

**CADILA HEALTHCARE LIMITED**  
Consolidated Balance Sheet as at March 31 , 2005

	Sch. No.	Rupees in Millions	
		As at 31-03-2005	As at 31-03-2004
<b>SOURCES OF FUNDS :</b>			
[1] Shareholders' Funds :			
Capital	1	314	314
Reserves and Surplus	2	5620	5050
		5934	5364
[2] Loan Funds :			
Secured Loans	3	2991	3725
Unsecured Loans	4	842	651
		3833	4376
[3] Deferred Tax Liability [ Net ]	21 [B-13]	1010	972
Total		10777	10712
<b>APPLICATION OF FUNDS :</b>			
[1] Fixed Assets :	5		
Gross Block		11158	10063
Less : Depreciation and Impairment		3677	2735
Net Block		7481	7328
Capital work-in-progress		421	407
Preoperative & Project Expenses pending allocation		4	8
		7906	7743
[2] Investments	6	467	479
[3] Current Assets, Loans and Advances :			
Inventories	7	2221	1768
Sundry Debtors	8	1235	2012
Cash and Bank Balances	9	612	442
Loans and Advances	10	924	647
Total		4992	4869
Less : Current Liabilities & Provisions :			
Liabilities	11	2060	1959
Provisions	12	606	573
Total		2666	2532
Net Current Assets		2326	2337
[4] Miscellaneous Expenditure : [to the extent not written off or adjusted]	13	78	153
Total		10777	10712
Significant Accounting Policies and Notes on Accounts	21		

As per our report of even date

For R.R.Patel & Co., For Mukesh M. Shah & Co.,  
Chartered Accountants Chartered Accountants

Chairman & Managing Director

Chief Accounts Officer

Proprietor

Partner

Company Secretary

Directors

Directors

Ahmedabad, Dated :

**CADILA HEALTHCARE LIMITED**  
Consolidated Profit and Loss Account for the Year ended March 31 , 2005

	Sch. No.	Rupees in Millions	
		Year ended 31-03-2005	Year ended 31-03-2004
<b>INCOME :</b>			
Sales		13051	12773
Less : Excise Duty		621	811
Net Sales		12430	11962
Other Income	14	378	333
Total		12808	12295
<b>EXPENDITURE :</b>			
Consumption of Materials and Finished Goods	15	4840	5007
General Expenses	16	4775	4111
Research Expenses	17	736	615
Interest and Financial Charges	18	245	210
Depreciation	19	716	712
Total		11312	10655
Profit before extra ordinary items and Tax		1496	1640
Extra-ordinary [Expenses] :			
Amortisation of compensation under Voluntary Retirement Schem		(125)	(125)
Profit before Taxes		1371	1515
Less : Provision for Taxation	20	192	213
Profit after Tax		1179	1302
Add : Pre-acquisition loss transferred to Capital Reserve arising on consolidation		0	34
Add : Loss attributable to Minority Share Holders		20	0
[ Less ] / add : Adjustments on consolidation		16	(5)
Net Profit		1215	1331
Add : Balance brought forward		720	449
Less : Goodwill on Amalgamation & Amalgamation Adjustment account written off		0	92
		720	357
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>		1935	1688
Appropriations :			
Transfer to Debenture Redemption Reserve		0	150
Dividends :			
Proposed Dividend on - Equity Share:		377	377
Corporate Dividend Tax on Distributed Profit		112	112
Total		489	489
Transfer to General Reserve		514	329
		1003	968
Balance carried to Balance Sheet		932	720
Basic and Diluted E P S [ in Rupees ]	21[B-12]	19.34	21.20
Significant Accounting Policies and Notes on Accounts	21		

As per our report of even date

For R.R.Patel & Co., For Mukesh M. Shah & Co.,  
Chartered Accountants Chartered Accountants

Chairman & Managing Director

Chief Accounts Officer

Proprietor Partner

Company Secretary

Directors

Directors

Ahmedabad, Dated :

## Schedules forming part of the Consolidated Balance Sheet

Rupees in Millions

As at  
31-03-2005As at  
31-03-2004

## Schedule : 1 - Capital

Authorised :		
9,00,00,000 Equity Shares of Rs.5/- each	450	450
5,00,000 Preference Shares of Rs. 100/- each	50	50
	500	500
Issued, Subscribed & Paid-up :		
62,806,854 Equity Shares of Rs.5/- each fully paid-up	314	314
Notes: Of the above Shares :		
[A] 33,034,332 shares were allotted as fully paid-up pursuant to the Scheme of Arrangement & Amalgamation without payment being received in cash.		
[B] 1,48,85,122 shares were allotted as fully paid-up by way of Bonus shares by capitalisation of General Reserve.		
Total	314	314

