

CHAIRMAN

Simon J. Scarff, O.B.E

MANAGING DIRECTOR

Nicholas J. Massey

DIRECTORS

Ashok Dayal

A. S. Lakshmanan

David S. Allen (till 24.01.06)

G. K. Chakraborty

Ian McPherson

Kunal Kashyap

P. Dwarakanath

P. Murari

P. S. Mukherjee

P. K. Gupta (w.e.f. 24.01.06)

Subodh Bhargava

COMPANY SECRETARY

Surinder Kumar

BANKERS

Deutsche Bank

Citibank N.A.

Bank of America

The Hongkong & Shanghai Banking Corporation Limited

Standard Chartered Bank

State Bank of Patiala

ABN Amro Bank

BNP Paribas

Andhra Bank

AUDITORS

Price Waterhouse

REGISTERED OFFICE

Patiala Road

Nabha 147 201 (Punjab)

HEAD OFFICE

DLF Plaza Tower

DLF City, Phase - I

Gurgaon 122 002 (Haryana)

CONTENTS

Board of Directors, etc.	1
Financial Statistics	2
Financial Highlights	3
Directors' Report	4
Corporate Governance Report	9
Management Discussion & Analysis Report	17
Auditors' Report	20
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26
Schedules 1, 2	28
Schedules 3, 4, 5	29
Schedules 6, 7, 8, 9	30
Schedules 10, 11, 12, 13	31
Schedules 14, 15	32
Schedule 16	33
Balance Sheet Abstract & Company's General Business Profile	44

TEN YEAR FINANCIAL STATISTICS

Rs. Lakhs

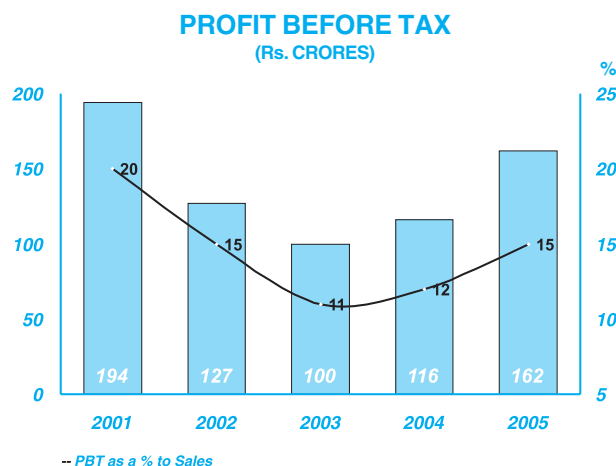
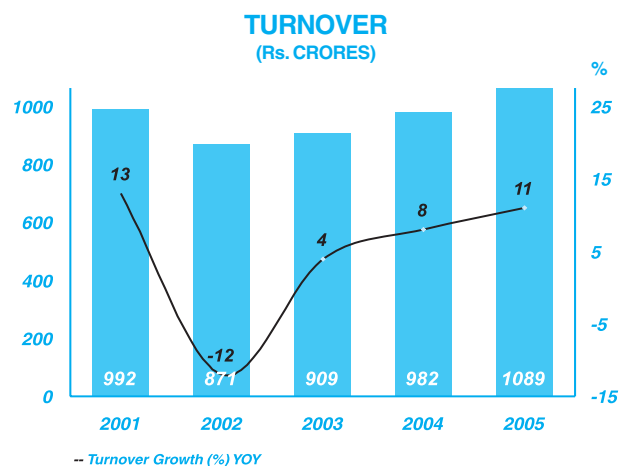
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
SOURCES OF FUNDS										
Share Capital	28,36	45,38	45,38	45,38	45,38	45,38	45,38	45,38	45,38	42,05
Reserves & Surplus	1,02,69	1,26,73	1,83,12	2,52,01	3,29,16	3,96,04	4,37,84	4,46,73	4,83,97	4,33,06
TOTAL SHAREHOLDERS' FUNDS	1,31,05	1,72,11	2,28,50	2,97,39	3,74,54	4,41,42	4,83,22	4,92,11	5,29,35	4,75,11
BORROWINGS	8,00	-	-	20,00	55,00	75,66	-	-	-	-
FUNDS EMPLOYED	1,39,05	1,72,11	2,28,50	3,17,39	4,29,54	5,17,08	4,83,22	4,92,11	5,29,35	4,75,11
DEFERRED TAX LIABILITIES	-	-	-	-	-	28,16	35,63	28,16	31,98	27,60
TOTAL	1,39,05	1,72,11	2,28,50	3,17,39	4,29,54	5,45,24	5,18,85	5,20,27	5,61,33	5,02,71
APPLICATION OF FUNDS										
Gross Fixed Assets	73,87	88,36	1,20,05	1,95,74	4,02,18	4,96,90	5,15,56	4,92,22	5,04,63	5,17,74
Depreciation	35,91	43,11	51,22	58,67	70,04	84,55	1,22,70	1,62,31	1,97,24	2,33,95
NET FIXED ASSETS	37,96	45,25	68,83	1,37,07	3,32,14	4,12,35	3,92,86	3,29,91	3,07,39	2,83,79
INVESTMENTS	29,00	29,00	29,00	29,00	-	-	-	-	-	-
Gross Current Assets, Loans and Advances	1,37,88	1,72,08	2,03,41	2,42,90	2,56,80	2,98,15	2,93,43	3,63,02	4,32,25	4,01,79
Current Liabilities & Provisions	65,79	76,99	83,37	1,12,69	1,78,12	1,80,04	1,77,28	1,77,57	1,78,31	1,82,87
NET CURRENT ASSETS	72,09	95,09	1,20,04	1,30,21	78,68	1,18,11	1,16,15	1,85,45	2,53,94	2,18,91
MISCELLANEOUS EXPENDITURE	-	2,77	10,63	21,11	18,72	14,78	9,85	4,91	-	-
TOTAL APPLICATION	1,39,05	1,72,11	2,28,50	3,17,39	4,29,54	5,45,24	5,18,85	5,20,27	5,61,33	5,02,71

