capital has been dematerialised as on 31.12.2013. Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton Investment Limited, who jointly hold 50.67% of the paid-up share capital of the Company, hold their shares in the dematerialised form.

- Outstanding GDRs/ADRs/ Warrants or any convertible instruments conversion date and likely impact on equity Not issued.
- Plant locations The Company's plant is located at Nashik (Maharashtra).
- Address for correspondence Shareholders' correspondence should be addressed to the Company's Registrars and Share Transfer Agents at the address mentioned above.

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

Tel.Nos. 2495 9595 Extension 433/434

Email ID : ajay.a.nadkarni@gsk.com

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

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited, for the year ended December 31, 2013, 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 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 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership Number 202660

Mumbai
February 18, 2014

Annexure 'C' to Directors' Report

Business Responsibility Report

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

About our report

GSK, a science-led global healthcare company makes a range of innovative products used by millions of people around the world that help people do more, feel better and live longer. While our primary contribution is to develop new products that improve people's health, we also create value as a global company by making direct and indirect economic and social contributions in the countries we operate. As a science-led global healthcare company we have the opportunity to improve the health and well-being of millions of people around the world. GSK contributes to improving health by developing innovative and valued products, and supporting disease prevention. The Company's mission drives us to make a difference to the lives of millions of people with our commitment to effective healthcare solutions.

Environmental sustainability is a priority for GSK. At GSK, we look at practices that incorporate sustainability into the core of our business to make innovative products. We believe it is possible to grow our business and to provide access to healthcare products to an increasing number of people across the world while protecting the resources we need for the future and safeguarding the environment.

Investing in our people and communities helps us to ensure the long-term sustainability of our business. Our employment practices are designed to help us create the right workplace culture in which all employees feel valued, respected, empowered and inspired. All business decisions are guided by our core values. We expect all employees to commit to **transparency**, show **respect for people**, demonstrate the highest **integrity**, and be **patient-focused**. Business responsibility is about our commitment to be open and transparent about our business activities.

Our Business Responsibility Report follows the Securities and Exchange Board of India's (SEBI) proposal and is in accordance with the key principles articulated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'.

This report provides details of the Company in the areas of sustainability, human rights, stakeholder engagement, employees' wellbeing, corporate social responsibility, proactive advocacy and inclusive growth.

Governance and Accountability

Good governance and transparent reporting are part of our commitment to be open about our business activities. Our commitment to responsible, values-based business underlies everything we do including our sales and marketing practices, policy activities and our relationships with suppliers and how we conduct and report our research. We have a strong values-based culture and our actions are supported by robust policies and compliance process.

We conduct our business in an ethical way. We also engage stakeholders directly to understand and prioritise the issues that are important to them. Our policies on ethics, bribery and corruption are stringent and encompass our stakeholders including suppliers, vendors, contractors, NGOs, etc.

Ethical conduct is priority to GSK. GSK is a global corporation with a common Code of Conduct across the globe. This code sets out fundamental standards for all employees and embodies the spirit of GSK bringing together a number of Company policy principles. It provides a working guide for the way in which we should apply our values across all our business practices and working styles. At GSK, we want to ensure that everything we do is guided by our commitment to our values and our commitment to being in compliance with the regulations within which we have to operate. The foundations of these commitments are laid out in our Code of Conduct and each employee must take personal responsibility for abiding by our Code.

This is supported by the Employees Guide to Business Conduct, which helps employees take ethical decisions and focuses on bringing life to our values of transparency, respect for people, integrity, and patient focus. During inductions, every employee is taken through the code of business conduct with specialised training being provided for those working in manufacturing, sales and marketing, where there are additional requirements. Moreover, all managers and employees are required to confirm their compliance with the code annually.

Our prescription drugs and vaccines are marketed to healthcare professionals, hospitals and government. Our policies and updated Global Code of Practice for Promotion and Customer Interactions guide the nature of our practices and prohibits practices which are unethical. The Global Code of Practice for Promotions and Customer Interactions is applicable worldwide. Besides, our regional and local policies, standard operating procedures and other codes provide additional guidance to employees. We are also a signatory to the OPPI (Organisation of Pharmaceuticals Producers in India) code of marketing conduct which is available online on their site <http://www.indiaoppi.com>.

We have a culture of disclosure which is enabled by a strong grievance redressal body and supportive ecosystems. In addition specific process and mechanisms to facilitate reporting of unethical conduct or violation of laid down guidelines as well as for protection of employees those report unethical conducts are in place. All GSK employees have access to whistle blowing that they can use to get advice, and to report suspected cases of misconduct anonymously if required.

Sustainable products and services

Sustainability in our business performance is critically important if we are to deliver continued innovation and success to our products. Our commercial success depends on growing a diverse business, creating innovative new products people value, making them widely accessible and operating efficiently. In the process, we are able to grow our business and provide patients, consumers, employees, our shareholders and society. Through our wide range of products and services, GSK touches the lives of millions of patients everyday. In the best interest of the patient, we endeavour to work with responsible suppliers who adhere to the same quality, social and environmental standards as GSK and its affiliates worldwide.

In GSK, the interest of the patient is of prime importance beginning from development until the final distribution.

Being a global company, most of GSK's products are approved by major international regulators like USFDA, UKMHRA. Besides, there are mandatory regulatory approvals required in India endorsing the safety of a product.

The Company's commitment is to reduce carbon footprint by 25% in 2020 and have a carbon neutral value chain by 2050; to reduce our water impact across the value chain by 20% and reduce our operational waste by 50% by 2020. With our long-term goal for our value chain to be carbon neutral by 2050, we look at every process associated with our products – from sourcing raw materials to manufacturing, use and product disposal. The Company conducts audits both internally as well as with vendors of the manufacturing process, usage of materials etc.

We procure a significant proportion of our product ingredients and packaging material procured from third party manufacturers belonging to Micro, Medium and Small Enterprises locally. A qualified team is in place to educate these vendors on an ongoing basis building capacity, capability and raising their standards of delivery.

To ensure that all our vendors are up to the GSK standards, they go through the GSK Audit and Approval process based on global guidelines. To ensure that these vendors have infrastructure, facilities, systems and controls in line with GSK's global standards, our quality team supports, trains and guides them. In addition, periodic quality audits are conducted on a regular basis. This ensures that the internal manufacturing processes as well as with vendors remains compliant and maintains our quality standards. These are over and above the specific quality checks of each batch of finished products as well as input raw materials.

Some of our products where in we have incorporated social or environmental concerns are: Seretide Evohaler – product was changed to include CFC free propellant which is more environment friendly.

We cannot recycle our products as they are related to health. However, there is a mechanism to segregate the waste and give to the authorised vendor for recycling wherever appropriate. We reuse some paper packaging material.

We follow the GMP guidelines with respect to our product packaging. All our products have barcodes and other features to avoid pilferage. One of our products has a unique QR code to validate the authenticity of the product. This feature has been introduced last year for the first time as an anti-counterfeit measure.

Employees' wellbeing

We are committed to being an employer of choice, recruiting and retaining talented people and developing their skills. We invest in employees at every level and practices are designed to create a work place culture. We need our people to develop their skills, appreciate different perspectives and be highly motivated, engaged and resilient. Our talent management process focuses on building talent at various levels. Due to our plan on exporting talent, there has been a considerable rise in the number of employees moving on international assignments.

We ensure that all GSK employees feel valued, respected, empowered and inspired to achieve our goals. GSK strives to be inclusive, accessible and attractive as an employer to people from all backgrounds. We have clear values that govern how we do business responsibly, and we have made a strong public commitment to these values. We strive to engage employees on our values and the progress we are making as a company, while listening to their views. Our employees live and embody these values which we reinforce through training and, communication. We recognise and reward performance. Our employees conform to GSK global standards as well as comply with the laws of the land.

For our employees, to achieve sustainable high performance, we focus on developing leadership and coaching skills. A carefully planned Learning & Development calendar has been created and implemented. In addition to 'Practical Coaching at Workplace' which covered all Frontline Managers, we have covered a section of Senior Managers in Job Plus Coaching who are now ready to strengthen the initiative for the entire organisation. We continue to lay strong emphasis on Sales Training for our field force, both at induction and through refresher programmes to accredit the front line sales persons.

We are committed to making employment at GSK accessible to people with disabilities and increasing the proportion of women. To read more about our recruitment process log on to – <http://www.gsk.com/careers/why-gsk.html>

Emotional and mental health continue to be a focus area with bi-monthly employee communication touching upon different areas that benefit employees. Our Wellness and Wellbeing programme continue to provide GSK employees with access to counselling and mental health and guidance on their day-to-day issues of life.

We have a total of 5034 employees working with GSK of which 607 of are women employees and 1 permanent employee with disability.

There are four recognised unions – Selling Area (zonal) based – North, East, West and South to address the grievances of employees working in the field. The union in the West selling area also represents the workers working at Nashik site and clerical staff at Worli.

Stakeholder engagement

Engagement and dialogue enables us to understand the needs of key stakeholders and keep in touch with their views. This engagement and feedback helps us to identify important issues, both current and emerging in the area we operate in and assists us on how we shape and address these issues to ensure they are in the best interests of the wider society and our shareholders.

Many of our engagements take place during the routine course of business, in day to day interactions with customers, employees, suppliers and other partners. Besides, we carry out formal and structured engagement, including through meetings, consultations and participation in conferences.

Examples of how we engage with our stakeholders are outlined here.

Stakeholder Examples of how we engage

Healthcare professionals (HCPs)

- Sales representative meetings
- Interactions during clinical studies and at conferences
- Engagement with professional organisations

Patients

- Market research to understand patient needs

Governments and regulators

- Our public policy work.
- Input to policy makers based on our global experience on key issues such as healthcare.

Investors

- Meetings with investors

Employees

- Regular employee surveys
- Consultation with employee representatives on changes to the business

Local communities

- Our community development programmes

Non-governmental organisations

- Partnering in community for Engagement development programmes.

Suppliers

- Global and regional supplier review meetings
- Meetings for diverse suppliers

Peer companies

- Pharmaceutical industry organisation meetings
- Joint projects such as the Pharmaceutical Supply Chain Initiative

Human rights

GSK conforms to national laws as well as the global GSK policies. We comply and adhere to all the human rights laws and guidelines of the Constitution of India, national laws and policies and the content of the International Bill of Human Rights.

We have most direct control over human rights in our own operations and aim to act responsibly across all our spheres which includes our employees, suppliers, local communities and society more broadly.

Our approach to human rights

Employees – Our employment standards cover issues including diversity, equal opportunities, health and safety and protection of employees' human rights.

Suppliers – Our Third Party Code of Conduct requires suppliers, contractors and business partners to meet GSK standards for ethical standards and human rights. Environmental, health and safety (EHS) audits help us identify potential breaches of our human rights clauses.

Communities – GSK aims to have good relationships with all the communities around our sites and to operate in ways that do not infringe their human rights.

Society – We can have an influence on human rights beyond our own operations. Our efforts to improve access to healthcare support society more broadly fulfil its right to health.

Read more online - our positions online including:

- Our Human Rights Statement
- GSK on the Convention on Biological Diversity

Search for public policies on www.gsk.com

Environment

GSK implements an environmental sustainability strategy across our entire value chain – from raw materials to product disposal. Environment sustainability is priority for GSK. We are growing our business to bring innovative medicines to more people around the world and we are committed to reducing our environmental impact as we do so.

Our policy on environment conforms to local laws as well as GSK's global standards. Various initiatives for energy efficiency and renewable energy were undertaken at our Nashik site. As part of our sustainability initiatives our Nashik Site has undertaken various initiatives for energy conservation in the year 2013 :

- Energy Meters have been installed for all major areas and Panels at Site, with an Energy Monitoring system to identify and benchmark area wise energy consumption.

- Various power saving initiatives have been undertaken to reduce energy consumption, like increased operational control of Utilities, Replacement of Low efficiency AC, stoppage of low efficiency equipment operation, Flow balancing chiller water etc which resulted in a saving of about 400000 kWh / Year.
- The Site is working on various Options of reducing Energy Consumption in 2014, including Biomass Boiler, HVAC consumption reduction, Controls Optimisation.

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

The emissions generated by the Company are within limit specified by Maharashtra Pollution Control Board. No show cause notice or warning letter issued by Maharashtra Pollution Control Board. With regard to waste management, our waste is segregated and given to government approved vendors for recycling wherever appropriate. Nashik site runs on zero discharge basis with respect to water. Treated site effluent is used for site gardening.

We publish our positions on our intranet “EHS Manager – Entropy” on the following:

- Climate change
- The impact of climate change on health

Besides, we publish our positions on our website which include

- Climate change
- Impact of climate change on health
- Genetically modified micro-organisms and EHS
- Pharmaceuticals in the environment
- Ozone depletion and metered-dose inhalers for asthma
- Ozone depleting substances in plant and equipment

<http://www.gsk.com/reports-and-publications.html?tab=tabpublic-policies>

Public policy and patient advocacy

GSK is a member of various industrial and trade bodies like Confederation of Indian Industries (CII), Bombay Chamber of Commerce and Industries (BCCI), Organisation of Pharmaceutical Producers of India (OPPI) and PHRMA. We are a part of various task forces and forum within these chambers and work closely with the industry bodies in devising strategies to improve healthcare in the country as well to provide input to public policy with respect to the same.

Inclusive growth

Our community development projects focus in the areas of healthcare, education and sustainable livelihoods to the underserved and underprivileged targeting women, children and the elderly as appropriate. The objective of these initiatives is to catalyse change and to improve service levels in these areas. This is done through working with pre- screened NGOs.

We design the programmes we support in a way that they are long term and have a sustainable impact. We set ambitious commitment and work with experienced partners.

We also encourage employee volunteering through our Orange Day and PULSE initiative. Orange Day is a one day employee volunteering initiative while PULSE is a global volunteering initiative which gives an employee a chance to spend 3 to 6 months of his time working with an NGO.

Among the various projects, GSK has worked on a project which can be adopted by the community. A pilot study under the project named “Strengthening Immunisation in Mumbai Slums (SIMS)” was undertaken which was a collaborative pilot project of GlaxoSmithKline, with technical support from PATH, implemented by Committed Communities Development Trust (CCDT) in coordination with Municipal Corporation of Greater Mumbai (MCGM).

With the objective to design a web based information system to review data as per the requirement of the health post staff, an action plan to have 100 percent coverage of children for routine immunisation is being worked out.

This project covered a population of 5 lakhs in 5 health post of Deonar, Pathanwadi, Appapada, Mankhurd and Squatters Colony. Through the use of this system and its MIS, coverage increased from 34.3% to 51.5% among the eligible children of 0-2 years of age.

Our community investment was Rs. 2.89 crores in 2013, and our product donations (at cost) were 12.70 lakhs.

For the year 2013, your company's net profit after tax was Rs. 577.26 crores and investment on social commitment for the year was Rs. 2.89 crores or 0.50 percent of the net profit turnover. Besides, our product donation (at cost) was Rs. 12.70 lakhs.

To read about our projects – log on to – <http://www.gsk-india.com/corporate-index.html>

Patient engagement

Patient is at the core of our business. They are our most important stakeholders. We actively seek new ways of delivering healthcare and making our products available and affordable to people who need them, wherever they live.

In our effort to expand access to our products we have led the industry by adopting a flexible pricing approval to pricing our medicines and vaccines based on a country's ability to pay. This has resulted in significant reduction in prices, representing a good outcome for the patients.

We adhere to national and international standards with respect to product safety and code of engaging with customers.

On our product packaging, we provide all the information as mentioned in Cosmetic Drugs Rule 1996. As a part of grievance redressal, customer care no and email id are provided along with the usage leaflet.

As on December 31, 2013, from a quality perspective, only 6 cases are pending where our response is awaited. Five consumer cases are pending against us.

Conclusion

Our second Business Responsibility Report discloses details related to our sustainability commitments and management approach across the dimensions for calendar year 2013.

Contact

Mr. Raju Krishnaswamy, Executive Director is responsible for implementation of the BR policies. His details:

DIN No: 03043004

Tel.: +91 22 24959650

Email: raju.x.krishnaswamy@gsk.com

The Company's CIN No: L24239MH1924PLC001151

Independent Auditors' Report

TO THE MEMBERS OF GLAXOSMITHKLINE PHARMACEUTICALS LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of GlaxoSmithKline Pharmaceuticals Limited (the "Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the "Act"), read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), 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.
8. As required by section 227(3) of the Act, 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 so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on December 31, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Asha Ramanathan
Partner

Mumbai, 18th February, 2014

Membership Number: 202660

Annexure To Independent Auditors' Report

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of GlaxoSmithKline Pharmaceuticals Limited on the financial statements as of and for the year ended December 31, 2013

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets, other than the situation of certain plant and equipment, 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 have been noticed on such verification.
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory excluding stocks with third parties has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- iv. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- vi. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- vii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- viii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of service tax though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth-tax and customs duty which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax, and excise duty as at December 31, 2013 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	12,38.27	Assessment Years 2007-2008 and 2008-2009	Appellate Authority – up to Commissioner's level
		69,79.64	Several demands pertaining to Assessment Years 1990-91, 1999-2000 and 2007-2008 to 2010-2011	Tribunal
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	29,66.80	Several demands pertaining to the period 1983-1984 and 1988 to 2010	Appellate Authority – up to Commissioner's level

Name of the statute	Nature of dues	Amount* (Rs. in lakhs)	Period to which the amount relates	Forum where the dispute is pending
		56,98.20 (includes Rs. 52,18.20 Lakhs not deposited due to a Stay Order)	Several demands pertaining to the period 1990-1991, 1998-1999, 1999-2000 and 2001-2002 to 2005-2006	Tribunal
		87.06	Several demands pertaining to the period 1990-1991, 1994-1996, 1999-2000 and 2005-2006	The High Court of Judicature at Allahabad, Lucknow, Punjab and Haryana and Kerala
		42.14	Demand pertaining to the period 1993-1994 and 1994-1995	Supreme Court
The Finance Act, 1994	Service tax	1,29.20	January 2001 to December 2002	Customs, Excise & Service Tax Appellate Tribunal
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	25.60	Several demands pertaining to the periods March 1992 to March 1994, July 1995 to January 1998.	Appellate Authority – up to Commissioner's level
		16,72.19	Several Demands Pertaining to the Period October 1994 to January 1995, September 1996 to September 2002, November 2003 to December 2011.	Customs, Excise & Service Tax Appellate Tribunal (CESTAT)
		1,60.83	Demand pertaining to 1977- 1980 and 1988-1991.	The High Court of Judicature at Bombay

*Net of amounts paid including under protest.