## Schedule : 2 - Reserves &amp; Surplus

Capital Reserve:		
Balance as per last Balance Sheet	183	0
Add : Capital Reserve arising due to Consolidation	46	183
	229	183
Capital Redemption Reserve Account :		
Balance as per last Balance Sheet	32	20
Add : Amount transferred on Amalgamation	0	12
	32	32
Share Premium Account :		
Balance as per last Balance Sheet	2561	2561
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	324	237
Add : Transfer from Profit and Loss Account	0	150
Less : Transfer to General Reserve	77	63
	247	324
Foreign Currency Reserves :		
Balance as per last Balance Sheet	0	0
Less : Other movements in Equity Reserves	10	0
	(10)	0
General Reserve :		
Balance as per last Balance Sheet	1129	949
Less : Opening Balance adjusted against goodwill due to Amalgamation	0	10
Add : Transfer from Debenture Redemption Reserve	77	63
Add : Transfer from Profit and Loss Account	458	268
Less : Adjustments of Impairment of Fixed Assets [ Refer note no. B - 1 of Sch. no. 21 ]	134	0
[ net of deferred tax adjustments of Rs. 68 Millions { Previous Year Rs. Nil } ]		
Less : Adjustment of amortisation of Intangible assets	0	141
	1530	1129
Balance in Profit and Loss Account	932	720
	5521	4949
Group's proportionate share in reserves (other than balance in P & L Account) of Joint Ventures	99	101
Total	5620	5050

## Schedules forming part of the Consolidated Balance Sheet

Rupees in Millions

As at  
31-03-2005As at  
31-03-2004

## Schedule : 3 - Secured Loans

1	Privately Placed Debentures :		
	A 70 , 8.4 % Secured , Redeemable Non Convertible Debentures [ NCDs ] of Rs. 7000000/- [ As at 31-03-04 - Rs 10000000 ] each consisting of two separately tradable principle parts [ STRPP ] as under :	490	700
	- Nil [ STRPP 1 representing 30 % of the face value of NCDs redeemed at par on 20th August, 2004]		
	- STRPP 2 representing 70 % of the face value of NCDs , redeemable at par on 20th August , 2005.		
	B 60[0] 7 % Redeemable Non Convertible Debentures of Rs. 100,00,000/- each [ As at 31-03-04 Rs. 10000000 ] each [ Redeemable in six equal half yearly installments commencing from Nov., 2004 ]	500	600
		990	1300
2	Loans and Advances from Banks		
	A Term Loans	0	293
	B Working Capital Loans	498	679
	C External Commercial Borrowings	1394	1049
		1892	2021
3	Other Loans and Advances :		
	Term Loan from a Financial Institution	0	226
		2882	3547
4	Group's proportionate share secured loans of Joint Ventures	109	178
	Total	2991	3725

## Schedule : 4 - Unsecured Loans

1	Fixed Deposits [ Rs. 0.05 { As at 31-03-04 Rs. 0.24 } Millions ]	0	0
2	Short - term Loans from Banks		
	A From Banks	0	201
	B From a Financial Institution	403	0
		403	201
3	Other Loans and Advances :		
	A Interest free deemed loan against deferment of sales tax		
	a From a Financial Institution	193	194
	b Deferred amount	210	189
		403	383
	B From a Financial Institution	3	4
	C From Others	33	33
	D Total	439	420
		842	420
4	Group's proportionate share unsecured loans of Joint Ventures	0	30
	Total	842	651

## Schedules forming part of the Consolidated Balance Sheet

## Schedule : 5 - Fixed Assets

Nature of Fixed Assets	Rupees in Millions						
	Gross Block		Depreciation			Net Block	
	As at 31-03-2005	As at 31-03-2004	Up to 1-03-2005	Impairment Adjustments	Up to 31-03-2004	As at 1-03-2005	As at 31-03-2004
Goodwill	0	0	0	0	0	0	0
Freehold Land	110	193	0	0	0	110	193
Leasehold Land	84	82	7	0	6	77	76
Buildings	1969	1796	269	0	222	1700	1574
Plant & Machinery	4226	3406	1215	115	994	2896	2412
Furniture , Fixtures & Office Equipments	413	421	139	6	128	268	293
Vehicles	169	141	56	0	46	113	95
Trade Marks, Technical Know-how, Patents & D	3361	3210	1339	83	1024	1939	2186
Commercial Rights	56	55	51	0	50	5	5
Total	10388	9304	3076	204	2470	7108	6834
Share in assets of Joint Ventures	770	759	339	58	265	373	494
Grand Total	11158	10063	3415	262	2735	7481	7328
2003-04	10063	8868	2735	0	1526	7328	7342