TEN YEAR TRACK RECORD

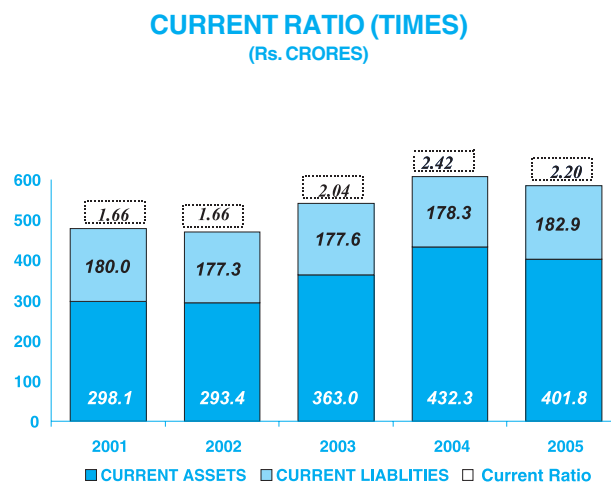
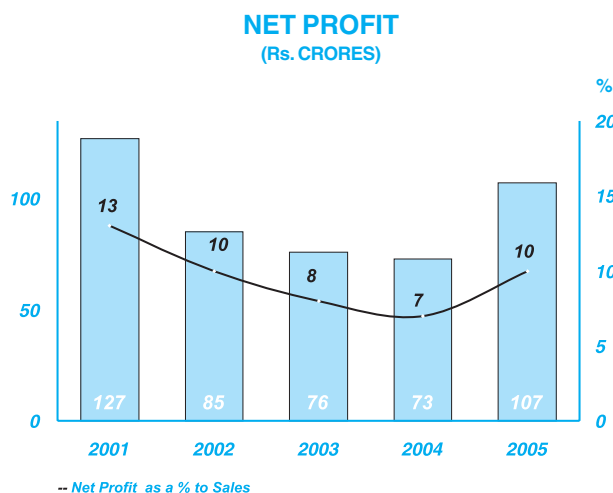
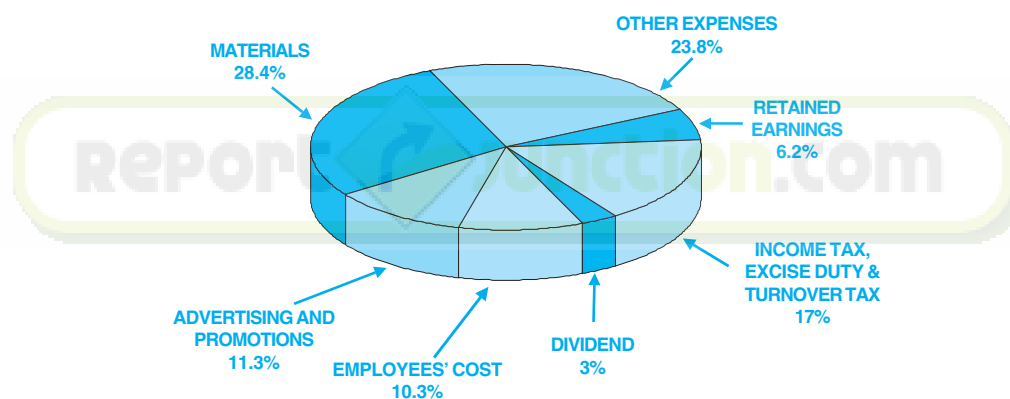
TURNOVER	4,96,58	5,62,30	6,45,62	7,20,48	8,75,12	9,92,14	8,71,06	9,08,95	9,81,72	10,89,02
PROFIT BEFORE TAX	79,31	94,70	1,16,51	1,38,33	1,51,73	1,93,96	1,26,71	99,58	115,68	1,62,42
NET PROFIT	46,94	62,02	81,35	97,61	1,12,02	1,26,63	85,01	76,35	73,16	1,07,15
DIVIDEND PAYOUT	17,02	19,06	22,69	25,87	28,59	31,77	31,77	31,77	31,77	33,64
CORPORATE DIVIDEND TAX	-	1,90	2,27	2,84	6,29	3,24	-	4,07	4,15	4,72
RETAINED EARNINGS	29,92	41,06	56,39	68,90	77,14	91,62	53,24	40,51	37,24	68,79
DIVIDEND - %	60	42@	50	57	63	70	70	70	70	80
EARNINGS PER SHARE (Rs.)	16.55	13.66@	17.93	21.51	24.68	27.90	18.73	16.82	16.12	24.84
BONUS ISSUE	-	3:5	-	-	-	-	-	-	-	-
NUMBER OF SHARE HOLDERS	28,831	30,145	29,413	31,690	33,019	31,442	30,607	30,607	28,048	24,571

@ POST ISSUE OF BONUS SHARES IN THE RATIO OF 3:5

FINANCIAL HIGHLIGHTS



UTILISATION OF INCOME 2005



Your Directors are pleased to present the Annual Report on the business and operations of your Company and the audited accounts of the Company for the year ended 31st December, 2005.

FINANCIAL RESULTS

	(Rs. Lakhs)	
	2005	2004
Sales	10,89,01.66	9,81,71.67
Profit before Depreciation, Amortisation and Tax	2,04,27.07	1,62,05.15
Less: Depreciation	37,24.43	36,85.76
Less: Amortisation of :		
- Patents and Trade Marks	4,60.62	4,60.62
- Deferred Revenue Expenditure	-	4,91.25
Profit before Tax	1,62,42.02	1,15,67.52
Less: Provision for Tax		
- Current Tax	58,97.10	38,86.00
- Deferred Tax	(438.11)	3,81.89
- Adjustment of Previous Years	(348.07)	(16.10)
- Fringe Benefit Tax	416.00	-
	55,26.92	42,51.79
Profit available for Appropriations	1,07,15.10	73,15.73

Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.

Appropriations

Dividends		
- First Interim	33,64.43	14,97.57
- Second Interim	-	16,79.09
Corporate Dividend Tax	4,71.85	4,15.14
Transferred to General Reserves	68,78.82	37,23.93
	1,07,15.10	73,15.73
Earnings Per Share (Basic & Diluted)	24.84	16.12

PERFORMANCE OF THE COMPANY

Your Company is pleased to report a 10.9% sales growth for 2005 over the previous year.

The focus for your Company continued to be on top line increase supported by aggressive advertisement and marketing initiatives. Moreover various initiatives/ process re-engineering initiatives have been introduced to reduce operating costs in the business. Profit before Tax amounted to Rs.1,62,42.02 Lakhs, representing a growth of 40.4% over the previous year.

Profit after Tax amounts to Rs.1,07,15.10 Lakhs, an increase of 46.5% over the previous year.

Your Company continues to operate with minimum trade pipelines, selling as per the market demands and closed the year with negligible trade stock.

The flagship Horlicks brand, following intense market research and product development activities, was re-staged during the year with improved formulation which is clinically tested to make children "Taller, Sharper & Stronger". Horlicks Lite, both as a Malt Based Drink and as Biscuits, has been launched for health conscious adults. Boost has seen the introduction of a new extra-chocolate variant, Boost Chocoblast, while the malted version was relaunched with improved formulation and packaging. The Horlicks vending machines continue to do well and have helped the thrust on growing out-of-home business. However, the Company has discontinued the test marketing of the Ready-to-drink Horlicks & Boost during the year due to lower than expected margins.

VAT was introduced in some of the states in April, 2005 and your Company managed to operate with minimal disruption to its ongoing business.

Profit before Depreciation, Amortisation and Tax as a percentage to sales has improved to 18.8% this year as against 16.5% in the previous year. During the year, input cost of Raw Material, Packing Material and Finished Goods as a percentage to sales has reduced to 29% as against 31.8% last year mainly due to lower input costs (particularly liquid milk and skimmed milk powder).

DIVIDENDS

The Directors consider that the Interim dividend aggregating to Rs.8 per share declared, to be reasonable and commensurate with the results for the year ended 31st December, 2005 and do not recommend a final dividend for the year.

RESERVES

The total Reserves as on 31st December, 2005 stood at Rs.4,33,05.63 Lakhs representing a decrease of 10.5% from last year. This has mainly been on account of utilization of Free Reserves for Share Buy Back during the year.

BUY BACK OF SHARES

The Company, during the year, bought back fully paid equity shares of a face value of Rs.10 each at Rs.370 per share amounting to Rs.1,23,02.81 Lakhs in accordance with the provisions of the Companies Act,

1956 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998. The buy back of shares has been done to create long term shareholder value, improve return on net worth and enhance the Earnings per share. The EPS at the end of the year was Rs.24.84 as compared to Rs.16.12 previous year.

EXPORTS

During the year, the Company's export earnings amounting to Rs.56,28.94 Lakhs covering exports to Bangladesh, Myanmar, Sri Lanka, Middle East, Hong Kong, Malaysia, Fiji, Mauritius, Nepal, Bhutan and other markets represented a marginal increase of 3.7% over the previous year.

RESEARCH AND DEVELOPMENT

Research & Development has been instrumental in providing valuable support to the excellent performance of your Company. With innovation as the key mantra, it has managed to develop new products across all brands. Re-positioning Horlicks with superior scientific credentials and claims has not only helped us grow the top line but has also given us a great competitive advantage.

The new state-of-the-art R&D centre in Gurgaon is serving as a great enabler to support even higher levels of innovation in the future and is currently working on development of a number of new and improved products.

ISO CERTIFICATION

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonapat continue to be certified to the latest version of ISO 9001-2000 as well as ISO 14001 by DNV, a leading International certification Company. Rajahmundry site has been accredited with SA-8000:2001 and is the first site in the Indian Food Industry to receive it. Sonapat and Nabha production facility have already been certified for HACCP (Hazard Analysis Critical Control Point for Food safety). Work is in progress at Rajahmundry on HACCP implementation.

Secondary manufacturing/packing sites i.e. Durandel Foods at Chennai, Pratap Health Foods Ltd. at Hyderabad, Mann Feeds Ltd. at Ballabgarh, Parsons Ltd. at Ghaziabad and SRDN at Guwahati have already been ISO 9001-2000 certified by DNV.

In our pursuit for excellence, Rajahmundry & Sonapat sites continue to be certified on OHSAS-18001:1999. Nabha Site has been certified on OHSAS – 18001:1999 during the year.

These certifications indicate our commitment in meeting Global Quality, Environment, Health and Safety Standards.

During the year, your Company has opened a new secondary manufacturing site (Legacy Foods) at Baddi in Himachal Pradesh. This would enable your company to avail of Tax incentives offered by the Central Government.

INFORMATION TECHNOLOGY

Your Company has always been at the forefront of Information Technology having implemented two ERP packages. It has connected up all its business locations all over the country via satellite and terrestrial links and is leveraging direct market information through its Wholesaler Automated project.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, is given in the Annexure to this Report.

DIRECTORS

There was no change in the Directors of the Company during the year.

AUDITORS

Messrs Price Waterhouse, Chartered Accountants, who retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

HUMAN RESOURCE DEVELOPMENT

Harmonious industrial relations continued to prevail at all the units throughout the Company. The Company continued its focus on training and developing people through internal and external management development programmes and overseas assignments.

The Company has been adjudged as one of the top 25 companies to work in, by a survey (Great Place to Work) conducted by the Grow Talent & Business World, for two years in a row.

ENVIRONMENT AND SOCIAL COMMITMENT

Your Company, in its endeavour to serve the community, continues to contribute in the rural areas around the factories. Post the Tsunami, a team of employees from the company volunteered their services in the medical camps around Nagapattanam, one of the worst hit districts. All employees donated a day's salary, with the company matching the collection, bringing the total close to Rs.2 million.

Products worth another Rs.3 million were sent to the affected areas. Rajahmundry site has adopted a village by name Fazullabad for its overall upliftment which included activities like providing safe drinking water, education, infrastructure etc. The Federation of Andhra Pradesh Chamber of Commerce and Industries (FAPCCI) presented the site for the "Best Rural Development Activity Award" for the year 2004-2005.

A free mobile primary-healthcare project called 'Health at the doorstep' has been initiated to reach the villages around Nabha factory. The project covers 40 villages located across three districts around Nabha's Milk-shed area and provides free medicines and awareness sessions in addition to the treatment service.

As in previous years, your Company had organized regular animal welfare measures such as developing a fodder park, subsidising vet medicines, organising deworming camps etc. around its factories at Nabha and Rajahmundry. A program has been initiated for imparting vocational training to the rural womenfolk to augment their income through stitching & embroidery in and around your factory at Sonapat.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are enclosed.

ACKNOWLEDGEMENTS

The Directors wish to extend their thanks and appreciation to all the employees of the Company at all levels, agents and other business associates for their commitment, dedication and respective contributions to the Company's operations during the year under review.

The Directors would also like to acknowledge the valuable guidance, technical assistance and advice being received from the Associate Company in the U.K.

Your Directors look forward to the future with confidence.

For and on behalf of the Board

S. J. Scarff	Nicholas J. Massey	G. K. Chakraborty
<i>Chairman</i>	<i>Managing Director</i>	<i>Kunal Kashyap</i>
		<i>P. S. Mukherjee</i>
		<i>Directors</i>

Place : Gurgaon
Dated : January 24, 2006

ANNEXURE TO THE DIRECTORS' REPORT 2005

Particulars regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

Your Company is pleased to announce that the Rajahmundry site has been awarded the 2nd Prize in National Energy Conservation Award-in the Food Processing Sector for the year 2005 by Ministry of Power, Government of India.

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

Consumption of coal per ton of production has decreased by 3.66% compared to last year. This is driven by increased production over last year along with initiatives such as process optimization and waste minimization.

2. Electricity

Electricity per unit of production has decreased by 16.41% in the current year which is driven by increased production over last year and various Operational Excellence initiatives taken at our sites to bring down the per unit power. Installation of energy efficient equipment at Nabha along with initiatives such as DG synchronization at Sonapat plant has help bring down the consumption.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

Various steps and measures are being initiated to continuously improve on consumption of coal at Nabha and Rajahmundry plants and electricity at all the sites.

(c) In respect of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

As already mentioned above, the reduction of Utilities per TOP has helped the company contain its Utility cost despite the increase in the rates.

(d) Total energy consumption and energy consumption per unit of production as per Form "A" of the Annexure in respect of industries specified in the Schedule thereto:

FORM "A"

	2005	2004
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Units (in Lakhs)	2,06.69	1,93.65
Total amount (Rs. Lakhs)	8,43.01	7,89.86
Rate/Unit (Rs.)	4.08	4.08
b) Own Generation-		
1) DG Sets		
Units (in Lakhs)	62.14	91.52
Units per litre of Diesel oil	3.59	3.93
Cost/Unit (Rs.)	7.23	5.50
2) Turbine		
Units (in Lakhs)*	20.88	18.90
2. Coal Used in Boilers		
Quality (Calorific value ranging between 2500 to 3500 BTU)		
Quantity (Tonnes)*	27,282	23,668
Total Cost (Rs. Lakhs)	7,93.80	6,12.58
Average Rate (Rs.)	2,909.61	2,588.21

*Includes Coal consumed to produce steam to generate electricity from Turbine.

B. Consumption per unit of Production:

	Current Year		Previous Year	
	Coal	Power	Coal	Power
	MT	Units	MT	Units
1. Malt Based Food/Malted Food/ Energy and Protein Health Food/ Powdered Milk (Per Ton)	0.53	462	0.55	558
2. Ghee & Butter (Per Ton)	0.40	116	0.35	115

In case of Ghee, the allocation procedure has been revised and only the electricity consumption for ghee manufacturing section has been considered.

B. TECHNOLOGY ABSORPTION**RESEARCH & DEVELOPMENT (R&D)****(1) Specific Areas in which R&D was carried out by the Company**

The Research and Development Centre continued to provide valuable support for improvement in quality of existing products, development of new products and processes for better productivity, quality cost

effectiveness, superior product claims and improved packaging.

(2) Benefits derived as a result of the above R&D

Production processes have improved resulting in enhanced productivity, efficiency in throughput and introduction of new variants.

(3) Further Plan of Action

Steps are continuously being initiated to upgrade the processing technologies, development of science based innovative products of higher nutritional value and to maximise production capacity at optimum cost.

(4) Expenditure on R&D

	(Rs. Lakhs)	
	2005	2004
a) Capital	90.58	5,82.99
b) Recurring	8,98.35	6,70.39
c) Total	9,88.93	12,53.38
d) Total R&D Exp. as a percentage of total turnover	0.91%	1.28%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company is continuously taking steps to improve the product and process technology in an effort to provide for better value for money to consumers.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO**(a) Activities relating to exports : Initiatives taken to increase exports: Development of new export methods for products and services and export plans**

The Foreign exchange earnings through exports have substantially increased in the current year covering exports to Bangladesh, Myanmar, Sri Lanka, Middle East and other markets. The efforts to broaden the export base to other countries in south East Asia and the Middle East are continuing.

(b) Total Foreign Exchange used and earned:

	(Rs. Lakhs)	
	2005	2004
Foreign exchange earnings	37,13.39	34,04.79
Foreign exchange outgo	22,25.32	24,20.43



DIRECTORS' REPORT

ANNEXURE TO THE DIRECTORS' REPORT 2005

INFORMATION AS PER SECTION 217(2A) OF COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2005

Name	Age (Years)	Date of Commencement of Employment	Designation/ Nature of Duties	Gross Remuneration Rs.	Qualifications	Experience (Years)	Previous Employment/Position Held
A. EMPLOYED THROUGHOUT THE YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING TO RS. 24,00,000/- PER ANNUM OR MORE							
1 A K Sharma	47	01-11-1982	General Manager - N.F.S.	36,58,701	B.Sc.(Elec.)	25	Marketing Engineer, Kumar Electrical Industries, New Delhi
2 Arun Mohan	54	01-07-1976	General Manager - Sales Training	32,61,105	B.A.(H), M.B.A.	28	—
3 B Jagdish Rao	50	28-05-1981	General Manager - Rajahmundry Factory	41,43,809	B. Sc.(H) (Chem.), B. Tech. (FT)	25	Asstt. Manager, Proddatur Milkfoods, Proddatur.
4 B Manikyal Rao	55	01-07-1973	Manager - Operations	30,75,621	B. Sc.	31	—
5 C K Narayanan	52	12-05-1997	General Manager - R&D (Packaging)	30,16,932	B.Sc.	29	Sr. Manager - Packg. Development, Dabur India Limited, Ghz.
6 David S Allen	63	01-08-2003	Vice President - Operations	46,07,318	B. Pharm(H), M.R.Pharm.S.	37	Site Director-Stafford Miller U.K. Ltd.
7 Deepak Guntvante	45	15-12-1997	General Manager - R&D	35,12,825	B.Tech (CE)	20	Development Q.A. Manager Brooke Bond & Lipton Ltd.
8 Dinesh Kumar Jain	46	15-10-1980	Senior Manager - Information Technology	24,56,400	B.Com., D.T.A.Pro.Course.	26	—
9 G K Chakraborty	51	14-11-1983	Director - Finance & Information Technology	122,92,139	B. Com., F.C.A., A. I. C. W. A.	25	Admin. Officer, Rasoi Ltd., Calcutta.
10 G S Kalra	50	21-10-1997	General Manager - Security & Admin.	26,25,463	B.A.	18	Joint Director - Canteen Services, Indian Army.
11 Indrajit Sengupta	51	15-05-1989	General Manager - Financial Accounting	32,21,035	B.Com. (H), A.C.A..	25	Exec. Int. Audit & Corp. Affairs, Bata, Calcutta.
12 Ira Gupta	31	01-06-1997	General Manager - Human Resources	27,10,741	B.A.(Hons.) P.G.D.P.M.&IR	9	—
13 Jaya Mathai	32	01-07-1996	Manager - Medical Marketing	25,86,494	M.Sc.	10	Sr. Scientific Office, Britannia Industries Ltd., Bangalore
14 K G K Prasad	45	05-06-1982	General Manager - Sonepat Factory	49,76,500	B. Sc.(D.T.)	23	—
15 Leanne Cutts	40	01-04-2003	Vice President - Marketing	41,42,822	Bachelor in Economics, M.B.A.	18	Category Manager - Marketing, GlaxoSmithKline, U.K.
16 Mahadeep S Chhachhi	51	16-08-1994	General Manager - Corporate Production Services.	61,21,670	B.Tech., P.G.D.M.	27	Factory Manager, Britannia Ind.Ltd.
17 N Narasimha Rao	45	29-03-1993	General Manager - Human Resources	43,38,080	B. Sc., M.P.M.	21	Works Manager, Vishaka Ind., Hyderabad
18 N Venkatkrishnan	53	14-11-1982	Asst Manager - Finance	24,86,341	B.Com, ICWA (inter)	23	S M Mehta & Co, Accounts Clerk.
19 Narotam Kumar Gupta	49	11-10-1977	Vice President - Procurement & N.F.S.	102,39,834	B.Com. (H)	28	—
20 Neeraj Bansal	46	11-01-1990	Senior Manager - Procurement	28,54,080	B.E.(Mech.) (H), M.B.A..	15	Project Engr. Escorts Limited.
21 Nicholas J. Massey	51	01-11-2002	Managing Director	76,51,459	M.A. in Pol., Phil. and Eco.	23	Vice President & General Manager - GlaxoSmithKline plc, U.K.
22 P Dwarakanath	59	22-06-1979	Director - Human Resources & Admin.	161,73,411	B.Sc., B.L., P.G.D.M.(P.M. & I.R.).	37	Law Officer, I.D.L. Chemicals Ltd. Hyderabad.
23 P K Chaudhry	49	01-12-1979	Vice President - R. & D. and Regulatory Affairs	84,32,880	M.Sc.	26	Branch Manager, Voltas Ltd.
24 P M Mathai	55	02-05-1986	General Manager - C.E.S.	60,52,866	B.Tech., P.G.D.M.	31	Legal Assistant, Indian Aluminium Co.Ltd., Calcutta.
25 P S Mukherjee	56	01-04-1977	Director - Legal & Corporate Affairs	156,51,074	M.A., L.L.B.	33	Works Manager, Marico Industries Ltd., Kerala
26 P John Winnie	40	18-11-2002	General Manager - Nabha Factory	30,78,487	B.Tech	3	—
27 Pawan Sud	32	01-06-1997	General Manager - Sales	24,30,356	B.Pharm., M.B.A.	9	—
28 Praveen Kumar Gupta	49	15-10-1976	General Manager - Nabha Factory	59,82,990	M. Com.	29	—
29 Pritendra Chawla	31	01-06-1997	General Manager - Marketing	27,67,131	B.Tech.(Mech.), P.G.D.M.	8	—
30 Pritpal Singh Kular	38	22-03-1993	General Manager - Human Resources	30,74,329	B.Com.(H), M.B.A., P.G.D.HRD.	13	Personnel Executive, Agro Tech. India Ltd.
31 R C Gupta	50	22-03-1977	Senior Manager - Taxation	33,03,115	B.Com (H), M.Com.	31	Accounts Asst., Advani Oerlikon Ltd., New Delhi
32 R Srihar	46	11-06-2003	General Manager - Taxation	33,92,563	B.A., A.C.A	21	General Manager - Taxation HCL Technologies Ltd.
33 S Balakrishnan	55	14-03-1994	General Manager - Finance (Projects)	36,10,295	B.Sc., A.C.M.A.(London)	31	Sr. Manager-Finance, IMFA Group Of Co's, Bhuneshwar.
34 Sameer Goyal	42	01-05-1988	Vice President - Sales	99,14,467	B.A.(H), P.G.D.M.	18	—
35 Sanjay Rawal	39	15-06-1992	General Manager - Information Technology	40,01,518	Dop.(Elect.) PGD.C.A.	13	Analyst, Cap Group
36 Sanjay Singh	40	01-08-1991	Senior Manager - C.E.S.	27,66,303	B.E.(Mech.)	14	—
37 Shubhaji Sen	36	01-06-1993	General Manager - Marketing	58,80,191	B.A. (H), P.G.D.M.	13	—
38 Subhansu Rout	36	01-09-2003	General Manager - Market Research	30,60,338	B.Sc. PGDBA	11	Sr. Regional Consumer & Market Insight Manager, HLL.
39 Surinder Kumar	48	20-12-1982	General Manager - Legal & Secretarial	57,32,721	M.Com., L.L.B., F.C.S.	23	—
40 T S Dayanand	38	24-05-1995	General Manager - Sales (South)	34,17,710	B.Sc. (Phy.), PGD in Packg., MBA	11	Jr. Officer Packaging Development, Pond's (India) Ltd.
41 T G B Shankar Rao	57	17-04-1974	Senior Manager - Production.	48,77,428	B.Sc., I.D.D.	31	Technical Officer, Intensive Milk supply Scheme, Nellore.
42 Udayan Ganguly	40	03-10-1994	General Manager - Sales (North)	28,19,637	B.A. (H), PGDBM	12	Asst. Manager-Sales, Dunlop India Ltd.
43 V K Chopra	55	01-05-1970	Head of Central Quality	65,03,580	M.Sc.	35	Trainee Chemist, Indian Sugar & Gen.Engg. Co.,Yamanagar.
44 Vikash Mohan Prasad	36	01-06-1996	General Manager - Sales (East)	59,68,713	B.E., P.G.D.M.	11	GET, Telco Jamshedpur
B. EMPLOYED FOR A PART OF THE YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING TO RS. 2,00,000/- PER MONTH OR MORE							
45 A Sridharan	49	21-02-1980	Manager - Purchase.	26,26,426	B.Com.	25	—
46 Anindya Dasgupta	33	01-06-1996	General Manager - Marketing.	33,28,268	B.A., P.G.D.M.	9	—
47 J S Sarfesh	47	17-12-1990	Manager - Quality Assurance.	19,58,300	M.Sc. (Dairy), Dip.Mgmt.	15	Asst. Mgr.-QC.M.P.P.Dugdha Mahasangh.
48 Madhulika Marwaha	55	24-09-1973	Executive Secretary	32,41,254	B.Sc.	32	Steno-Secretary, Intl. Congress of Physiological Science.
49 N C Malik	54	21-05-1990	Manager - Operations	26,97,847	B.Sc.(Dairy Tech.),	15	General Manager, Dalima Dairy Industries, Bharatpur.
50 P Veeraj	57	01-07-1948	Sr. Centre Incharge - MPD	15,72,028	10th class	32	Valcanlev Ltd./Store keeper
51 R Ranganayakulu	58	01-04-1973	Asst. Manager - Finance	15,22,447	B.Sc.	32	—
52 V.C. Sathiah	52	22-03-1976	Executive - Milk Procurement	23,02,892	B.Com. CS (Inter)	29	East India Commercial Pvt Ltd, Steno Cum Clerk.
53 Y Jawaharal	56	01-05-1977	Operator Production	3,42,455	10th class	28	—

NOTE:

Remuneration comprises basic salary, allowances, payment on account of leave salary, accruals for Long term Incentive Plan, taxable value of the perquisites, contribution to Provident Fund, Pension Fund, Medical Insurance Premium and Personal Accident Insurance Premium. The contribution to Gratuity Funds has been made on a group basis and separate figures applicable to an individual employee are not available and therefore, contribution to Gratuity Funds has not been considered in the above computation. None of these employee are related to any Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The financial statements of the Company for the year ended 31st December, 2005 have been prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956. All the financial statements have been prepared on a historical cost convention, as a going concern and on the accrual basis. There have been no material departures in the adoption and application of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied except where otherwise stated in the notes to accounts.

The Board of Directors of GlaxoSmithKline Consumer Healthcare Limited (GSKCH) accepts the responsibility for the integrity and the objectivity of these financial statements. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis in order to ensure that the financial statements reflect in a true and fair manner the form and substance of the transactions and reasonably present the Company's state of affairs and profits for the year. To ensure this, the Directors have taken proper and adequate care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. The system of internal controls are reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been followed for safe-guarding the assets of the Company and for protecting any form of fraud and irregularities, subject to the inherent limitations in any system and procedure and coverage thereof that should be recognized in weighing the assurance provided by system of internal controls and accounts.

The financial statements have been audited by Price Waterhouse, Chartered Accountants. The Audit Committee of GSKCH meets on a quarterly basis to review the manner in which the internal auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

For and on behalf of the Board

S. J. Scarff
Chairman

Nicholas J. Massey
Managing Director

G. K. Chakraborty
Kunal Kashyap
P. S. Mukherjee
Directors

Place : Gurgaon
Dated : January 24, 2006

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

GlaxoSmithKline Consumer Healthcare Ltd., an associate of GlaxoSmithKline plc., is committed to adopting the best global practices of Corporate Governance in its pursuit to achieve excellence in its operations. The Company's philosophy is to satisfy corporate governance norms in letter and in spirit, by ensuring transparency in the functioning of all its operations and to maintain a high degree of disclosure by truthful communication to all its stakeholders. The Company is committed in implementing best governance practices in a professional manner and not just to fulfill the stipulations imposed by regulatory agencies.

BOARD OF DIRECTORS

Composition of the Board of Directors and other details as on 31st December, 2005 are as under:

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 29 th April, 2005	No. of Directorships in other Public Companies	No. of Committee Position held in Other Public Companies	
					Chairman	Member
Mr. Simon J. Scarff	NEC	4	Yes	1	Nil	1
Mr. Nicholas J. Massey	MD	4	Yes	Nil	Nil	Nil
Mr. Ashok Dayal	NED - I	3	Yes	2	1	Nil
Mr. A. S. Lakshmanan	NED - I	3	Yes	6	3	5
Mr. P. Murari	NED - I	4	Yes	10	1	6
Mr. Kunal Kashyap	NED - I	4	Yes	3	1	4
Mr. Subodh Bhargava	NED - I	4	Yes	10	4	4
Mr. Ian McPherson	NED	Nil	No	Nil	Nil	Nil
Mr. P. Dwarakanath	WTD	4	Yes	Nil	Nil	Nil
Mr. G. K. Chakraborty	WTD	4	Yes	Nil	Nil	Nil
Mr. P. S. Mukherjee	WTD	4	Yes	Nil	Nil	Nil
Mr. David S. Allen	WTD	4	Yes	Nil	Nil	Nil

NEC - Non Executive Chairman
NED - Non Executive Director

MD - Managing Director
NED-I - Non Executive Director - Independent

WTD - Wholetime Director

Dates of Board Meetings held during the year: January 28, 2005, April 28, 2005, July 22, 2005, October 21, 2005

AUDIT COMMITTEE

The Audit Committee comprises of three members, all of whom are Independent Directors and possess financial and/or accounting knowledge. Mr. Kunal Kashyap is the Chairman and Mr. A. S. Lakshmanan and Mr. Subodh Bhargava are the other two members of the Committee. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee. The Chairman, Managing Director, Finance Director, Operations Director, the concerned partners of Price Waterhouse, the Statutory Auditors and the Cost Auditors are permanent invitees to the Audit Committee meetings.

The Company has a multi disciplinary Internal Audit Team which submits its report directly to the Audit Committee on a quarterly basis. The Head of the Internal Audit Department reports to the Audit Committee. The Chairman of the Audit Committee attended the last Annual General Meeting held on April 29, 2005 to answer shareholders queries.

Description of the terms of reference:

The functioning and terms of reference of the Audit Committee including the role, powers and duties, quorum for meetings and frequency of meetings have been devised keeping in view the requirements of Section 292 A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges.

The terms of reference of the Audit Committee include:-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - b) Changes, if any, in accounting policies and practices and reasons for the same;
 - c) Major accounting entries involving estimates based on the exercise of judgment by management;
 - d) Significant adjustments made in the financial statements arising out of audit findings;
 - e) Compliance with listing and other legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions;
 - g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. 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.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations 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.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. 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.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
14. The Audit Committee to mandatorily review the following information:
 - a) Management discussion and analysis of financial condition and results of operations;
 - b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d) Internal audit reports relating to internal control weaknesses.
15. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Six meetings of the Audit Committee were held during the year. Attendance at meetings during the year:

Director	No. of meetings attended
Mr. Kunal Kashyap	6
Mr. A. S. Lakshmanan	4
Mr. Subodh Bhargava	6

INVESTOR GRIEVANCE COMMITTEE

The Investor Grievance Committee of the Company has three members. Mr. Ashok Dayal, an Independent Director, is the Chairman of the Committee with Mr. Simon J. Scarff and Mr. P. S. Mukherjee as other two members. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee and also as the Compliance Officer.