

Board of Directors

MR. R. A. SHAH, *Chairman* (Alternate to Mr. A. M. Blanco)
MR. R. D. THAPAR
MR. D. C. SHROFF (Alternate to Mr. R. A. Kapur)
MR. A. M. BLANCO
MR. A. E. SURIJON
MR. V. G. ATHAVALE
MR. R. A. KAPUR, *Vice Chairman*
MR. K. D. SHAH, *President & Managing Director*
MR. K. J. KAUL, (Alternate to Mr. A. E. Suriyon and Whole-time Director)
DR. S. H. ADVANI (Alternate to Mr. R. D. Thapar)

COMPANY SECRETARY

MRS. USHA RAMDOSS

FUNCTIONAL HEADS

MR. S. BASU, Vice President — Human Resources
MR. K. J. KAUL, Vice President — Technical
DR. NITIN MULGAONKAR, Director — Medical & Regulatory Affairs
MR. M. K. RAJAN, Vice President — Marketing & Sales
MR. R. K. RUSTAGI, Vice President — Corporate Affairs
MR. A. V. SAPRE, Vice President — Finance
MR. K. VENKATRAMAN, Vice President — Commercial

REGISTERED OFFICE

EUREKA TOWERS, 8TH FLOOR,
MINDSPACE, LINK ROAD,
MALAD (W), MUMBAI - 400 064

REGIONAL OFFICE*/C&F AGENTS

Ahmedabad, Ambala, Kolkatta, Chennai, Cuttack, Delhi*, Dehradun,
Guwahati, Hubli, Hyderabad, Indore, Jaipur, Lucknow, Ludhiana, Patna,
Raipur, Ranchi, Trivandrum, Vijayawada.

BANKERS

STATE BANK OF INDIA
CANARA BANK

LEGAL ADVISORS

CRAWFORD BAYLEY & CO.

AUDITORS

DELOITTE HASKINS & SELLS

REGISTRARS AND SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.
C/13, Panalal Silk Mills Compound,
LBS Marg, Bhandup (West)
Mumbai - 400 078

REQUESTS TO MEMBERS

All correspondence regarding transfer and demat of shares may be addressed to our Registrars and Share Transfer Agents.

Members are requested to bring their copy of the Annual Report to the Meeting.

Members requiring any information about the accounts are requested to write to the Company at least one week before the date of the meeting so that the information may be made available at the meeting.

Notice

NOTICE is hereby given that the Fifty-Sixth Annual General Meeting of FULFORD (INDIA) LIMITED will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on Tuesday, April 20, 2004 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:
"RESOLVED THAT the Balance Sheet as at December 31, 2003 and the Profit & Loss Account for the year ended on that date together with the Directors' and the Auditors' Report thereon be and are hereby approved and adopted".
2. To appoint Directors in place of Messrs. R.D. Thapar, R. Kapur and V.G. Athavale who retire under Article 110 and being eligible offer themselves for re-appointment.
3. To consider, and if thought fit, to pass with or without modification, as a Special Resolution the following:
"RESOLVED THAT pursuant to the recommendations of the Board of Directors, a dividend at the rate of 20% on the equity share capital of the Company for the year ended December 31, 2003 be and is hereby declared out of the profits for that year, payable to those members whose names appear on the Company's Register of Members as on the 20th day of April, 2004.
4. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:
"RESOLVED THAT Messrs Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company for the financial year ending December 31, 2004 and they shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company".

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:
"RESOLVED THAT Mr. Alberto Surijon, who was appointed as Director of the Company (with effect from September 1, 2001) by the Board of Directors at their meeting held on July 24, 2001 to fill in the casual vacancy caused by the resignation of Mr. I.L. Price, be and is hereby appointed as a Director of the Company."
6. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:
"RESOLVED THAT in partial modification of the resolution passed by the Shareholders at their Annual General Meeting held on June 21, 2002 subject to such sanctions and approvals as may be required, the consent of the Company be and is hereby accorded to ratify, confirm and approve the remuneration paid amounting to Rs. 91,47,707/- (including the contributions towards Provident Fund, Gratuity and Superannuation Fund) to Mr. K.D. Shah, President & Managing Director of the Company, for the period from January 1, 2003 to December 31, 2003".
7. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:
"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956 (the Act), consent of the Company be and is hereby granted to the Board of Directors of the Company to keep the Register of Members, Index of Members and copies of all Annual Returns prepared under Section 159 of the said Act together with copies of the Certificates and documents required to be annexed thereto under Section 161 of the said Act, or any one or more of them (the documents) at the office of Intime Spectrum Registry Limited, the Registrars and Share Transfer Agents of the Company situate at C/13, Panalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 instead of their erstwhile office situated at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080."

By Order of the Board of Directors

Mumbai, March 5, 2004

USHA RAMDOSS
Company Secretary

Registered Office:
8th floor, Eureka Towers,
MindSpace, Link Road,
Malad (West), Mumbai - 400 064.

Notice (Contd.)

- NOTES: 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from April 13, 2004 to April 20, 2004 (both days inclusive).
4. Members are requested to notify any change in their address immediately to the Company or to its Registrars and Share Transfer Agents.
5. Members holding shares in demat mode may please note that, the bank details as furnished by the respective Depositories to the Company will be mandatorily printed on their dividend warrants for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as advised by the Securities & Exchange Board of India (SEBI). In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Instructions if any, given by them in respect of shares held in physical mode will not be automatically applicable to the dividend paid on shares held in demat mode. Members holding in demat mode must, therefore, give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these Members for change/deletion in such bank details.
6. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter. Members who have not encashed the dividend warrants for the years 1997, 1998 and 2001 are requested to contact the Registrar and Transfer Agents, Intime Spectrum Registry Ltd. Mumbai. Outstanding dividend for the years prior to 1995 have been transferred to the General Revenue Account of the Central Government. Outstanding dividend for the year 1995 has been transferred to the Investor Education and Protection Fund. Outstanding dividend for the year 1996 shall be transferred to the Investor Education and Protection Fund in May 2004.

PROFILE OF DIRECTORS BEING APPOINTED/ RE-APPOINTED

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be appointed/ re-appointed is given below:

1. Mr. Alberto Surijon

Age: 50 years

Qualification: Bachelor in Marketing and Master in Business Administration

Experience:

Mr. Surijon joined Schering-Plough in 1992 as Managing Director for Argentina operations. Since then he has been Vice President and Managing Director for Schering-Plough's operations in Spain, Italy and heading the Regional Operations for Far East & Australasia since September 2001.

Prior to joining Schering-Plough, he held various senior positions in Glaxo, Boehringer Ingelheim and Syncro Argentina, S.A. (a subsidiary of Roemmers).

Mr. Surijon has vast experience in pharmaceutical industry based on his various senior management positions held previously.

Names of Companies in which he holds directorships and committee memberships:

Sr	Names	Nature of Interest
1.	Fulford (India) Limited,	Director and member of Audit Committee and Remuneration Committee
2.	PT Schering-Plough Indonesia Tbk, Indonesia	President Commissioner
3.	Plough Consumer Products (Asia) Limited, Hongkong	Director
4.	Essex Asia Limited, Hongkong	Director

Notice (Contd.)

5. Schering-Plough (China) Limited, Bermuda	Director & Vice President
6. SOL Limited, Bermuda	Director
7. Schering-Plough (Pty) Limited, South Africa	Director
8. Schering-Plough Korea	Director
9. Schering-Plough Animal Health Korea	Director
10. Schering-Plough Limited, Taiwan	Director
11. Schering-Plough Limited, Thailand	Director
12. Schering-Plough Pty Limited, Australia	Director
13. Shanghai Schering-Plough Pharmaceutical Company Limited, China	Vice Chairman
14. Schering-Plough Corporation, Philippines	Director
15. Essex Pharmaceutical, Inc. Philippines	Director
16. Plough Consumer Products (Philippines) Inc.	Director
17. Schering-Plough Sdn Bhd, Malaysia	Director

2. Mr. R.D. Thapar

Age: 83 years

Qualification: B.A. in English Honours and M.A.in History

Experience:

Mr. Thapar was in the Civil Service and has worked in various capacities in Ministries of Finance, Commerce, Textiles etc. He eventually retired in the capacity of Commerce Secretary in the Central Government. During his tenure, he continuously held positions of growth in responsibility and stature. Presently, he is on the Board of the Company and is a member of the Remuneration Committee.

3. Mr. R. Kapur

Age: 58 yrs

Qualification: B.A. Degree in Economics from Columbia College, New York

M.B.A. Degree in Finance and International Business from Columbia University, New York

Experience:

Mr. Raman Kapur is President, Worldwide Generics for Schering-Plough Corporation, a research-based company engaged in the discovery, development, manufacturing and marketing of pharmaceutical and healthcare products worldwide. He is also President of Warrick Pharmaceuticals, a significant marketer of generic products in the U.S. market. Overall, he has over 28 years of experience in the global pharmaceutical industry including both the United States as well as various international markets.

Names of Companies in which he holds directorships and committee memberships:

Sr	Names	Nature of Interest
1.	Fulford (India) Limited	Director
2.	European Generic Association	Board of Directors
3.	Warrick Pharmaceuticals	President
4.	Kenilworth Pharmaceuticals	President
5.	New Jersey Institute of Technology	Board of Overseers
6.	Princeton Day School	Board of Trustees
7.	Center for Advanced Study of India, University of Pennsylvania	International Supervisory Board
8.	World India Diabetes Federation	Board of Trustees
9.	Edison College Foundation	Board of Trustees

4. Mr. V.G.Athavale

Age: 68 years

Qualification: Mr. V.G. Athavale is a post graduate in Commerce

Experience:

Mr. Athavale was in the service of the Reserve Bank of India (RBI) and he retired in the capacity of Chief General Manager. During his tenure with RBI, he continuously held positions of responsibility and stature including a deputation in 1974 for a period of 1½ years with Unit Trust of India – a Government Finance Institution. Presently, he is on the board of the Company and is the Chairman of the Audit Committee, Shareholders & Investors' Grievance Committee and Remuneration Committee.

All the above Directors have given a declaration in Form DDA pursuant to the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, to the effect that they are not disqualified under the said Section 274(1)(g) to act as directors of the Company.

Annexure to Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5

At a meeting of the Board of Directors of the Company, held on July 24, 2001, Mr. Alberto Suriyon was appointed as Director of the Company with effect from September 1, 2001 to fill in the casual vacancy caused by the resignation of Mr. I.L. Price. The Company has received a notice from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Alberto Suriyon as a candidate for the office of Director.

The Board recommends the Resolution at Item No. 5 of the annexed Notice for approval of the members.

Mr. Alberto Suriyon may be deemed to be concerned or interested in this resolution as it concerns him.

No other Director is concerned or interested in the said Resolution.

Item No. 6

The shareholders will recall the resolutions passed at the Annual General Meeting of the Company held on June 21, 2002 approving the appointment and terms of remuneration payable to Mr. K.D. Shah, President & Managing Director of the Company. The resolutions also approved that the remuneration be paid and perquisites be provided to Mr. K.D. Shah, as specified, in the said resolutions, notwithstanding that the Company may incur a loss or earn inadequate profit. The resolutions also stipulated that such remuneration and perquisites may exceed the limits prescribed in Section II of Part II of Schedule XIII subject however to the approval of the Department of Company Affairs, Government of India.

The Company has earned inadequate profits for the year 2003, to provide for managerial remuneration in respect of Mr. K.D. Shah. The Company has made an application to the Department of Company Affairs for the following remuneration paid to Mr. K.D. Shah and the perquisites provided to him including the contribution towards Provident Fund, Gratuity & Superannuation Fund, notwithstanding that they exceed the limits prescribed in Section II of Part II of Schedule XIII.

Salary (Net)	56,14,992
Allowances & Perks	35,32,715
TOTAL	<u>91,47,707</u>

The approval of the Department of Company Affairs for the aforesaid remuneration is pending.

Item No. 7

M/s Intime Spectrum Registry Limited has shifted its office from 260, Shanti Industrial Estate , Sarojini Naidu Road, Mulund (West), Mumbai 400 080 to C/13, Panalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078. The approval of the shareholders is being sought pursuant to the provisions of Section 163 of the Companies Act, 1956 for keeping the Register of Members, Index of Members and copies of all Annual Returns prepared by the Company under Section 159 together with the copies of certificates and documents required to be annexed thereto under Section 160 and Section 161, at the new address.

By Order of the Board of Directors

Mumbai, March 5, 2004

USHA RAMDOSS
Company Secretary

Registered Office:
8th floor, Eureka Towers,
MindSpace, Link Road,
Malad (West),
Mumbai - 400 064.

Directors' Report

The Directors present the Fifty-sixth Annual Report together with the audited accounts of the Company for the year ended December 31, 2003.

FINANCIAL RESULTS

	January 1, 2003 to December 31, 2003 Rupees	January 1, 2002 to December 31, 2002 Rupees
Profit/(Loss) before tax for the period amounted to	5,91,94,385	(7,59,61,840)
Profit/(Loss) after tax for the period amounted to	5,93,56,269	(7,60,61,840)
Tax Adjustments for prior years	21,10,148	—
Balance in Profit and Loss Account (b/f)	(6,26,52,007)	1,34,09,833
Adjusted against General Reserve	(6,26,52,007)	—
Amount available for appropriation	6,14,66,417	(6,26,52,007)
Out of which the following sums have been appropriated:		
Proposed Dividend	64,00,000	—
Corporate Tax on Dividend	8,20,000	—
General Reserve	47,00,000	—
Balance carried to Balance Sheet	4,95,46,417	(6,26,52,007)

DIVIDEND

The Directors recommend a Dividend of 20% for the year ended December 31, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry structure and development

The Indian pharmaceutical market recorded a single digit growth (8.39% - IMS). The market size of Rs. 196 billion does not reflect the true picture since the market is driven by high volume, low unit price and prevalence of spurious or counterfeit drugs that remain unaccounted. Rigours of price controls, several players, multiple therapeutic options and branded generics as well as generics continues to push down the prices. In the last few years, there is an urgency to launch branded generics to take advantage before the Patent Regime commences from January 2005. With regard to GMP (Good Manufacturing Practices), the requirements are increasing to upgrade the standard and eventually the quality of the product. While this is a welcome change from patient point of view, it still requires substantial investment at the ground level. Low prices, high manufacturing expenses, upgraded packaging to maintain quality and protection against counterfeit, result in low margin.