Rupees in Millions	
As at 31-03-2005	As at 31-03-2004

## Schedule : 6 - Investments [ At cost ]

Long Term Investments :		
In Government Securities [Unquoted] : [ Rs. 0.03 { As at 31-03-04 Rs. 0.03 } Millions ]	0	0
In Shares, Debentures and Bonds :		
Trade Investments [Unquoted] :		
In fully paid-up Series B and C Convertible Preferred Stock	187	187
Total Trade Investments	187	187
Other Investments :		
Quoted :		
In fully paid-up Equity Shares	1	79
Unquoted :		
In Mutual funds	43	42
In Fully paid-up equity shares	19	14
In Fully paid-up Bonds	215	215
Total	277	271
Total Other Investments	278	350
	465	537
Contribution to the Corpus of Gujarat Venture Capital Fund	2	2
Total	467	539
Less : Provision for diminution in value of Investments	0	60
Aggregate Book Value of Investments	467	479

## Schedules forming part of the Consolidated Balance Sheet

Rupees in Millions

As at 31-03-2005	As at 31-03-2004
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## Schedule : 7 - Inventories

[As taken, valued and certified by the management]

Stores , Spare Parts	44	57
Stock in Trade :		
Raw Materials	502	444
Packing Materials	64	63
Finished Goods	1131	797
Total	1697	1304
Works-in-progress	367	339
	2108	1700
Group's proportionate share in inventories of Joint Ventures	113	68
Total	2221	1768

## Schedule : 8 - Sundry Debtors : [ Unsecured, unless otherwise stated] :

Debts outstanding for a period exceeding six months :		
Considered good	117	88
Considered doubtful	9	12
	126	100
Less: Provision for doubtful debts	9	12
	117	88
Other debts - Considered good	1078	1684
	1195	1772
Group's proportionate share in sundry debtors of Joint Ventures	40	240
Total	1235	2012

## Schedule : 9 - Cash and Bank Balances

Cash on hand	5	4
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	129	401
In Fixed Deposit Accounts	245	107
In Foreign Currency Current Accounts	27	17
	401	525
With Other Banks :		
In Current Account with International Moscow Bank and JSP Pension Bank Aval Kiev, Ukraine , Moscow, in foreign currency a/c	2	31
	408	560
Group's proportionate share in cash and balances of Joint Ventures	204	(118)
Total	612	442

## Schedules forming part of the Consolidated Balance Sheet

Rupees in Millions

As at 31-03-2005	As at 31-03-2004
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## Schedule : 10 - Loans and Advances

[Considered Good , unsecured unless otherwise stated ]

Advances recoverable in cash or in kind or for value to be received :

Secured

Advances to a Joint Venture Company

Others

Total

Unsecured :

Others

Advance payment of Income - tax [ net of provision ]

Balances with Custom / Central Excise Authorities

Interest receivable from others

Group's proportionate share in loans and advances of Joint Ventures

Total

79	40
1	2
80	42
626	433
706	475
58	26
110	114
11	2
885	617
39	30
924	647

## Schedule : 11 - Current Liabilities

Acceptances

Sundry Creditors :

Small Scale Industries

For Capital Goods

Others

Total

Advances from Debtors

Trade Deposits

Investor Education and Protection Fund [ \* ] :

Unclaimed dividends

Matured but unclaimed Fixed Deposits [ Rs. 0.01 {As at 31-03-04 Rs. 0.01 } Millions ]

Total [\*][ There are no amounts due and outstanding to be credited to Investor Education and Protection Fund ]

Interest accrued but not due on loans

Group's proportionate share in current liabilities of Joint Ventures

Total

231	166
13	25
50	35
1567	1489
1630	1549
26	30
23	36
9	8
0	0
9	8
65	75
1984	1864
76	95
2060	1959

## Schedule : 12 - Provisions

Proposed dividend

CDT on Proposed Dividend

Provision for Probable Product Warranty Claims &amp; Return of Goods

Provision for retirement benefits

Group's proportionate share in provisions of Joint Ventures

Total

377	377
53	48
11	0
159	119
600	544
6	29
606	573

## Schedule : 13 - Miscellaneous Expenditure [ To the extent not written off or adjusted ]

Preliminary Expenses [ Rs. 0.08 { as at 31-03-04 Rs. 0.1 } Millions ]