- ix. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- x. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xi. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xii. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xiii. Matters specified in clauses (iii) (b), (c) and (d)/(f) and (g), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the CARO, 2003 do not apply to the Company.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership Number: 202660

Mumbai, 18th February, 2014

GlaxoSmithKline Pharmaceuticals Limited

Balance Sheet as at 31st December, 2013

								Note No.	Rupees in lakhs	Previous year Rupees in lakhs
EQUITY AND LIABILITIES										
SHAREHOLDERS' FUNDS										
Share Capital	..	..	..	..	..	..	..	2	84,70.30	84,70.30
Reserves and Surplus	..	..	..	..	..	..	..	3	1932,48.71	1925,31.22
NON-CURRENT LIABILITIES										
Long-term borrowings	..	..	..	..	..	..	..	4	3,60.50	4,14.24
Other long-term liabilities	..	..	..	..	..	..	..	5	4,96.72	4,96.72
Long-term provisions	..	..	..	..	..	..	..	6	241,04.04	234,79.29
CURRENT LIABILITIES										
Trade payables	..	..	..	..	..	..	..	7	278,01.24	235,18.89
Other current liabilities	..	..	..	..	..	..	..	8	86,22.07	88,35.32
Short-term provisions	..	..	..	..	..	..	..	9	518,83.23	512,20.67
TOTAL								..	3149,86.81	3089,66.65
ASSETS										
NON-CURRENT ASSETS										
Fixed assets										
Tangible assets	..	..	..	..	..	..	..	11	100,07.18	89,40.21
Capital work-in-progress	..	..	..	..	..	..	..	..	61,86.01	43,78.75
Non-current investments	..	..	..	..	..	..	..	12	47,66.97	57,67.51
Deferred tax assets (net)	..	..	..	..	..	..	..	13	92,10.65	86,54.09
Long-term loans and advances	..	..	..	..	..	..	..	14	232,87.39	189,68.68
Other non-current assets	..	..	..	..	..	..	..	15	13,55.38	10,17.88
CURRENT ASSETS										
Current investments	..	..	..	..	..	..	..	16	10,00.25	44,90.92
Inventories	..	..	..	..	..	..	..	17	342,39.73	282,04.29
Trade receivables	..	..	..	..	..	..	..	18	96,39.32	115,89.80
Cash and bank balances	..	..	..	..	..	..	..	19	2027,13.61	2038,77.91
Short-term loans and advances	..	..	..	..	..	..	..	20	69,91.37	57,02.79
Other current assets	..	..	..	..	..	..	..	21	55,88.95	73,73.82
TOTAL								..	3149,86.81	3089,66.65

The accompanying notes are an integral part of these financial statements

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

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Statement of Profit and Loss for the year ended 31st December, 2013

	Note No.	Rupees in lakhs	Previous year Rupees in lakhs
Sale of products		2593,39.32	2669,97.28
Excise duty		(73,22.08)	(70,04.18)
Sale of products (net)		2520,17.24	2599,93.10
Other operating revenue		25,97.50	26,50.37
Revenue from operations	29	2546,14.74	2626,43.47
Other Income	30	200,96.86	197,34.70
TOTAL REVENUE ..		2747,11.60	2823,78.17
Cost of materials consumed	31	538,56.74	437,80.90
Purchases of traded goods	32	670,00.11	607,45.49
Changes in inventories of finished goods, work-in-progress and traded goods	33	(50,74.71)	52,58.64
Employee benefits expense	34	362,04.85	295,51.55
Depreciation expense	11	19,88.14	17,83.93
Other expenses	35	504,19.90	417,80.01
TOTAL EXPENSES ..		2043,95.03	1829,00.52
Profit before exceptional items and tax		703,16.57	994,77.65
Exceptional Items	40	26,15.46	(148,21.70)
Profit before Tax		729,32.03	846,55.95
Tax expense:			
Current tax		233,00.35	294,37.55
Deferred tax		(5,56.56)	(25,07.49)
Net Profit		501,88.24	577,25.89
Earnings per equity share (basic and diluted) (Rs.)	50		
Face value Rs. 10 each		59.25	68.15

The accompanying notes are an integral part of these financial statements

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

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Cash Flow Statement for the year ended 31st December, 2013

							Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES								
Profit before taxation and exceptional items	..	..	..	..			703,16.57	994,77.65
<i>Adjustments for :</i>								
Provision written back as no longer required	..	..	..	..			(42.32)	(3,02.52)
Profit on sale / disposal of tangible assets (net)	..	..	..	..			(1,64.92)	(18.30)
Interest income	..	..	..	..	..	..	(173,48.20)	(171,81.28)
Dividend income	..	..	..	..	..	..	(25,00.00)	(22,00.00)
Interest expense	..	..	..	..	..	..	33.09	33.42
Depreciation	..	..	..	..	..	..	19,88.14	17,83.93
Unrealised foreign currency (loss) / gain	..	..	..	..	..	..	(4.18)	4.35
Operating profit before working capital changes	..	..	..	..			522,78.18	815,97.25
<i>Adjustments for :</i>								
Inventories	..	..	..	..	..	..	(60,35.44)	47,13.78
Trade Receivables	..	..	..	..	..	..	19,50.48	(27,91.50)
Short-term loans and advances	..	..	..	..	..	..	(12,88.58)	(7,05.45)
Other current assets	..	..	..	..	..	..	8.66	53.25
Other non-current assets	..	..	..	..	..	..	(39.88)	19.32
Long-term loans and advances	..	..	..	..	..	..	(13,35.36)	(12,14.83)
Trade payables	..	..	..	..	..	..	42,82.35	34,18.82
Provisions	..	..	..	..	..	..	29,97.11	(2,33.27)
Other current liabilities	..	..	..	..	..	..	(3,73.05)	6,21.92
Other long-term liabilities	..	..	..	..	..	..	—	(3.14)
Cash generated from operations	..	..	..	..			524,44.47	854,76.15
Direct taxes paid (net of refunds) (including fringe benefits tax)	..	..	..	..			(242,05.33)	(313,80.59)
Cash flow before exceptional items	..	..	..	..			282,39.14	540,95.56
Exceptional items:								
Payments under Voluntary Retirement Scheme	..	..	..	..			(3,90.28)	(91,12.19)
Payment of deposits for pricing matters	..	..	..	..			—	(136,82.00)
Non recurring expenses for rationalisation initiatives	..	..	..	..			(11,06.72)	(19,38.50)
Net cash generated from operating activities	..	..	..	..		A	267,42.14	293,62.87
b. CASH FLOW FROM INVESTING ACTIVITIES								
Purchase of tangible fixed assets	..	..	..	..	..		(58,22.17)	(39,07.63)
Sale of tangible fixed assets	..	..	..	..	..		6,50.90	33.51
Sale of property (Exceptional item)	..	..	..	..	..		21,41.02	—
Expenses relating to sale of property (Exceptional item)	..	..	..	..	..		(23.21)	—
Sale / redemption of current investments	..	..	..	..	..		44,90.90	57,00.00
Investment in bank deposits (having original maturity more than 3 months)	..	..	..	..	..		(2149,75.00)	(2219,75.00)
Redemption / Maturity of bank deposits (having original maturity more than 3 months)	..	..	..	..	..		2136,75.00	1929,00.00
Interest received	..	..	..	..	..		171,60.10	157,91.48
Dividend received	..	..	..	..	..		25,00.00	22,00.00
Net cash (used in) / from investing activities	..	..	..	..		B	197,97.54	(92,57.64)

Cash Flow Statement (Contd.)

							Rupees in lakhs	Previous year Rupees in lakhs
c. CASH FLOW FROM FINANCING ACTIVITIES								
Repayments of borrowings .. .. .	..	..	..	..	..	..	(45.09)	(31.19)
Interest paid .. .. .	..	..	..	..	..	..	(33.09)	(33.42)
Dividend paid .. .. .	..	..	..	..	..	..	(421,37.90)	(378,15.44)
Tax on distributed profit .. .. .	..	..	..	..	..	..	(67,92.08)	(58,26.53)
Net cash used in financing activities .. .. .	..	..	..	..	..	C	(490,08.16)	(437,06.58)
Net decrease in cash and cash equivalents .. .. .	..	..	..	..	..	(A+B+C)	(24,68.48)	(236,01.35)
Cash and cash equivalents as at 1st January, 2013 (opening balance) ..							137,07.09	373,08.44
Cash and cash equivalents as at 31st December, 2013 (closing balance) ..							112,38.61	137,07.09
Net decrease in cash and cash equivalents .. .. .	..	..	..	..	..		(24,68.48)	(236,01.35)
NOTES:								
1. Cash and cash equivalents include:								
Cash on hand .. .. .	..	..	..	..	..	..	1.67	3.95
Cheques on hand .. .. .	..	..	..	..	..	..	—	13,70.52
Term deposits with original maturity period of less than three months ..							23,54.00	56,08.00
Balances with banks .. .. .	..	..	..	..	..	..	69,94.03	50,45.13
Unpaid dividend accounts .. .. .	..	..	..	..	..	..	18,88.91	16,75.31
Unrealised (loss) / gain .. .. .	..	..	..	..	..	..	—	4.18
Total cash and cash equivalents .. .. .	..	..	..	..	..		112,38.61	137,07.09
2. Other Bank balances include:								
Term deposits with original maturity period of more than three months ..							1914,75.00	1901,75.00

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

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

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Notes to the Financial Statements for the year ended 31st December, 2013

GENERAL INFORMATION

GlaxoSmithKline Pharmaceuticals Limited ('the Company') is a public limited company and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is engaged inter alia, in the business of manufacturing, distributing and trading in pharmaceuticals.

1 STATEMENT OF ACCOUNTING POLICIES

(a) Basis for preparation of accounts

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

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

(b) Tangible 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 Equipment other than Gas Installations	10 years
Gas Installations	6 years
Personal Computers and Laptops	3 years
Other Computer Equipment	4 years
Furniture and Fixtures	10 years
Office Equipment	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 that have been retired from active use and held for disposal and 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, and are shown separately in the Financial Statements.

(c) Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is done at each balance sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

(d) 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.

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non current investments.

(e) Provisions and Contingent Liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. A provision is not discounted to its present value and is determined based on the best estimate required to settle the obligation at the year end date. These provisions are reviewed at each year end date and adjusted to reflect the best current estimate.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

(f) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on first-in first-out 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.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and demand deposits with banks with original maturities of three months or less.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

(h) 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.

Interest on investments is recognised on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend income on investments is recognised for when the right to receive the payment is established.

(i) 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 Statement of Profit and Loss.

(j) Proposed Dividend

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

(k) 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.

(l) 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.

(m) 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.

(n) 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. Deferred tax assets and deferred tax liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

(o) Employee Benefits

(i) Long-term Employee Benefits

In case of Defined Contribution plans, the Company's contributions to these plans are charged to the Statement of Profit and Loss as incurred.

Liability for Defined Benefit plans 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 for Gratuity and Post Retirement Medical is Projected Unit Credit method. The obligations for Gratuity and Post Retirement Medical are measured as the present value of estimated future cash flows 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.

Provident Fund contributions are made to a Trust administered by the Company. The actuarial valuation method, carried out by an independent actuary, used for measuring the liability for Provident Fund is Projected Accrued Benefit method. This approach determines the present value of the interest rate guarantee under three interest rate scenarios: base case scenario, rising interest rate scenario and falling interest rate scenario. The Defined Benefit Obligation of the interest rate guarantee is set equal to the average of the present values determined under these scenarios in respect of accumulated provident fund contributions as at the valuation 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.

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

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

(p) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

2 SHARE CAPITAL

AUTHORISED

9,00,00,000 equity shares of Rs. 10 each	..	..	..	..	..	Rupees in lakhs	Previous year Rupees in lakhs
						90,00.00	90,00.00

ISSUED

8,47,07,710 equity shares of Rs. 10 each	84,70.77	84,70.77
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SUBSCRIBED AND PAID-UP

8,47,03,017* equity shares of Rs. 10 each, fully paid up	84,70.30	84,70.30
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TOTAL	..					84,70.30	84,70.30
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* excludes 4,693 equity shares of Rs. 10 each of the Company (3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited) held in abeyance.

				As at 31st December, 2013		As at 31st December, 2012	
				Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
(a)	Reconciliation of the number of shares :						
	Balance at the beginning of the year	..	..	84,703,017	84,70.30	84,703,017	84,70.30
	Issued during the year	..	..	—	—	—	—
	Balance at the end of the year	..	..	84,703,017	84,70.30	84,703,017	84,70.30

(b) Rights, preferences and restrictions attached to equity shares :

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Shares held by subsidiaries of ultimate holding company in aggregate :

				Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
Equity shares of Rs. 10 each (representing 50.67% of total shareholding)..	..	..	..	42,917,488	42,91.75	42,917,488	42,91.75

(d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company:

				Number of Shares	% Shareholding	Number of Shares	% Shareholding
Glaxo Group Limited, U.K.	..	..	..	30,485,250	35.99%	30,485,250	35.99%
Eskaylab Limited, U.K.	..	..	..	5,880,000	6.94%	5,880,000	6.94%
Life Insurance Corporation of India	..	..	..	4,822,848	5.69%	4,822,848	5.69%

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

3 RESERVES AND SURPLUS

							Rupees in lakhs	Previous year Rupees in lakhs
CAPITAL RESERVE								
Balance as at the beginning of the year	..	..	..	..	..	..	1,65.51	1,65.51
Additions/Deductions	..	..	..	..	..	..	—	—
Balance as at the end of the year	..	..	..	..	..	(a)	1,65.51	1,65.51
CAPITAL REDEMPTION RESERVE								
Balance as at the beginning of the year	..	..	..	..	..	..	2,61.95	2,61.95
Additions/Deductions	..	..	..	..	..	..	—	—
Balance as at the end of the year	..	..	..	..	..	(b)	2,61.95	2,61.95
GENERAL RESERVE								
Balance as at the beginning of the year	..	..	..	..	..	..	778,09.16	720,36.57
Transfer from Surplus in Statement of Profit and Loss	..	..	..	..	..	..	50,18.82	57,72.59
Balance as at the end of the year	..	..	..	..	..	..	828,27.98	778,09.16
SURPLUS IN STATEMENT OF PROFIT AND LOSS								
Balance as at the beginning of the year	..	..	..	..	..	..	1142,94.60	1110,59.15
Profit for the year	..	..	..	..	..	..	501,88.24	577,25.89
Less : Appropriations	..	..	..	..	..	..
Proposed Dividend	..	..	..	..	..	..	(423,51.50)	(423,51.50)
Tax on dividend	..	..	..	..	..	..	(71,19.25)	(63,66.35)
Transfer to General Reserve	..	..	..	..	..	..	(50,18.82)	(57,72.59)
Balance as at the end of the year	..	..	..	..	..	..	1099,93.27	1142,94.60
TOTAL							1932,48.71	1925,31.22

(a) 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.

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

4 LONG TERM BORROWINGS

Unsecured							Rupees in lakhs	Previous year Rupees in lakhs
Interest free sales tax loan from SICOM Limited	..	..	..	..	..	..	3,60.50	4,14.24
TOTAL							3,60.50	4,14.24

Terms of repayment

Interest free Sales Tax Loan from SICOM Limited as at 31st December, 2013 of Rs. 4,14.24 lakhs (Previous year – Rs. 4,59.33 lakhs) includes Rs. 4.80 lakhs (Previous year – Rs. 20.94 lakhs) availed under the 1988 Sales Tax deferment Scheme repayable in one installment, closing on 31st January, 2014 and Rs. 4,09.44 lakhs (Previous year – Rs. 4,38.39 lakhs) under the 1993 Sales Tax deferment Scheme repayable in twenty seven instalments closing on 30th April, 2021. The current maturity amount of Rs. 53.74 lakhs (Previous year – Rs. 45.09 lakhs) of the loan has been disclosed under Note 8 – Other Current Liabilities.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

5 OTHER LONG TERM LIABILITIES

Security Deposits received	..	..	..	..	..	..	..	..	Rupees in lakhs	2,81.72	2,81.72
Other long term liabilities	..	..	..	..	..	..	..	..		2,15.00	2,15.00
TOTAL								..		4,96.72	4,96.72

6 LONG TERM PROVISIONS

For Pricing matters (Refer Note 23)	..	..	..	..	..	..	..	..	122,70.82	128,34.05
For employee benefits :										
Gratuity	..	..	..	..	..	..	..	..	24,50.66	17,20.53
Leave encashment and compensated absences	..	..	..	..	..	..	..	..	29,65.19	25,84.22
Post retirement medical and other benefits	..	..	..	..	..	..	..	..	30,74.67	34,19.75
For long-term incentive plan	..	..	..	..	..	..	..	..	6,59.55	4,28.18
For divestment / restructuring	..	..	..	..	..	..	..	..	16,13.72	16,58.97
For others	..	..	..	..	..	..	..	..	10,69.43	8,33.59
TOTAL								..	241,04.04	234,79.29

7 TRADE PAYABLES

Micro and Small enterprises (Refer Note 26)	..	..	..	..	..	..	..	..	3,79.01	2,59.00
Others	..	..	..	..	..	..	..	..	274,22.23	232,59.89
TOTAL								..	278,01.24	235,18.89

8 OTHER CURRENT LIABILITIES

Current Maturity of Long Term Borrowings :										
Interest free sales tax loan from SICOM Limited (Refer Note 4)	..	..	..	..	..	..	..	..	53.74	45.09
Subsidiary company	..	..	..	..	..	..	..	..	2,14.38	1,59.05
Unpaid dividends*	..	..	..	..	..	..	..	..	18,88.91	16,75.31
Salaries, wages and bonus payable	..	..	..	..	..	..	..	..	28,10.37	32,73.07
Statutory dues including provident fund and tax deducted at source	..	..	..	..	..	..	..	..	21,33.88	19,26.22
Creditors for capital goods	..	..	..	..	..	..	..	..	3,88.30	4,50.75
Rationalisation relating to a manufacturing site	..	..	..	..	..	..	..	..	6,07.59	9,93.37
Other Payables	..	..	..	..	..	..	..	..	5,24.90	3,12.46
TOTAL								..	86,22.07	88,35.32

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

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

9 SHORT TERM PROVISIONS

	Rupees in lakhs	Previous year Rupees in lakhs
For proposed equity dividend	423,51.50	423,51.50
For tax on distributed profit	71,97.64	68,70.47
For employee benefits :		
Gratuity	22.01	39.65
Leave encashment and compensated absences	3,79.14	1,69.00
Post retirement medical and other benefits	2,01.85	2,33.05
For long-term incentive plan	6,07.28	2,01.37
For rationalisation relating to a manufacturing site	3,52.96	12,74.50
For other short-term provisions (including statutory levies)	7,70.85	81.13
TOTAL	518,83.23	512,20.67

10 MOVEMENT IN PROVISIONS

	Rationalisation relating to a manufacturing site	Pricing matters	Long-term Incentive Plan	Divestment / Restructuring	Others
	2013				
Opening Balance	12,74.50	128,34.05	6,29.55	16,58.97	9,14.72
Provision during the year	—	—	8,53.56	—	9,99.87
Amounts utilised / reversed during the year	9,21.54	5,63.23	2,16.28	45.25	74.31
Balance at the year end	3,52.96	122,70.82	12,66.83	16,13.72	18,40.28
	2012				
Opening Balance	—	265,16.05	4,70.51	17,23.85	11,22.88
Provision during the year	12,74.50	—	3,90.42	—	59.68
Amounts utilised/reversed during the year	—	136,82.00	2,31.38	64.88	2,67.84
Balance at the year end	12,74.50	128,34.05	6,29.55	16,58.97	9,14.72

11 FIXED ASSETS

	Rupees in lakhs								
	Gross block (at cost)				Depreciation				Net block
	As at 31st December 2012	Additions/ Adjustments	Deductions (b)	As at 31st December 2013	As at 31st December 2012	For the Year	On Deductions/ Adjustments (b)	As at 31st December 2013	As at 31st December 2013
TANGIBLE ASSETS									As at 31st December 2012
Freehold land	4.51	—	2.51	2.00	—	—	—	—	4.51
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27
Freehold buildings (a)	15,05.20	6.11	4,47.04	10,64.27	8,02.67	36.58	1,51.92	6,87.33	7,02.53
Leasehold buildings	36,66.87	1,18.95	0.14	37,85.68	18,82.03	1,18.06	0.13	19,99.96	17,84.84
Plant and equipment	176,29.42	28,12.23	1,21.32	203,20.33	120,87.71	15,36.72	1,07.47	135,16.96	55,41.71
Furniture and fixtures	28,62.50	1,59.63	39.50	29,82.63	23,96.51	94.89	37.28	24,54.12	4,65.99
Vehicles	9,09.96	2,71.42	80.25	11,01.13	6,54.57	1,74.91	49.04	7,80.44	2,55.39
Office Equipment	5,80.90	35.18	8.30	6,07.78	4,39.93	26.98	4.81	4,62.10	1,40.97
TOTAL	272,03.63	34,03.52	6,99.06	299,08.09	182,63.42	19,88.14	3,50.65	199,00.91	100,07.18
Previous year	271,66.06	14,73.39	14,35.82	272,03.63	172,52.85	17,83.93	7,73.36	182,63.42	89,40.21

Note:

(a) Freehold buildings include investments representing ownership of residential flats (Refer Note 27).

(b) Deductions include Tangible assets held for sale shown under 'Other Non Current Assets' (Refer note 15) : gross block Rs. 4,47.82 lakhs, accumulated depreciation Rs. 1,50.20 lakhs and net block Rs. 2,97.62 lakhs (Previous year – gross block Rs. 13,19.62 lakhs, accumulated depreciation Rs. 6,72.37 lakhs and net block Rs. 6,47.25 lakhs).

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

12 NON-CURRENT INVESTMENTS

(VALUED AT COST UNLESS OTHERWISE STATED)

TRADE

IN EQUITY INSTRUMENTS

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 INVESTMENTS

Unquoted

National Savings Certificate	0.17	0.17
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(Lodged with Government authorities)

IN DEBENTURES OR BONDS

Quoted

LIC Housing Finance Limited

Nil, (Previous year : 100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each)	—	10,00.54
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IN SUBSIDIARY COMPANY

Unquoted

Biddle Sawyer Limited

9,60,000 Equity Shares of Rs. 10 each fully paid	47,61.30	47,61.30
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TOTAL	..				47,66.97	57,67.51
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Aggregate of Unquoted Investments - At Book value	47,66.97	47,66.97
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Aggregate of Quoted Investments - At Book value	—	10,00.54
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- At Market value	—	10,00.60
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There are no investments purchased and sold / redeemed during the year.

13 DEFERRED TAX ASSETS (NET)

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

Assets

Provision for employee benefits	30,53.08	26,49.51
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Costs of voluntary retirement schemes	21,53.41	22,52.68
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Provision for doubtful debts, loans and advances	4,81.44	4,72.33
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Provision for pricing matters	—	1,84.11
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Interest on Income-tax refund not accounted but considered as taxable under the Income-tax Act, 1961	22,02.06	21,01.96
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Expenses allowable for tax purposes when paid	17,99.60	13,14.82
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TOTAL	..				96,89.59	89,75.41
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Liabilities

Depreciation (including tangible assets held for sale)	4,78.94	3,21.32
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TOTAL	..				4,78.94	3,21.32
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TOTAL	..				92,10.65	86,54.09
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Notes to the Financial Statements for the year ended 31st December, 2013 — continued

14 LONG TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Rupees in lakhs	Previous year Rupees in lakhs
Capital advances	17,80.74	12,31.80
Less : Allowance for doubtful loans and advances	(2,67.13)	(2,67.13)
Security Deposits	11,92.01	10,02.57
Other loans and advances (Refer Note 53)		
Advance income-tax (net) (Refer Note 51)	159,72.01	135,37.60
Balance with Government Authorities	10,72.78	5,59.88
Sundry Deposits	29,37.81	23,36.27
Loans and advances recoverable in cash or in kind *	5,99.17	5,67.69
TOTAL ..	232,87.39	189,68.68

* includes outstanding loans receivable from related parties

15 OTHER NON-CURRENT ASSETS

Remittances in transit [Refer Note 24(iii)]	5.92	5.92
Margin money / Deposit against bank guarantee	2,43.56	2,03.68
Tangible assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower).. ..	11,05.90	8,08.28
TOTAL ..	13,55.38	10,17.88

16 CURRENT INVESTMENTS

(CURRENT PORTION OF LONG TERM INVESTMENTS
VALUED AT COST UNLESS OTHERWISE STATED)

OTHER INVESTMENTS

Quoted

Housing Development Finance Corporation Limited

Nil, (Previous year : 350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each)	—	34,90.90
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LIC Housing Finance Limited

Nil, (Previous year : 100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each)	—	10,00.02
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100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	10,00.25	—
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TOTAL ..	10,00.25	44,90.92
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Aggregate of Unquoted Investments - At Book value ..	—	—
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Aggregate of Quoted Investments - At Book value ..	10,00.25	44,90.92
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- At Market value..	10,06.36	44,97.25
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There are no investments purchased and sold /
redeemed during the year.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

17 INVENTORIES

	Rupees in lakhs	Previous year Rupees in lakhs
Stores and spares	2,85.74	2,32.22
Raw and packing materials (includes in-transit Rs. 3,30.96 lakhs; previous year - Rs. 21.91 lakhs)	70,59.52	61,52.31
Work-in-progress	32,33.86	33,32.75
Traded goods (includes in-transit Rs. 14,59.10 lakhs; previous year - Rs. 7,22.41 lakhs)..	147,09.26	121,28.02
Finished goods	89,51.35	63,58.99
TOTAL ..	342,39.73	282,04.29

18 TRADE RECEIVABLES

(Unsecured, considered good unless otherwise stated)

Considered good

Outstanding for a period exceeding six months from the date they are due for payment	10,98.65	1,46.50
Others	85,40.67	114,43.30

Considered doubtful

Outstanding for a period exceeding six months from the date they are due for payment	10,22.32	10,33.75
Others	—	27.91
Less : Provision for doubtful debts	(10,22.32)	(10,61.66)
TOTAL ..	96,39.32	115,89.80

19 CASH AND BANK BALANCES

Cash and cash equivalents

Cash on hand	1.67	3.95
Cheques on hand	—	13,70.52

Balances with banks

Current account	69,32.07	49,44.44
Term deposit with original maturity period of less than three months	23,54.00	56,08.00

Other bank balances

Term deposit with original maturity period of more than three months but less than twelve months	1618,00.00	1140,50.00
Term deposit with original maturity period of more than twelve months but maturing within next twelve months	296,75.00	761,25.00
Unpaid dividend accounts	18,88.91	16,75.31
Margin money / Deposit against bank guarantee	61.96	1,00.69
TOTAL ..	2027,13.61	2038,77.91

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

20 SHORT TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Rupees in lakhs	Previous year Rupees in lakhs
Balance with Government Authorities.. .. .	9,09.87	12,61.75
Current account balances with group companies	19,16.45	11,46.87
Prepaid Expenses	1,74.98	1,23.69
Advances recoverable in cash or in kind *	39,90.07	31,70.48
TOTAL	69,91.37	57,02.79

* includes outstanding loans receivable from related parties

21 OTHER CURRENT ASSETS

Interest accrued on investments / deposits	55,27.66	68,68.68
Tangible assets held for sale (at book value or estimated net realisable value / salvage value whichever is lower)	46.06	4,81.25
Others	15.23	23.89
TOTAL	55,88.95	73,73.82

22 CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities not provided for:

(i) Cheques discounted with banks	1,56.84	4,84.58
(ii) In respect of claims made against the Company not acknowledged as debts by the Company		
- Sales tax matters	34,16.65	30,74.86
- Excise matters	5,93.30	5,92.64
- Service tax matters	1,29.20	1,29.20
- Labour matters	62,81.49	56,83.79
- Other legal matters	22,01.55	22,01.55
which net of current tax amount to -	83,31.91	78,91.80
(iii) Income-tax matters in respect of which appeals are pending		
- Tax on matters in dispute	199,70.77	106,72.90

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.

B. Commitments

(i) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	53,72.63	48,59.74
(ii) 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.

23 The demand of Rs. 71,79 lakhs made by the Central Government on the Company in respect of Betamethasone bulk drugs and formulations made therefrom during the period May 1981 to August 1987 has been under litigation for a period spanning nearly 30 years. Pursuant to the special leave petition of the Central Government in the Supreme Court of India against the Delhi High Court's Judgment and Order dated 19th October 2001 which was held in favour of the Company, the Supreme Court has, vide its Judgement and Order dated 30th March 2011, upheld the demand. The Company had accrued a liability of Rs. 18,68 lakhs in earlier years and a further provision of Rs. 53,11 lakhs was accrued in 2011.

Based on a legal advice, the Company has filed an Application in the Supreme Court seeking, inter alia, clarifications on some aspects of the Judgement and directions for recomputation of the demand. Simultaneously, the Company without prejudice to and subject to the outcome of the Application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs. 63,60 lakhs, which together with the amount of Rs. 8,19 lakhs previously deposited with the Government, aggregates to the demand of Rs. 71,79 lakhs made by the Government in November 1990. The Company filed a Review Petition with the Supreme Court which was rejected in March 2012.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

In October 1996, the Government had claimed interest of Rs. 117.66 lakhs for the period 12th May 1981 to 17th October 1996, for which no provision was made in earlier years. The Government has vide letter dated 4th May 2011 called upon the Company to discharge the entire liability, including upto date interest calculated at 15% p.a., and has vide letter dated 10th October 2011, raised a demand on the Company for the interest amount amounting to Rs. 247.44 lakhs. Without prejudice to the position that interest is not payable, the Company has recognized a provision of Rs. 247.44 lakhs in respect of the Government's claim for interest in 2011. The Company has filed a Writ Petition at Delhi High Court against the above demand which has been admitted. The Company also filed stay applications which have been dismissed and has filed a Special Leave Petition (SLP) before the Supreme Court for stay of the interest demand until final determination of the Writ Petition filed in the Delhi High Court. The Supreme Court on hearing the above SLP, passed an order on 3rd April 2012. The said order stayed the Demand Notice dated 10th October 2011 during the pendency of the Writ Petition at the Delhi High Court subject to the Company depositing Rs. 136.82 lakhs in three equal installments within six month's time from the date of order. All three instalments have been deposited with the Government as of date. The Supreme Court, vide its order dated 5th October 2012, directed the Delhi High Court to dispose of the Writ Petition as expeditiously as possible. The Delhi High Court has listed the Writ Petition for hearing on 4th July, 2014.

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

- (i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983. Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and / or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2.00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails. Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.
- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of 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.

25 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 Long term provisions and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under long term 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.

26 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
- (ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006
- (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
- (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.

	Rupees in lakhs	Previous year Rupees in lakhs
	—	—
	1.58	2.05
	1.58	2.05
	95.27	1,34.67
	—	—
	—	—
	—	—
	1.58	2.05
	1.58	2.05

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

		Rupees in lakhs	Previous year Rupees in lakhs
27	Tangible 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
28	PROPOSED DIVIDEND		
	The dividend on Equity Shares of Rs. 10 each is as follows:		
	Amount of dividend	423,51.50	423,51.50
	Dividend per Equity Share	50.00	50.00
29	REVENUE FROM OPERATIONS		
	Sale of products	2593,39.32	2669,97.28
	Excise duty	(73,22.08)	(70,04.18)
	Sale of products (net)	2520,17.24	2599,93.10
	Other operating revenue	25,97.50	26,50.37
	TOTAL ..	2546,14.74	2626,43.47
(a)	DETAILS OF SALE OF PRODUCTS		
	Tablets and Capsules	1108,67.02	1177,24.06
	Solids including Powders and Ointments	623,85.44	573,96.73
	Liquids - Orals, Topicals and Parenterals	333,95.74	392,56.75
	Vaccines	361,90.61	322,93.20
	Others	165,00.51	203,26.54
		2593,39.32	2669,97.28
(b)	OTHER OPERATING REVENUE		
	Service income		
	Clinical research and data management	43,66.02	45,41.18
	Other services	12,07.04	10,20.21
	Direct expenses relating to the above	(45,01.07)	(45,39.26)
		10,71.99	10,22.13
	Export related benefits (net)	22.20	26.24
	Consignment sales commission	1,33.33	1,47.56
	Manufacturing charges recovery	4,00.92	2,46.25
	Others	9,69.06	12,08.19
		25,97.50	26,50.37

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

30 OTHER INCOME

Interest income (Gross):

On deposits with banks	..	..	..	..
On loans	..	..	..	..
On tax refunds	..	..	..	..
On investments - Government securities and other than trade - long term [net of premium write-off of Rs. 0.31 lakhs (Previous year - Rs. 21.80 lakhs)]	..	..	..	..
Others	..	..	..	..

155,81.93

27.48

15,29.43

1,70.94

38.42

173,48.20

Less : Interest expense:

Security deposits	..	..	..	..
Others	..	..	..	..

(33.01)

(0.08)

(33.09)

173,15.11

25,00.00

9.10

65.41

1,64.92

42.32

200,96.86

TOTAL

Previous year
Rupees in lakhs

155,88.27

21.54

7,42.00

8,00.17

29.30

171,81.28

(30.59)

(2.83)

(33.42)

171,47.86

22,00.00

—

66.02

18.30

3,02.52

197,34.70

31 COST OF MATERIALS CONSUMED

Betamethasone-17 Valerate IP	..	..	..	..
Other raw materials consumed *	..	..	..	..
Packing materials consumed *	..	..	..	..
TOTAL	..	..	..	..

66,56.24

329,05.14

142,95.36

538,56.74

Notes :

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

Cost of materials consumed is based on derived values

VALUE OF IMPORTED AND INDIGENOUS RAW AND PACKING MATERIALS CONSUMED

Purchased indigenously	..	..	..	..
Imported by the company (including duty and other charges)	..	..	..	..

%

85.52

14.48

100.00

460,59.83

77,96.91

538,56.74

%

86.73

13.27

100.00

379,72.81

58,08.09

437,80.90

32 PURCHASE OF TRADED GOODS

Purchase of traded goods	..	..	..	..
TOTAL	..	..	..	..

670,00.11

670,00.11

607,45.49

607,45.49

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

33 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

						Rupees in lakhs	Previous year Rupees in lakhs
Opening stock							
Work-in-progress	..	..	..	..	..	33,32.75	54,60.15
Finished goods	..	..	..	..	..	63,58.99	86,10.15
Traded goods	..	..	..	..	..	121,28.02	130,08.10
						<u>218,19.76</u>	<u>270,78.40</u>
Less: Closing stock							
Work-in-progress	..	..	..	..	..	32,33.86	33,32.75
Finished goods	..	..	..	..	..	89,51.35	63,58.99
Traded goods	..	..	..	..	..	147,09.26	121,28.02
						<u>268,94.47</u>	<u>218,19.76</u>
						(50,74.71)	52,58.64
TOTAL	..					<u>(50,74.71)</u>	<u>52,58.64</u>

34 EMPLOYEE BENEFITS EXPENSES

Salaries, wages and bonus	..	..	..	..	..	326,10.74	262,89.58
Contributions to : Provident and pension funds	..	..				16,35.09	14,17.93
Gratuity funds	..	..	..	..	..	5,02.21	4,34.88
Staff welfare	..	..	..	..	..	14,56.81	14,09.16
TOTAL	..					<u>362,04.85</u>	<u>295,51.55</u>

35 OPERATING AND OTHER EXPENSES

Sales promotion	..	..	..	..	..	120,18.32	99,65.73
Stock point commission	..	..	..	..	..	11,67.46	12,08.63
Freight (net)	..	..	..	..	..	54,41.59	48,75.60
Travelling	..	..	..	..	..	58,05.22	56,81.55
Manufacturing charges	..	..	..	..	..	65,52.85	52,59.51
Repairs - Buildings	..	..	..	..	..	3,29.93	2,21.07
- Plant and Machinery	..	..	..	..	..	9,60.90	9,68.28
- Others	..	..	..	..	..	11.74	13.38
Consumption of stores and spares	..	..	..	..	..	4,15.94	3,55.68
Power, fuel and water	..	..	..	..	..	23,85.43	22,50.13
Rent	..	..	..	..	..	15,40.40	13,74.58
Rates and taxes	..	..	..	..	..	22,63.27	16,76.87
Printing, postage and telephones	..	..	..	..	..	12,96.36	15,35.61
Sales training, briefing and conference	..	..	..	..	..	19,43.92	18,10.73
Excise duty	..	..	..	..	..	8,19.99	(3,60.55)
Insurance	..	..	..	..	..	4,42.51	3,19.40
Remuneration to auditors :							
Statutory audit fees	..	..	..	..	..	48.75	36.75
In other capacity in respect of :							
Tax audit fees	..	..	..	..	..	6.00	6.00
Audit of tax accounts	..	..	..	..	..	20.00	20.00
Other services	..	..	..	..	..	45.25	25.25
Reimbursement of expenses	..	..	..	..	..	3.44	3.16
						<u>1,23.44</u>	<u>91.16</u>
Cost audit fees	..	..	..	..	..	2.75	3.71
Date-expired stocks	..	..	..	..	..	34,18.43	26,77.13
Commission to non whole-time Directors	..	..	..	..	..	46.31	46.29
Directors' sitting fees	..	..	..	..	..	14.70	14.80
Miscellaneous	..	..	..	..	..	65,60.02	60,34.17
Reimbursement of expenses (net) (Refer note 39)	..	..				13,59.49	2,95.80
Expenses relating to service income [Refer note 29 (b)]	..					(45,01.07)	(45,39.26)
TOTAL	..					<u>504,19.90</u>	<u>417,80.01</u>

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

- 36** Employee benefits expenses in Note 34 include amounts subject to approval of members in ensuing Annual General Meeting - NIL (Previous year - Rs. 80.18 lakhs).
- 37** The recurring expenditure on research and development charged off to revenue amounts to Rs. 2,62.86 lakhs (Previous year - Rs. 2,40.34 lakhs).
- 38** Miscellaneous expenses in Note 35 include loss on foreign currency transactions (net) Rs. 9,33.91 lakhs (Previous year - Rs. 3,14.72 lakhs).
- 39** "Reimbursement of expenses (net)" in Note 35 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 3,46.92 lakhs (Previous year - Rs. 3,25.98 lakhs), from subsidiary company Rs. 2,94.13 lakhs (Previous year - Rs. 3,20.63 lakhs), from Stiefel India Private Limited Rs. 18.43 lakhs (Previous year - Rs. 15.53 lakhs), from GlaxoSmithKline Pte Limited Rs. 58.96 lakhs (Previous year - Rs. 62.04 lakhs), from GlaxoSmithKline Service Unlimited Rs. 92.03 lakhs (Previous year - 80.68 lakhs), GlaxoSmithKline Brasil Ltda Rs. 9.18 Lakhs (Previous year - NIL) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 21,79.14 lakhs (Previous year - Rs. 11,00.66 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

40 Exceptional items:

Expenses on rationalisation initiatives mainly relating to a manufacturing site

– Voluntary retirement scheme	..	..	..	..	..	..	..	..	..	(4.50)	(98,05.56)
– Others	..	..	..	..	..	..	..	..	..	(2,13.81)	(36,64.18)
Provisions for pricing matters written back	..	..	..	..	..	..	..	..	..	5,63.23	—
Profit on sale of property	..	..	..	..	..	..	..	..	..	21,17.81	—
Actuarial gain/(loss) on employee benefits	..	..	..	..	..	..	..	..	..	1,52.73	(13,51.96)
										<u>26,15.46</u>	<u>(148,21.70)</u>

41 C.I.F. value of imports in respect of:

Raw and packing materials	..	..	..	..	..	..	..	..	..	95,75.43	60,24.91
Traded goods	..	..	..	..	..	..	..	..	..	204,55.85	142,33.77
Capital goods	..	..	..	..	..	..	..	..	..	15,59.66	12,64.83
										<u>315,90.94</u>	<u>215,23.51</u>

42 Dividend remitted in foreign currency:

On 3,04,85,250 equity shares to Glaxo Group Limited, U.K.	..	..	..	..	..	..	..	..	..	152,42.62	137,18.36
On 58,80,000 equity shares to Eskaylab Limited, U.K.	..	..	..	..	..	..	..	..	..	29,40.00	26,46.00
On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K.	..	..	..	..	..	..	..	..	..	16,80.00	15,12.00
On 31,92,238 equity shares to Castleton Investment Limited, Mauritius	..	..	..	..	..	..	..	..	..	15,96.12	14,36.51

43 Expenditure in foreign currency on account of:

– Travelling	..	..	..	..	..	..	..	..	..	95.33	1,22.14
– Royalty	..	..	..	..	..	..	..	..	..	8.98	9.75
– Others	..	..	..	..	..	..	..	..	..	6,50.17	4,45.74
										<u>7,54.48</u>	<u>5,77.63</u>

44 Earnings in foreign exchange on account of:

F.O.B. value of exports including through merchant exporters	..	..	..	..	..	..	..	..	..	9,46.88	19,59.29
Recovery of expenses	..	..	..	..	..	..	..	..	..	36.86	46.43
Clinical research and data management	..	..	..	..	..	..	..	..	..	43,66.02	45,41.18
Others	..	..	..	..	..	..	..	..	..	9,05.01	6,04.67
										<u>62,54.77</u>	<u>71,51.57</u>

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

45 Employee Benefits:

The Company obtained actuarial reports as required by the Accounting Standard 15, Employee Benefits (revised 2005) [‘the revised AS 15’], notified under sub-section (3C) of Section 211 of the Companies Act, 1956 based on which disclosures have been made in the financial statements for the year ended 31st December, 2013.

The disclosures as required by the revised AS 15 are as given below:

1 Brief description of the Plans

The Company has various schemes for long-term benefits such as provident fund, superannuation, gratuity and post retirement medical. In case of funded schemes, the funds are recognised by the Income tax authorities and administered through trustees / appropriate authorities. The Company’s defined contribution plans are superannuation and employees’ pension scheme (under the provisions of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions. The liability of the Company on the exempt Provident Fund managed by the trustees is restricted to the interest shortfall if any. The employees of the Company are also entitled to leave encashment and compensated absences as per the Company’s policy. The Company’s defined benefit plans include gratuity, post retirement medical and other benefits.

								Rupees in lakhs	Previous year Rupees in lakhs
2	Charge to the Statement of Profit and Loss based on contributions:								
	Superannuation	..	..	..	..	..	..	4,88.18	4,32.56
	Employees’ pension scheme	..	..	..	..	..	..	3,12.68	2,91.28

3 The liability for leave encashment and compensated absences as at year end is Rs. 33,37.71 lakhs (Previous year - Rs. 27,37.69 lakhs) #.

4 Disclosures for defined benefit plans as on 31st December, 2013:

	Rupees in lakhs			Previous year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Provident Fund *	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plans)	(Funded plan)	(Non-funded plan)
(i) <u>Change in Defined Benefit Obligation</u>					
Opening defined benefit obligation	45,89.25	36,52.80	251,67.92	47,30.42	29,86.89
Current service cost	3,36.05	45.01	8,44.41	3,04.58	30.80
Interest cost	3,96.00	2,91.86	20,96.11	3,78.29	2,46.56
Actuarial loss/(gain)	3,17.43	(4,52.18)	(11,43.63)	4,15.05	6,53.25
Contributions by employee ..	—	—	22,92.08	—	—
Liabilities assumed on acquisition/ (settled on divestiture)	(8.11)	—	(59.14)	(6.51)	—
Benefits paid	(3,67.30)	(2,60.97)	(15,15.82)	(12,32.58)	(2,64.70)
Closing defined benefit obligation	52,63.32	32,76.52	276,81.92	45,89.25	36,52.80
(ii) <u>Change in Fair Value of Assets</u>					
Opening fair value of plan assets	28,68.72		251,67.92	31,41.46	
Expected return on plan assets	2,29.84		25,16.42	2,47.99	
Actuarial gain/(loss)	81.40		(15,63.95)	(1,78.15)	
Contributions by employer ..	—		8,44.41	8,90.00	
Contributions by employee ..	—		22,92.08	—	
Assets Acquired on acquisition/ (settled on divestiture)	—		(59.14)	—	
Benefits paid	(3,67.30)		(15,15.82)	(12,32.58)	
Closing fair value of plan assets	28,12.66		276,81.92	28,68.72	

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

	Rupees in lakhs			Previous year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Provident Fund *	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plans)	(Funded plan)	(Non-funded plan)
(iii) <u>Amount recognised in the Balance Sheet</u>					
Present value of obligations as at year end	52,63.32	32,76.52	276,81.92	45,89.25	36,52.80
Fair value of plan assets as at year end	28,12.66	—	276,81.92	28,68.72	—
Net (asset)/liability recognised as at year end#	24,50.66	32,76.52	—	17,20.53	36,52.80
(iv) <u>Expenses recognised in the Statement of Profit and Loss</u>					
Current service cost	3,36.05	45.01	844.41	3,04.58	30.80
Interest on defined benefit obligation	3,96.00	2,91.86	20,96.11	3,78.29	2,46.56
Expected return on plan assets	(2,29.84)		(25,16.42)	(2,47.99)	
Net actuarial loss/(gain) recognised in the current year	2,36.03	(4,52.18)	4,20.31	5,93.20	6,53.25
Total expense	7,38.24	(1,15.31)	8,44.41	10,28.08	9,30.61
(v) <u>Asset information</u>					
Government of India Securities	40%		34%	41%	
Corporate Bonds	27%		38%	26%	
Special Deposit Scheme	25%		20%	25%	
Others	8%		8%	8%	
(vi) <u>Principal actuarial assumptions used</u>					
Discount rate (p.a.)	9.15%	9.15%	9.15%	8.30%	8.30%
Expected rate of return on plan assets (p.a.)	7.50%		8.55% - 9.44%	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>					
1% increase					
Effect on the aggregate of service cost and interest cost		39.94			46.85
Effect on defined benefit obligation		3,49.38			4,34.53
1% decrease					
Effect on the aggregate of service cost and interest cost		(32.08)			(36.93)
Effect on defined benefit obligation		(2,84.83)			(3,48.51)
(viii) Expected employer's contribution for the next year	7,00.00	2,01.85	9,03.52	7,00.00	2,33.05

excludes impact of actualisation of gratuity Rs. 22.01 lakhs, leave encashment and compensated absences Rs. 6.62 lakhs (Previous year - gratuity Rs. 39.65 lakhs, leave encashment and compensated absences Rs. 15.53 lakhs).

* The Guidance Note on Implementing AS 15, 'Employee Benefits' issued by the Accounting Standard Board (ASB) of the Institute of Chartered Accountants of India states that Provident Funds set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by the employer would be defined benefit plans in accordance with the requirements of paragraph 26(b) of AS 15. The current year is the first year in which the actuary has given the detailed disclosures in the actuarial valuation report, in view of the issuance of the Guidance Note by the Institute of Actuaries of India. Accordingly the compliance with the disclosure requirements of paragraph 120(n) of AS 15: Employee Benefits has been done prospectively from this year onwards.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

Rupees in lakhs

(ix) Net asset/liability recognised in the Balance Sheet (including experience adjustment impact)	2013	2012	2011	2010	2009
<u>Gratuity</u>					
Defined benefit obligation	52,63.32	45,89.25	47,30.42	46,72.26	28,05.36
Plan assets	28,12.66	28,68.72	31,41.46	32,27.37	29,45.50
Deficit/(Surplus)	24,50.66	17,20.53	15,88.96	14,44.89	(1,40.14)
Experience adjustments on plan liabilities ..	3,82.18	2,59.55	1,87.34	1,58.29	2,19.12
Experience adjustments on plan assets ..	81.40	(1,78.15)	49.91	1,75.62	3,25.63
<u>Post retirement medical and other benefits</u>					
Defined benefit obligation	32,76.52	36,52.80	29,86.89	28,06.34	22,13.01
Plan assets	—	—	—	—	—
Deficit/(Surplus)	32,76.52	36,52.80	29,86.89	28,06.34	22,13.01
Experience adjustments on plan liabilities ..	(1,08.91)	5,02.91	2,72.60	5,20.13	(77.38)
Experience adjustments on plan assets ..	—	—	—	—	—

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

47 Related Party disclosures

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

1 Relationships (during the year):

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

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company/ultimate holding company of the above shareholders *

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham Limited, U.K.

Wellcome Limited, U.K.

The Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

* no transactions during the year

(ii) Subsidiary of the Company:

Biddle Sawyer Limited, a wholly owned subsidiary of the Company

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

SmithKline Beecham Private Limited, Sri Lanka

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Brasil Ltda, Brazil

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

Glaxo Operations UK Limited, U.K.

Laboratoire GlaxoSmithKline S.A.S., France

GlaxoSmithKline Export Limited, U.K.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline Limited, Hong Kong

GlaxoSmithKline LLC, U.S.A

Stiefel India Private Limited, India

US Pharmaceuticals, U.S.A.

US GMS Financial Services, U.S.A.

GlaxoSmithKline Ilaclari Sanayi ve Ticaret AS, Turkey

GlaxoSmithKline Manufacturing SPA, Italy

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

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

Dr. A. Banerjee (up to 31st July, 2012)	Mr. P.V. Nayak
Ms. A. Bansal (w.e.f 19th February, 2013)	Mr. R. Bartaria
Mr. A.N. Roy	Mr. R.C. Sequeira
Mr. C.T. Renganathan	Mr. R.R. Bajaj
Mr. D.S. Parekh	Mr. R. Krishnaswamy
Mr. D. Sundaram	Mr. S. Harford *
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. H. Buch	Mr. Sunder Rajan (up to 17th February, 2012)
Mr. K. Hazari	Mr. S. Khanna
Mr. M.B. Kapadia	Mr. S. Dheri (w.e.f. 1st April, 2012)
Mr. N. Kaviratne	Mr. V. Narayanan (up to 9th November, 2012)
Mr. P. Bhide	Mr. V. Thyagarajan

* no transactions during the year

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

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

							Rupees in lakhs	
							2013	2012
Glaxo Group Limited, U.K.	..	..	..	..	..	..	152,42.62	137,18.36
Eskaylab Limited, U.K.	..	..	..	..	..	..	29,40.00	26,46.00
Burroughs Wellcome International Limited, U.K.	..	..	..	..	..	..	16,80.00	15,12.00
Castleton Investment Limited, Mauritius	..	..	..	..	..	..	15,96.12	14,36.51

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

					Rupees in lakhs			
					Subsidiary of the company (ii)		Other companies in the GSK Group (iii)	
					2013	2012	2013	2012
1	Purchase of materials/traded goods	..	..	..	—	—	436,34.10	323,49.86
2	Sale of materials/sale of products	..	..	..	—	—	4,79.63	12,65.97
3	Expenses recharged to other companies	..	..	..	2,63.56	2,84.15	16,57.31	13,61.94
4	Expenses recharged by other companies	..	..	..	—	—	28,00.34	15,70.78
5	Manufacturing charges recovered	..	..	..	98.29	49.40	3,02.63	1,96.85
6	Consignment sales commission received	..	..	..	63.61	75.32	30.95	29.85
7	Clinical research and data management recoveries	..	..	..	—	—	43,66.02	45,41.18
8	Central Value Added Tax credits availed on behalf of a related party (net)	..	..	..	—	—	3,39.62	48.23
9	Employee benefits transferred to a related party	..	..	..	—	—	14.83	13.71
10	Dividend received	..	..	..	25,00.00	22,00.00	—	—
11	Outstanding (payables)/receivables at the year end (net) #	..	..	..	(2,14.38)	(1,59.05)	(89,05.81)	(40,31.06)

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

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

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

					Rupees in lakhs	
					2013	2012
(a)	Purchase of materials/traded goods					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	178,75.66	150,93.26
	GlaxoSmithKline Biologicals S.A., Belgium	..	..	..	71,50.54	30,28.08
	GlaxoSmithKline Export Limited, U.K.	..	..	..	172,48.31	127,40.84
(b)	Sale of materials/sale of products					
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	4,79.63	6,55.95
(c)	Expenses recharged to other companies					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	7,33.87	7,41.74
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	3,47.35	52.76
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	5,37.00	5,51.91
(d)	Expenses recharged by other companies					
	GlaxoSmithKline Consumer Healthcare Limited, India	..	..	..	23,61.99	12,30.63
(e)	Manufacturing charges recovered					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	3,02.63	1,96.85
(f)	Consignment sales commission received					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	30.95	29.85
(g)	Clinical research and data management recoveries					
	GlaxoSmithKline Biologicals S.A., Belgium	..	..	..	22,54.07	23,87.79
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	21,11.95	21,53.39
(h)	Central Value Added Tax credits availed on behalf of a related party (net)					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	3,39.62	48.23
(i)	Employee benefits transferred to a related party					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	14.83	13.71
(j)	Outstanding (payables)/receivables at the year end (net)					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	(42,65.64)	(26,34.62)
	GlaxoSmithKline Consumer Healthcare Limited, India	..	..	..	15,74.56	5,46.17
	GlaxoSmithKline Biologicals S.A., Belgium	..	..	..	(24,76.08)	3,16.74
	GlaxoSmithKline Export Limited, U.K.	..	..	..	(40,46.21)	(27,81.36)
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	88.05	1,55.60
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	2,66.53	1,77.61

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

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

						Rupees in lakhs	
						2013	2012
1	Remuneration/commission/sitting fees	..	..	..	..	14,84.26	15,53.28
2	Payments under the long-term incentive plan..	..	..	..	..	1,10.29	155.05
3	Interest income on loans given	..	..	..	..	0.75	0.74
4	Outstanding loans receivable	..	..	..	..	23.59	25.21

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

						Rupees in lakhs	
						2013	2012
(a)	Remuneration/commission/sitting fees						
	Dr. H.B. Joshipura	..	..	..	..	4,00.13	3,07.04
	Mr. M.B. Kapadia	..	..	..	..	2,34.33	1,95.53
(b)	Payments under the long-term incentive plan						
	Dr. H.B. Joshipura	..	..	..	..	33.35	36.08
	Mr. M.B. Kapadia	..	..	..	..	23.18	25.09
	Mr. R.C. Sequeira	..	..	..	..	11.04	10.20
(c)	Interest income on loans given						
	Mr. H. Buch	..	..	..	..	0.23	0.23
	Mr. R. Bartaria	..	..	..	..	0.18	0.18
	Mr. S. Dheri	..	..	..	..	0.27	0.21
(d)	Outstanding loans receivable						
	Mr. H. Buch	..	..	..	..	7.47	7.60
	Mr. R. Bartaria	..	..	..	..	5.98	6.08
	Mr. S. Dheri	..	..	..	..	9.00	9.13

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

Rupees in lakhs											
Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	UAE Dirham	Australian Dollar	Swiss Franc	Chinese Yuan	Malaysian Ringgit	Thailand Baht
Receivables	1.42 (5.25)	9,64.84 (13,77.73)	11,59.09 (6,27.68)	2.56 —	0.20 (0.54)	0.38 (0.15)	— —	— —	0.01 (0.01)	— (0.01)	— (0.01)
Payables	16,20.16 (9,74.36)	61,32.22 (26,31.63)	2,08.00 (78.34)	— —	— —	— —	— (25.59)	— —	— —	— —	— —

(Figures in brackets pertain to the year 2012)

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

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

(ii) Lease payments are recognised in the Statement of Profit and Loss under 'Rent' in Note 35.

Notes to the Financial Statements for the year ended 31st December, 2013 — continued

50 Earnings per share

							Previous year
Net Profit					Rupees in lakhs	501,88.24	577,25.89
Weighted average number of shares ..	..	..	..	..	Nos.	8,47,03,017	8,47,03,017
Earnings per share (Basic and Diluted)	..	..	..	..	Rs.	59.25	68.15
Face value per share	..	..	..	..	Rs.	10	10

51 Advance income-tax (net) represents payments in excess of provisions of Rs. 2980,21.26 lakhs (Previous year - Rs. 2747,20.91 lakhs) and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation.

52 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, 2013 and the provision based on the figures for the remaining nine months up to 31st December, 2013, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2013 to 31st March, 2014.

53 Other Loans and advances are net of allowances for doubtful loans and advances aggregating Rs. 29,96.83 lakhs (Previous year - Rs. 30,06.19 lakhs).

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

The accompanying notes are an integral part of the financial statements.

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

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	31.12.2013	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 4,78.44	Rs. lakhs —	Rs. lakhs 127,63.38	Rs. lakhs —

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Biddle Sawyer Limited

Directors' Report to the Members

Your Directors are pleased to present the 68th Annual Report and the audited accounts of the Company for the year ended 31st December 2013.

Financial Results

	Year ended 31 st December 2013	Year ended 31 st December 2012
	Rs. in lakhs	Rs. in lakhs
Revenue from Operations	18,16.42	21,48.18
Profit before tax	7,13.03	9,80.17
Provision for Tax	2,34.83	3,18.72
Deferred Tax charge/ (credit)	(0.24)	(0.70)
Net profit after tax	4,78.44	6,62.15
Opening surplus brought forward	33,85.81	53,46.78
Closing surplus carried forward	9,10.85	33,85.81

Dividend

In view of the Interim Dividend of Rs. 260.42 per share declared during the year, the Directors do not recommend a final Dividend for the year.

Operations

The Net Sales for the year ended 31st December 2013 were Rs. 18.16 crores as compared to Rs. 21.48 crores for the previous year. Sales were impacted by a segment of the trade not buying the Company's products and supply constraint. The Profit before Tax was Rs. 7.13 crores as compared to Rs. 9.80 crores for the previous year.

Directors

Dr. H. B. Joshipura retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Directors' Responsibility Statement

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2013 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

Information Pursuant to Section 217 of the Companies Act, 1956

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

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

Appointment of Auditors

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

Appreciation

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

For and on behalf of the Board

Mumbai,
Dated: 18th February 2014

Dr. H. B. Joshipura
Chairman

Annexure to Directors' Report

A. CONSERVATION OF ENERGY:

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

B. TECHNOLOGY ABSORPTION:

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

FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO CONSUMPTION OF ENERGY

I. Power and Fuel Consumption:	Year ended 31 st December 2013	Year ended 31 st December 2012
1. Electricity:		
(a) Purchased	Nil	Nil
Units Kwh		
Total Amount Rs.		
Rate/Unit Rs.		
(b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil & LSHS	Nil	Nil
4. Others	Nil	Nil
II. Consumption per Unit of Production Standard:		
Electricity (Units):		
There is no specific standard as the consumption per unit depends on product mix of formulations (capsules, liquids, tablets etc.)		

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO TECHNOLOGY ABSORPTION

- Specific Areas in which R&D is carried out by the Company : Nil
 - Benefits derived as a result of the above R&D : Nil
 - Future plan of action : Nil
 - Expenditure on R&D
- | | |
|--|--------------------------------|
| | 31 st December 2013 |
| | Rs. in lakhs |
| 1) Capital | Nil |
| 2) Recurring | Nil |
| 3) Total | Nil |
| 4) Total R&D expenditure as percentage of total turnover | Nil |

Technology absorption, adaption and innovation

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

C. FOREIGN EXCHANGE EARNING AND OUTGO

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

	31 st December 2013
	Rs. in lakhs
(1) Foreign Exchange earned	Nil
(2) Foreign Exchange outgo	
– CIF Value of imports	4,97.11
(3) Travelling & Subscription	Nil

Biddle Sawyer Limited

Auditors' Report

To Members of BIDDLE SAWYER LIMITED

- (1) We have audited the attached Balance Sheet of BIDDLE SAWYER LIMITED as at 31st December, 2013, and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto both of which, we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibilities are to express opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit also includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, of India (the Act) and on the basis of such checks as we considered appropriate and according to the confirmation and explanation given to us, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in paragraph 3, we report that:
 - (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (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 accounts.
 - (d) In our opinion, the Balance Sheet, Profit & 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 confirmation received from the Companies in which the Directors of the Company serve as Director and the information and explanations given to us, none of the Directors of the Company prima facie are disqualified from being appointed as Directors under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (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 gives 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, 2013,
 - (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
(Proprietor)
Membership No.: F. 10620

Place: Mumbai
Date: 18th February, 2014

Annexure to the Auditors' Report

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) 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.
- (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 the 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) 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 been 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.
- (ix) (a) According to the books of accounts and records as produced and examined by us in accordance with the generally accepted

auditing practices in India, in our opinion, the Company is generally 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, 2013, for a period of more than six months from the date of becoming payable.

- (b) According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of income-tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses as at 31st December, 2013. 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 the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company has not taken any term loans. Therefore, the provisions of clause 4(xvi), of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (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
(Proprietor)
Membership No.: F. 10620

Place: Mumbai
Date: 18th February, 2014

Biddle Sawyer Limited

Balance Sheet as at 31st December, 2013

	Note No	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
Share Capital	2	96,00	96,00
Reserves and Surplus	3	19,19,77	43,46,89
(2) Non-Current Liabilities			
Other Long-term liabilities	4	1,35	1,35
Long-term provisions	5	1,25,33	1,25,33
(3) Current Liabilities			
Trade payables	6	7,62,06	2,18,19
Other current liabilities	7	5,39	5,85
Short-term provisions	8	31,32	-
Total		29,41,22	47,93,61
II. ASSETS			
(1) Non-current assets			
Fixed assets	9	2,08	2,08
Deferred tax assets (net).. .. .	10	18,28	18,04
Long-term loans and advances.. .. .	11	4,86,00	4,85,92
Other non-current assets.. .. .	12	-	7,01,00
(2) Current assets			
Inventories	13	4,57,27	3,10,22
Trade receivables	14	2,14,38	1,59,05
Cash and bank balances.. .. .	15	14,44,84	27,99,54
Short-term loans and advances.. .. .	16	3,02,70	2,39,01
Other current assets	17	15,67	78,75
Total		29,41,22	47,93,61

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For **CORNELIUS & DAVAR**
Chartered Accountants

For and on behalf of the Board
Dr. Hasit B. Joshipura
Chairman
M. B. Kapadia
Director

RUSTOM D. DAVAR
(Proprietor)
Membership No. F. 10620
Place : Mumbai
Date : 18th February, 2014

Profit and Loss Statement for the year ended 31st December, 2013

	Note No	Year Ended 31st December, 2013 Rs. '000	Year Ended 31st December, 2012 Rs. '000
Revenue from operations (Gross).. .. .	21	19,06,25	22,42,42
Less: Excise duty		89,83	94,24
Revenue from operations (Net)		18,16,42	21,48,18
Other Income	22	1,14,13	2,83,38
Total Revenue		19,30,55	24,31,56
Expenses:			
Cost of materials consumed	23	5,11,90	5,22,99
Purchase of Stock-in-Trade.. .. .	31	1,16,35	35,72
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	(35,24)	86,91
Other expenses	25	6,24,51	8,05,77
Total Expenses		12,17,52	14,51,39
Profit before tax		7,13,03	9,80,17
Tax expense:			
Current tax		2,34,83	3,18,72
Deferred tax		(24)	(70)
Profit for the period.. .. .		4,78,44	6,62,15
Earnings per share (basic and diluted) (Rs.)	26	49.84	68.97
Face value of shares – Rs. 10 each			

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For **CORNELIUS & DAVAR**
Chartered Accountants

For and on behalf of the Board
Dr. Hasit B. Joshipura
Chairman
M. B. Kapadia
Director

RUSTOM D. DAVAR
(Proprietor)
Membership No. F. 10620
Place : Mumbai
Date : 18th February, 2014

Cash Flow Statement for the year ended 31st December, 2013

	Year Ended 31st December, 2013 Rs. '000	Year Ended 31st December, 2012 Rs. '000
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7,13,03	9,80,17
Adjustments for:		
Interest income	(98,50)	(2,83,08)
Operating profit before working capital changes	6,14,53	6,97,09
Adjustments for:		
Inventories.. .. .	(1,47,05)	19,40
Trade receivables.. .. .	(55,33)	(42,49)
Long-term loans and advances.. .. .	(8)	11,00
Short-term loans and advances.. .. .	(63,69)	(1,67,30)
Trade payables	5,43,87	(5,48)
Other current liabilities	(46)	1,43
Cash generated from operations	8,91,79	5,13,65
Direct taxes paid (net of refunds)	(2,03,51)	(4,57,27)
Net cash from operating activities	6,88,28	56,38
b. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase)/sale of bank deposits with maturity period more than 12 months.. .. .	7,01,00	19,40,00
Interest received	1,61,58	3,32,63
Net cash from/(used in) investing activities	8,62,58	22,72,63
c. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(25,00,00)	(22,00,00)
Tax on Dividend	(4,05,56)	(3,56,89)
Net cash used in financing activities	(29,05,56)	(25,56,89)
Net increase/(decrease) in cash and cash equivalents	(13,54,70)	(2,27,88)
Cash and cash equivalents as at 1st January, 2013 (opening balance)	27,99,54	30,27,42
Cash and cash equivalents as at 31st December, 2013 (closing balance)	14,44,84	27,99,54
Net increase/(decrease) in cash and cash equivalents	(13,54,70)	(2,27,88)

NOTES:

1. Cash and cash equivalents include:

Cash and bank balances	14,44,84	27,99,54
Total cash and cash equivalents	14,44,84	27,99,54

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.

As per our report of even date attached

For **CORNELIUS & DAVAR**
Chartered Accountants

For and on behalf of the Board
Dr. Hasit B. Joshipura
Chairman
M. B. Kapadia
Director

RUSTOM D. DAVAR
(Proprietor)
Membership No. F. 10620
Place : Mumbai
Date : 18th February, 2014

1 SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Accounting

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

(b) Fixed Assets and Depreciation

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

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

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

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

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

(c) Investments

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

(d) Inventories

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

(e) Revenue Recognition

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

(f) Foreign Currency transactions

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

(g) Research and Development

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

(h) Provision for Retirement Benefits

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

(i) Excise Duty

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

(j) Taxes on Income

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

(k) Other Accounting Policies

These are consistent with the generally accepted accounting principles.

2 SHARE CAPITAL

Authorised

1,500,000 (Previous year: 1,500,000) Equity Shares of Rs. 10 each

Issued, Subscribed & Paid-Up

960,000 (Previous year: 960,000) Equity 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)

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
Authorised		
1,500,000 (Previous year: 1,500,000) Equity Shares of Rs. 10 each	1,50,00	1,50,00
Issued, Subscribed & Paid-Up		
960,000 (Previous year: 960,000) Equity Shares of Rs. 10 each fully paid-up..	96,00	96,00
(of the above 750,000 ordinary shares have been allotted as fully paid-up Bonus shares by capitalisation of General Reserve)		
Total	96,00	96,00
(a) Shares held by holding company		
Equity Shares of Rs. 10 each 960,000 (Previous year: 960,000) held by GlaxoSmithKline Pharmaceuticals Limited, the Holding Company..	96,00	96,00
(b) Reconciliation of the number of shares		
	Number of Shares	Number of Shares
Balance at the beginning of the year	960,000	960,000
Issued during the year ..	—	—
Balance at the end of the year ..	960,000	960,000

(c) Rights, preferences and restrictions attached to equity shares:

The Company has only one class of equity shares having a par value of Rs 10/- per share. Each share holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(d) Details of shareholders holding more than 5% shares in the Company:

	Number of Shares	Number of Shares
GlaxoSmithKline Pharmaceuticals Limited, the Holding Company	960000 (100%)	960000 (100%)

3 RESERVES AND SURPLUS

Capital Reserve

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
Balance as at the beginning of the year ..	2,91	2,91
Additions/Deductions..	—	—
Balance as at the end of the year ..	2,91	2,91

General Reserve

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
Balance as at the beginning of the year ..	9,58,17	8,91,95
Transfer from Profit and Loss Account ..	47,84	66,22
Balance as at the end of the year ..	10,06,01	9,58,17

Profit & Loss Account

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
Balance as at the beginning of the year ..	33,85,81	53,46,78
Profit for the year ..	4,78,44	6,62,15
Less : Appropriations		
Interim dividend ..	(25,00,00)	(22,00,00)
Tax on dividend ..	(4,05,56)	(3,56,90)
Transfer to General Reserve ..	(47,84)	(66,22)
Balance as at the end of the year ..	9,10,85	33,85,81
Total	19,19,77	43,46,89

Biddle Sawyer Limited

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
4 OTHER LONG TERM LIABILITIES		
Security Deposit	63	63
Others	72	72
Total	1,35	1,35
5 LONG TERM PROVISIONS		
Drugs Prices Equalisation Account (Refer note 19)	71,24	71,24
Provision for pricing of formulation	54,09	54,09
Total	1,25,33	1,25,33
6 TRADE PAYABLES		
Micro and Small enterprises	3,67	3
Other Sundry Creditors	7,58,39	2,18,16
Total	7,62,06	2,18,19
There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006		
The above information 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.		
7 OTHER CURRENT LIABILITIES		
Statutory dues	5,39	5,85
Total	5,39	5,85
8 SHORT TERM PROVISIONS		
Provision for Income Tax	31,32	—
Total	31,32	—

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
10 DEFERRED TAX ASSET (Net)		
Deferred Tax Asset		
Provision for pricing of formulation	18,15	18,15
Expenses allowable for tax purposes when paid ..	13	(11)
Total	18,28	18,04
11 LONG-TERM LOANS AND ADVANCES		
Balance with Government Authorities	34,97	34,97
Advance Income Tax	4,10,72	4,10,72
Unsecured, considered good		
Advances recoverable in cash or kind	26,68	26,68
Sundry Deposits	13,63	13,55
Total	4,86,00	4,85,92
12 OTHER NON-CURRENT ASSETS		
Deposits with banks of maturity period more than 12 months	—	7,01,00
Total	—	7,01,00
13 INVENTORIES		
Raw materials	2,45,59	1,69,50
Packing materials	53,22	17,50
Work-in-progress.. .. .	3,13	5,19
Finished goods	92,27	78,76
Stock-in-trade	63,06	39,27
Total	4,57,27	3,10,22
14 TRADE RECEIVABLES		
Less than six months, Unsecured, considered good	2,14,38	1,59,05
Total	2,14,38	1,59,05

9 TANGIBLE FIXED ASSETS

Rs. '000

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01/01/2013	Additions	Deductions	As at 31/12/2013	As at 01/01/2013	for the year	Deductions	As at 31/12/2013	As at 31/12/2013	As at 31/12/2012
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	—	—
	Total	1,99,32	—	—	1,99,32	1,97,24	—	—	1,97,24	2,08	2,08
	Previous Year	1,99,32	—	—	1,99,32	1,97,24	—	—	1,97,24	2,08	

	As at 31st December, 2013 Rs. '000	As at 31st December, 2012 Rs. '000
15 CASH AND BANK BALANCES		
Bank balances		
In current accounts	1,43,39	59,54
Other bank balances		
Long term deposits with maturity period more than 3 months but less than 12 months	13,01,45	27,40,00
Total	14,44,84	27,99,54
16 SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Advances to suppliers	3,02,62	2,38,93
Balance with customs and excise	8	8
Total	3,02,70	2,39,01
17 OTHER CURRENT ASSETS		
Unsecured, considered good		
Interest accrued on Bank Deposits/Investments ..	15,67	78,75
Total	15,67	78,75
18 CONTINGENT LIABILITIES		
Claims against the Company not acknowledged as debts	12,92,67	11,86,12
Income-tax matters	-	1,78,20
Guarantee given by the Company to the Customs Authorities	2,00,00	2,00,00
Based on the data obtained by Government, it had directed the Company to pay a tentative amount 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.	49,29	49,29
19 DRUGS PRICES EQUALISATION ACCOUNT		
<p>The Company received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40,79,918 comprising Rs. 1,42,74,110 in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98,05,808 upto 31st July, 1998. The Company had been legally advised that the demand of Rs. 1,42,74,110 is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by the Company in a Writ Petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to the Company depositing 50% of the principal amount. Accordingly, the Company has deposited an amount of Rs. 71,50,000 with the Government on 3rd May, 1999. This is a normal interim order passed by the High Court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if the Company succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.</p>		
20 INTERIM DIVIDEND		
The interim dividend for the year is as follows:		
On Equity Shares of Rs. 10 each		
Amount of dividend	25,00,00	22,00,00
Dividend per Equity Share	2,60,42	2,29,17

	Year Ended 31st December, 2013 Rs. '000	Year Ended 31st December, 2012 Rs. '000
21 REVENUE FROM OPERATIONS (NET)		
Sale of Products		
Finished Goods	15,77,51	19,02,50
Stock-in-Trade	3,28,74	3,39,92
Other Operating Revenue		
Scrap sales	-	-
Revenue from operations (gross)	19,06,25	22,42,42
Less : Excise Duty.. .. .	89,83	94,24
Total	18,16,42	21,48,18
22 OTHER INCOME		
Interest Income	98,50	2,83,08
Profit on Sale of Investments	-	-
Miscellaneous Income	15,63	30
Total	1,14,13	2,83,38
23 COST OF MATERIAL CONSUMED		
Raw materials consumed (Refer note 29)	4,56,19	4,74,94
Packing materials consumed	55,71	48,05
Total	5,11,90	5,22,99
(Cost of materials consumed is based on derived values)		
24 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening inventories		
Finished Goods	78,76	192,37
Work-in-Progress	5,19	17,34
Stock-in-Trade	39,27	42
Closing inventories		
Finished Goods.. .. .	(92,27)	(78,76)
Work-in-Progress	(3,13)	(5,19)
Stock-in-Trade	(63,06)	(39,27)
Total	(35,24)	86,91
25 OTHER EXPENSES		
Selling & Distribution Expenses	3,65,31	4,44,06
Manufacturing Charges	1,02,36	54,19
Repairs – Building.. .. .	1,52	-
Rent	5,99	1,78
Rates and Taxes	49,49	53,85
Excise Duty	(27,09)	(12,85)
Remuneration of auditors :		
Statutory audit fees	2,47	2,47
Tax audit fees	67	67
Other services	52	52
Reimbursement of expenses.. .. .	60	43
Cost audit fees.. .. .	17	22
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited.. .. .	81,82	68,94
Exchange loss (net)	-	1,51,58
Miscellaneous Expenses	40,68	39,91
Total	6,24,51	8,05,77

	Year Ended 31st December, 2013 Rs. '000	Year Ended 31st December, 2012 Rs. '000
26 EARNINGS PER SHARE		
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:		
Profit after taxation (Rs. '000)	4,78,44	6,62,15
Weighted average number of shares (Nos.) ..	960000	960000
Earnings per share (Basic and Diluted) - Rs. ..	49.84	68.97
Face value per share - Rs.	10	10
27 CIF VALUE OF IMPORTS		
Raw and packing materials	4,79,11	5,12,42
Total	4,79,11	5,12,42
28 VALUE AND PERCENTAGE OF IMPORTED / INDIGENOUS MATERIALS CONSUMED		
	%	%
Raw and packing materials		
Imported 85	4,34,74	91 4,74,17
Indigenous 15	77,16	9 48,82
Total	5,11,90	5,22,99
29 RAW AND PACKING MATERIALS CONSUMED		
Alpha D3	3,71,69	3,65,53
Others	84,50	1,09,41
Packing Material	55,71	48,05
Total	5,11,90	5,22,99
30 SALES OF TRADED GOODS		
Tablets	3,28,74	3,39,92
Total	3,28,74	3,39,92
31 PURCHASE OF TRADED GOODS		
Tablets	1,16,35	35,72
Total	1,16,35	35,72

32 SEGMENT REPORTING

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

33 RELATED PARTY DISCLOSURES

1. Related parties with whom there were transactions during the year are listed below:

Holding Company:

The Company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.

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

Rs. '000

	Holding Company	
	Year Ended 31st December, 2013	Year Ended 31st December, 2012
1. Payment of manufacturing charges ..	98,29	49,40
2. Payment of common costs	91,93	77,16
3. Payment of CSA commission	71,47	84,20
4. Payment of marketing commission ..	2,04,21	2,40,58
5. Dividend payable	25,00,00	22,00,00
6. Outstanding payable/(receivable) by the Company (net)*	(2,14,38)	(1,59,05)
* Transactions with the above parties are accounted in the respective current accounts.		

34 UNHEDGED FOREIGN CURRENCY EXPOSURE

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

Rs. '000

Currency Exchange	31st December, 2013		31st December, 2012	
	USD	Euro	USD	Euro
Net unhedged exposure in currency ..	(424,57)	45,46	(28,56)	43,51

As per our report of even date attached

For CORNELIUS & DAVAR
Chartered Accountants

For and on behalf of the Board
Dr. Hasit B. Joshipura
Chairman
M. B. Kapadia
Director

RUSTOM D. DAVAR
(Proprietor)
Membership No. F. 10620
Place : Mumbai
Date : 18th February, 2014

Independent Auditors' Report

To the Board of Directors of GlaxoSmithKline Pharmaceuticals Limited

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of GlaxoSmithKline Pharmaceuticals Limited ("the Company") and its subsidiary; hereinafter referred to as the "Group" (refer Note 1A to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at December 31, 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified under the Companies Act, 1956 of India read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
7. Based on our audit and on consideration of report of other auditors on separate financial statements as referred to in paragraph 8 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2013;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

8. We did not audit the financial statements of the subsidiary included in the consolidated financial statements, which constitute total assets of Rs. 27,27.22 lakhs and net assets of Rs. 18,01.77 lakhs as at December 31, 2013, total revenue of Rs.19,30.55 lakhs, net profit of Rs. 6,40.44 lakhs and net cash flows amounting to Rs. 15,76.53 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

Consolidated Balance Sheet as at 31st December, 2013

	Note No.	Rupees in lakhs	Previous year Rupees in lakhs
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	2	84,70.30	84,70.30
Reserves and Surplus	3	1905,03.20	1922,12.83
NON-CURRENT LIABILITIES			
Long-term borrowings	4	3,60.50	4,14.24
Other long-term liabilities	5	4,98.07	4,98.07
Long-term provisions	6	242,29.37	236,04.62
CURRENT LIABILITIES			
Trade payables	7	285,63.28	237,37.06
Other current liabilities	8	84,13.08	86,82.12
Short-term provisions	9	519,14.55	512,20.67
TOTAL ..		3129,52.35	3088,39.91
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	11	100,09.26	89,42.29
Intangible assets	12	—	—
Capital work-in-progress		61,86.01	43,78.75
Non-current investments	13	5.67	10,06.21
Deferred tax assets (net)	14	92,28.93	86,72.13
Long-term loans and advances	15	237,73.39	194,54.60
Other non-current assets	16	13,55.38	17,18.88
CURRENT ASSETS			
Current investments	17	10,00.25	44,90.92
Inventories	18	346,97.00	285,14.51
Trade receivables	19	96,39.32	115,89.80
Cash and bank balances	20	2041,58.45	2066,77.45
Short-term loans and advances	21	72,94.07	59,41.80
Other current assets	22	56,04.62	74,52.57
TOTAL ..		3129,52.35	3088,39.91

The accompanying notes are an integral part of these consolidated financial statements

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

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Consolidated Statement of Profit and Loss for the year ended 31st December, 2013

	Note No.	Rupees in lakhs	Previous year Rupees in lakhs
Sale of products		2612,45.57	2692,39.70
Excise duty		(74,11.91)	(70,98.42)
Sale of products (net)		2538,33.66	2621,41.28
Other operating revenue		24,35.61	25,25.95
Revenue from operations	30	2562,69.27	2646,67.23
Other Income	31	176,95.36	178,17.78
TOTAL REVENUE		2739,64.63	2824,85.01
Cost of materials consumed	32	543,68.64	443,03.89
Purchases of traded goods	33	671,16.46	607,81.21
Changes in inventories of finished goods, work-in-progress and traded goods	34	(51,09.95)	53,45.55
Employee benefits expense	35	362,04.85	295,51.55
Depreciation expense	11	19,88.14	17,83.93
Other expenses	36	508,66.89	424,61.06
TOTAL EXPENSES		2054,35.03	1842,27.19
Profit before exceptional items and tax		685,29.60	982,57.82
Exceptional Items	41	26,15.46	(148,21.70)
Profit before Tax		711,45.06	834,36.12
Tax expense:			
Current tax		235,35.18	297,56.27
Deferred tax.. .. .		(5,56.80)	(25,08.19)
Net Profit		481,66.68	561,88.04
Earnings per equity share (basic and diluted) (Rs.)	47		
Face value Rs. 10 each		56.87	66.34

The accompanying notes are an integral part of these consolidated financial statements

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

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Consolidated Cash Flow Statement for the year ended 31st December, 2013

							Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES								
Profit before taxation and exceptional items	..	..	..	..			685,29.60	982,57.82
<i>Adjustments for :</i>								
Provision written back as no longer required	..	..	..	..			(42.32)	(3,02.52)
Profit on sale / disposal of tangible assets (net) ..	..	..	..	..			(1,64.92)	(18.30)
Interest income .. .. .	..	..	..	..			(174,46.77)	(174,64.36)
Interest expense .. .. .	..	..	..	..			33.16	33.42
Depreciation .. .. .	..	..	..	..			19,88.14	17,83.93
Unrealised foreign currency (loss) / gains	..	..	..	..			(4.18)	4.35
Operating profit before working capital changes ..	..	..	..	..			528,92.71	822,94.34
<i>Adjustments for :</i>								
Inventories .. .. .	..	..	..	..			(61,82.49)	47,33.18
Trade Receivables .. .. .	..	..	..	..			19,50.48	(27,91.50)
Short-term loans and advances	..	..	..	..			(13,52.27)	(8,72.75)
Other current assets .. .. .	..	..	..	..			8.66	53.25
Other non-current assets .. .. .	..	..	..	..			6,61.12	19,59.32
Long-term loans and advances	..	..	..	..			(13,35.44)	(12,03.83)
Trade payables .. .. .	..	..	..	..			48,26.22	34,13.35
Provisions .. .. .	..	..	..	..			29,97.11	(2,33.26)
Other current liabilities .. .. .	..	..	..	..			(4,28.84)	5,80.85
Other long-term liabilities .. .. .	..	..	..	..			—	(3.14)
Cash generated from operations.. ..	..	..	..	..			540,37.26	879,29.81
Direct taxes paid (net of refunds) (including fringe benefits tax)	..	..	..	..			(244,08.84)	(318,37.86)
Cash flow before exceptional items ..	..	..	..	..			296,28.42	560,91.95
Exceptional items:								
Payments under Voluntary Retirement Scheme	..	..	..	..			(3,90.28)	(91,12.19)
Payment of deposits for pricing matters ..	..	..	..	..			—	(136,82.00)
Non recurring expenses for rationalisation initiatives ..	..	..	..	..			(11,06.72)	(19,38.50)
Net cash generated from operating activities ..	..	..	..	..	A		281,31.42	313,59.26
b. CASH FLOW FROM INVESTING ACTIVITIES								
Purchase of tangible fixed assets	..	..	..	..			(58,22.17)	(39,07.63)
Sale of tangible fixed assets .. .. .	..	..	..	..			6,50.90	33.51
Sale of property (Exceptional item) .. .. .	..	..	..	..			2,141.02	—
Expenses relating to sale of property (Exceptional item)	..	..	..	..			(23.21)	—
Sale / redemption of current investments ..	..	..	..	..			44,90.90	57,00.00
Investment in bank deposits (having original maturity more than 3 months)	..	..	..	..			(2149,75.00)	(2219,75.00)
Redemption / Maturity of bank deposits (having original maturity more than 3 months)	..	..	..	..			2151,13.55	1930,60.00
Interest received .. .. .	..	..	..	..			173,21.75	161,24.11
Net cash (used in) / from investing activities ..	..	..	..	..	B		188,97.74	(109,65.01)

Consolidated Cash Flow Statement (Contd.)

								Rupees in lakhs	Previous year Rupees in lakhs
c. CASH FLOW FROM FINANCING ACTIVITIES									
Repayments of borrowings	..	..	..	..	..	..	..	(45.09)	(31.19)
Interest paid	..	..	..	..	..	..	..	(33.16)	(33.42)
Dividend paid	..	..	..	..	..	..	..	(421,37.90)	(378,15.44)
Tax on distributed profit	..	..	..	..	..	..	..	(71,97.64)	(61,83.43)
Net cash used in financing activities	..	..	..	..	..	..	C	(494,13.79)	(440,63.48)
Net increase in cash and cash equivalents	..	..	..	..	..	..	(A+B+C)	(23,84.63)	(236,69.23)
Cash and cash equivalents as at 1st January, 2013 (opening balance)	..	..	..	..	..	..	..	137,66.63	374,35.86
Cash and cash equivalents as at 31st December, 2013 (closing balance)	..	..	..	..	..	..	..	113,82.00	137,66.63
Net decrease in cash and cash equivalents	..	..	..	..	..	..	..	(23,84.63)	(236,69.23)
NOTES:									
1. Cash and cash equivalents include:									
Cash on hand	..	..	..	..	..	..	..	1.67	3.95
Cheques on hand	..	..	..	..	..	..	..	—	13,70.52
Term deposits with original maturity period of less than three months								23,54.00	56,08.00
Balances with banks	..	..	..	..	..	..	..	71,37.42	51,04.67
Unpaid dividend accounts	..	..	..	..	..	..	..	18,88.91	16,75.31
Unrealised (loss) /gain..	..	..	..	..	..	..	..	—	4.18
Total cash and cash equivalents	..	..	..	..	..	..	..	113,82.00	137,66.63
2. Other Bank balances include:									
Term deposits with original maturity period of more than three months	..	..	..	..	..	..	..	1927,76.45	1929,15.00
3. The Consolidated Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.									

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

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

Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 18th February, 2014

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013

1A GROUP INFORMATION

GlaxoSmithKline Pharmaceuticals Limited ('the Company') is a public limited company and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company and its subsidiary (jointly referred to as the 'Group' hereunder) are engaged inter alia, in the business of manufacturing, distributing and trading in pharmaceuticals.

The subsidiary considered in the consolidated financial statements is :

Name of the Company	Country of incorporation	% voting power held as at 31st December, 2013	% voting power held as at 31st December, 2012
Biddle Sawyer Limited (BSL)	India	100	100

1B STATEMENT OF ACCOUNTING POLICIES

(i) Basis for preparation of accounts

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

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

(ii) Principles of consolidation

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.

(iii) 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.

2 SHARE CAPITAL

AUTHORISED

9,00,00,000 equity shares of Rs. 10 each	..	..	..	..	..	Rupees in lakhs	Previous year Rupees in lakhs
						90,00.00	90,00.00

ISSUED

8,47,07,710 equity shares of Rs. 10 each	84,70.77	84,70.77
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SUBSCRIBED AND PAID-UP

8,47,03,017* equity shares of Rs. 10 each, fully paid up	84,70.30	84,70.30
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TOTAL	..					84,70.30	84,70.30
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* excludes 4,693 equity shares of Rs. 10 each of the Company [3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited] held in abeyance.

(a) Reconciliation of the number of shares :

			As at 31st December, 2013		As at 31st December, 2012	
			Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
Balance at the beginning of the year	..	..	84,703,017	84,70.30	84,703,017	84,70.30
Issued during the year..	..	..	—	—	—	—
Balance at the end of the year	..	..	84,703,017	84,70.30	84,703,017	84,70.30

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

2 SHARE CAPITAL (Contd.)

- (b) Rights, preferences and restrictions attached to equity shares:

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

- (c) Shares held by subsidiaries of ultimate holding company in aggregate

	Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
Equity shares of Rs. 10 each (representing 50.67% of total shareholding)	42,917,488	42,91.75	42,917,488	42,91.75

- (d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company:

	Number of Shares	% Shareholding	Number of Shares	% Shareholding
Glaxo Group Limited, U.K.	30,485,250	35.99%	30,485,250	35.99%
Eskaylab Limited, U.K.	5,880,000	6.94%	5,880,000	6.94%
Life Insurance Corporation of India	4,822,848	5.69%	4,822,848	5.69%

3 RESERVES AND SURPLUS

							Rupees in lakhs	Previous year Rupees in lakhs
CAPITAL RESERVE								
Balance as at the beginning of the year	..	..	..	..			1,70.97	1,70.97
Additions/Deductions	..	..	..	..	..	..	—	—
Balance as at the end of the year	..	..	..	..	..	(a)	1,70.97	1,70.97
CAPITAL REDEMPTION RESERVE								
Balance as at the beginning of the year	..	..	..	..			2,62.00	2,62.00
Additions/Deductions	..	..	..	..	..	..	—	—
Balance as at the end of the year	..	..	..	..	..	(b)	2,62.00	2,62.00
GENERAL RESERVE								
Balance as at the beginning of the year	..	..	..	..			765,37.47	706,98.66
Transfer from Surplus in Statement of Profit and Loss	..	..	..	..			50,66.66	58,38.81
Balance as at the end of the year	..	..	..	..	..		816,04.13	765,37.47
SURPLUS IN STATEMENT OF PROFIT AND LOSS								
Balance as at the beginning of the year	..	..	..	..			1152,42.39	1139,67.91
Profit for the year	..	..	..	..	..	..	481,66.68	561,88.04
Less : Appropriations	..	..	..	..	..	..
Proposed Dividend	..	..	..	..	..	..	(423,51.50)	(423,51.50)
Tax on dividend	..	..	..	..	..	..	(75,24.81)	(67,23.25)
Transfer to General Reserve	..	..	..	..	..	..	(50,66.66)	(58,38.81)
Balance as at the end of the year	..	..	..	..	..		1084,66.10	1152,42.39
TOTAL ..							1905,03.20	1922,12.83

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

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

4 LONG TERM BORROWINGS

Unsecured

Interest free sales tax loan from SICOM Limited ..	..	..	..	..	3,60.50	4,14.24
				TOTAL ..	3,60.50	4,14.24

Terms of repayment

Interest free Sales Tax Loan from SICOM Limited as at 31st December, 2013 of Rs. 4,14.24 lakhs (Previous year – Rs. 4,59.33 lakhs) includes Rs. 4.80 lakhs (Previous year – Rs. 20.94 lakhs) availed under the 1988 Sales Tax deferment Scheme repayable in one instalment, closing on 31st January, 2014 and Rs. 4,09.44 lakhs (Previous year – Rs. 438.39 lakhs) under the 1993 Sales Tax deferment Scheme repayable in twenty seven instalments closing on 30th April, 2021. The current maturity amount of Rs. 53.74 lakhs (Previous year – Rs. 45.09 lakhs) of the loan has been disclosed under Note 8 – Other Current Liabilities.

5 OTHER LONG TERM LIABILITIES

Security deposits received ..	..	..	..	..	2,82.35	2,82.35
Other long term liabilities ..	..	..	..	..	2,15.72	2,15.72
				TOTAL ..	4,98.07	4,98.07

6 LONG TERM PROVISIONS

For Pricing matters (Refer Note 24 and 25) ..	..	..	..	..	123,96.15	129,59.38
For employee benefits ..	..	..	..	..
Gratuity ..	..	..	..	..	24,50.66	17,20.53
Leave encashment and compensated absences ..	..	..	..	..	29,65.19	25,84.22
Post retirement medical and other benefits ..	..	..	..	..	30,74.67	34,19.75
For long term incentive plan ..	..	..	..	..	6,59.55	4,28.18
For divestment / restructuring ..	..	..	..	..	16,13.72	16,58.97
For others ..	..	..	..	..	10,69.43	8,33.59
				TOTAL ..	242,29.37	236,04.62

7 TRADE PAYABLES

Micro and Small enterprises ..	..	..	..	..	3,82.68	2,59.03
Others ..	..	..	..	..	281,80.60	234,78.03
				TOTAL ..	285,63.28	237,37.06

8 OTHER CURRENT LIABILITIES

Current Maturity of Long Term Borrowings ..	..	..	..	..
Interest free sales tax loan from SICOM Limited (Refer Note 4) ..	..	..	..	..	53.74	45.09
Unpaid dividend* ..	..	..	..	..	18,88.91	16,75.31
Salaries, wages and bonus payable ..	..	..	..	..	28,10.37	32,73.07
Statutory dues including provident fund and tax deducted at source ..	..	..	..	..	21,39.27	19,32.07
Creditors for capital goods ..	..	..	..	..	3,88.30	4,50.75
Rationalisation relating to a manufacturing site ..	..	..	..	..	6,07.59	9,93.37
Other Payables ..	..	..	..	..	5,24.90	3,12.46
				TOTAL ..	84,13.08	86,82.12

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

9 SHORT TERM PROVISIONS

For proposed equity dividend ..	..	..	..	..	423,51.50	423,51.50
For provision for taxation (net) ..	..	..	..	..	31.32	—
For tax on distributed profit ..	..	..	..	..	71,97.64	68,70.47
For employee benefits ..	..	..	..	..
Gratuity ..	..	..	..	..	22.01	39.65
Leave encashment and compensated absences ..	..	..	..	..	3,79.14	1,69.00
Post retirement medical and other benefits ..	..	..	..	..	2,01.85	2,33.05
For long term incentive plan ..	..	..	..	..	6,07.28	2,01.37
For rationalisation relating to a manufacturing site..	..	..	..	..	3,52.96	12,74.50
For other short term provisions (including statutory levies) ..	..	..	..	..	7,70.85	81.13
				TOTAL ..	519,14.55	512,20.67

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

10 MOVEMENT IN PROVISIONS

Rupees in lakhs

	Rationalisation relating to a manufacturing site	Pricing matters	Long-term Incentive Plan	Divestment / Restructuring	Others
	2013				
Opening Balance	12,74.50	129,59.38	6,29.55	16,58.97	9,14.72
Provision during the year	—	—	8,53.56	—	9,99.87
Amounts utilised/reversed during the year	9,21.54	5,63.23	2,16.28	45.25	74.31
Balance at the year end	3,52.96	123,96.15	12,66.83	16,13.72	18,40.28
	2012				
Opening Balance	—	266,41.38	4,70.51	17,23.85	11,22.88
Provision during the year	12,74.50	—	3,90.42	—	59.68
Amounts utilised/reversed during the year	—	136,82.00	2,31.38	64.88	2,67.84
Balance at the year end	12,74.50	129,59.38	6,29.55	16,58.97	9,14.72

11 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
							On			
	As at 31st			As at 31st	As at 31st	Deductions/	As at 31st	As at 31st		
	December	Additions/	Deductions	December	December	For the	Adjustments	December	December	As at 31st
	2012	Adjustments	(b)	2013	2012	Year	(b)	2013	2013	December
Freehold land	6.59	—	2.51	4.08	—	—	—	—	4.08	6.59
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	15,22.18	6.11	4,47.04	10,81.25	8,19.65	36.58	1,51.92	7,04.31	3,76.94	7,02.53
Leasehold buildings	36,66.87	1,18.95	0.14	37,85.68	18,82.03	1,18.06	0.13	19,99.96	17,85.72	17,84.84
Plant and equipment	177,96.15	28,12.23	1,21.32	204,87.06	122,54.44	15,36.72	1,07.47	136,83.69	68,03.37	55,41.71
Furniture and fixtures	28,75.98	1,59.63	39.50	29,96.11	24,09.99	94.89	37.28	24,67.60	5,28.51	4,65.99
Vehicles	9,10.01	2,71.42	80.25	11,01.18	6,54.62	1,74.91	49.04	7,80.49	3,20.69	2,55.39
Office Equipment	5,80.90	35.18	8.30	6,07.78	4,39.93	26.98	4.81	4,62.10	1,45.68	1,40.97
TOTAL	274,02.95	34,03.52	6,99.06	301,07.41	184,60.66	19,88.14	3,50.65	200,98.15	100,09.26	
Previous year	273,65.38	14,73.39	14,35.82	274,02.95	174,50.09	17,83.93	7,73.36	184,60.66		89,42.29

Note:

- (a) Freehold buildings include investments representing ownership of residential flats (Refer note 28).
 (b) Deductions include Tangible assets held for sale shown under 'Other Non Current Assets' (Refer note 16) : gross block Rs. 4,47.82 lakhs, accumulated depreciation Rs. 1,50.20 lakhs and net block Rs. 2,97.62 lakhs (Previous year – gross block Rs. 13,19.62 lakhs, accumulated depreciation Rs. 6,72.37 lakhs and net block Rs. 6,47.25 lakhs).

12 INTANGIBLE ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 31st December 2012	Additions	Deductions	As at 31st December 2013	As at 31st December 2012	For the Year	On Deductions	As at 31st December 2013	As at 31st December 2013	As at 31st December 2012
Goodwill (a)	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—
TOTAL	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—
Previous year	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—

Note:

- (a) Amortised over a period of ten years.

13 NON-CURRENT INVESTMENTS

(VALUED AT COST UNLESS OTHERWISE STATED)

TRADE**IN EQUITY INSTRUMENTS****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 INVESTMENTS**Unquoted**

National Savings Certificate	0.17	0.17
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(Lodged with Government authorities)

IN DEBENTURES OR BONDS**Quoted**

LIC Housing Finance Limited

Nil, (Previous year : 100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each)	—	10,00.54
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TOTAL	..	5.67	10,06.21
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Aggregate of Unquoted Investments - At Book value	5.67	5.67
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Aggregate of Quoted Investments - At Book value	—	10,00.54
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- At Market value	—	10,00.60
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There are no investments purchased and sold / redeemed during the year.

14 DEFERRED TAX ASSETS (NET)

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

Assets

Provision for employee benefits	30,53.08	26,49.51
---------------------------------	----	----	----	----	----	----------	----------

Costs of voluntary retirement schemes	21,53.41	22,52.68
---------------------------------------	----	----	----	----	----	----------	----------

Provision for doubtful debts, loans and advances	4,81.44	4,72.33
--	----	----	----	----	----	---------	---------

Provision for pricing matters	18.15	2,02.15
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Interest on Income-tax refund not accounted but considered as taxable under the Income-tax Act, 1961	22,02.06	21,01.96
--	----	----	----	----	----	----------	----------

Expenses allowable for tax purposes when paid	17,99.73	13,14.82
---	----	----	----	----	----	----------	----------

TOTAL	..	97,07.87	89,93.45
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Liabilities

Depreciation (including tangible assets held for sale)	4,78.94	3,21.32
--	----	----	----	----	---------	---------

TOTAL	..	4,78.94	3,21.32
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TOTAL	..	92,28.93	86,72.13
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Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

15 LONG TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Rupees in lakhs	Previous year Rupees in lakhs
Capital advances	17,80.74	12,31.80
Less : Allowance for doubtful loans and advances ..	(2,67.13)	(2,67.13)
Security Deposits	11,92.01	10,02.57
Other loans and advances (Refer Note 50)		
Advance income-tax (net) (Refer Note 48)	163,82.73	139,48.32
Balance with Government Authorities	11,07.75	5,94.85
Sundry Deposits	29,51.44	23,49.82
Loans and advances recoverable in cash or in kind *	6,25.85	5,94.37
TOTAL ..	237,73.39	194,54.60

* includes outstanding loans receivable from related parties

16 OTHER NON-CURRENT ASSETS

Remittances in transit [Refer note 26(iii)]	5.92	5.92
Margin money / Deposit against bank guarantee	2,43.56	2,03.68
Deposits with banks of maturity period more than 12 months	—	7,01.00
Tangible assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) ..	11,05.90	8,08.28
TOTAL ..	13,55.38	17,18.88

17 CURRENT INVESTMENTS

(CURRENT PORTION OF LONG TERM INVESTMENTS
VALUED AT COST UNLESS OTHERWISE STATED)

OTHER INVESTMENTS

Quoted

Housing Development Finance Corporation Limited

Nil, (Previous year : 350, 9.50% Non-Convertible
Debentures, 2013 of Rs. 10,00,000 each)

LIC Housing Finance Limited

Nil, (Previous year : 100, 9.70% Non-Convertible
Debentures, 2013 of Rs. 10,00,000 each)

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

TOTAL ..

Aggregate of Unquoted Investments - At Book value ..

Aggregate of Quoted Investments - At Book value ..

- At Market value

There are no investments purchased and sold /
redeemed during the year.

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

18 INVENTORIES

	Rupees in lakhs	Previous year Rupees in lakhs
Stores and spares	2,85.74	2,32.22
Raw and packing materials (includes in-transit Rs. 3,30.96 lakhs; previous year - Rs. 21.91 lakhs)	73,58.33	63,39.31
Work-in-progress	32,36.99	33,37.94
Traded goods (includes in-transit Rs. 14,59.10 lakhs; previous year - Rs. 7,22.41 lakhs)..	147,72.32	121,67.29
Finished goods	90,43.62	64,37.75
TOTAL ..	346,97.00	285,14.51

19 TRADE RECEIVABLES

(Unsecured, considered good unless otherwise stated)

Considered good

Outstanding for a period exceeding six months from the date they are due for payment	10,98.65	1,46.50
Others	85,40.67	114,43.30

Considered doubtful

Outstanding for a period exceeding six months from the date they are due for payment	10,22.32	10,33.75
Others	—	27.91
Less : Provision for doubtful debts	(10,22.32)	(10,61.66)

TOTAL .. **96,39.32** **115,89.80**

20 CASH AND BANK BALANCES

Cash and cash equivalents

Cash on hand	1.67	3.95
Cheques on hand	—	13,70.52

Balances with banks

Current account	70,75.46	50,03.98
Term deposit with original maturity period of less than three months	23,54.00	56,08.00

Other bank balances

Term deposit with original maturity period of more than three months but less than twelve months	1631,01.45	1167,90.00
Term deposit with original maturity period of more than twelve months but maturing within next twelve months	296,75.00	761,25.00
Unpaid dividend accounts	18,88.91	16,75.31
Margin money / Deposit against bank guarantee	61.96	1,00.69

TOTAL .. **2041,58.45** **2066,77.45**

21 SHORT TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Balance with Government Authorities.. .. .	9,09.95	12,61.83
Current account balances with group companies	19,16.45	11,46.87
Prepaid Expenses	1,74.98	1,23.69
Advances recoverable in cash or in kind *	42,92.69	34,09.41
TOTAL ..	72,94.07	59,41.80

* includes outstanding loans receivable from related parties

22 OTHER CURRENT ASSETS

	Rupees in lakhs	Previous year Rupees in lakhs
Interest accrued on investments / deposits	55,43.33	69,47.43
Tangible assets held for sale (at book value or estimated net realisable value / salvage value whichever is lower)	46.06	4,81.25
Others	15.23	23.89
TOTAL ..	56,04.62	74,52.57

23 CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities not provided for:		
(i) Cheques discounted with banks	1,56.84	4,84.58
(ii) In respect of claims made against the Company not acknowledged as debts by the Company		
- Sales tax matters	34,16.65	30,74.86
- Excise matters	5,93.30	5,92.64
- Service tax matters	1,29.20	1,29.20
- Labour matters	75,74.16	68,69.91
- Other legal matters	22,01.55	22,01.55
which net of current tax amount to -	91,85.20	86,93.09
(iii) Income-tax matters in respect of which appeals are pending		
- Tax on matters in dispute	199,70.77	108,51.10
(iv) Guarantee given to the Customs authorities	2,00.00	2,00.00
(v) Based on the data obtained by Government, it had directed BSL to pay a tentative amount 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.	49.29	49.29
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 the BSL.		
B. Commitments		
(i) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	53,72.63	48,59.74
(ii) 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.		

24 The demand of Rs. 71,79 lakhs made by the Central Government on the Company in respect of Betamethasone bulk drugs and formulations made therefrom during the period May 1981 to August 1987 has been under litigation for a period spanning nearly 30 years. Pursuant to the special leave petition of the Central Government in the Supreme Court of India against the Delhi High Court's Judgment and Order dated 19th October 2001 which was held in favour of the Company, the Supreme Court has, vide its Judgement and Order dated 30th March 2011, upheld the demand. The Company had accrued a liability of Rs. 18,68 lakhs in earlier years and a further provision of Rs. 53,11 lakhs was accrued in 2011.

Based on a legal advice, the Company has filed an Application in the Supreme Court seeking, inter alia, clarifications on some aspects of the Judgement and directions for recomputation of the demand. Simultaneously, the Company without prejudice to and subject to the outcome of the Application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs. 63,60 lakhs, which together with the amount of Rs. 8,19 lakhs previously deposited with the Government, aggregates to the demand of Rs. 71,79 lakhs made by the Government in November 1990. The Company filed a Review Petition with the Supreme Court which was rejected in March 2012.

In October 1996, the Government had claimed interest of Rs. 117,66 lakhs for the period 12th May 1981 to 17th October 1996, for which no provision was made in earlier years. The Government has vide letter dated 4th May 2011 called upon the Company to discharge the entire liability, including upto date interest calculated at 15% p.a., and has vide letter dated 10th October 2011, raised a demand on the Company for the interest amount amounting to Rs. 247,44 lakhs. Without prejudice to the position that interest is not payable, the Company has recognized a provision of Rs. 247,44 lakhs in respect of the Government's claim for interest in 2011. The Company has filed a Writ Petition at Delhi High Court against the above demand which has been admitted. The Company also filed stay applications which have been dismissed and has filed a Special Leave Petition (SLP) before the Supreme Court for stay of the interest demand until

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

final determination of the Writ Petition filed in the Delhi High Court. The Supreme Court on hearing the above SLP, passed an order on 3rd April 2012. The said order stayed the Demand Notice dated 10th October 2011 during the pendency of the Writ Petition at the Delhi High Court subject to the Company depositing Rs. 136.82 lakhs in three equal installments within six month's time from the date of order. All three instalments have been deposited with the Government as of date. The Supreme Court, vide its order dated 5th October 2012, directed the Delhi High Court to dispose of the Writ Petition as expeditiously as possible. The Delhi High Court has listed the Writ Petition for hearing on 4th July, 2014.

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

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

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

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

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

- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of 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.

- 27** 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 long term provisions and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under long term 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.

- 28** Tangible 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.
10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited.
10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited.
5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.
10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.
20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited.
5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited.
20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited.

	Rupees in lakhs	Previous year Rupees in lakhs
	7.22	7.22
	2.00	2.00
	48.13	48.13
	23.62	23.62
	33.31	33.31
	45.59	45.59
	67.00	67.00
	19.32	19.32

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

29 PROPOSED DIVIDEND

The dividend on Equity Shares of Rs. 10 each is as follows:

Amount of dividend	423,51.50	423,51.50
Dividend per Equity Share	50.00	50.00

30 REVENUE FROM OPERATIONS

Sale of products	2612,45.57	2692,39.70
Excise duty	(74,11.91)	(70,98.42)
Sale of products (net)	2538,33.66	2621,41.28
Other operating revenue	24,35.61	25,25.95

TOTAL

2562,69.27

2646,67.23

(a) DETAILS OF SALE OF PRODUCTS

Tablets and Capsules	1127,73.27	1199,66.48
Solids including Powders and Ointments	623,85.44	573,96.73
Liquids - Orals, Topicals and Parenterals	333,95.74	392,56.75
Vaccines	361,90.61	322,93.20
Others	165,00.51	203,26.54
	2612,45.57	2692,39.70

(b) OTHER OPERATING REVENUE

Service income		
Clinical research and data management	43,66.02	45,41.18
Other services	12,07.04	10,20.21
Direct expenses relating to the above	(45,01.07)	(45,39.26)
	10,71.99	10,22.13
Export related benefits (net)	22.20	26.24
Consignment sales commission	69.72	72.24
Manufacturing charges recovery	3,02.63	1,96.85
Others	9,69.07	12,08.49
	24,35.61	25,25.95

31 OTHER INCOME

Interest income (Gross):

On deposits with banks	156,80.50	158,71.35
On loans	27.48	21.54
On tax refunds	15,29.43	7,42.00
On investments - Government securities and other than trade - long term [net of premium write-off of Rs. 0.31 lakhs (Previous year - Rs. 21.80 lakhs)]	1,70.94	8,00.17
Others	38.42	29.30
	174,46.77	174,64.36

Less : Interest expense:

Security deposits	(33.01)	(30.59)
Others	(0.15)	(2.83)
	(33.16)	(33.42)

174,13.61

174,30.94

Profit on sale / redemption of long term investments	9.10	—
Rent received	65.41	66.02
Profit on sale / disposal of fixed assets (net)	1,64.92	18.30
Provision written back as no longer required	42.32	3,02.52
TOTAL	176,95.36	178,17.78

32 COST OF MATERIALS CONSUMED

Betamethasone-17 Valerate IP	66,56.24	—
Other raw materials consumed *	333,61.33	309,81.94
Packing materials consumed *	143,51.07	133,21.95
TOTAL	543,68.64	443,03.89

Notes :

* No single raw or packing material accounts for more than 10% of total consumption.

Cost of materials consumed is based on derived values

VALUE OF IMPORTED AND INDIGENOUS RAW AND PACKING MATERIALS CONSUMED

Purchased indigenously	84.86	461,36.99	85.82	380,21.63
Imported by the company (including duty and other charges)	15.14	82,31.65	14.18	62,82.26
	100.00	543,68.64	100.00	443,03.89

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

33 PURCHASE OF TRADED GOODS

Purchase of traded goods	..	..	..	..	..
TOTAL	..				

34 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

Opening stock	..	..	..	..	..
Work-in-progress	..	..	..	..	..
Finished goods	..	..	..	..	..
Traded goods	..	..	..	..	..

Less : Closing stock

Work-in-progress	..	..	..	..	..
Finished goods	..	..	..	..	..
Traded goods	..	..	..	..	..

TOTAL ..

35 EMPLOYEE BENEFITS EXPENSES

Salaries, wages and bonus	..	..	..	..	..
Contributions to : Provident and pension funds	..	..	
Gratuity funds	..	..	..	..	..
Staff welfare	..	..	..	..	..

TOTAL ..

36 OPERATING AND OTHER EXPENSES

Sales promotion	..	..	..	..	..
Stock point commission	..	..	..	..	..
Freight (net)	..	..	..	..	..
Travelling	..	..	..	..	..
Provision / write off for doubtful debts, loans and advances (net)					
Manufacturing charges	..	..	..	..	..
Repairs - Buildings	..	..	..	..	..
- Plant and Machinery	..	..	..	..	..
- Others	..	..	..	..	..
Consumption of stores and spares	..	..	..	..	..
Power, fuel and water	..	..	..	..	..
Rent	..	..	..	..	..
Rates and taxes	..	..	..	..	..
Printing, postage and telephones	..	..	..	..	..
Sales training, briefing and conference	..	..	..	..	..
Excise duty	..	..	..	..	..
Insurance	..	..	..	..	..
Remuneration to auditors :					
Statutory audit fees	..	..	..	..	..
In other capacity in respect of :					
Tax audit fees	..	..	..	..	..
Audit of tax accounts	..	..	..	..	..
Other services	..	..	..	..	..
Reimbursement of expenses	..	..	..	..	..
Cost audit fees	..	..	..	..	..
Date-expired stocks	..	..	..	..	..
Commission to non whole-time Directors	..	..	..	..	..
Directors' sitting fees	..	..	..	..	..
Miscellaneous	..	..	..	..	..
Reimbursement of expenses (net) (Refer note 40)	..	..	
Expenses relating to service income [Refer note 30 (b)]	..				
TOTAL	..				

Rupees in lakhs

671,16.46

671,16.46

33,37.94

64,37.75

121,67.29

219,42.98

32,36.99

90,43.62

147,72.32

270,52.93

(51,09.95)

(51,09.95)

326,10.74

16,35.09

5,02.21

14,56.81

362,04.85

120,13.90

11,67.46

54,42.03

58,05.22

—

65,56.92

3,31.45

9,60.90

11.74

13,04.09

4,15.94

23,85.43

15,46.39

23,12.76

12,96.36

19,43.92

7,92.90

4,42.63

48.75

6.00

20.00

45.25

3.44

1,23.44

2.75

1,26.19

35,07.00

46.31

14.70

65,94.19

16,53.62

(45,01.07)

508,66.89

Previous year
Rupees in lakhs

607,81.21

607,81.21

54,77.49

88,02.52

130,08.52

272,88.53

33,37.94

64,37.75

121,67.29

219,42.98

53,45.55

53,45.55

262,89.58

14,17.93

4,34.88

14,09.16

295,51.55

99,89.05

12,08.63

48,75.85

56,81.55

4,62.25

52,64.30

2,21.07

9,68.28

13.38

12,02.73

3,55.82

22,50.13

13,76.36

17,30.72

15,35.61

18,10.73

(3,73.40)

3,19.40

36.75

6.00

20.00

25.25

3.16

91.16

3.71

94.87

27,65.94

46.29

14.80

57,72.26

6,16.43

(45,39.26)

424,61.06

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

- 37** Employee benefits expenses in Note 35 include amounts subject to approval of members in ensuing Annual General Meeting - NIL (Previous year - Rs. 80.18 lakhs).
- 38** The recurring expenditure on research and development charged off to revenue amounts to Rs. 2,62.86 lakhs (Previous year - Rs. 2,40.34 lakhs).
- 39** Miscellaneous expenses in Note 36 include loss on foreign currency transactions (net) Rs. 9,18.29 lakhs (Previous year - Rs. 4,66.30 lakhs)
- 40** "Reimbursement of expenses (net)" in Note 36 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 3,46.92 lakhs (Previous year - Rs. 3,25.98 lakhs), from Stiefel India Private Limited Rs. 18.43 lakhs (Previous year - Rs. 15.53 lakhs), from GlaxoSmithKline Pte Limited Rs. 58.96 lakhs (Previous year - Rs. 62.04 lakhs), from GlaxoSmithKline Service Unlimited Rs. 92.03 lakhs (Previous year - 80.68 lakhs), GlaxoSmithKline Brasil Ltda Rs. 9.18 lakhs (Previous year - NIL) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 21,79.14 lakhs (Previous year - Rs. 11,00.66 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

41 Exceptional items:

Expenses on rationalisation initiatives mainly relating to a manufacturing site

	Rupees in lakhs	Previous year Rupees in lakhs
– Voluntary retirement scheme	(4.50)	(98,05.56)
– Others	(2,13.81)	(36,64.18)
Provisions for pricing matters written back	5,63.23	—
Profit on sale of property	21,17.81	—
Actuarial gain/(loss) on employee benefits	1,52.73	(13,51.96)
	<u>26,15.46</u>	<u>(148,21.70)</u>

- 42** The disclosures as required by Accounting Standard 15, Employee benefits (revised 2005), notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are set out in Note 45 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.

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

44 Related Party disclosures

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

1 Relationships (during the year):

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

Glaxo Group Limited, U.K.	Burroughs Wellcome International Limited, U.K.
Eskaylab Limited, U.K.	Castleton Investment Limited, Mauritius
Holding company / ultimate holding company of the above shareholders *	
GlaxoSmithKline plc, U.K.	Wellcome Limited, U.K.
GlaxoSmithKline Finance plc, U.K.	The Wellcome Foundation Limited, U.K.
SmithKline Beecham Limited, U.K.	Wellcome Consumer Healthcare Limited, U.K.

* no transactions during the year

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

SmithKline Beecham Private Limited, Sri Lanka	GlaxoSmithKline Australia Pty Limited, Australia
GlaxoSmithKline Asia Private Limited, India	GlaxoSmithKline Trading Services Limited, Ireland
GlaxoSmithKline Brasil Ltda, Brazil	GlaxoSmithKline Limited, Hong Kong
GlaxoSmithKline Consumer Healthcare Limited, India	GlaxoSmithKline LLC, U.S.A.
GlaxoSmithKline Biologicals S.A., Belgium	Stiefel India Private Limited, India
GlaxoSmithKline Services Unlimited, U.K.	US Pharmaceuticals, U.S.A.
Glaxo Operations UK Limited, U.K.	US GMS Financial Services, U.S.A.
Laboratoire GlaxoSmithKline S.A.S., France	GlaxoSmithKline Ilaclari Sanayi ve Ticaret AS, Turkey
GlaxoSmithKline Export Limited, U.K.	GlaxoSmithKline Manufacturing SPA, Italy
GlaxoSmithKline Pte Limited, Singapore	

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

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

Dr. A. Banerjee (up to 31st July, 2012)	Mr. P.V. Nayak
Ms. A. Bansal (w.e.f. 19th February, 2013)	Mr. R. Bartaria
Mr. A.N. Roy	Mr. R.C. Sequeira
Mr. C.T. Renganathan	Mr. R.R. Bajaj
Mr. D.S. Parekh	Mr. R. Krishnaswamy
Mr. D. Sundaram	Mr. S. Harford *
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. H. Buch	Mr. Sunder Rajan (up to 17th February, 2012)
Mr. K. Hazari	Mr. S. Khanna
Mr. M.B. Kapadia	Mr. S. Dheri (w.e.f. 1st April, 2012)
Mr. N. Kaviratne	Mr. V. Narayanan (up to 9th November, 2012)
Mr. P. Bhide	Mr. V. Thyagarajan

* no transactions during the year

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

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

								Rupees in lakhs	
								2013	2012
Glaxo Group Limited, U.K.	..	..	..	..	..	..	..	152,42.62	137,18.36
Eskaylab Limited, U.K.	..	..	..	..	..	..	..	29,40.00	26,46.00
Burroughs Wellcome International Limited, U.K.	..	..	..	..	..	..	..	16,80.00	15,12.00
Castleton Investment Limited, Mauritius	..	..	..	..	..	..	..	15,96.12	14,36.51

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

								Rupees in lakhs	
								Other companies in the GSK Group (iii)	
								2013	2012
1	Purchase of materials/traded goods	..	..	..	..	..	..	436,34.10	323,49.86
2	Sale of materials/sale of products	..	..	..	..	..	..	4,79.63	12,65.97
3	Expenses recharged to other companies	..	..	..	..	..	..	16,57.31	13,61.94
4	Expenses recharged by other companies	..	..	..	..	..	..	28,00.34	15,70.78
5	Manufacturing charges recovered	..	..	..	..	..	..	3,02.63	1,96.85
6	Consignment sales commission received	..	..	..	..	..	..	30.95	29.85
7	Clinical research and data management recoveries	..	..	..	..	..	..	43,66.02	45,41.18
8	Central Value Added Tax credits availed on behalf of a related party (net)	..	..	..	..	..	..	3,39.62	48.23
9	Employee benefits transferred to a related party	..	..	..	..	..	..	14.83	13.71
10	Dividend received	..	..	..	..	..	..	—	—
11	Outstanding (payables)/receivables at the year end (net) #	..	..	..	..	..	..	(89,05.81)	(40,31.06)

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

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

								Rupees in lakhs	
								2013	2012
(a)	Purchase of materials/traded goods								
	GlaxoSmithKline Asia Private Limited, India	..	..	..	..	..	..	178,75.66	150,93.26
	GlaxoSmithKline Biologicals S.A., Belgium	..	..	..	..	..	..	71,50.54	30,28.08
	GlaxoSmithKline Export Limited, U.K.	..	..	..	..	..	..	172,48.31	127,40.84
(b)	Sale of materials/sale of products								
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	..	..	..	4,79.63	6,55.95
(c)	Expenses recharged to other companies								
	GlaxoSmithKline Asia Private Limited, India	..	..	..	..	..	..	7,33.87	7,41.74
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	..	..	..	3,47.35	52.76
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	..	..	..	5,37.00	5,51.91

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

Rupees in lakhs

	2013	2012
(d) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	23,61.99	12,30.63
(e) Manufacturing charges recovered		
GlaxoSmithKline Asia Private Limited, India	3,02.63	1,96.85
(f) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	30.95	29.85
(g) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	22,54.07	23,87.79
GlaxoSmithKline Services Unlimited, U.K.	21,11.95	21,53.39
(h) Central Value Added Tax credits availed on behalf of a related party (net)		
GlaxoSmithKline Asia Private Limited, India	339.62	48.23
(i) Employee benefits transferred to a related party		
GlaxoSmithKline Asia Private Limited, India	14.83	13.71
(j) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(42,65.64)	(26,34.62)
GlaxoSmithKline Consumer Healthcare Limited, India	15,74.56	5,46.17
GlaxoSmithKline Biologicals S.A., Belgium	(24,76.08)	3,16.74
GlaxoSmithKline Export Limited, U.K.	(40,46.21)	(27,81.36)
GlaxoSmithKline Trading Services Limited, Ireland	88.05	1,55.60
GlaxoSmithKline Services Unlimited, U.K.	2,66.53	1,77.61

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

Rupees in lakhs

	2013	2012
1 Remuneration/commission/sitting fees	14,84.26	15,53.28
2 Payments under the long-term incentive plan	1,10.29	1,55.05
3 Interest income on loans given	0.75	0.74
4 Outstanding loans receivable	23.59	25.21

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

Rupees in lakhs

	2013	2012
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	4,00.13	3,07.04
Mr. M.B. Kapadia	2,34.33	1,95.53
(b) Payments under the long-term incentive plan		
Dr. H.B. Joshipura	33.35	36.08
Mr. M.B. Kapadia	23.18	25.09
Mr. R.C. Sequeira	11.04	10.20
(c) Interest income on loans given		
Mr. H. Buch	0.23	0.23
Mr. R. Bartaria	0.18	0.18
Mr. S. Dheri	0.27	0.21
(d) Outstanding loans receivable		
Mr. H. Buch	7.47	7.60
Mr. R. Bartaria	5.98	6.08
Mr. S. Dheri	9.00	9.13

Notes to the Consolidated Financial Statements for the year ended 31st December, 2013 — continued

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

Rupees in lakhs

Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	UAE Dirham	Australian Dollar	Swiss Franc	Chinese Yuan	Malaysian Ringgit	Thailand Baht
Receivables	1.42 (5.25)	10,50.74 (14,27.21)	12,10.59 (6,71.19)	2.56 —	0.20 (0.54)	0.38 (0.15)	— —	— —	0.01 (0.01)	— (0.01)	— (0.01)
Payables	16,20.16 (9,74.36)	66,42.69 (27,09.67)	2,14.04 (78.34)	— —	— —	— —	— (25.59)	— —	— —	— —	— —

(Figures in brackets pertain to the year 2012)

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

- The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.
- Lease payments are recognised in the Statement of Profit and Loss under 'Rent' in Note 36.

47 Earnings per share

						Previous year
Net Profit				Rupees in lakhs	481,66.68	561,88.04
Weighted average number of shares	..	..	..	Nos.	8,47,03,017	8,47,03,017
Earnings per share (Basic and Diluted)	..	..	..	Rs.	56.87	66.34
Face value per share	..	..	..	Rs.	10	10

- 48** Advance income-tax (net) represents payments in excess of provisions of Rs. 3037,00.53 lakhs (Previous year - Rs. 2801,65.35 lakhs) and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation.

- 49** 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, 2013 and the provision based on the figures for the remaining nine months up to 31st December, 2013, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2013 to 31st March, 2014.

- 50** Other Loans and advances are net of allowances for doubtful loans and advances aggregating Rs. 29,96.83 lakhs (Previous year - Rs. 30,06.19 lakhs).

- 51** The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) - "Consolidated Financial Statements", notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

- 52** Previous year's figures have been regrouped wherever necessary.

The accompanying notes are an integral part of the consolidated financial statements.

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

Asha Ramanathan
Partner
Membership No. 202660

For and on behalf of the Board

Chairman D. S. PAREKH

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 18th February, 2014

Mumbai, 18th February, 2014



Awards & Recognition

GSK has a values driven culture. The accolades recognise the best practices of the company



Mr Ronald C Sequeira, Executive Director, receiving CII HR Excellence Award from Shri Jiten Prasada, HRD, Minister of State, Govt of India

- Significant Achievement in HR Excellence by Confederation of Indian Industries (CII)
- In top 50 of "India's most admired companies" by Fortune India in partnership with Hays Group
- One of "The Best Companies to Work for" by Business Today



Innovation & research

Patient Safety remains our priority throughout research and even after a medicine is introduced in the market. Our high ethical and quality standards apply to all our research and development (R&D) and commercialisation activities, wherever they take place.

In line with our commitment to improve the quality of human life and make a difference to patients, GSK continues to be committed to research and development of medicines. Our scientists work hard to discover new medicines that either prevent or treat various diseases. With a passion for research coupled with immaculate skills in turning molecules into medicines, GSK continues to maintain a "patient first" attitude.

Quality in clinical research is a priority. This has been demonstrated by a number of internal and external compliance audits with no critical findings. To strengthen quality of data and ensure compliance to regulations, we have put in place several quality checks and strive to simplify systems and processes. This assists in generating accurate data and ensuring that the rights, dignity and safety of patients taking part in our studies are protected.

GSK has trained 42 new investigators on Good Clinical Practices and protocol-related science at approximately 40 clinical trial sites across India.

In 2013, GSK introduced 2 new medicines, namely, fluticasone furoate (Avamys™) and denosumab (XGEVA). Avamys™ is fluticasone furoate nasal spray approved for the treatment of seasonal and perennial allergic rhinitis in adults, adolescents, and children above 2 years of age. It relieves nasal and ocular symptoms of allergic rhinitis and improves quality of life. Denosumab is the first and only RANK Ligand inhibitor approved for the prevention of skeletal related events in patients with advanced malignancies involving bone.

Building Capability

In GSK, we believe in building the capability of leaders and managers to develop their teams, create a value-based culture and demonstrate strong leadership. We are committed to being an employer of choice - attract, retain and develop talent.

There has been significant progress in 2013 in the areas of talent management, capability building and employee engagement. This has been further endorsed by GSK being conferred the prestigious Confederation of Indian Industries (CII) Award for "Significant Achievement in HR Excellence" in 2013. GSK was among the top 50 of 'India's most admired companies' list and among the top three in the pharma and healthcare sector in a survey conducted by Fortune India. Besides, we also were ranked amongst the top three pharmaceutical companies in India in Business Today's "The Best companies to work for".

We invest in employees at every stage of their career. We focus on building the talent pipeline across the business. We have continued to hire, identifying the right talent from key business schools through our 'Future Leaders Programme'.

We ensure our people develop their skills, appreciate different perspectives, and be highly motivated, engaged and resilient. The Learning & Development Calendar focuses on all employees across geographies and functions providing training inputs and addressing both skill and knowledge gaps.



Coaching is a key component of developing capability and continues to be an important leadership approach. A significant portion of managers have been trained through the "Practical Coaching at the Workplace" programme. In addition, select leaders have attended a Job Plus Coaching programme by which they have been trained and certified to coach key talent and other employees.

We conduct learning and other knowledge sessions which add value to our employees. We have conducted sessions on the important aspect of Employee Safety e.g. Driving Two Wheelers Safety. Our Wellness and Wellbeing services provide employees counselling opportunities on the day-to-day issues faced in life.

In GSK, we extend volunteering opportunities to bring positive change to communities while providing individual development. Our two community involvement programmes - PULSE and Orange Day enable employees to develop their skills and broaden their perspective making valuable contribution outside GSK. While, PULSE provides three to six months assignments where in selected employees work full-time with an NGO on projects; Orange Day sees employees volunteering on joint field work with identified NGOs for a day.

In GSK, we try our best to ensure that our employees are valued, supported and empowered to be successful both personally and professionally.

Making a difference

In GlaxoSmithKline, we embed our values in everything we do. While our primary contribution is to develop innovative products and improve access to healthcare for patients, we create value by making direct and indirect economic and social contributions in the countries which we operate.

Focusing on our community development projects on healthcare, education and sustainable livelihood to the underprivileged children, women and the aged, we reinforced our support to the ongoing long term projects and added new projects in partnership with NGOs.



Gramin Arogya Vikas Sanstha (GAVS), a registered public trust, promoted by GSK India, through its tribal healthcare project in Nashik, Maharashtra has increased its reach to more than 250 villages through health centres and mobile vans. With more than 40,000 direct beneficiaries and 1.25 indirect beneficiaries, this project is in partnership with NGO Niramaya Health Foundation. Besides, the ongoing healthcare project in the slums of the dumping grounds of Deonar in Mumbai has received immense response, and has extended its services to adjoining slums covering a population of 30,000 slum dwellers.



Moreover, we have reached out to more than 2.2 lakh beneficiaries which have included mothers for maternal and child health screening, dietary supplements and other healthcare needs through our support to Institute of Mother and Child (IMC) in West Bengal.

With our mission to improve patient care, GSK continued to support three voluntary organisations for cancer care-Sri Chaitanya Seva Trust, Mumbai; Indian Cancer Society, Mumbai; and Bangalore Hospice Trust, Karunashraya, Karnataka through screening camps to facilitate early detection, treatment, rehabilitation and palliative care. Through various initiatives in partnership with the NGOs, over 95 camps have been conducted, with approximately 9000 patients being screened for



cancer. More than 100 patients have been rehabilitated through vocational training and approximately 1100 critically ill patients have been supported through donation of medicines.

GSK continues its successful partnership with Pratham through the education projects in Behraich, Uttar Pradesh and Jodhpur, Rajasthan. More than 63 children were repatriated successfully and 89 new children were enrolled. Our support to Paraplegic Foundation in Mumbai for rehabilitation of the severely orthopedically disabled lower socio-economic class patients continued.



We have also extended our support towards the education of disadvantaged orphaned children in Barasat district of West Bengal through Kamakhya Balak Ashram by building a school block. GSK has partnered with Aural Education for Hearing Impaired (AURED) in Hyderabad, Andhra Pradesh to help early intervention and detection for hearing impaired. In addition, GSK continued its unstinted support to other education projects in Delhi, Nashik and Patna.

On the disaster management front, we have been actively supported relief operations for the victims of Uttarakhand floods and Typhoon Phailin by donating medicines through Americares India Foundation.

Driven by **values** to help people
do **more** feel **better**
and live **longer**



GlaxoSmithKline Pharmaceuticals Limited

GSK House, Dr. Annie Besant Road, Mumbai - 400 030 Tel: 022-2495 9595 Fax: 022-2495 9494
www.gsk-india.com



GlaxoSmithKline Pharmaceuticals Limited

Registered Office : Dr. Annie Besant Road, Mumbai 400 030.

ATTENDANCE SLIP

Annual General Meeting on 17th April, 2014 at 3.00 p.m. at the Birla Matushri Sabhagar, Mumbai 400 020.

I hereby record my presence at the 89th Annual General Meeting of the Company at the Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020, on 17th April, 2014.

I am a shareholder of the Company*

I am a Proxy/Authorised Representative of the shareholder(s)*

My name is _____
(Surname) (First Name) (Second Name)

*Please strike off any one which is not applicable

Signature

NOTE: Shareholder/Proxy who wish to attend the meeting must bring the Attendance Slip to the Meeting and hand over the same at the entrance duly signed.

----- CUT HERE -----



GlaxoSmithKline Pharmaceuticals Limited

Registered Office : Dr. Annie Besant Road, Mumbai 400 030.

PROXY

DPID / CLID :

Reference Folio :

No. of Shares :

I/We _____ of _____
in the district of _____ being a member/members of
GlaxoSmithKline Pharmaceuticals Limited, hereby appoint _____
of _____ in the district of _____ or failing him _____
of _____ in the district of _____ as my/our Proxy
to vote for me/us on my/our behalf at the 89th Annual General Meeting of the Company to be held on the
17th day of April, 2014 and at any adjournment thereof.

Signed this _____ day of _____ 2014.

Signature

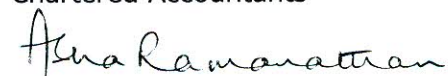
Affix
Re. 1/-
Revenue
Stamp

NOTE: The Proxy must be deposited at the Registered Office of the Company at Dr. Annie Besant Road, Mumbai 400 030 not less than 48 hours before the time for holding the Meeting.

FORM A

1.	Name of the Company	GlaxoSmithKline Pharmaceuticals Limited
2.	Annual financial statements for the year ended	31 st December 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable

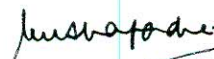
For Price Waterhouse & Co., Bangalore
Firm Registration No. 007567S
Chartered Accountants


Asha Ramanathan
Partner
Membership No. 202660

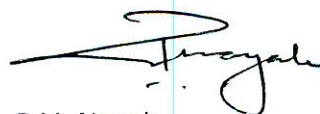
Mumbai, 18th February 2014



Dr. Hast Joshipura
Managing Director



Mehernosh Kapadia
Senior Executive Director



P.V. Nayak
Audit Committee Chairman