The potential of Indian pharmaceutical market is still untapped to a greater extent considering the size of population (about 17% of world population) and current per capita spending on medicines (\$3). The growth of GDP, introduction of patent regime, opening of Insurance sector and dismantling of price control which has lost its relevance in current era of market driven economy will definitely result in introduction of new molecules, competitive prices and increase in the affordability level. This ultimately will help the patient to get the best quality medicine at reasonable prices.

The Industry continues to play a very dominant role in improving the health of the nation. Discovery of new molecules, conducting clinical trials for new inventions, medical education programs, opening of hospitals and diagnostic centers, development of ancillary services will help the development of the Industry and eventually will make Indian Pharmaceutical market as one of the fastest emerging market on the world map.

Directors' Report (Contd.)

2. Opportunities, Threats, Risks and Concerns

The Government continues to focus on Health sector which is a positive sign for the industry as a whole as well as for the Company.

Once the Patent law is amended to incorporate recognition to product patent, the Company would have an edge over the generics, which continue to flood the market today. Till then, the adverse impact of generics is practically unavoidable. Delays in grant of Exclusive Marketing Rights during the interim period denies protection to the original research products.

Today, the Indian pharmaceutical market is highly regulated by the Government with the presence of Drugs (Prices Control) Order (DPCO) 1995. This no doubt affects the Company as well. The claims under the Drugs Prices Equalisation Account and the comment of the Auditors on the same is set out in note 4(vii) of the Auditors' Report. This matter, once resolved would provide clear guidance for future cash flows.

Inflexible employment laws and high separation costs do not permit free adaptability and restructuring of operations when circumstances warrant.

3. Internal control system and their adequacy

The Company has comprehensive internal control system that includes policies in different areas and suitable monitoring procedures. The commitment of company funds is regulated by Approval Authorisation policy to ensure use of funds in the best possible manner. The Internal Audit Program conducted by an external agency and supplemented by self-assessment audit guide, covers various areas to assess and ensure conformity to Accounting Standards, prevailing laws and Company policies. The Audit Committee appointed by the Board reviews the adequacy and addresses the significant findings and follow-ups on such issues.

4. Material development on human resources/ industrial relations

One of the priority areas for the Company is to nurture, motivate and retain talent. This is achieved through several measures by rewarding and recognising high calibre performance, on the job training, giving special projects or assignments to high performers.

The Company has regular communication meetings with employees to enhance employee participation, creativity and to thrash out blocks or barriers to business growth.

The Company has developed succession plan for potential managers and has put in place an action plan for the development of these managers to take higher responsibilities in future. The Company continues to put thrust on productivity improvement through effective utilization of its manpower. The total number of employees as on December 31, 2003 was 463.

OPERATIONS

PERFORMANCE WITH RESPECT TO OPERATIONS

The Company has turned around its operations during 2003. Gross Sales for the year 2003 increased to Rs. 130.50 crores from Rs. 94.70 crores in 2002 registering a growth of 37.8%. Profit Before Tax for the year 2003 was Rs. 5.92 crores as against Loss for the year 2002 of Rs. 7.60 crores.

Despite intense competition and replacement of our brands by the competitive products during the time our brands were not available, our sales force did a commendable job in re-establishing our brands rapidly and successfully once the supply resumed.

All the new products in Oncology, Virology and Cardiovascular segment progressed very well and recorded handsome growth.

The resumption of supply of the products, various initiatives taken in 2003 towards cost containment and import substitution contributed to the profitable sales growth.

The Auditors' comments as referred to in para 4(vi) and (vii) of the Auditor's Report are dealt with in Note No. B10 and Note No. B1(e) annexed to the Accounts, which are self-explanatory.

Directors' Report (Contd.)

OUTLOOK

During 2004, the primary focus is to resume supply of tablets which is expected to commence in the first half. While this would be the main growth driver, new products in Oncology, Virology and Cardiovascular segment would face competition from branded generics. To improve profitability and financial position, various cost containment and productivity improvement measures will be implemented rigorously.

DIRECTORS

Under Article 110 of the Articles of Association of the Company, the following Directors will retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment :

Mr. R D Thapar, Mr. Raman Kapur and Mr. V.G. Athavale.

Mr. Alberto Surijon was appointed as Director with effect from September 1, 2001 to fill in the casual vacancy caused by the resignation of Mr. I. L. Price. The Company has received Notice under Section 257 of the Companies Act, 1956 from a member proposing appointment of Mr. Alberto Surijon as Director of the Company.

FIXED DEPOSITS

Fixed Deposits outstanding as on December 31, 2003 amounting to Rs.0.35 lakhs have matured but remain unpaid for want of requisite instructions from the Depositors concerned.

RELATED PARTY TRANSACTIONS

Related party transactions have been disclosed in the notes to the accounts.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 (the Act)

Information required to be annexed to this report in accordance with clause (e) of sub-section (1) of Section 217 of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given as Annexure 1.

Information in accordance with sub-section (2A) of Section 217 of the Act read with the Companies (Particulars of Employees) Rules, 1975 forms part of the Directors' Report for the year ended December 31, 2003. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all shareholders of the Company, excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the Statement may write to the Secretary at the Registered office of the Company.

In accordance with sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning '**Directors Responsibility Statement**' and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they 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 and of the profit of the Company for that period;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and according to a Certificate received from them under Section 224(1B) of the Companies Act, 1956, they are eligible for reappointment.

Directors' Report *(Contd.)***CORPORATE GOVERNANCE**

A report on the Corporate Governance Code along with a certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this Report.

SUBSIDIARY COMPANIES

Wellnex Pharmaceuticals Private Limited, currently a subsidiary of the Company, was incorporated in 1989. The Company at that point of time had its own manufacturing operations and was receiving the Quality Control services from Wellnex Pharmaceuticals Private Limited. Now, the Company has completely outsourced production to third parties under loan licence and consequently, Quality Control is also undertaken by these third parties. The other Quality Control jobs are now undertaken by Fulford's Quality Control Laboratory. In view of the same, the services of Wellnex Pharmaceuticals Private Limited becoming quite redundant, the Board of Directors of the Company have decided to amalgamate Wellnex Pharmaceuticals Private Limited with the Company. The scheme of amalgamation has been filed with The Stock Exchange, Mumbai for its approval.

Pursuant to Section 212 of the Companies Act, 1956 the annual accounts for the year ended December 31, 2003 as also the Auditors' and Directors' Report in respect of (i) Schering-Plough (India) Private Limited, and (ii) Wellnex Pharmaceuticals Private Limited, are attached to the accounts of the Company.

As per Clause 32 of the listing agreement with the Mumbai Stock Exchange the Consolidated financial statements of the subsidiaries are also enclosed.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the contribution made by the employees at all levels for their dedication and commitment to the Company throughout the year. The Directors would also like to record their thanks to Schering-Plough Corporation, the Company's shareholders, bankers, medical professionals, hospitals, vendors and all customers for their valuable support and co-operation.

For and on behalf of the Board of Directors

Mumbai, March 5, 2004.

R.A. SHAH
CHAIRMAN

Annexure I to the Directors' Report

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. Conservation of Energy

- (I) Energy conservation measures taken in the recent past:
Nil
- (II) Additional investments and proposals for reduction of energy consumption being implemented:
Nil
- (III) Impact of measures (I) above for reduction of energy consumption and consequent impact on the cost of production of goods:
Nil.
- (IV) Total energy consumption and energy consumption per unit of production:
 - A. Power and Fuel Consumption**
Not Applicable
 - B. Consumption per unit of production**
Not Applicable

2. Technology absorption

The Company through Technical know-how Arrangement with Schering-Plough Corporation, U.S.A. (Schering-Plough) gets the benefits of the research and development efforts of Schering-Plough. Most of the products introduced by the Company in India are original research products of Schering-Plough.

The Company has also benefitted from the supply of technology from Schering-Plough. This includes training of our personnel by Schering-Plough during short and long-term assignments and deputation of technical experts. The said technology has been fully absorbed.

3. Foreign Exchange Earnings and Outgo

- (I) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The Company continues to explore various export markets.

(II)	Total Foreign exchange earned and used	Rs. in lakhs
	(A) Total Foreign exchange earned	13.66
	(B) Total Foreign exchange used:	
	(i) On import of raw materials/finished goods	3152.76
	(ii) On import of capital goods, spares and components	—
	(iii) Expenditure in foreign currencies for business travels, subscription, commission on exports etc.	28.15
	(iv) Remittance during the year in foreign currency on account of dividend	—
	(v) Royalty and Technical know-how	—
		3180.91

For and on behalf of the Board of Directors

R. A. SHAH
Chairman

Mumbai, March 5, 2004.

SHAREHOLDER INFORMATION

- AGM date, time and venue** : April 20, 2004 at M.C. Ghia Hall
Bhogilal Hargovindas Building, 2nd Floor,
18/20, Kaikhushru Dubash Marg, Mumbai: 400 001
at 11.00 a.m.
- Financial Calendar** : January to December
- First Quarter results** : On or before April 30
- Second Quarter results** : On or before July 31
- Third Quarter results** : On or before October 31
- Audited Results for the year end** : On or before March 31 of the succeeding year
- Date of Book Closure** : April 13, 2004 to April 20, 2004 (both days inclusive)
- Dividend Payment Date** : On or after April 20, 2004
- Listing on Stock Exchanges** : The Company's shares are listed and traded on The Stock Exchange, Mumbai.
The Company's shares are traded in 'B1' Group in the Stock Exchange,
Mumbai.
- Stock Code:**
- The Stock Exchange, Mumbai** : 506803
- Demat** : INE 521A01017

MARKET PRICE DATA:

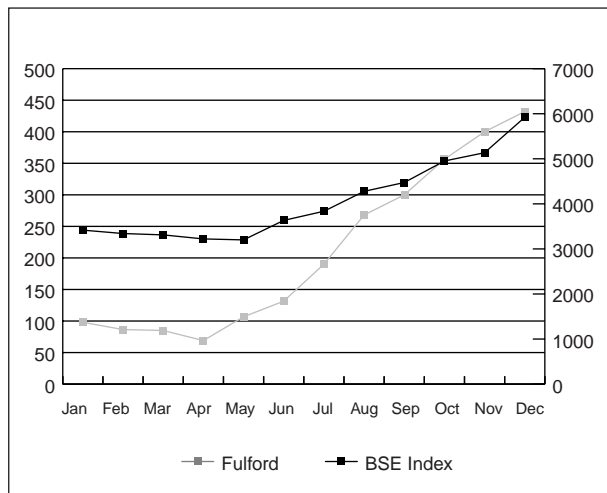
The monthly high and low quotations of shares traded on the Stock Exchange, Mumbai for the year 2003 is as under:

(Amounts in Rs.)

Month	Mumbai Stock Exchange	
	High	Low
January	98.00	85.00
February	86.45	75.50
March	85.00	51.00
April	69.00	55.00
May	106.65	67.30
June	131.50	96.00
July	190.00	117.00
August	268.00	162.05
September	299.90	206.00
October	356.45	275.00
November	400.00	324.00
December	432.00	351.10

SHAREHOLDER INFORMATION (Contd.)

STOCK PERFORMANCE INDEXED:



REGISTRAR AND TRANSFER AGENTS:

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai 400 078.
Tel – 5555 5454 .

SHARE TRANSFER SYSTEM:

All transfers received are processed and approved by the Share Transfer Committee, which considers transfers and other related matters once in a fortnight.

DISTRIBUTION OF SHAREHOLDING AS ON DECEMBER 31, 2003.

No. of Shares	Share holders		Share Amount	
	Number	% to Total	In Rs.	% to Total
Upto 5000	6334	93.86	73,81,740	23.07
5001 - 10000	235	3.48	18,42,160	5.76
10001 - 20000	90	1.33	13,80,220	4.31
20001 - 30000	28	0.42	7,36,690	2.30
30001 - 40000	14	0.21	5,03,440	1.57
40001 - 50000	14	0.21	6,64,390	2.08
50001 - 100000	15	0.22	11,39,280	3.56
100001 and above	18	0.27	183,52,080	57.35
Total	6748	100.00	320,00,000	100.00

DEMAT STATUS:

As on December 31, 2003:

Mode	No. of Shares	%
Demat	17,13,761	53.56
Physical	14,86,239	46.44
Total	32,00,000	100.00

SHAREHOLDER INFORMATION (Contd.)

SHAREHOLDING PROFILE AS ON DECEMBER 31, 2003:

Category	No. of Shares	%
Foreign Affiliate	12,80,000	40.00
Banks & FI's	800	0.03
Mutual Funds	3,69,385	11.55
NRIs	57,553	1.79
Private Corporate Bodies	2,24,986	7.03
Public (including Directors)	12,51,336	39.10
Clearing Members	15,940	0.50
Total	32,00,000	100.00

REGISTERED OFFICE:

Fulford (India) Ltd.
Eureka Towers, 8th Floor,
MindSpace, Malad Link Road,
Malad (West),
Mumbai 400 064.

On behalf of the Board of Directors

R.A. Shah
Chairman

Mumbai, March 5, 2004

To,
The Members of Fulford (India) Limited

We have examined the compliance of conditions of Corporate Governance by Fulford (India) Limited for the year ended December 31, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange, Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that the requirements regarding the composition and attendance for the remuneration committee of the company have not been strictly followed on the ground that such requirements are not mandatory under clause 49 of the Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that, based on the information received from the Company's Registrar and Share Transfer Agents and as per the records maintained by the Investor Grievance Committee, barring certain cases pending in courts/consumer forums, relating to disputes over the title of shares in which the company has been made a party, no investor grievance is pending for a period exceeding one month against the Company.

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

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. Sarda
Partner
Membership No. 9544

Mumbai, March 8, 2004

Auditors' Report to the Members of Fulford (India) Limited

1. We have audited the attached balance sheet of Fulford (India) Limited, as at December 31, 2003, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from directors as on December 31, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) ***Out of the remuneration paid to the Managing Director as referred to in Note No. 10 of Schedule 18 annexed to and forming part of the financial statements, an amount of Rs. 28,84,635/- is subject to approval of the Central Government;***
 - (vii) ***Demand of Rs. 194.62 lakhs for Drug Price Equalisation Account as referred to in Note no. B.1.(e) of Schedule 18 is contested by the company in the High Court and hence no provision has been made in the accounts. As per the Supreme Court's directions the company has deposited a sum of Rs. 50 lakhs pending the disposal of the matter by the High Court and the same has been shown under "Loans and Advances — Deposits".***
 - (viii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and subject to our remarks in paragraphs (vi) and (vii) above, give the information required by the Companies Act, 1956, 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, 2003;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

N. P. Sarda
Partner

Mumbai, March 8, 2004

Membership No. 9544

Annexure to the Auditors' Report

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

1. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such that clauses xiii, xiv, xviii, xix, xx are not applicable to the company.
2. In respect of its fixed assets:
 - (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Verification of fixed assets is being conducted in a phased programme by the management designed to cover all assets over a period of three years, which in our opinion is reasonable having regard to the size of the company and the nature of assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - (c) Although some of the fixed assets have been disposed off during the year, in our opinion and according to the information and explanations given to us, the ability of the company to continue as a going concern is not affected.
3. In respect of its inventories:
 - (a) As explained to us, the inventories were physically verified by the management at reasonable intervals during the year.
 - (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 its inventories and the discrepancies noticed on such physical verification between physical stock and book records were not material and have been adequately dealt with in the books of account.
4. In our opinion and according to the information and explanations given to us, the company has not granted or taken any loan secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. 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 nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods.
6. In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956:
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - (b) According to the information and explanations given to us, where each of such transactions (excluding those reported under paragraph 4 above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie*, reasonable having regard to the prevailing market prices at the relevant time; except that in respect of purchase and sale of services, no comparison of prices could be made as the company informed us that there are no comparable market prices/alternate source of supply.

7. In our opinion and according to the information and explanations given to us the company has not accepted any deposits within the meaning Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
8. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the company and nature of its business.
9. We have broadly reviewed the books of account and records maintained by the company relating to the manufacture of formulations, pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed records have been maintained and the prescribed accounts are in the process of being made up.
10. According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year.
 - (b) Disputed sales tax, income-tax and excise duty aggregating to Rs. 69,74,551/-, Rs. 1,17,86,989/- and Rs. 1,81,89,256/- respectively have not been deposited since the matters are pending with the relevant Sales tax, Income-tax and Excise Appellate Authorities. There were no disputed amounts in respect of customs duty and wealth tax during the year.
11. The company does not have any accumulated losses as at the end of the financial year. The company has not incurred cash losses during the current and the immediately preceding financial year.
12. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to banks. The company has not obtained any borrowings from any financial institutions or by way of debentures.
13. Based on our examination of documents and records, we are of the opinion that the company has maintained adequate records where the company has granted loans and advances to employees on the basis of security by way of pledge of securities. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company for loans taken by others from banks and financial institutions, are not *prima facie* prejudicial to the interests of the company.
15. The company has not obtained any term loans during the year.
16. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment and vice versa, other than temporary deployment pending application.
17. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

N. P. Sarda
Partner

Mumbai, March 8, 2004

Membership No. 9544

Schedules to Balance Sheet

	As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
1. CAPITAL		
Authorised:		
50,00,000 Equity Shares of Rs. 10/- each . .	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued and Subscribed:		
32,00,000 Equity Shares of Rs. 10/- each fully paid-up	<u>3,20,00,000</u>	<u>3,20,00,000</u>
<p>Of the above shares, 29,10,000 Equity Shares are allotted as fully paid-up by way of bonus shares by capitalisation of general reserve.</p>		
2. RESERVES AND SURPLUS		
General Reserve :		
Balance as per last Balance Sheet . .	10,94,82,469	10,94,82,469
Less : Debit balance in Profit & Loss Account adjusted	6,26,52,007	—
Add : Transfer from Profit & Loss Account . .	<u>47,00,000</u>	—
	5,15,30,462	10,94,82,469
Less : Debit balance in Profit & Loss account as per contra . .	—	6,26,52,007
Balance as per Profit & Loss Account . .	<u>4,95,46,417</u>	—
Total . .	<u>10,10,76,879</u>	<u>4,68,30,462</u>
3. SECURED LOANS		
From banks (secured by hypothecation of inventories, book debts and fixed assets)	<u>—</u>	<u>3,57,85,534</u>
4. UNSECURED LOANS		
Security deposits from C & F agents . .	6,71,42,727	11,45,42,100
Other deposits . .	<u>35,77,779</u>	<u>67,88,180</u>
Total . .	<u>7,07,20,506</u>	<u>12,13,30,280</u>

Schedules to Balance Sheet (Contd.)

5. FIXED ASSETS	GROSS BLOCK				ACCUMULATED DEPRECIATION					NET BLOCK	
	AT COST				As at Dec 31, 2003	Upto Jan 1, 2003	Depreciation for the year	Adjustment for Sale	Upto Dec 31, 2003	WRITTEN DOWN VALUE	
	As at Jan 1, 2003	Additions/ Transfer	(Deductions)/ Transfer	Rupees						Rupees	Rupees
Particulars	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	6,52,000	—	—	6,52,000	6,51,998	—	—	6,51,998	2	2	
Leasehold improvements	35,15,636	80,275	—	35,95,911	2,20,240	3,59,481	—	5,79,721	30,16,190	32,95,396	
Machinery and equipments	30,39,367	19,12,646	(10,633)	49,41,380	14,47,983	5,20,896	(9,261)	19,59,618	29,81,762	15,91,384	
Utilities	45,49,706	13,102	(10,608)	45,52,200	31,60,900	3,51,090	(10,607)	35,01,383	10,50,817	13,88,806	
Office equipments, furniture and fixtures	3,30,13,786	5,57,380	(11,75,802)	3,23,95,364	1,94,29,939	28,06,658	(9,31,812)	2,13,04,785	1,10,90,579	1,35,83,847	
Vehicles	85,87,337	58,76,560	(34,13,789)	1,10,50,108	60,57,959	16,70,291	(31,30,007)	45,98,243	64,51,865	25,29,378	
Total	5,33,57,832	84,39,963	(46,10,832)	5,71,86,963	3,09,69,019	57,08,416	(40,81,687)	3,25,95,748	2,45,91,215	2,23,88,813	
Previous year total	5,13,23,082	1,71,40,869	(1,51,06,119)	5,33,57,832	3,96,11,070	48,32,499	(1,34,74,550)	3,09,69,019	2,23,88,813	—	
Capital Work in Progress (Including advances on Capital Account)										40,01,618	
									2,45,91,215	2,63,90,431	

1. Buildings include:
 Cost of flat of Rs.6,52,000 acquired in 1978 in respect of which Society/Condominium is yet to be formed and conveyance deed to be executed in its favour.

Schedules to Balance Sheet (Contd.)

	As at December 31, 2003		As at December 31, 2002	
	Rupees	Rupees	Rupees	Rupees
6. INVESTMENTS				
LONG TERM INVESTMENTS				
Trade (unquoted):				
In wholly owned Subsidiary Companies				
(i) 10,150 fully paid-up Equity shares of Rs.10 each of Schering Plough (India) Private Limited.	1,01,500		1,01,500	
(ii) 10,200 fully paid-up Equity shares of Rs.10 each of Wellnex Pharmaceuticals Private Limited.	51,000	1,52,500	51,000	1,52,500
Total		<u>1,52,500</u>		<u>1,52,500</u>
7. INVENTORIES				
Raw and packing materials on hand and in transit		5,76,09,465		5,17,76,659
Work-in-process		33,700		4,19,480
Finished goods		11,29,50,523		15,00,41,463
Total		<u>17,05,93,688</u>		<u>20,22,37,602</u>
8. SUNDRY DEBTORS (UNSECURED)				
Debts outstanding for a period exceeding six months:				
Considered good	2,79,040		6,89,866	
Considered doubtful	30,47,686		30,36,713	
	33,26,726		37,26,579	
Less: Provision for doubtful debts	30,47,686		30,36,713	
		2,79,040		6,89,866
Others Debts:				
Considered good		14,13,20,522		7,31,55,006
Total		<u>14,15,99,562</u>		<u>7,38,44,872</u>
9. CASH AND BANK BALANCES				
Cheques on hand		41,18,653		45,84,824
Balance with scheduled banks in :				
Current account		14,73,035		11,31,071
Deposit account		3,76,90,000		2,35,000
Total		<u>4,32,81,688</u>		<u>59,50,895</u>

Schedules to Balance Sheet (Contd.)

	As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
10. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received.	92,87,315	2,36,36,298
Deposits (See Note No. B.1 (e))	1,69,34,265	1,67,76,409
Balances with excise authorities	34,87,471	49,63,356
Total	2,97,09,051	4,53,76,063
Advances recoverable in cash or in kind for value to be received includes :		
a) amount recoverable from Schering Plough (India) Private Limited, a wholly owned subsidiary company Rs. Nil (Previous year Rs. Nil); maximum amount due during the year Rs. 3,500 (Previous year Rs. 5,750).		
b) amount recoverable from Wellnex Pharmaceuticals Private Limited, a wholly owned subsidiary company Rs. Nil (Previous year Rs. Nil); maximum amount due during the year Rs. 6,01,500 (Previous year Rs. Nil).		
c) amount due in respect of housing loan to a Director Rs. 10,76,571 (Previous year Rs. 12,56,000); maximum amount due during the year Rs. 12,56,000 (Previous year Rs. 12,56,000)		
11. CURRENT LIABILITIES		
Sundry creditors (See note no. B. 17)	9,43,63,044	5,43,70,053
Unpaid Dividend	2,75,324	3,41,920
Unpaid matured deposits	35,000	40,000
Other liabilities	8,23,65,629	4,45,02,258
Total	17,70,38,997	9,92,54,231
12. PROVISIONS		
Taxation less payments	1,17,79,596	1,05,13,946
Leave Encashment	1,40,76,056	1,57,58,741
Gratuity	1,16,98,385	—
Proposed dividend	64,00,000	—
Corporate tax on dividend	8,20,000	—
Total	4,47,74,037	2,62,72,687
13. PROFIT & LOSS ACCOUNT (DEBIT BALANCE)		
Debit balance in Profit & Loss Account	—	6,26,52,007
Less : Shown as deduction from General Reserve as per contra	—	6,26,52,007
Total	—	—

Schedules to Profit and Loss Account

	Year ended December 31, 2003 Rupees	Year ended December 31, 2002 Rupees
14. OTHER INCOME		
Interest on Staff Loan	20,354	54,698
Interest on delayed payments from customers	3,64,622	8,90,368
Interest on deposits (tax deducted at source Rs. 55,524; Previous year Rs. 5,310)	2,97,758	53,860
Interest others (tax deducted at source Rs. 57,632; Previous year Rs. 1,05,785)	5,14,082	25,21,653
Profit on sale of fixed assets (Net)	7,34,980	3,22,17,850
Miscellaneous income	34,30,216	1,78,27,003
Total	<u>53,62,012</u>	<u>5,35,65,432</u>
15. COST OF MATERIALS/GOODS		
Opening stocks:		
Raw and packing materials	5,17,76,659	3,70,30,052
Work-in-process	4,19,480	1,12,83,778
Finished Goods	15,00,41,463	25,44,67,529
	<u>20,22,37,602</u>	<u>30,27,81,359</u>
Purchases:		
Raw and packing materials	10,23,19,344	11,58,09,508
Finished Goods	59,64,47,567	38,85,38,295
	<u>69,87,66,911</u>	<u>50,43,47,803</u>
	<u>90,10,04,513</u>	<u>80,71,29,162</u>
Less : Closing stocks:		
Raw and packing materials	5,76,09,465	5,17,76,659
Work-in-process	33,700	4,19,480
Finished Goods	11,29,50,523	15,00,41,463
	<u>17,05,93,688</u>	<u>20,22,37,602</u>
Total	<u>73,04,10,825</u>	<u>60,48,91,560</u>
16. PERSONNEL EXPENSES		
Salaries, wages, bonus and commission	11,13,78,059	9,65,45,365
Contribution to provident and other funds	2,81,29,772	1,57,34,722
Staff welfare expenses	77,12,315	90,29,968
Amortisation of expenditure under V.R.S.	—	1,05,81,533
Total	<u>14,72,20,146</u>	<u>13,18,91,588</u>

Schedules to Profit and Loss Account (Contd.)

	Year ended December 31, 2003		Year ended December 31, 2002	
	Rupees	Rupees	Rupees	Rupees
17. OPERATING AND OTHER EXPENSES				
Processing charges		1,51,27,739		2,68,05,150
Stores and spares		29,46,026		29,72,581
Power and fuel		12,93,816		28,14,231
Rent		85,95,865		67,88,823
Repairs and maintenance to:				
Machinery and utilities	12,60,488		16,99,598	
Buildings	1,08,918		3,64,074	
Others	6,55,700		12,64,821	
		20,25,106		33,28,493
Insurance		24,87,996		33,77,345
Rates and taxes		24,81,358		33,21,859
Excise duty & sales tax		12,39,85,544		7,83,18,457
Freight & forwarding related expenses		1,39,80,579		1,58,54,062
Promotion & Information expenses		2,22,22,904		2,31,19,710
Commission to agents		2,39,32,770		2,02,59,056
Travelling & conveyance		5,49,20,507		5,08,59,724
Auditors' remuneration:				
Audit fees	9,22,900		9,00,750	
Tax Audit fees	1,08,000		1,05,000	
Out-of-pocket expenses	30,000		30,000	
		10,60,900		10,35,750
Directors' sitting fees & commission		3,26,000		85,500
Bad debts written off		5,35,407		1,46,330
Less: Adjusted against provision for earlier years		5,35,407		1,46,330
Provision for doubtful debts		5,46,380		—
Miscellaneous		4,40,74,228		3,98,63,808
Total		32,00,07,718		27,88,04,549

Schedules to Balance Sheet and Profit and Loss Account

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A Significant Accounting Policies

1. Basis of Accounting
The Company follows accrual method of accounting. Assets and Liabilities are recorded at historical cost.
2. Use of estimates
The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known materialised.
3. Sales
Gross Sales in Profit and Loss Account is stated inclusive of excise duty and sales tax.
4. Fixed Assets and Depreciation
Fixed Assets are carried at cost of acquisition less accumulated depreciation. Depreciation on fixed assets acquired/sold/discarded/demolished during the year is provided from/upto the date on which the asset is acquired/sold/discarded/demolished. Fixed assets are depreciated on Straight Line Method over their estimated useful lives. (Depreciation (%) used: Building 5/10; Leasehold improvements, Furniture & Fixtures 10; Machinery & Equipments, Utilities, Office Equipments 10/15/20; Vehicles 20; Computers 20/33.33). Assets costing less than Rs. 5,000/- per item are depreciated at 100% in the year of purchase. A nominal value of Re.1/- is assigned to fully depreciated assets.
5. Investments
Investments are classified as long term & current investments. Long term investments are carried at cost. No provision is made for decline in value of long term investments unless such decline is considered other than temporary. Current investments are valued at lower of cost or net realisable value.
6. Inventories
Inventories are valued at lower of historical cost or net realisable value. Cost is arrived at on First in First out basis and cost of finished goods and work-in-process includes appropriate allocation of production overheads.
7. Excise Duty
Excise Duty paid/ payable on goods manufactured by the Company and remaining in inventory at the year end is included as a part of inventory valuation.
8. Borrowing Cost
Borrowing costs other than those that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.
9. Foreign Currency Transactions
 - (i) Transactions in foreign currency are recorded at the exchange rate prevailing at the time of occurrence of the transaction.
 - (ii) All Foreign currency liabilities/assets outstanding as at year end are restated at the rates ruling on that date.Any exchange differences arising on such transactions, are dealt with in the Profit and Loss Account (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset).
10. Treatment of Retirement Benefits
The Company has various Schemes of Retirement Benefits such as Provident Fund, Superannuation Fund and Gratuity duly recognised by the Income Tax Authorities. Company's contribution in respect of Superannuation, Gratuity and Provident Fund is charged to revenue. Contribution in respect of Gratuity is paid to Life Insurance Corporation of India based on the actuarial valuation computed by it. The Company also provides for accumulated privilege leave available on retirement to its employees based on actuarial valuation.
11. Taxation
Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations. Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the balance sheet date.
Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective comparative values at each balance sheet date.
12. Lease
Rentals paid under operating leases are charged to Profit and Loss Account in accordance with Accounting Standard (AS) 19 on "Leases" issued by the Institute of Chartered Accountants of India.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

B. NOTES ON ACCOUNTS

(Figures in Rupees unless otherwise specified)

2003 **2002**

1. Contingent liabilities:		
(a) Claims against the Company not acknowledged as debts	1,27,500	1,27,500
(b) Guarantee given by the Company to Housing Development Finance Corporation Ltd. against housing loans to employees	—	12,887
(c) Other guarantees issued by banks on behalf of the Company (margin money issued guarantees Rs. 2,58,000; previous year Rs. 68,235) . .	14,92,722	1,70,000
(d) Guarantee given to Bank & NBFC on behalf of its subsidiary Company . .	41,58,430	87,00,000
(e) The Government of India had made a demand for payment of Rs.194.62 lacs into the Drugs Prices Equalisation Account (DPEA) in respect of prior years (April 1, 1979 to March 1, 1984). The Company has contested this demand. Per the interim order of the Supreme Court a sum of Rs. 50 lacs was deposited into the DPEA. The Company's Writ Petition has been admitted by the High Court and is pending for final hearing and disposal. As the demand is contested by the Company, no provision has been made in respect thereof. A sum of Rs.50 lacs deposited pursuant to the Supreme Court's Order has been shown under "Loans and Advances-Deposits".		
(f) Claims against the Company not acknowledged as debts in Excise matters . .	4,48,539	—
(g) Claims against the Company not acknowledged as debts in Sales tax matters	15,36,759	—
2. The company had received show-cause notices from excise authorities in earlier years for matters relating to classification dispute for two of its products. The company had disputed the show-cause notices. However, the adjudicating authority turned down our representations and raised a demand of Rs. 1,77,40,717/- together with penalty & interest. The Company has filed an appeal with the higher Appellate authority against this demand for which orders are awaited. Pending outcome of the appeal, the company has provided for Rs. 1,77,40,717 (Excise duty Rs. 99,48,231; Penalty Rs. 25,69,665; Interest Rs. 52,22,821) in the accounts towards excise duty, penalty & interest. These amounts have been included under the head of "Excise duty & sales tax" in Schedule 17.		
3. The company has in the current year provided for Rs. 1,34,55,235/- as additional gratuity liability. This is based on intimation received from Life Insurance Corporation of India due to heavy withdrawals from the fund during past few years. This amount has been included under the head of "Contribution to provident and other funds" in Schedule 16.		
4. The Board of Directors of the company at their meeting held on October 16, 2003 decided to amalgamate Wellnex Pharmaceuticals Private Limited, a wholly owned subsidiary of the company, with the company effective January 1, 2004. Pursuant to this, the company has filed a scheme of amalgamation with the Stock Exchange, Mumbai, for its approval.		
5. Taxation:		
a) Current tax has been provided for the year in accordance with the provision of section 115JB of the Income Tax Act, 1961.		
b) In compliance with Accounting Standard (AS) 22 "Accounting for taxes on income", the company has recognised net deferred credit of Rs. 81,61,884/- in the profit		

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	2003 Rupees	2002 Rupees
and loss account for the year. The break-up of Deferred tax assets / (liability) into major components as at the year end is as under.		
Deferred Tax Liability		
Depreciation	(64,855)	—
	<u>(64,855)</u>	<u>—</u>
Deferred Tax Assets		
Voluntary Retirement Scheme	28,47,094	46,66,456
Debtors provision	10,93,357	11,15,992
Provision for expenses	1,02,69,681	—
Others	15,37,438	17,38,383
	<u>1,57,47,570</u>	<u>75,20,831</u>
Deferred Tax Asset (Net)	<u>1,56,82,715</u>	<u>75,20,831</u>
6. Earnings per share calculation:		
Earnings/(loss) used as numerator in calculating basic/diluted Earnings per share	5,93,56,269	(7,60,61,840)
Number of equity shares (Face value Rs. 10/-)	32,00,000	32,00,000
Earnings per share (Basic & diluted)	18.55	(23.77)
7. Cost of materials/goods and operating and other expenses include cost of samples distributed Rs. 4,99,39,657 (previous year Rs. 4,99,00,124).		
Stock of samples amounting to Rs. 30,92,413 (previous year Rs. 80,45,263) are included in stocks of finished goods.		
8. The net exchange gain of Rs. 42,37,014 (previous year loss Rs. 6,88,247) has been included in the profit & loss account for the year.		
9. Past service gratuity liability has been provided for as per the actuarial valuation as at June 1, 2003 computed by the Life Insurance Corporation of India.		
The company has provided for accumulated privilege leave available on retirement to its employees based on actuarial valuation as at the year end.		

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	2003 Rupees	2002 Rupees
10. Remuneration to Directors:		
(a) Salaries	73,54,452	73,48,206
Perquisites	3,04,263	2,11,855
Contribution to Provident and Superannuation Funds	16,89,031	17,64,335
Provision for Gratuity	4,45,404	5,48,224
Commission	200,000	—
	<u>99,93,150</u>	<u>98,72,620</u>
(b) Computation of net profits in accordance with Section 349 of the Companies Act, 1956.		
Profit/(loss) after tax as per Profit and Loss Account	5,93,56,269	(7,60,61,840)
Add: Provision for taxation	(1,61,884)	1,00,000
Managerial remuneration	99,93,150	98,72,620
Amortisation of expenditure under V.R.S.	—	1,05,81,532
	<u>98,31,266</u>	<u>2,05,54,152</u>
	<u>6,91,87,535</u>	<u>(5,55,07,688)</u>
Less: Profit on assets sold/scrapped u/s 350	1,02,388	2,81,53,432
Less: Income from surrender of tenancy rights	—	1,00,00,000
Profit/(Loss) available for Managerial Remuneration	<u>6,90,85,147</u>	<u>(9,36,61,120)</u>
Maximum amount permissible (under Part I or Part II of Schedule XIII)		
a. Wholetime Directors	69,08,515	30,00,000
b. Non wholetime Directors	6,90,851	—
Managerial Remuneration paid/provided		
a. Wholetime Directors	97,93,150	98,72,620
b. Non wholetime Directors	2,00,000	—

Note: 1) In addition, provision is made for actuarially valued liability in respect of future payment of gratuity estimated at Rs. 15,31,389 (previous year Rs. Nil).

2) Remuneration of Managing Director is subject to approval of Central Government.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

11 Related Party Disclosures

1. Relationships:

- i) Schering Plough Corporation U.S.A., through its subsidiary Dashtag holds 40% of equity shares in the company as at 31st December 2003.
- ii) Subsidiaries of the company
Wellnex Pharmaceuticals Pvt. Ltd. and Schering Plough (India) Pvt. Ltd. are wholly owned subsidiaries of the company.
- iii) Other related parties with whom transactions have taken place during the year:
Associate Companies
 - a) Essex Chemie A.G., Switzerland
 - b) Schering Plough (Brinny) Co, Ireland
 - c) Schering Plough Ltd, Singapore
 - d) SOL Ltd., U.S.A.
 - e) Schering Plough Labo N.V., Belgium
 - f) Schering Plough Division of SOL Ltd.
 - g) Schering Plough Corporation, U.S.A.
- iv) Key Management Personnel
Mr. K.D.Shah — Managing Director

2. Related Party Transactions

Particulars	Dashtag (Holding 40% equity)		Subsidiaries		Associate Companies		Key Management Personnel		Total	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
Purchase of goods	—	—	—	—	30,85,94,148	19,25,89,341	—	—	30,85,94,148	19,25,89,341
Receipt of Reimbursement/ Allowance of Promotional Expenses	—	—	—	—	74,333	28,90,900	—	—	74,333	28,90,900
Rendering of services	—	—	14,55,000	14,55,000	—	—	—	—	14,55,000	14,55,000
Receiving of services	—	—	38,40,000	38,40,000	3,89,042	25,503	—	—	42,29,042	38,65,503
Dividend Paid *	—	16,17,600	—	—	—	—	—	—	—	16,17,600
Remuneration	—	—	—	—	—	—	77,73,157	81,78,287	77,73,157	81,78,287
Outstandings/(Receivables)	—	—	—	—	5,69,82,202	3,97,93,740	(10,76,571)	(12,56,000)	5,59,05,631	3,85,37,740

* Net of taxes.

12 Disclosure for operating lease under Accounting Standard 19 — “Leases”

The company has entered into an agreement for taking office premises on leave and license basis. The specified disclosure in respect of this agreement is given below:

- 1. Lease payment recognised in the profit and loss account for the year — Rs. 84,64,440. (previous year Rs. 54,56,421)
- 2. General description of the significant arrangement.
Refundable interest free deposit has been given and the agreement has a minimum lock in period of three years with a provision for renewal with escalation clause.
- 3. Minimum lease payment which is non cancelable

	December 31st 2003	December 31st 2002
i) Not later than one year	Rs. 84,64,440	Rs. 84,64,440
ii) Later than one year & not later than five years	Rs. 18,43,064	Rs. 1,03,07,504

Schedules to Balance Sheet and Profit and Loss Account (Contd.)
13. Capacities, Production, Purchases, Stocks & Turnover
(a) Capacities, Production & Purchases

Class of goods	Units	Production*	PURCHASES	
			Quantity	Cost
Tablets	No.in millions	—	—	—
Ointments/Creams	Kilograms	44,368 (59,641)	1,67,013 (84,488)	28,34,31,507 (18,12,07,643)
Injectables	Litres	13,729 (36,495)		
Injectables	MIU		2,900 (3,066)	2,86,24,624 (3,02,26,343)
Injectables	MG Vials		44,047 (27,646)	20,04,60,772 (12,92,98,983)
Liquids	Litres	76,090 (60,299)	1,648 (826)	18,97,087 (15,65,773)
Patches	Each		1,75,000 (1,45,000)	29,25,731 (29,71,492)
Capsules	Each		4,33,931 (1,95,818)	7,91,07,846 (4,32,68,061)
Sponge	Each			
Total				59,64,47,567 (38,85,38,295)

*Production quantities are quantities of goods manufactured by third parties on loan licences.

(b) Stocks

Class of goods	Units	OPENING STOCK		CLOSING STOCK	
		Quantity	Value	Quantity	Value
Tablets	No. in millions	1 (56)	15,59,567 (2,05,33,879)	— (1)	1,069 (15,59,567)
Ointments/Creams	Kilograms	14,938 (16,220)	1,46,34,694 (1,71,06,228)	15,995 (14,938)	75,68,866 (1,46,34,694)
Injectables	Litres	12,186 (5,266)	2,97,31,633 (2,52,09,871)	1,595 (12,186)	2,07,50,639 (2,97,31,633)
Injectables	MIU	30,900 (73,431)	5,37,59,576 (12,39,15,800)	8,094 (30,900)	86,06,366 (5,37,59,576)
Injectables	MG Vials	8,973 (7,519)	3,00,14,830 (3,46,18,851)	10,618 (8,973)	4,08,84,239 (3,00,14,830)
Liquids	Litres	20,966 (16,368)	94,75,211 (1,07,85,379)	12,859 (20,966)	1,45,29,814 (94,75,211)
Patches	Each	87,311 (1,00,198)	17,74,948 (16,51,440)	1,00,651 (87,311)	16,22,235 (17,74,948)
Capsules	Each	1,74,897 (11,762)	90,89,223 (1,87,86,275)	2,88,305 (1,74,897)	1,89,87,295 (90,89,223)
Sponge	Each	1 (485)	1,781 (8,63,673)	— (1)	— (1,781)
Total			15,00,41,463 (25,34,71,396)		11,29,50,523 (15,00,41,463)

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

(c) Turnover

Class of goods	Units	TURNOVER	
		Quantity	Value
Tablets	No. in millions	0.38 (5.64)	5,87,596 (77,14,208)
Ointments/Creams.	Kilograms	1,98,442 (1,29,644)	63,98,36,171 (38,36,26,105)
Injectables	Litres	22,939 (26,837)	6,35,51,817 (9,06,83,977)
Injectables	MIU	21,647 (37,876)	5,88,49,492 (10,09,39,282)
Injectables.	MG Vials	39,821 (24,720)	34,33,50,840 (21,91,53,288)
Liquids	Litres	69,683 (52,723)	6,38,61,029 (5,78,26,714)
Patches	Each	1,20,085 (1,43,198)	34,86,293 (41,58,401)
Capsules	Each	2,84,507 (28,595)	13,15,30,152 (8,17,01,722)
Sponge	Each	— (496)	— (11,63,839)
Total			1,30,50,53,390 (94,69,67,536)

NOTES:

- (1) The Company does not require industrial licence under the Industries (Development & Regulation) Act, 1951 and hence licensed capacities are not applicable.
- (2) Figures of closing stock are after adjusting difference on account of damages, excesses and shortages.
- (3) Quantities have been rounded off to the nearest unit.
- (4) Figures in brackets relate to the previous year.

14. Raw materials consumed:

Materials	2003		2002	
	Quantity in Kgs.	Value	Quantity in Kgs.	Value
Antihistamines	6	35,47,316	8	81,02,932
Antibiotics	578	2,94,54,025	1,505	2,66,35,517
Antifungal	515	30,46,671	200	10,90,491
Anticancer	—	—	0.27	87,275
Analgesic/Antipyretic	6	766	36	5,213
Steroids	9	1,79,71,577	17	1,81,93,677
Solvents (Tonnes)	47	26,36,852	8	4,27,923
Sugar/Lactose (Tonnes)	7	1,76,229	33	5,36,136
Emollients & Protectives	2,966	53,74,496	2,877	50,49,712
Other raw materials		78,46,010		50,70,796
Total		7,00,53,942		6,51,99,672

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	2003		2002	
	Amount	%	Amount	%
15. Consumption of raw materials:				
Imported	5,30,82,102	76	5,38,34,891	83
Indigenous	1,69,71,840	24	1,13,64,781	17
Total ..	7,00,53,942	100	6,51,99,672	100
16. (a) CIF value of Imports:				
Raw materials/Finished goods ..	31,52,75,943		21,45,71,317	
Capital Goods	—		16,14,822	
Total ..	31,52,75,943		21,61,86,139	
(b) Expenditure in Foreign Currency:				
Travel	1,50,380		5,32,318	
Others	26,64,301		38,20,440	
Total ..	28,14,681		43,52,758	
(c) Remittance in foreign currency during the year on account of dividend:				
Amount remitted	—		19,20,000	
Number of non-resident shareholders ..	—		1	
Number of shares held by non-resident on which dividends were due	—		12,80,000	
Year to which dividend relates	—		2001	
(d) Earnings/Receipts in Foreign Exchange Reimbursement/ Allowance of Promotion Expenses	74,333		28,90,900	
Re-export of Raw Material	12,91,557		—	
	13,65,890		28,90,900	
17. Sundry Creditors include Rs. 27,30,543 (previous year Rs. 23,49,098) due to small scale industrial undertakings. Amounts payable to Small Scale Undertakings over 30 days are Aqua Proofers Pvt. Ltd., Bhuta International, D M Roll Labels, HBR Packagings, Laxmi Print Art, Nalanda Packaging Industries, Nilmac Packaging Ind. Ltd. Pink Packaging & Moulding P. Ltd. Pristine Industries, Silvo Lical Chemicals Ltd., Simal Packaging Pvt. Ltd., Subhash Chemical Industries, Vigirom Chem. Pvt. Ltd.				
18. Figures for the previous year have been regrouped and/or reclassified, wherever necessary, to conform with current year's classification.				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, March 8, 2004.

USHA RAMDOSS
Company Secretary

Signatures to Schedules 1 to 18

R. A. SHAH *Chairman*

D. C. SHROFF
K. D. SHAH
K. J. KAUL } *Directors*

Mumbai, March 5, 2004.

Balance Sheet Abstract and Company's General Business Profile

Additional information pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	:	6199 of 1947-1948
State Code	:	11
Balance Sheet Date	:	31-12-2003

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	425610
Total Assets	:	425610

Sources of Funds

Paid-up Capital	:	32000
Reserves & Surplus	:	101077
Secured Loans	:	—
Unsecured Loans	:	70720

Application of Funds

Net Fixed Assets	:	24591
Investments	:	153
Net Current Assets	:	179053*
Miscellaneous Expenditure	:	—
Accumulated Losses	:	—

* Includes Deferred Tax Asset.

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income	:	1272862
Other Income	:	5362
Total Expenditure (excluding depreciation)	:	1213322
Depreciation	:	5708
Profit/(Loss) Before Tax (P.B.T.)	:	59194
Profit/(Loss) After Tax (P.A.T.)	:	59356
Earnings Per Share (Rs.)	:	18.55
Dividend Rate (%)	:	20.00

V. Generic Names of Three Principal Products/Services of the Company

(as per monetary terms)		
Item Code No. (ITC Code)	:	—
Product Description	:	Antibiotic Anti-cancer (Oncology) Topical Ointment (Dermatology)

For and on behalf of the Board of Directors

Mumbai, March 5, 2004.

USHA RAMDOSS
Company Secretary

R. A. SHAH
Chairman

Subsidiary Companies

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY
SCHERING-PLOUGH (INDIA) PRIVATE LIMITED**

A.	The Financial Year of the Subsidiary Company.	December 31, 2003
B.	(a) Number of Shares held by Fulford (India) Limited in the Subsidiary Company at the end of the Financial Year of the Subsidiary Company	10,150 Equity Shares of Rs. 10 each fully paid.
	(b) Extent of holding	100%
C.	The net aggregate of Profits or (Losses) of the Subsidiary Company so far as it concerns the members of Fulford (India) Limited and not dealt with in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2003	Rs. (15,713)
	(b) For the previous financial year	Rs. (20,776)
D.	Profit dealt with or (Losses) provided for in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2003	NIL
	(b) For the previous financial year	NIL

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY
WELLNEX PHARMACEUTICALS PRIVATE LIMITED**

A.	The Financial Year of the Subsidiary Company.	December 31, 2003
B.	(a) Number of Shares held by Fulford (India) Limited in the Subsidiary Company at the end of the Financial Year of the Subsidiary Company.	10,200 Equity Shares of Rs. 10 each fully paid.
	(b) Extent of holding	100%
C.	The net aggregate of Profits or (Losses) of the Subsidiary Company so far as it concerns the members of Fulford (India) Limited and not dealt with in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2003	Rs. (1,82,818)
	(b) For the previous financial year	Rs. (6,00,340)
D.	Profit dealt with or (Losses) provided for in the Accounts of Fulford (India) Limited:	
	(a) For Financial Year ended on December 31, 2003	NIL
	(b) For the previous financial year	NIL

Mumbai, March 5, 2004.

USHA RAMDOSS
Company Secretary

R. A. SHAH	}	Chairman
D. C. SHROFF		Directors
K. D. SHAH		
K. J. KAUL		

Directors' Report

Your Directors have pleasure in presenting the Fifteenth Annual Report of the Company alongwith the Audited Accounts for the year ended December 31, 2003.

FINANCIAL RESULTS

During the year, the Company has incurred a loss of Rs.0.16 lakhs as against the loss of Rs.0.21 lakhs in the previous year. After adjusting against the carried forward profits of the previous year of Rs. 0.17 lakhs, the amount available for appropriation stands at Rs. 0.01 lakhs.

DIVIDEND

The Directors do not recommend any dividend for the year ended December 31, 2003.

CURRENT YEAR AND PROSPECTS

The Directors do not expect any significant change in the position of the Company in the next year.

DIRECTORS

Mr. R. K. Rustagi retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

FIXED DEPOSIT

The Company has not accepted any Deposits from the public during the period under review.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and according to a Certificate received from them under Section 224(1B) of the Companies Act, 1956, they are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217(1)(e)

Information required to be annexed to this report in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is either nil or is not applicable to the Company.

In accordance with the sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning '**Directors Responsibility Statement**' and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they 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 and of the Loss of the Company for that period;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

For and on behalf of the Board of Directors

M. K. RAJAN
Chairman

Mumbai, March 5, 2004.

Auditors' Report

AUDITORS' REPORT TO THE MEMBERS OF SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

1. We have audited the attached Balance Sheet of Schering-Plough (India) Private Limited as at December 31, 2003 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) on the basis of the written representations received from the directors as on December 31, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in case of the Balance Sheet, of the state of affairs of the company as at December 31, 2003; and
 - (b) in case of the Profit and Loss Account, of the Loss for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Membership No.38568

Mumbai, March 8, 2004

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our Report of even date)

1. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such that clauses ii, viii, xiii, xiv, xviii, xix, xx are not applicable to the Company.
2. As the company does not have any fixed assets, the question regarding maintainance of proper records, physical verification and disposal is not applicable.
3. In our opinion and according to the information and explanations given to us, the company has not granted or taken any loan secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. There were no transactions in respect of purchase of inventory, fixed assets and sale of goods during the year.
5. In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956;
 - a. To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - b. According to the information and explanations given to us, there were no such transactions that needed to be entered into a register in pursuance of section 301 of the Companies Act, 1956 (excluding those reported under paragraph 3 above) in excess of Rs. 5 lakhs in respect of any party. There were no transactions in respect of purchase and sale of goods and materials during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. As the paid up capital and reserves of the company is less than Rs. 50 lakhs as at the commencement of the financial year and the average annual turnover is less than Rs. 5 crores, the requirement of an internal audit system is not applicable to the company.
8. According to the information and explanations given to us in respect of statutory and other dues:
 - a. The company has been regular in depositing undisputed statutory dues, including Income tax, Cess and other statutory dues with the appropriate authorities during the year. There were no dues in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Custom Duty and Excise Duty during the year.
 - b. Disputed sales tax aggregating to Rs. 1,49,267 have not been deposited since the matters are pending with the relevant Sales tax Appellate Authorities. There were no disputed dues in respect of income-tax, customs duty, wealth tax and excise duty during the year.
9. The company does not have any accumulated losses as at the end of the financial year. The company has incurred cash losses during the current and the immediately preceding financial year.
10. In our opinion and according to the information and explanations given to us, the company has no dues to banks and financial institutions. The company has not obtained any borrowings by way of debentures.
11. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions.
13. The company has not obtained any term loan during the year.
14. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, the company has not raised any short term or long term funds during the year.
15. 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 was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Membership No. 38568

Mumbai, March 8, 2004

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Balance Sheet

as at December 31, 2003

	Schedule	As at December 31, 2003 Rupees	As at December 31, 2003 Rupees	As at December 31, 2002 Rupees	As at December 31, 2002 Rupees
SOURCES OF FUNDS					
Capital	1		1,01,500		1,01,500
Reserves and surplus	2		1,389		17,102
Total .. .. .	..		1,02,889		1,18,602
APPLICATION OF FUNDS					
Current Assets, Loans and Advances					
Cash and bank balances	3	1,30,819		1,61,792	
Loans and Advances	4		7,680	6,610	
			1,38,499	1,68,402	
Less : Current Liabilities and Provisions					
Liabilities	5	35,610		49,800	
Provisions		—		—	
		35,610		49,800	
Net Current Assets			1,02,889		1,18,602
Total			1,02,889		1,18,602
Significant Accounting Policies and Notes on Accounts	8				

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

M. K. RAJAN *Chairman*
A. V. SAPRE *Director*

K. A. KATKI
Partner

Mumbai, March 8, 2004.

Mumbai, March 5, 2004.

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Profit and Loss Account

for the year ended December 31, 2003

	Schedule	Year ended December 31, 2003		Year ended December 31, 2002	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Other Income	6		<u>14,227</u>		<u>9,274</u>
EXPENDITURE					
Operating and other expenses	7	29,940	<u>29,940</u>	30,050	<u>30,050</u>
Loss for the year before tax			<u>(15,713)</u>		<u>(20,776)</u>
Provision for taxation			—		—
Loss for the year after tax			<u>(15,713)</u>		<u>(20,776)</u>
Balance of profit brought forward			17,102		37,878
Balance of profit carried forward			<u>1,389</u>		<u>17,102</u>
Basic & Diluted Earnings per Share of Rs. 10/- each (Refer note no. 3)			<u>(1.55)</u>		<u>(2.05)</u>
Significant Accounting Policies and Notes on accounts	8				

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

M. K. RAJAN

Chairman

A. V. SAPRE

Director

K. A. KATKI
Partner

Mumbai, March 8, 2004.

Mumbai, March 5, 2004.

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account

		As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
1.	CAPITAL		
	Authorised:		
	50,000 Equity Shares of Rs. 10/- each	<u>5,00,000</u>	<u>5,00,000</u>
	Issued and Subscribed:		
	10,150 Equity Shares of Rs.10/- each fully paid-up	<u>1,01,500</u>	<u>1,01,500</u>
	(All the above shares are held by the Holding Company - Fulford (India) Limited & its nominee)		
2.	RESERVES & SURPLUS		
	Surplus as per Profit & Loss Account	<u>1,389</u>	<u>17,102</u>
3.	CASH AND BANK BALANCES		
	Cheques on hand	5,775	—
	With Scheduled banks on:		
	Current accounts	45,044	26,792
	Deposit account	80,000	1,35,000
	Total	<u>1,30,819</u>	<u>1,61,792</u>
4.	LOANS AND ADVANCES		
	Advances recoverable in cash or kind for value to be received	7,680	6,610
	Total	<u>7,680</u>	<u>6,610</u>
5.	CURRENT LIABILITIES		
	Other Liabilities	35,610	49,800
	Total	<u>35,610</u>	<u>49,800</u>

SCHERING-PLOUGH (INDIA) PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	Year ended December 31, 2003 Rupees	Year ended December 31, 2002 Rupees
6. OTHER INCOME		
Interest on bank deposits (tax deducted at source Rs. 1,279; previous year Rs. 1,921)	6,127	9,274
Credit balances written back	8,100	—
Total	14,227	9,274
7. OPERATING & OTHER EXPENSES		
Rent	21,000	21,000
Miscellaneous Expenses	1,380	1,700
Auditor's remuneration - Audit fees	7,560	7,350
Total	29,940	30,050
8. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS		
A. Significant Accounting Policies		
(1) Basis of Accounting		
The accounts have been prepared under historical cost concept on an accrual basis.		
(2) Use of Estimates		
The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known materialised.		
(3) Taxation		
Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations. Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the Balance Sheet date.		
Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective comparative values at each balance sheet date.		
B. Notes on accounts		
(1) Contingent Liabilities		
Claims against the company not acknowledged as debts in respect of sales tax Rs. 1,49,267/- (previous year Rs. Nil)		
(2) Taxation		
a) As the company has incurred book losses and tax losses during the year, the company does not have any liability towards current taxation for the year.		
b) The deferred tax assets arising due to carry forward losses have not been recognised, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.		
(3) Earning per share calculation	(Figures in Rupees unless otherwise specified)	
	2003	2002
Loss used as numerator in calculating basic/diluted Earnings per share	(15,713)	(20,776)
Number of equity shares (Face value Rs. 10/-)	10,150	10,150
Earnings per share (Basic & diluted)	(1.55)	(2.05)
(4) Amount due to Small Scale Industrial Undertakings Rs. Nil (Previous year Rs. Nil).		
(5) Disclosures required under Schedule VI - Part II - Para 4 are not applicable to the Company.		
(6) Figures for the previous year have been regrouped and/or reclassified, wherever necessary, to conform with the current year's classification.		

As per our report of even date attached

Signatures to Schedules 1 to 8

For DELOITTE HASKINS & SELLS
Chartered Accountants

M. K. RAJAN

Chairman

K. A. KATKI
Partner

A. V. SAPRE

Director

Mumbai, March 8, 2004.

Mumbai, March 5, 2004.

Balance Sheet Abstract and Company's General Business Profile

Additional information pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956.

I. Registration Details

Registration No.	:	53509 of 1989
State Code	:	11
Balance Sheet Date	:	31-12-2003

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	138
Total Assets	:	138

Sources of Funds

Paid-up Capital	:	101
Reserves & Surplus	:	1
Secured Loans	:	—
Unsecured Loans	:	—

Application of Funds

Net Fixed Assets	:	—
Investments	:	—
Net Current Assets	:	102
Miscellaneous Expenditure	:	—
Accumulated Losses	:	—

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income	:	14
Total Expenditure	:	30
Profit/(Loss) Before Tax	:	(16)
Profit/(Loss) After Tax	:	(16)
Earnings Per Share (Rs.)	:	(1.55)
Dividend Rate (%)	:	—

V. Generic Names of Principal Products/Services of the Company

(as per monetary terms)

Item Code No.	:	—
Product Description	:	—

For and on behalf of the Board of Directors

M. K. RAJAN
Chairman

Mumbai, March 5, 2004.

Directors' Report

Your Directors have pleasure in presenting the Fifteenth Annual Report of the Company alongwith the Audited Accounts for the year ended December 31, 2003.

FINANCIAL RESULTS

During the year, the Company incurred a loss of Rs. 1.83 lakhs as against the loss of Rs. 6.00 lakhs in the previous year.

DIVIDEND

The Directors do not recommend any dividend for the year ended December 31, 2003.

AMALGAMATION WITH FULFORD (INDIA) LIMITED

The Company was incorporated in 1989 and was rendering quality control services to Fulford (India) Limited, which had its own manufacturing operations at that point of time. Now, Fulford has fully outsourced production to third parties under loan licence and consequently, quality control is undertaken by these third parties. The other quality control jobs are being undertaken by Fulford's Quality Control Laboratory. In view of the same, the services of the Company are redundant and therefore the Board of Directors of the Company have decided to amalgamate the Company with Fulford (India) Limited.

The scheme of amalgamation has been filed by Fulford (India) Limited with The Stock Exchange, Mumbai for its approval.

DIRECTORS

During the year Dr. S. Menon, Director resigned from the services of the Company. The Board places on record its appreciation and gratitude for the dedicated and valuable contribution made by Dr. S. Menon during his tenure as Director.

Mr. K. Venkatraman retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

FIXED DEPOSIT

The Company has not accepted any Deposits from the public during the period under review.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and according to a Certificate received from them under Section 224(1B) of the Companies Act, 1956, they are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217(1)(e)

Information required to be annexed to this report in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is either nil or is not applicable to the Company.

In accordance with the sub-section (2AA) of Section 217 of the Companies (Amendment) Act, 2000 concerning 'Directors Responsibility Statement' and to the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors confirm that:

- i) in the preparation of Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they 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 and of the loss of the Company for that period;
- iii) they have exercised proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts are prepared on a going concern basis.

For and on behalf of the Board of Directors

K. VENKATRAMAN
Chairman

Mumbai, March 5, 2004.

Auditors' Report

AUDITORS' REPORT TO THE MEMBERS OF WELLNEX PHARMACEUTICALS PRIVATE LIMITED

1. We have audited the attached balance sheet of Wellnex Pharmaceuticals Private Limited as at December 31, 2003 and also the profit and loss account of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) the balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) on the basis of the written representations received from the directors, as on December 31, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2003 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, 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, 2003; and
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Mumbai, March 8, 2004

Membership No. 38568

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our Report of even date)

1. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such that clauses ii, viii, xiii, xiv, xviii, xix, xx are not applicable to the Company.
2. In respect of its fixed assets :
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. Verification of fixed assets is being conducted in a phased programme by the management designed to cover all assets over a period of three years, which in our opinion is reasonable having regard to the size of the company and the nature of assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - c. None of the fixed assets have been disposed off during the year.
3. In our opinion and according to the information and explanations given to us, the company has not granted or taken any loan secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. 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 nature of its business with regard to purchases of fixed assets. There were no transactions in respect of purchase of inventory and sale of goods during the year.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956;
 - a. To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - b. According to the information and explanations given to us, there were no such transactions that needed to be entered into a register in pursuance of section 301 of the Companies Act, 1956 (excluding those reported under paragraph 3 above) in excess of Rs. 5 lakhs in respect of any party. There were no transactions in respect of purchase and sale of goods and materials during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. As the paid up capital and reserves of the company is less than Rs. 50 lakhs as at the commencement of the financial year and the average annual turnover is less than Rs. 5 crores, the requirement of an internal audit system is not applicable to the company.
8. According to the information and explanations given to us in respect of statutory and other dues:
 - a. The company has been regular in depositing undisputed statutory dues, including Income tax, Sales tax, Cess and other statutory dues with the appropriate authorities during the year. There were no dues in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Wealth Tax, Custom Duty and Excise Duty during the year.
 - b. There were no disputed dues in respect of sales tax, income-tax, customs duty, wealth tax and excise duty during the year.
9. The company does not have any accumulated losses as at the end of the financial year. The company has not incurred cash losses during the current and the immediately preceding financial year.
10. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks and financial institutions. The company has not obtained any borrowings by way of debentures.
11. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions.
13. The company has applied term loans taken for the purpose for which they were taken.
14. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, the company has not raised any short term or long term funds during the year.
15. 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 was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
(Partner)

Mumbai, March 8, 2004

Membership No. 38568

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Balance Sheet

as at December 31, 2003

			As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
	Schedule		Rupees	Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	1		102,000	102,000
Reserves and Surplus	2		<u>1,795,753</u>	<u>1,978,571</u>
			1,897,753	2,080,571
Loan Funds				
Secured loans	3		1,128,313	1,730,776
Lease Obligation				
(Payable within a year Rs. 5,44,605; previous year Rs.4,68,966)				
Deferred Tax Liability (Net)				
			<u>80,171</u>	63,872
Total ..			<u><u>4,481,875</u></u>	<u><u>5,719,823</u></u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4		5,803,230	5,803,230
Less: Depreciation			<u>2,408,762</u>	<u>1,412,850</u>
Net Block			3,394,468	4,390,380
Current Assets, Loans and Advances				
Cash and bank balances	5		49,089	355,630
Loans and advances	6		<u>1,107,323</u>	<u>1,034,563</u>
			1,156,412	1,390,193
Less: Current Liabilities & Provisions				
Liabilities	7		69,005	60,750
Provisions			<u>—</u>	<u>—</u>
			69,005	60,750
Net Current Assets			1,087,407	1,329,443
Total ..			<u><u>4,481,875</u></u>	<u><u>5,719,823</u></u>
Significant Accounting Policies and Notes on Accounts				
	11			

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

K. VENKATRAMAN *Chairman*
S. BASU *Director*

K. A. KATKI
Partner

Mumbai, March 8, 2004.

Mumbai, March 5, 2004.

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Profit and Loss Account

for the year ended December 31, 2003

				Schedule	For the year ended December 31, 2003 Rupees	For the year ended December 31, 2002 Rupees	For the year ended December 31, 2003 Rupees	For the year ended December 31, 2002 Rupees
INCOME								
Income from services rendered	..				3,840,000		3,840,000	
Other income	..	..	..	8	—		10,125	
						3,840,000		3,850,125
EXPENDITURE								
Operating and other expenses	..			9	2,576,748		2,807,806	
Depreciation	..	..	..		995,912		995,912	
Interest	..	..	..	10	433,859		576,102	
						4,006,519		4,379,820
PROFIT/(LOSS) BEFORE TAX						(166,519)		(529,695)
Provision for tax								
Current tax	..	..			—		—
Deferred tax (net)	..	..			16,299		70,645	
						16,299		70,645
PROFIT/(LOSS) AFTER TAX						(182,818)		(600,340)
Balance of profit brought forward	..	..			2,029,571		2,629,911	
Balance carried forward	..	..			1,846,753		2,029,571	
Basic & Diluted Earnings per Share of Rs. 10/- each						(17.92)		(58.86)
(Refer note no. 5)								
Significant Accounting Policies and Notes on Accounts								
	..	..	..	11				

As per our report of even date attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

K. VENKATRAMAN *Chairman*
S. BASU *Director*

K. A. KATKI
Partner

Mumbai, March 8, 2004.

Mumbai, March 5, 2004.

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Schedules to Balance Sheet & Profit & Loss Account

	As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
1. CAPITAL		
Authorised:		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
Issued and Subscribed:		
10,200 Equity Shares of Rs. 10/- each fully paid-up	102,000	102,000
Of the above shares, 5,100 Equity shares are allotted as fully paid-up by way of bonus shares by capitalisation of surplus in profit & loss account (All the above shares are held by the Holding Company — Fulford (India) Limited & its nominee)		
2. RESERVES & SURPLUS		
Surplus as per Profit and Loss Account:		
Balance as per last balance sheet	1,978,571	2,629,911
Less: Capitalised towards issue of bonus shares	—	51,000
	1,978,571	2,578,911
Add: Deficit as per Profit & Loss Account	(182,818)	(600,340)
	1,795,753	1,978,571
3. SECURED LOANS		
From bank (secured by hypothecation of machinery)	1,128,313	1,730,776
4. FIXED ASSETS		

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	AT COST						WRITTEN DOWN VALUE	
	As at January 1st, 2003	Additions	As at December 31st, 2003	Upto January 1st, 2003	Depreciation for the year	Upto December 31st, 2003	As at 31st December, 2003 2002	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned Assets :								
Machinery and equipments	3,289,172	—	3,289,172	577,126	493,376	1,070,502	2,218,670	2,712,046
Assets acquired under Finance Lease :								
Machinery and equipments	2,514,058	—	2,514,058	8,35,724	502,536	1,338,260	1,175,798	1,678,334
Total	5,803,230	—	5,803,230	1,412,850	995,912	2,408,762	3,394,468	
Previous year total	5,803,230	—	5,803,230	416,938	995,912	1,412,850	4,390,380	

5. CASH AND BANK BALANCES		
With Scheduled bank in Current Account	49,089	355,630
	49,089	355,630
6. LOANS AND ADVANCES — (Unsecured, Considered good)		
Advances recoverable in cash or in kind or for value to be received	222,235	228,835
Deposits	386,940	386,940
Advance tax paid (net of provisions)	498,148	418,788
	1,107,323	1,034,563
Advances recoverable in cash or in kind for value to be received includes:		
a) amount recoverable from Fulford (India) Ltd., a holding company, Rs. Nil (previous year Rs. Nil) maximum amount due during the year Rs. 1,93,940 (Previous year Rs. 4,01,000)		
7. CURRENT LIABILITIES		
Other Liabilities	69,005	60,750
	69,005	60,750

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

	Year ended December 31, 2003 Rupees	Year ended December 31, 2002 Rupees
8. OTHER INCOME		
Insurance Claims	—	10,125
	<u>—</u>	<u>10,125</u>
9. OPERATING & OTHER EXPENSES		
Electricity	336,000	336,000
Rent (Including Lease Rental)	1,221,988	1,222,128
Insurance	21,009	49,740
Deputation	900,000	900,000
Water	18,000	18,000
Professional Services	—	201,985
Sales Tax on Lease Rent	59,544	59,548
Miscellaneous Expenses	6,707	7,280
Auditors' remuneration - Audit Fees	13,500	13,125
	<u>2,576,748</u>	<u>2,807,806</u>
10. INTEREST		
Lease	261,442	325,691
Term Loan	172,417	250,411
	<u>433,859</u>	<u>576,102</u>

11. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

(1) Basis of Accounting

The accounts have been prepared under historical cost concept on an accrual basis.

(2) Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known materialised.

(3) Fixed Assets and Depreciation

Fixed Assets are carried at cost of acquisition less accumulated depreciation. Depreciation on fixed assets acquired/sold/discarded/demolished during the year is provided from/upto the date on which the asset is acquired/sold/discarded/demolished. Fixed assets are depreciated on Straight Line Method over their estimated useful lives. (Depreciation (%) used: Machinery & Equipments 15). Assets costing less than Rs. 5,000/- per item are depreciated at 100% in the year of purchase. A nominal value of Re. 1/- is assigned to fully depreciated assets.

Cost of Assets acquired under finance lease after April 1, 2001 is amortised over the period of lease.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

- (4) **Borrowing Cost**
Borrowing costs other than those that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.
- (5) **Foreign Currency Transactions**
(i) Transactions in foreign currency are recorded at the exchange rate prevailing at the time of occurrence of the transaction.
(ii) All Foreign currency liabilities/assets outstanding as at year end are restated at the rates ruling on that date.
Any exchange differences arising on such transactions, are dealt with in the Profit and Loss Account (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset.)
- (6) **Lease**
In case of assets taken on lease prior to April 1, 2001, lease rent paid is charged to profit & loss account. Assets taken on finance lease after April 1, 2001, have been capitalised in accordance with AS-19 issued by the Institute of Chartered Accountants of India.
- (7) **Taxation**
Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations. Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the balance sheet date.
Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective comparative values at each balance sheet date.

B. Notes on Accounts

- (1) **Contingent liabilities:**
Claims against the company not acknowledged as debts pertaining to interest on lease Rs. 86,494 (previous year Rs. Nil)
- (2) The Board of Directors of the company at their meeting held on October 20, 2003 decided to amalgamate the company with its holding company - Fulford (India) Limited, effective January 1, 2004. Pursuant to this, Fulford (India) Limited has filed a scheme of amalgamation with the Stock Exchange, Mumbai, for its approval.
- (3) **Reconciliation of Minimum Lease Payments and their Present Value as at the balance sheet date.**

	2003	2002
	<u>Rupees</u>	<u>Rupees</u>
Minimum Lease Payments	1,654,250	2,378,299
Less: Present Value of Minimum Lease Payments	885,342	1,393,002
Unexpired Finance Charges	<u>768,908</u>	<u>985,297</u>

	2003		2002	
	<u>Minimum</u>	<u>Present</u>	<u>Minimum</u>	<u>Present</u>
	<u>Lease</u>	<u>Value</u>	<u>Lease</u>	<u>Value</u>
	<u>Payments</u>		<u>Payments</u>	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Not later than one year	724,049	429,287	724,049	507,660
Later than one year and not later than five years	930,201	456,055	1,654,250	885,342
Later than five years	—	—	—	—

- (4) **Taxation:**
- a) As the company has incurred book losses and tax losses during the year, the company does not have any liability towards current taxation for the year.
- b) In compliance with Accounting Standard (AS) 22 "Accounting for taxes on income", the company has recognised net deferred tax of Rs. 16,299/- in the profit and loss account for the year. The break-up of Deferred tax asset/(liability) into major components as at the year end is as under.

	2003	2002
	<u>Rupees</u>	<u>Rupees</u>
Lease accounting effect (Deferred Tax Asset)	88,119	75,594
Less: Book/Tax depreciation difference (Deferred Tax Liability)	168,290	139,466
	<u>(80,171)</u>	<u>(63,872)</u>

WELLNEX PHARMACEUTICALS PRIVATE LIMITED

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

(5) Earnings per share calculation: *(Figures in Rupees unless otherwise specified)*

	2003	2002
Loss used as numerator in calculating basic/diluted Earnings per share	(182,818)	(600,340)
Number of equity shares (Face value Rs. 10/-)	10,200	10,200
Earnings per share (Basic & diluted)	(17.92)	(58.86)

- (6) Expenditure in foreign currency: Professional Fees Rs. Nil (previous year Rs. 1,96,595/-).
- (7) Amount due to Small Scale Industrial Undertakings Rs. Nil (Previous year Rs. Nil)
- (8) Disclosures required under Schedule VI - Part II - Para 4 are stated to the extent applicable to the company.
- (9) Figures for the previous year have been regrouped and/or reclassified, wherever necessary, to conform with the current year's classification.

As per our report of even date attached

Signatures to Schedules 1 to 11

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. KATKI
Partner

Mumbai, March 8, 2004.

K. VENKATRAMAN *Chairman*
S. BASU *Director*

Mumbai, March 5, 2004.

Balance Sheet Abstract and Company's General Business Profile
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Additional information pursuant to Provisions of Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	:	53893 of 1989
State Code	:	11
Balance Sheet Date	:	31-12-2003

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	:	4551
Total Assets	:	4551

Sources of Funds

Paid-up Capital	:	102
Reserves & Surplus	:	1796
Secured Loans	:	1128
Unsecured Loans	:	—

Application of Funds

Net Fixed Assets	:	3394
Investments	:	—
Net Current Assets	:	(368)*
Miscellaneous Expenditure	:	—
Accumulated Losses	:	—

* Includes Deferred Tax Asset	—	(80)
Lease Obligation	—	(1376)

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income	:	3840
Total Expenditure	:	4007
Profit Before Tax (P.B.T.)	:	(167)
Profit After Tax (P.A.T.)	:	(183)
Earnings Per Share (Rs.)	:	(17.92)
Dividend Rate (%)	:	—

V. Generic Names of Principal Products/Services of the Company

(as per monetary terms)

Item Code No.	:	—
Product Description	:	Analytical services

For and on behalf of the Board of Directors

K. VENKATRAMAN
Chairman

Mumbai, March 5, 2004.

Auditors' Report

To The Board of Directors of Fulford (India) Limited
on the Consolidated Financial Statements of Fulford (India) Ltd. Group

1. We have audited the attached consolidated balance sheet of Fulford (India) Limited Group as at December 31, 2003, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Fulford (India) Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by Fulford (India) Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
4. ***Out of the remuneration paid to the Managing Director of the company as referred to in Note No. 10 of Schedule 18 annexed to and forming part of the holding company's financial statements, an amount of Rs. Rs.28,84,635/- is subject to approval of the Central Government.***
5. ***Demand of Rs. 194.62 lakhs for Drug Price Equalisation Account as referred to in Note no. B.1.(e) of Schedule 18 annexed to and forming part of the holding company's financial statements, is contested by the company in the High Court and hence no provision has been made in the accounts. As per the Supreme Court's directions the company has deposited a sum of Rs. 50 lakhs pending the disposal of the matter by the High Court and the same has been shown under "Loans and Advances - Deposits".***
6. In our opinion and to the best of our information and according to the explanations given to us, and subject to our remarks in paragraphs 4 and 5 above, the 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 Fulford (India) Limited Group as at December 31, 2003;
 - b. in the case of the consolidated profit and loss account, 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.

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
(Partner)

Mumbai, March 8, 2004

Membership No.: 9544

Consolidated Financial Statements of Fulford (India) Limited Group

Balance Sheet

as at December 31, 2003

	Schedule	As at December 31, 2003		As at December 31, 2002	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	32,000,000		32,000,000	
Reserves and surplus	2	102,925,021		48,877,135	
			134,925,021		80,877,135
Loan Funds					
Secured loans	3	1,128,313		37,516,310	
Unsecured loans	4	70,720,506		121,330,280	
			71,848,819		158,846,590
Lease Obligation			1,375,638		1,844,604
(Payable within one year Rs. 5,44,605; previous year Rs. 4,68,966)					
Total			208,149,478		241,568,329
APPLICATION OF FUNDS					
Fixed assets					
Gross block	5	62,990,193		59,161,062	
Less: Depreciation		35,004,510		32,381,869	
Net block		27,985,683		26,779,193	
Add: Capital Work in Progress (Including advances on Capital Account)		—	27,985,683	4,001,618	30,780,811
Deferred tax assets (net)			15,602,544		7,456,959
Current assets, loans and advances					
Inventories	6	170,593,688		202,237,602	
Sundry debtors	7	141,599,562		73,844,872	
Cash and bank balances	8	43,461,596		6,468,317	
Loans and advances	9	30,325,906		45,998,448	
		385,980,752		328,549,239	
Less: Current liabilities and provisions					
Liabilities	10	177,143,612		99,364,781	
Provisions	11	44,275,889		25,853,899	
		221,419,501		125,218,680	
Net current assets			164,561,251		203,330,559
Profit & Loss Account	12		—		—
(Debit Balance)					
Total			208,149,478		241,568,329
Significant Accounting Policies and Notes on Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, March 8, 2004.

Usha Ramdoss
Company Secretary

R. A. SHAH

D. C. SHROFF

K. D. SHAH

K. J. KAUL

Chairman

Directors

Mumbai, March 5, 2004

Consolidated Financial Statements of Fulford (India) Limited Group

Profit and Loss Account

for the year ended December 31, 2003

	Schedule	Year ended December 31, 2003		Year ended December 31, 2002	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Sales (Gross)	.. .. .	1,305,053,390		946,967,536	
Less: Excise Duty	.. .. .	32,191,230		35,009,999	
Sales (Net)	.. .. .	1,272,862,160		911,957,537	
Other income	.. .. . 13	5,376,239		53,584,831	
			1,278,238,399		965,542,368
EXPENDITURE					
Cost of materials/goods	.. .. . 14	730,410,825		604,891,560	
Personnel expenses	.. .. . 15	148,120,146		132,791,588	
Operating and other expenses	.. .. . 16	317,874,406		276,902,405	
Depreciation	.. .. .	6,704,328		5,828,411	
Interest	.. .. .	16,116,541		21,640,715	
			1,219,226,246		1,042,054,679
PROFIT/(LOSS) BEFORE TAX	.. .. .		59,012,153		(76,512,311)
Provision for Tax					
Current tax	.. .. .	8,000,000		100,000	
Deferred tax credit (net)	.. .. .	(8,145,585)		70,645	
			(145,585)		170,645
PROFIT AFTER TAX	.. .. .		59,157,738		(76,682,956)
Tax adjustments for prior years	.. .. .		2,110,148		—
Balance of (loss)/profit brought forward	.. .. .	(60,605,334)		16,077,622	
Less: Adjusted against General Reserve	.. .. .	(60,605,334)		—	
			—		16,077,622
AMOUNT AVAILABLE FOR APPROPRIATION	.. .. .		61,267,886		(60,605,334)
APPROPRIATIONS					
Proposed dividend	.. .. .		6,400,000		—
Corporate tax on dividend	.. .. .		820,000		—
Transfer to general reserve	.. .. .		4,700,000		—
Balance carried forward	.. .. .		49,347,886		(60,605,334)
Total			61,267,886		(60,605,334)
Basic & Diluted Earnings Per Share of Rs. 10/- each			18.49		(23.96)
(See note no. B. 6 in schedule 17)					
Significant Accounting Policies and Notes on Accounts					
	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, March 8, 2004

R. A. SHAH

D. C. SHROFF

K. D. SHAH

K. J. KAUL

Chairman

Directors

Usha Ramdoss
Company Secretary

Mumbai, March 5, 2004

Consolidated Financial Statements of Fulford (India) Limited Group

Cash Flow Statement for the year ended December 31, 2003

	Year ended December 31, 2003		Year ended December 31, 2002	
	Rupees	Rupees	Rupees	Rupees
A Cash flow from operating activities :				
Net Profit before tax and Extraordinary items		59,012,153		(76,512,311)
ADJUSTMENTS FOR				
Depreciation	6,704,328		5,828,411	
Interest Paid	16,116,541		21,640,715	
(Profit)/loss on sale of assets	(734,980)		(32,217,850)	
		22,085,889		(4,748,724)
Operating Profit before working Capital		81,098,042		(81,261,035)
Adjustment for				
(Increase)/decrease in Trade and Other Receivables . .	(52,082,148)		53,154,293	
(Increase)/decrease in Inventories	31,643,914		100,543,757	
(Increase)/decrease in Deferred Miscellaneous Expenditure	—		10,581,533	
Lease Obligation	(468,966)		(403,833)	
Increase/(decrease) in Trade and Other Payables . .	87,794,531	66,887,331	(63,947,565)	99,928,185
Cash generated from Operations		147,985,373		18,667,150
Direct Taxes paid/ (received)		4,703,562		(3,823,750)
Net Cash from operating activities		143,281,811		22,490,900
B Cash Flow from investing activities				
Purchase of fixed assets		(4,438,345)		(21,142,487)
Sale of fixed assets		1,264,125		33,849,419
Net Cash used in investing activities		(3,174,220)		12,706,932
C Cash flow from financing activities				
Repayment of secured loans		(36,387,997)		(10,095,592)
Unsecured Loans		(50,609,774)		682,358
Dividend paid		—		(4,800,000)
Interest paid		(16,116,541)		(21,640,715)
Net Cash used in Financing activities		(103,114,312)		(35,853,949)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		36,993,279		(656,117)
Cash and cash equivalents as at 01.01.03		6,468,317		7,124,434
Cash and cash equivalents as at 31.12.03		43,461,596		6,468,317
Net increase/(decrease) in cash and cash equivalents . .		36,993,279		(656,117)

Note: The above 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 DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, March 8, 2004

Usha Ramdoss
Company Secretary

R. A. SHAH	}	Chairman
D. C. SHROFF		Directors
K. D. SHAH		
K. J. KAUL		

Mumbai, March 5, 2004

Consolidated Financial Statements of Fulford (India) Limited Group

Schedules to Balance Sheet

	As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
1. CAPITAL		
Authorised:		
50,00,000 Equity Shares of Rs. 10/- each. .	<u>50,000,000</u>	<u>50,000,000</u>
 Issued and Subscribed:		
32,00,000 Equity Shares of Rs.10/- each fully paid-up	<u>32,000,000</u>	<u>32,000,000</u>
Of the above shares, 29,10,000 Equity Shares are allotted as fully paid-up by way of bonus shares by capitalisation of general reserve.		
 2. RESERVES AND SURPLUS		
General Reserve :		
Balance as per last Balance Sheet	109,431,469	109,482,469
Less : Debit balance in Profit & Loss Account adjusted	60,605,334	—
Less : Transfer to Consolidation Reserve	—	51,000
Add : Transfer from Profit & Loss Account	4,700,000	—
	<u>53,526,135</u>	<u>109,431,469</u>
Consolidation Reserve :		
Balance as per last balance sheet	51,000	—
Add: Transfer from General Reserve	—	51,000
	<u>51,000</u>	<u>51,000</u>
Balance as per Profit & Loss Account	49,347,886	—
Less: Debit balance in Profit & Loss account as per contra (Schedule 12)	—	60,605,334
	<u>102,925,021</u>	<u>48,877,135</u>
 3. SECURED LOANS		
From banks (secured by hypothecation of inventories, book debts and fixed assets)	<u>1,128,313</u>	<u>37,516,310</u>
 4. UNSECURED LOANS		
Security deposits from C & F agents	67,142,727	114,542,100
Other deposits	3,577,779	6,788,180
	<u>70,720,506</u>	<u>121,330,280</u>

Consolidated Financial Statements of Fulford (India) Limited Group

Schedules to Balance Sheet (Contd.)

	As at December 31, 2003		As at December 31, 2002	
	Rupees	Rupees	Rupees	Rupees
6 INVENTORIES				
Raw and packing materials on hand and in transit		57,609,465		51,776,659
Work-in-process		33,700		419,480
Finished goods		112,950,523		150,041,463
Total . .		<u>170,593,688</u>		<u>202,237,602</u>
7 SUNDRY DEBTORS (UNSECURED)				
Debts outstanding for a period exceeding six months:				
Considered good	279,040		689,866	
Considered doubtful	3,047,686		3,036,713	
	<u>3,326,726</u>		<u>3,726,579</u>	
Less: Provision for doubtful debts	3,047,686		3,036,713	
	<u>279,040</u>		689,866	
Others Debts:				
Considered good		141,320,522		73,155,006
Total . .		<u>141,599,562</u>		<u>73,844,872</u>
8 CASH AND BANK BALANCES				
Cash (including cheques on hand)		4,124,428		4,584,824
Balances with scheduled banks in :				
Current account		1,567,168		1,513,493
Deposit account		37,770,000		370,000
Total . .		<u>43,461,596</u>		<u>6,468,317</u>
9 LOANS AND ADVANCES (Unsecured, Considered good)				
Advances recoverable in cash or in kind or for value to be received.		9,517,230		23,871,743
Deposits (See Note No. B.1(e))		17,321,205		17,163,349
Balance with excise authorities		3,487,471		4,963,356
Total . .		<u>30,325,906</u>		<u>45,998,448</u>

Advances recoverable in cash or in kind for value to be received includes: amount due in respect of housing loan to a Director Rs.10,76,571 (Previous year Rs.12,56,000); maximum amount due during the year Rs.12,56,000. (Previous year Rs.12,56,000).

Consolidated Financial Statements of Fulford (India) Limited Group

Schedules to Balance Sheet (Contd.)

	As at December 31, 2003 Rupees	As at December 31, 2002 Rupees
10 CURRENT LIABILITIES		
Sundry creditors	94,363,044	54,370,053
Unpaid dividend	275,324	341,920
Unpaid matured deposits	35,000	40,000
Other liabilities	82,470,244	44,612,808
Total	<u>177,143,612</u>	<u>99,364,781</u>
 11 PROVISIONS		
Taxation less payments	11,281,448	10,095,158
Leave encashment	14,076,056	15,758,741
Gratuity	11,698,385	—
Proposed dividend	6,400,000	—
Corporate tax on dividend	820,000	—
Total	<u>44,275,889</u>	<u>25,853,899</u>
 12. PROFIT & LOSS ACCOUNT (DEBIT BALANCE)		
Debit balance in Profit & Loss account	—	60,605,334
Less: Shown as deduction from General Reserve as per contra (Schedule 2)	—	60,605,334
Total	<u>—</u>	<u>—</u>

Consolidated Financial Statements of Fulford (India) Limited Group

Schedules to Profit and Loss Account

	Year ended December 31, 2003 Rupees	Year ended December 31, 2002 Rupees
13. OTHER INCOME		
Interest on Staff Loan	20,354	54,698
Interest on delayed payments from customers	364,622	890,368
Interest on deposits (tax deducted at source Rs. 56,803;	303,885	63,134
Previous year Rs. 7,231)		
Interest others (tax deducted at source Rs. 57,632;	514,082	2,521,653
Previous year Rs. 1,05,785)		
Profit on sale of fixed assets (net)	734,980	32,217,850
Miscellaneous income	3,438,316	17,837,128
Total	5,376,239	53,584,831
14. COST OF MATERIALS/GOODS		
Opening stocks:		
Raw and packing materials	51,776,659	37,030,052
Work in process.	419,480	11,283,778
Finished Goods.	150,041,463	254,467,529
	202,237,602	302,781,359
Purchases:		
Raw and packing materials	102,319,344	115,809,508
Finished Goods	596,447,567	388,538,295
	698,766,911	504,347,803
	901,004,513	807,129,162
Less: Closing stocks:		
Raw and packing materials	57,609,465	51,776,659
Work in process	33,700	419,480
Finished Goods.	112,950,523	150,041,463
	170,593,688	202,237,602
Total	730,410,825	604,891,560
15. PERSONNEL EXPENSES		
Salaries, wages,bonus and commission	112,278,059	97,445,365
Contribution to provident and other funds	28,129,772	15,734,722
Staff welfare expenses	7,712,315	9,029,968
Amortisation of expenditure under V.R.S.	—	10,581,533
Total	148,120,146	132,791,588

Consolidated Financial Statements of Fulford (India) Limited Group

Schedules to Profit and Loss Account (Contd.)

	Year ended December 31, 2003		Year ended December 31, 2002	
	Rupees	Rupees	Rupees	Rupees
16. OPERATING AND OTHER EXPENSES				
Processing charges		15,127,739		26,805,150
Stores and spares		2,946,026		2,972,581
Power and fuel		1,629,816		3,150,231
Rent		9,838,853		8,031,951
Repairs and maintenance to :				
Machinery and utilities	1,260,488		1,699,598	
Buildings	108,918		364,074	
Others	655,700		1,264,821	
		2,025,106		3,328,493
Insurance		2,509,005		3,427,085
Rates and taxes		2,481,358		3,321,859
Excise duty and sales tax		124,045,088		78,378,005
Freight and forwarding related expenses		13,980,579		15,854,062
Promotion and information expenses		22,222,904		23,119,710
Commission to agents		23,932,770		20,259,056
Travelling & conveyance		54,920,507		50,859,724
Auditors' remuneration:				
Audit fees	943,960		921,225	
Tax audit fees	108,000		105,000	
Out-of-pocket expenses	30,000		30,000	
		1,081,960		1,056,225
Directors' sitting fees & commission		326,000		85,500
Bad debts written off:	535,407		146,330	
Less: Adjusted against provision for earlier years	535,407		146,330	
		—		—
Provision for doubtful debts		546,380		—
Miscellaneous		40,260,315		36,252,773
Total		317,874,406		276,902,405

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A Significant Accounting Policies

1 Basis of Consolidation

(i) Basis of preparation

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

(ii) Principles of consolidation

The consolidated financial statements comprise the financial statements of Fulford (India) Limited and its 100% owned subsidiaries incorporated in India viz. Schering Plough (India) Pvt. Ltd. and Wellnex Pharmaceuticals Pvt. Ltd. The financial statements of all the three companies are prepared according to uniform accounting policies, in accordance with generally accepted accounting principles in India. The effects of inter-company transactions between the above mentioned companies are eliminated on consolidation.

2 Basis of Accounting

The Company follows accrual method of accounting. Assets and Liabilities are recorded at historical cost.

3 Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known materialised.

4 Sales

Gross Sales in Profit and Loss Account is stated inclusive of excise duty and sales tax.

5 Fixed Assets and Depreciation

Fixed Assets are carried at cost of acquisition less accumulated depreciation. Depreciation on fixed assets acquired/sold/discarded/demolished during the year is provided from/upto the date on which the asset is acquired/sold/discarded/demolished. Fixed assets are depreciated on Straight Line Method over their estimated useful lives. (Depreciation (%) used: Building 5/10; Leasehold improvements, Furniture & Fixtures 10; Machinery & Equipments, Utilities, Office Equipments 10/15/20; Vehicles 20; Computers 20/33.33). Assets costing less than Rs. 5,000/- per item are depreciated at 100% in the year of purchase. A nominal value of Re. 1/- is assigned to fully depreciated assets.

6 Lease

In accordance with Accounting Standard (AS) 19 on "Leases" issued by the Institute of Chartered Accountants of India, rentals paid under operating leases are charged to Profit and Loss Account and Assets taken on finance lease after April 1, 2001, have been capitalised.

7 Inventories

Inventories are valued at lower of historical cost or net realisable value. Cost is arrived at on First in First out basis and cost of finished goods and work-in-process includes appropriate allocation of production overheads.

8 Excise duty

Excise Duty paid/ payable on goods manufactured by the Company and remaining in inventory at the year end is included as a part of inventory valuation.

9 Borrowing Cost

Borrowing costs other than those that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.

10 Foreign Currency Transactions

(i) Transactions in foreign currency are recorded at the exchange rate prevailing at the time of occurrence of the transaction.

(ii) All Foreign currency liabilities/assets outstanding as at year end are restated at the rates ruling on that date.

Any exchange differences arising on such transactions, are dealt with in the Profit and Loss Account (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset)

11 Treatment of Retirement Benefits

The Company has various Schemes of Retirement Benefits such as Provident Fund, Superannuation Fund and Gratuity duly recognised by the Income Tax Authorities. Company's contribution in respect of Superannuation, Gratuity and Provident Fund is charged to revenue. Contribution in respect of Gratuity is paid to Life Insurance Corporation of India based on the actuarial valuation computed by it. The company also provides for accumulated privilege leave available on retirement to its employees based on actuarial valuation.

12 Taxation

Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations. Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the balance sheet date.

Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective comparative values at each balance sheet date.

Consolidated Financial Statements of Fulford (India) Limited Group

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

B NOTES ON ACCOUNTS :	(Figures in Rupees unless otherwise specified)	
	December 31st, 2003	December 31st, 2002
1 Contingent liabilities:		
(a) Claims against the Company not acknowledged as debts.	127,500	127,500
(b) Guarantee given by the Company to Housing Development Finance Corporation Ltd. against housing loans to employees.	—	12,887
(c) Other guarantees issued by banks on behalf of the Company (margin money issued guarantees Rs. 2,58,000; previous year Rs. 68,235)	1,492,722	170,000
(d) Guarantee given to Bank & NBFC on behalf of its subsidiary company	4,158,430	8,700,000
(e) The Government of India had made a demand for payment of Rs.194.62 lacs into the Drugs Prices Equalisation Account (DPEA) in respect of prior years (April 1,1979 to March 1,1984). The Company has contested this demand. Per the interim order of the Supreme Court a sum of Rs. 50 lakhs was deposited into the DPEA. The Company's Writ Petition has been admitted by the High Court and is pending for final hearing and disposal. As the demand is contested by the Company, no provision has been made in respect thereof. The sum of Rs.50 lacs deposited pursuant to the Supreme Court's Order has been shown under "Loans andAdvances-Deposits".		
(f) Claims against the Company not acknowledged as debts in Excise matters	448,539	—
(g) Claims against the Company not acknowledged as debts in Sales tax matters	1,686,026	—
(h) Claims against the company not acknowledged as debts pertaining to interest on lease	86,494	—
2 The company had received show-cause notices from excise authorities in earlier years for matters relating to classification dispute for two of its products. The company had disputed the show-cause notices. However, the adjudicating authority turned down our representations and raised a demand of Rs. 1,77,40,717/- together with penalty & interest. The company has filed an appeal with the higher Appellate authority against this demand for which orders are awaited. Pending outcome of the appeal, the company has provided for Rs. 1,77,40,717 (Excise duty Rs. 99,48,231; Penalty Rs. 25,69,665; Interest Rs. 52,22,821) in the accounts towards excise duty, penalty & interest. These amounts have been included under the head of "Excise duty & sales tax" in Schedule 16.		
3 The company has in the current year provided for Rs. 1,34,55,235/- as additional gratuity liability. This is based on intimation received from Life Insurance Corporation of India due to heavy withdrawals from the fund during past few years. This amount has been included under the head of "Contribution to provident and other funds" in Schedule 15.		
4 The Board of Directors of the company and Wellnex Pharmaceuticals Private Limited, have at their meetings held on October 16, 2003 and October 20, 2003 respectively, decided to amalgamate Wellnex Pharmaceuticals Private Limited with the company, effective January, 1 2004. Pursuant to this, the company has filed a scheme of amalgamation with the Stock Exchange, Mumbai, for its approval.		
5 Taxation:		
a) Current tax has been provided for the year in accordance with the provision of section 115JB of the Income Tax Act, 1961.		
b) In compliance with Accounting Standard (AS) 22 "Accounting for taxes on income", the company has recognised net deferred credit of Rs. 81,61,884/- In the profit and loss account during the current period. The break-up of Deferred tax assets/(liability) into major components as at the year end is as under.		
<u>Deferred Tax Liability</u>		
Depreciation	(233,145)	(139,466)
	(233,145)	(139,466)
<u>Deferred Tax Assets</u>		
Voluntary Retirement Scheme	2,847,094	4,666,456
Debtors provision	1,093,357	1,115,992
Provision for expenses	10,269,681	-
Others	1,625,557	1,813,977
	15,835,689	7,596,425
Deferred Tax Asset (Net)	15,602,544	7,456,959
6 Earnings per share calculation:		
Earnings/(Loss) used as numerator in calculating basic/diluted Earnings per share	59,157,738	(76,682,956)
Number of equity shares (Face value Rs. 10/-)	3,200,000	3,200,000
Earnings per share (Basic & diluted)	18.49	(23.96)
7 The net exchange gain of Rs. 42,37,014 (previous year loss Rs 6,88,247) has been included in the profit & loss account for the year.		
8 Past service gratuity liability has been provided for as per the actuarial valuation as at June 1, 2003 computed by the Life Insurance Corporation of India. The company has provided for accumulated privilege leave available on retirement to its employees based on actuarial valuation as at the year end.		
9 Figures for the previous year have been regrouped and / or reclassified, wherever necessary, to conform with current year's classification.		

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. SARDA
Partner

Mumbai, March 8, 2004.

USHA RAMDOSS
Company Secretary

Signature to Schedules 1 to 17

R.A. SHAH

Chairman

D.C. SHROFF
K.D.SHAH
K.J.KAUL

Directors

Mumbai, March 5, 2004.

Fulford (India) Limited
Registered Office:
Eureka Towers, 8th Floor,
MindSpace, Link Road,
Malad (W), Mumbai - 400 064.
Ph.: 5698 3800, Fax: 5699 6375

Attendance Slip

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I hereby record my presence at the Fifty-sixth ANNUAL GENERAL MEETING held on Tuesday, 20th April, 2004 at 11.00 a.m.

(IN BLOCK LETTERS)

NAME OF THE SHAREHOLDER/PROXY
SIGNATURE OF THE SHAREHOLDER/PROXY

Ledger Folio No./Client ID No. No. of Shares held

—TEAR HERE—

Fulford (India) Limited
Registered Office:
Eureka Towers, 8th Floor,
MindSpace, Link Road,
Malad (W), Mumbai - 400 064.
Ph.: 5698 3800, Fax: 5699 6375

Proxy

Ledger Folio No./Client ID No.

I/We
of being
a Member/Members of FULFORD (INDIA) LIMITED hereby appoint.....
of (or failing him
of or failing him
of) as my/our Proxy to attend and vote for me/us and
on my/our behalf at the Fifty-sixth Annual General Meeting of the Company to be held on
Tuesday, 20th April, 2004, at 11.00 a.m. and at any adjournment thereof.

AS WITNESS my/our hand/hands this day of 2004.

Signed by the said.....



.....

Note: The Proxy must be deposited at the Registered Office of the Company at Eureka Towers, 8th Floor, MindSpace, Link Road, Malad (W), Mumbai - 400 064. not less than 48 hours before the time for holding the Meeting.