Compensation under Voluntary Retirement Scheme

Group's proportionate share in miscellaneous expenditure of Joint Ventures

Total

0	0
77	152
77	152
1	1
78	153

## Schedules forming part of the Consolidated Profit and Loss Account

	Rupees in Millions	
	Year ended 31-03-2005	Year ended 31-03-2004
Schedule : 14 - Other Income		
A Operating Income :		
Export Incentive Received	130	69
Processing Charges Income	136	138
Surplus on account of fluctuations in foreign exchange rates [ net ]	15	6
Miscellaneous Income	54	42
Total	335	255
B Non Operating Income :		
a Dividends [ Gross ] :		
From Long Term Non - Trade Investments - Others	4	5
b Others :		
Rent Received	1	2
	5	7
C Profit on sale of Investments [ net ]	15	0
D Profit on assets sold / discarded [ net ]	9	34
	364	296
E Group's proportionate share in other income of Joint Ventures	14	37
Total	378	333
Schedule : 15 - Consumption of Materials and Finished Goods		
Raw Materials	2198	2303
Packing Materials	340	338
Purchases of Finished Goods	2393	1882
[ Increase ] / Decrease in Stock of Finished Goods & Work-in-process	(361)	155
Group's proportionate share in material cost of Joint Ventures	270	329
Total	4840	5007



## Schedules forming part of the Consolidated Profit and Loss Account

	Rupees in Millions	
	Year ended	Year ended
	31-03-2005	31-03-2004
Schedule : 16 - General Expenses		
Personnel expenses :		
Salaries, wages and bonus	1147	974
Company's contribution to provident & other funds	250	202
Staff welfare expenses	68	60
	1465	1236
Stores and spare parts consumed	122	118
Power & fuel	227	183
Processing Charges	83	110
Insurance	46	40
Repairs :		
Buildings	10	13
Plant and Machinery	32	24
Others	15	20
	57	57
Rent	47	32
Rates and Taxes	80	14
Managing Director's Remuneration	75	81
Commission to Directors	2	1
Traveling Expenses	242	211
Exchange Rate Fluctuation [ on consolidation ]	3	15
Miscellaneous Expenses	575	579
Selling & Distribution Expenses :		
Commission on sales	163	163
Freight and forwarding on sales	193	145
Sales promotion expenses	300	266
Advertisements	211	185
Seminar, Conference and Exhibition	167	114
Representative Allowance and Incentives	235	200
Other marketing expenses	302	167
	1571	1240
Bad debts written off	19	18
Preliminary Expenses written off [ Rs 0.32 { Previous year - Rs. 0.32 } Millions ]	0	0
Directors' fees [ Rs 0.22 { Previous year - Rs. 0.18 } Millions ]	0	0
Loss on Impairment of Assets	2	0
Donations	13	24
	4629	3959
Group's proportionate share in general expenses of Joint Ventures	146	152
Total	4775	4111

## Schedules forming part of the Consolidated Profit and Loss Account

Rupees in Millions

Year  
ended  
31-03-2005Year  
ended  
31-03-2004

## Schedule : 17 - Research Expenses

Research Materials	212	179
Personnel expenses :		
Salaries, wages and bonus	125	80
Company's contribution to provident & other funds	11	7
Staff welfare expenses	5	6
	141	93
Stores and spare parts consumed	21	31
Power & fuel	19	18
Analytical expenses	246	240
Insurance	4	4
Building Repairs	2	1
Plant & machineries repairs	3	2
Rent	4	4
Traveling Expenses	7	4
Legal and Professional fees	2	0
Others [ Excluding Depreciation of Rs. 58.5 { Previous Year - Rs. 43.7 } Millions ]	75	39
Total	736	615

## Schedule : 18 - Interest and Financial Charges

Interest :		
On term loans	79	92
On debentures	87	102
On working capital loans from banks	17	37
Others	5	19
	188	250
Deficit [ Surplus ] on account of fluctuations in foreign exchange rates on loans	35	(66)
Discount on debentures written off	0	1
Bank commission & charges	35	48
	258	233
Less : Interest earned on others [ Gross ]		
From Long Term Investments	14	3
Others	19	47
Total	33	50
	225	183
Group's proportionate share in net interest and financial charges of Joint Ventures	20	27
Total	245	210

## Schedule : 19 - Depreciation and Miscellaneous Expenditure written off

Depreciation	642	570
Group's proportionate share in depreciation and deferred revenue expenditure of Joint Ventures	74	142
Total	716	712

## Schedule : 20 - Provision for Taxation

Current Tax	85	111
Deferred Tax	106	115
Total	191	226
Add [ Less ] : Prior year's tax adjustments	0	(17)
	191	209
Group's proportionate share in tax provisions made by Joint Ventures	1	4
Total	192	213

**CADILA HEALTHCARE LIMITED**

Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

Schedule : 21 - Significant Accounting Policies and Notes on Accounts

**A Significant Accounting Policies :**

**1 Basis of Accounting :**

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable & with the applicable provisions of the Companies Act, 1956.

**2 Basis of consolidation:**

The Consolidated Financial Statements [ CFS ] relate to Cadila Healthcare Limited , its Subsidiaries and Joint Ventures. The CFS have been prepared on the following basis :

A The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of the items like assets, liabilities, income and expenses.

B CFS have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances , except [ i ] Zydus Altana Healthcare Private Limited , a Joint Venture Company is providing the depreciation at the following rates on straight line method which are higher than the rates specified in Schedule - XIV of the Companies Act , 1956 :

- Buildings - factory	5 %
- Buildings - Non Factory	2.5 %
- Plant & Machinery [ including containers , which are being depreciated at 50 % ]	15 %
- Office and Other Equipments	20 %
- Computers and Peripherals	20 %
- Vehicles	20 %
- Furniture and Fixtures	16.66 %

C The excess / deficit of the cost of the Company's investments in each of its subsidiaries and Joint Ventures over its share in equities of such respective companies on the date of acquisition is recognised in the financial statements as Goodwill/capital reserve. However, such excess or deficit arising after the date of acquisition on account of current fluctuations in respect of the foreign subsidiaries is transferred to Profit and Loss Account under the head "Deficit on account of fluctuations in foreign exchange rates"

D In case of the foreign subsidiaries, the revenue items are consolidated using "Average exchange rate" prevailing during the year. All the assets and liabilities as at the Balance Sheet date are converted at the rate of exchange prevailing at the end of the year.

E Investments in the Joint ventures have been accounted for by using the "Proportionate Consolidation method" in accordance with the Accounting Standard - 27 on "Financial reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

F CFS are prepared after fully eliminating intra group balances, intra group transactions and unrealised profits from the intra group transactions.

G CFS as at 31st March, 2005 comprise the financial statements of Cadila Healthcare Limited and its subsidiaries as well as its interests in Joint Ventures as at 31st March, 2005, which are as under

**a Subsidiaries:**

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
<b>A Indian Subsidiaries:</b>					
1	Zydus Pharmaceuticals Limited	India	Wholly Owned Subsidiary (WOS)	Audited	31st March, 2005
2	Dialforhealth India Limited	India	WOS	Audited	31st March, 2005
3	German Remedies Limited	India	WOS	Audited	31st March, 2005
<b>B Foreign Subsidiaries:</b>					
1	Zydus International Private Limited, Ireland	Ireland (UK)	WOS	Audited	31st March, 2005
2	Zydus Healthcare SA (Pty. ) Limited	South Africa	WOS of ZIPL	Audited	31st March, 2005
3	Zydus Healthcare (USA) LLC	U. S.A.	WOS of ZIPL	Audited	31st March, 2005
4	Zydus Healthcare Brazil Ltda.	Brazil	WOS of ZIPL	Audited	31st March, 2005
5	Zydus Pharmaceuticals USA Inc.	U. S.A.	82.35% holding of ZIPL	Audited	31st March, 2005
6	Zydus France , SAS , France.	France	WOS of ZIPL	Unaudited	31st March, 2005
7	SCI Immopharm	France	WOS of Zydus France SAS	Unaudited	31st March, 2005

**CADILA HEALTHCARE LIMITED**

Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

**Schedule : 21 - Significant Accounting Policies and Notes on Accounts**

**b Joint Ventures:**

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
1	Zydus Altana Healthcare Pvt. Ltd.	India	50%	Unaudited	31st March, 2005
2	Sarabhai Zydus Animal Health Limited	India	50%	Audited	31st March, 2005

3 Accounting Policies and Notes on Accounts of the financial statements of the Parent Company and its subsidiaries are set out in their respective financial statements. However, the Company has disclosed such notes and details which represents the needed disclosure to serve as a guide for better understanding of the Group's position.

**B Notes on Accounts :**

1 In accordance with the Accounting Standard - 28 on " Impairment of Assets " issued by the Institute of Chartered Accountants of India, the management has carried out impairment test on individual assets and / or cash generating unit in respect of the economic life fixed assets and have reviewed the potential generation of economic benefits from the fixed assets and have concluded that some of the fixed assets employed in the continuing business are unlikely to generate adequate economic returns over their useful lives. Consequently, some of the items of Plant & Machineries and Furnitures & