



ANNUAL REPORT

for the year ended December 31, 2006



CHAIRMAN

Simon J. Scarff, O.B.E

MANAGING DIRECTOR

Nicholas J Massey (till 31.12.06)

Zubair Ahmed (w.e.f. 01.01.07)

DIRECTORS

Ashok Dayal

A. S. Lakshmanan (till 13.06.06)

David S Allen (till 24.01.06)

Gautam K. Chakraborty

Ian McPherson

Kunal Kashyap

P. Dwarakanath

P. Murari

P. S. Mukherjee (till 30.04.06)

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

Subodh Bhargava

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CONTENTS

Board of Directors, etc.	1
Financial Statistics	2
Financial Highlights	3
Directors' Report	4
Management Discussion & Analysis Report	8
Corporate Governance Report	11
CEO & CFO Certification	19
Auditor's Report	20
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26
Schedule 1, 2	28
Schedule 3, 4	29
Schedule 5	30
Schedule 6, 7, 8, 9	31
Schedule 10, 11, 12, 13	32
Schedule 14, 15	33
Schedule 16	34
Balance Sheet Abstract & Company's General Business Profile	48

COMPANY SECRETARY

Surinder Kumar

BANKERS

Deutsche Bank

Citibank N.A.

Bank of America

The Hongkong & Shanghai
Banking Corporation Limited

AUDITORS

Price Waterhouse

REGISTERED OFFICE

Patiala Road

Nabha 147 201 (Punjab)

HEAD OFFICE

DLF Plaza Tower

DLF City Phase - I

Gurgaon 122 002 (Haryana)

FINANCIAL STATISTICS

OF

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

TEN YEAR FINANCIAL STATISTICS

Rs. Million

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SOURCES OF FUNDS										
Share Capital	454	454	454	454	454	454	454	454	420	420
Reserves & Surplus	1,267	1,831	2,520	3,291	3,960	4,378	4,467	4,839	4,331	5,007
TOTAL SHAREHOLDERS' FUNDS	1,721	2,285	2,974	3,745	4,414	4,832	4,921	5,293	4,751	5,427
BORROWINGS	-	-	200	550	757	-	-	-	-	-
FUNDS EMPLOYED	1,721	2,285	3,174	4,295	5,171	4,832	4,921	5,293	4,751	5,427
DEFERRED TAX LIABILITIES	-	-	-	-	281	356	282	320	276	241
TOTAL	1,721	2,285	3,174	4,295	5,452	5,188	5,203	5,613	5,027	5,668
APPLICATION OF FUNDS										
Gross Fixed Assets	884	1,201	1,957	4,021	4,969	5,156	4,922	5,046	5,177	5,282
Depreciation	431	512	586	700	846	1,227	1,623	1,972	2,339	2,703
NET FIXED ASSETS	453	689	1,371	3,321	4,123	3,929	3,299	3,074	2,838	2,579
INVESTMENTS	290	290	290	-	-	-	-	-	-	2,197
Gross Current Assets, Loans and Advances	1,721	2,034	2,429	2,568	2,981	2,934	3,630	4,322	4,018	2,978
Current Liabilities & Provisions	770	834	1,127	1,781	1,800	1,773	1,775	1,783	1,829	2,086
NET CURRENT ASSETS	951	1,200	1,302	787	1,181	1,161	1,855	2,539	2,189	892
MISCELLANEOUS EXPENDITURE	27	106	211	187	148	98	49	-	-	-
TOTAL APPLICATION	1,721	2,285	3,174	4,295	5,452	5,188	5,203	5,613	5,027	5,668

TEN YEAR TRACK RECORD

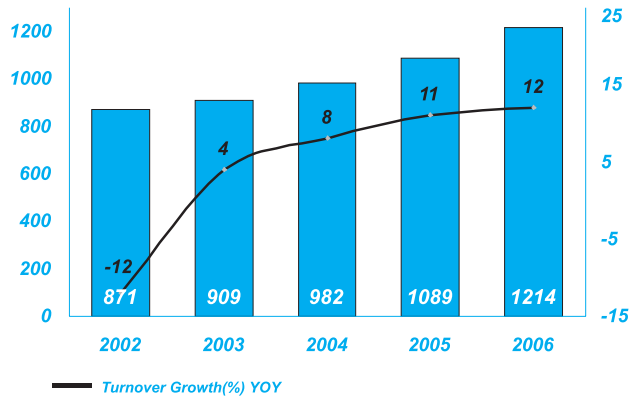
TURNOVER	5,623	6,456	7,205	8,751	9,921	8,711	9,089	9,817	10,890	12,143
PROFIT BEFORE TAX	947	1,165	1,383	1,517	1,940	1,267	996	1,157	1,624	1,906
NET PROFIT	620	814	976	1,120	1,266	850	763	732	1,072	1,269
DIVIDEND PAYOUT	191	227	259	286	318	318	318	318	336	421
CORPORATE DIVIDEND TAX	19	23	28	63	32	-	41	42	47	59
RETAINED EARNINGS	411	564	689	771	916	532	405	372	688	790
DIVIDEND - %	42@	50	57	63	70	70	70	70	80	100
EARNINGS PER SHARE (Rs.)	13.66@	17.93	21.51	24.68	27.90	18.73	16.82	16.12	24.84	30.18
BONUS ISSUE	3:5	-	-	-	-	-	-	-	-	-
NUMBER OF SHARE HOLDERS	30,145	29,413	31,690	33,019	31,442	30,607	30,607	28,048	24,571	24,019

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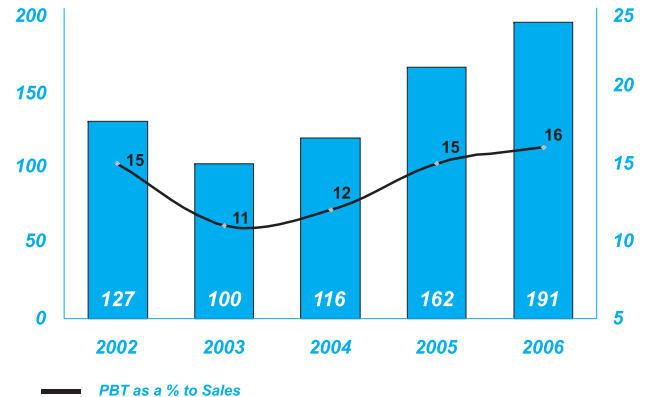
FINANCIAL HIGHLIGHTS

OF GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

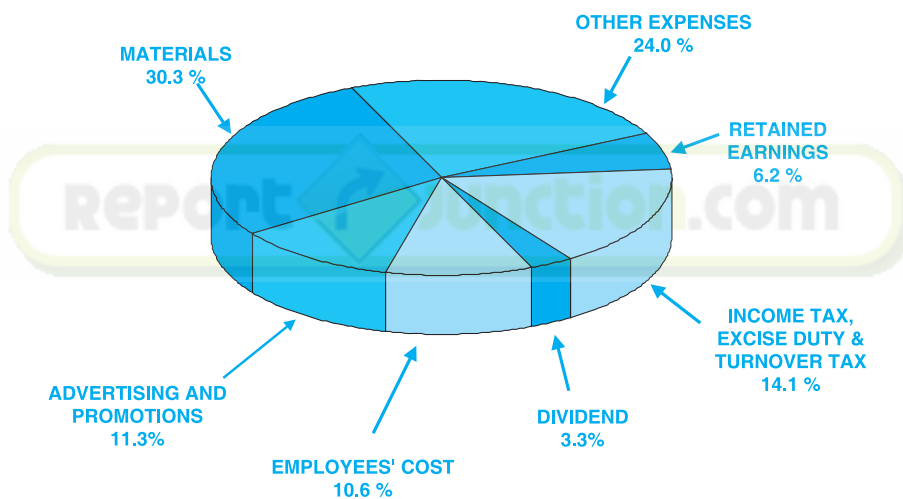
TURNOVER (Rs. CRORES)



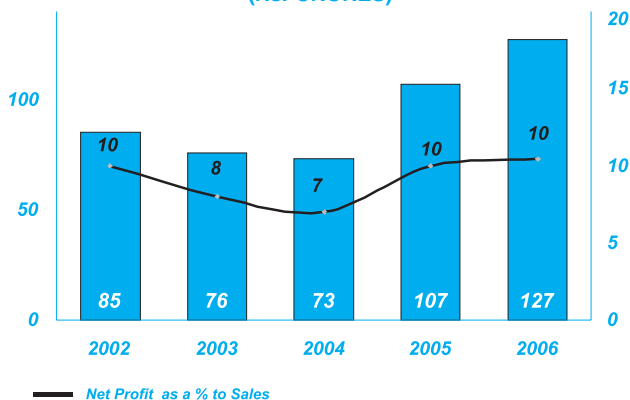
PROFIT BEFORE TAX (Rs. CRORES)



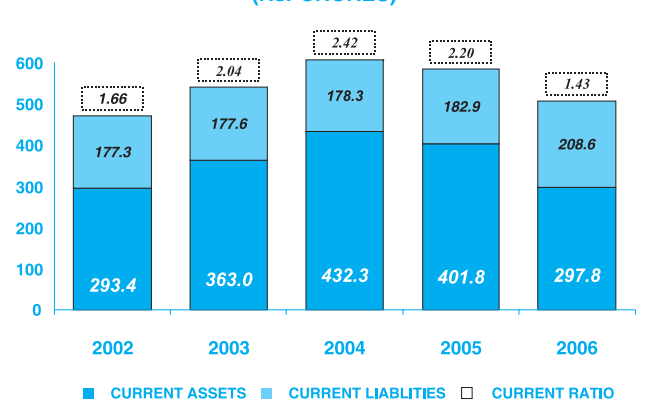
UTILISATION OF INCOME 2006



NET PROFIT (Rs. CRORES)



CURRENT RATIO (TIMES) (Rs. CRORES)



OF GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

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, 2006.

FINANCIAL RESULTS

	(Rs. Million)	
	2006	2005
Sales	12,142.53	10,890.17
Profit before Depreciation, Amortisation and Tax	2,332.74	2,042.70
Less: Depreciation	381.03	372.44
Less: Amortisation of :		
- Patents and Trade Marks	46.06	46.06
Profit before Tax	1,905.65	1,624.20
Less: Provision for Tax		
- Current Tax	621.50	589.71
- Deferred Tax	(35.33)	(43.81)
- Adjustment of Previous Years	(0.25)	(34.81)
- Fringe Benefit Tax	50.40	41.60
	636.32	552.69
Profit after Tax	1,269.33	1,071.51

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

Appropriations

Dividends	420.56	336.44
Corporate Dividend Tax	58.98	47.19
Transferred to General Reserves	789.79	687.88
	1,269.33	1,071.51
Earnings Per Share (Basic & Diluted)	30.18	24.84

PERFORMANCE OF THE COMPANY

The key objective for the year was to achieve an impressive top line growth while maintaining costs at lowest possible levels. Your Company is pleased to report 11.5% sales growth and 18.4% PAT growth for 2006 over the previous year. It is heartening to note that this growth has been driven across all regions and major brands.

2006 was the year of Horlicks. The 136 year old brand which had been re-staged the previous year following intense market research and product development activities saw an impressive growth of 12.8%. Clinically tested to make children "Taller, Sharper & Stronger", Horlicks continues to grow stronger by the day. Junior Horlicks was also re-staged during the year in a state of the art packaging format while Chocolate Horlicks was relaunched in a cold format earlier during the year. The initial response for both these promotions was very encouraging. Horlicks vending machines continue to do well and have helped the thrust on growing out-of-home business.

Top line growth continues to be supported by aggressive advertisement and various sales and marketing initiatives whereas several initiatives were implemented to reduce operating costs in the business. Your Company continues

to operate with minimum trade pipelines, selling as per the market demands, and maintaining a very efficient supply chain.

In order to maximize returns from idle cash, the Company during the year started to invest in the Debt Market. At the end of the year the total amount invested was Rs. 2,196.80 Million.

Pursuant to the adoption of the Accounting Standard 15 (revised 2005) issued by the Institute of Chartered Accountants of India on Employee Benefits, the Company has made a transitional adjustment aggregating Rs. 113.72 Million which has been charged against the General Reserves as at January 1, 2006.

Profit before Depreciation, Amortisation and Tax as a percentage to sales has improved to 19.2% this year as against 18.8% in the previous year. During the year, input costs of Raw Material, Packing Material and Finished Goods, as a percentage to sales, increased to 31.6% as against 29.0% last year mainly due to higher input costs (particularly liquid milk and skimmed milk powder).

DIVIDENDS

The Directors consider the Interim dividend aggregating to Rs.10 per share declared, to be reasonable and commensurate with the results for the year ended 31st December, 2006 and do not recommend a final dividend for the year.

RESERVES

The total Reserves as on 31st December, 2006 stood at Rs. 5,006.63 Million representing an increase of 15.6% from last year.

EXPORTS

During the year, the Company's export earnings amounting to Rs. 608.99 Million covering exports to Bangladesh, Myanmar, Sri Lanka, Middle East, Hong Kong, Malaysia, Fiji, Mauritius, Nepal, Bhutan and other markets represented an increase of 8.2 % over the previous year.

RESEARCH AND DEVELOPMENT

Research & Development continue to play an instrumental part in providing valuable support to the excellent performance of your Company. Besides being pivotal in fuelling innovation through a number of new product developments across all brands, it continues to provide the all-important operational and business support underlying the great performance and growth of the major brands

The state-of-the-art R&D centre in Gurgaon continues to serve as a great enabler to support even higher levels of innovation in the future.

ISO CERTIFICATION

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonapat continue to be certified to the latest version of OHSAS 18001, ISO 9001:2000 and ISO 14001:2004 by DNV, a leading International certification Company, whereas the Rajahmundry site has also been accredited with SA 8000. Nabha and Sonapat production

facility has already been certified for HACCP (Hazard Analysis Critical Control Point for Food safety).

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

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

INFORMATION TECHNOLOGY

Your Company continues to be at the forefront of Information Technology having implemented two ERP packages. During the year, your Company has also been able to launch a state of the art web based Treasury operation integrating its Payments to vendors and Collections from customers centrally. Connected to all its business locations all over the country via satellite and terrestrial links, the Company 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

Mr. David S Allen ceased to be a Wholetime Director of the Company effective 24 January 2006 and in his place Mr. Praveen K Gupta was nominated as a Wholetime Director of the Company by Horlicks Limited, UK under the provisions of Articles of Association of the Company from the same date.

Mr. Partha S Mukherjee ceased to be a Wholetime Director effective 1 May 2006 upon his resignation.

Mr. A S Lakshmanan retired as a Non-Executive Director effective 13 June 2006.

Mr. P Dwarakanath retired as a Wholetime Director effective 1 August 2006 but continues as a Non-Executive Director of the Company till end of the tenure of his appointment.

Mr. Nicholas J Massey ceased to be the Managing Director effective 1 January, 2007 upon withdrawal of his nomination by Horlicks Limited under the provisions of Article 97A of the Articles of Association of the Company. In his place Mr. Zubair Ahmed has been nominated by Horlicks Limited from the same date.

The Board of Directors wish to place on record their sincere appreciation for the valuable advise and guidance rendered by Mr. David S Allen, Mr. Partha S Mukherjee and Mr. A S Lakshmanan during their tenure as Directors. The Board also wishes to record its appreciation for significant contribution made by Mr. Nicholas J Massey to the business of the Company during his tenure as Managing Director.

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

As in the past years, the management continued to take a keen interest in Human Resource Development. Harmonious industrial relations continued to prevail at all the units throughout the Company. The management continued to focus on Human Resource Development through in-house and external management development programmes and foreign assignments.

The Company, during the year, has been awarded as one of the top 25 companies to work in, by a survey (Great Place to Work) conducted by the Grow Talent & Business World.

ENVIRONMENT AND SOCIAL COMMITMENT

Your Company, in its endeavour to serve the community, continues to contribute in and around the areas where it operates.

During the year, your Company won the prestigious Asian CSR 2006 Award, in the category of "Improvement of Education", for its work on the "Knowledge-based therapeutic recreation for Children / youth and HIV/AIDS" programme in India. The programme was chosen out of a highly competitive field of 178 projects submitted by 98 companies across 14 countries in Asia and it acknowledged the company's leadership in raising awareness in girl children about their rights against trafficking and sensitising them about hygiene and appropriate behaviours when dealing with People Living With AIDS (PLWA).

During the year the Nabha site received "The Best Environment Protection Initiative 2006" award from the Punjab Pollution Control Board. The site proactively launched "Stop Dengue" Campaign in the Nabha Town to improve sanitation and hygiene, in association with local NGOs, civil administration and health authorities and the community. As in previous years, the site organized regular animal welfare measures and subsidized vet medicines, supported several dairy farming initiatives like Veterinary camps, milking competitions, sponsoring awareness camps etc. in the milk shed area.

A multifaceted program has been launched in Sonapat for "Health & Education for Women" under which health camp has been organized and vocational training (stitching & embroidery) has been imparted to the rural womenfolk for empowering them. This endeavour is the stepping stone for many such initiatives in the villages around your factory in Sonapat. Rajahmundry site has, in the last two years, planted more than 2000 Bio-diesel saplings. The bio-diesel accrued from these plants shall be used for the vehicles operated by the site.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and Accounts are being sent to all the members excluding the statement

containing the particulars of employees to be provided under Section 217 (2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis is reported in this Annual Report.

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	Zubair Ahmed	G. K. Chakraborty
Chairman	Managing Director	Kunal Kashyap
		Directors

Place : Gurgaon

Dated : January 31, 2007

ANNEXURE TO THE DIRECTORS' REPORT 2006

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

Sonepat factory has won the prestigious "National Energy Conservation Award – 2006" from the Union Minister of Power, Government of India. The site has achieved significant energy savings by implementing various initiatives and projects and has also demonstrated commitment to Environment protection through initiatives like Bio-composting and Rain water harvesting.

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

Consumption of coal per ton of production has decreased by 1.08% compared to last year. This is driven by increased production over last year along with Operational Excellence initiatives taken at our sites.

2. Electricity

Electricity per unit of production has increased by 5.61% in the current year. This is driven by addition of new loads at Nabha and Rajahmundry for quality improvement initiatives such as Forced Draft Ventilation and Change Gown facility. This has been partially offset by the various Operational Excellence initiatives taken at the sites.

(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"

	2006	2005
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Units (in Million)	24.50	20.67
Total amount (Rs. Million)	101.30	84.30
Rate/Unit (Rs.)	4.14	4.08
b) Own Generation-		
1) DG Sets		
Units (in Million)	5.12	6.21
Units per litre of Diesel oil	3.54	3.59
Cost/Unit (Rs.)	8.83	7.23
2) Turbine		
Units (in Million)*	1.72	2.09
2. Coal Used in Boilers		
Quality (Calorific value ranging between 2500 to 3500 BTU)		
Quantity (Tonnes)*	28,303	27,282
Total Cost (Rs. Million)	93.10	79.38
Average Rate (Rs.)	3,289.51	2,909.61
*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)	0.52	488	0.53	462
2.Ghee & Butter				
(Per Ton)	0.40	141	0.40	116

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. Million)	
	2006	2005
a) Capital	11.23	9.05
b) Recurring	98.22	89.84
c) Total	109.45	98.89
d) Total R&D Exp. as a percentage of total turnover	0.90%	0.91%

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. Million)	
	2006	2005
Foreign exchange Earnings	387.93	372.93
Foreign exchange outgo	224.33	222.53

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, 2006 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 internal control systems 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 safeguarding 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	G. K. Chakraborty Kunal Kashyap Directors
Place : Gurgaon	Zubair Ahmed Managing Director
Dated : January 31, 2007	

OF
GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED**INDUSTRY STRUCTURE AND DEVELOPMENT**

India is the second largest food producer in the world and it is expected that the Indian food-processing industry would double up over the next decade. Huge investment opportunities currently exist in the food processing technology and equipments industry, particularly in the areas of Dairy & Food Processing, Frozen Food and Specialty Processing. The Government of India has been encouraging the commercialization of the country's food processing sector as its first priority, with various fiscal incentives. Moreover, with the aim of raising the country's share in the global food processing industry, the Government is not only conceptualizing Agri-zones and mega food parks, but is also opening the doors of the food processing industry to international organizations to improve the infrastructure, packing, cold chain storage and transportation.

The various food laws have been integrated into the Food Safety and Standards Act, 2006 which is intended to align with international legislation, instrumentalities and the Codex standards besides retaining salient features of current laws governing food.

OPPORTUNITIES, THREATS AND OUTLOOK

The rapid investment in certain infrastructure projects in the last six years has opened up market opportunities for FMCG companies not only in semi-urban areas but also in the rural markets. It is expected that within a decade the FMCG sector is expected to triple in value, which highlights the growth potential. Organized retail, which currently accounts for 3-4% of the entire retailing sector, is expected to grow manifold. The entry of domestic players along with Joint Ventures with international players only confirm the latent potential. Though this change in the retail environment shall go a long way in increasing consumer demand, it could warrant changes in business norms and structure. Moreover, there is a vast scope for investment in the food processing & packaging sector - a sector that is growing at an exponential rate annually. Higher literacy rates, changes in lifestyle, increased health consciousness, and mass media promotion are some of the major contributors to the growing demand of consumer products in the country.

With only two percent of agricultural produce estimated to be preserved for processing in India, currently, due to the lack of storage facilities, infrastructure continues to be a major challenge. According to many industry experts, the Indian food processing industry is a sleeping giant and government initiatives will definitely encourage rapid growth in this sector. Increases in input prices of goods and services continue and it has been your Company's continuous endeavour to explore possibilities to effectively manage the adverse impact of these increases.

PRODUCT WISE PERFORMANCE

In line with the increased buoyancy across the FMCG segment, your Company continues to perform well with sales growth of 11.5% over 2005. Horlicks which was restaged the previous year, following intense market research and product development activities, with an improved formulation which is clinically tested to make children "Taller, Sharper & Stronger", continues to grow strong. Chocolate Horlicks and Junior Horlicks were restaged during the year keeping in mind the consumer expectations from the two brands. Boost along with Boost Chocoblast, which was launched in the previous year, continue to deliver as per expectations.

RISKS & CONCERNS

Your Company annually reviews "risk maps" to help identify potential business threats. The capability of these risk mitigation plans, developed to redress identified threats, is honed to protect the interests of all stakeholders including shareholders. Crisis management plans are well documented and simulation tests across critical business sites have been conducted successfully. Learnings from these tests have helped enhance the effectiveness of the plans.

As with any agro based industry, input costs are influenced not only by the vagaries of nature but also government policies and the movements in the international market. Your Company continues to recognize the importance of the price-value equation and the need to be sensitive to retail price changes to counter the volatility of input costs.

FINANCIAL RISK

The Company has no loan outstanding as on December 31, 2006.

The company has minimal import requirements for its production process. The company exports during the year stood as Rs. 608.9 Million (which includes Rs. 221.3 Million exported to Nepal & Bhutan). Hence, no risk is envisaged to the business on account of currency fluctuations.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Standard Operating Procedures, detailed role responsibilities and competency profiling for senior level managers in key functions has helped ensure effective management. Robust Management Information Systems along with a strong Internal Audit Function not only ensures adherence with best practices and procedures but also helps in early diagnosis of potential areas of concern. Additionally the following measures ensure proper control.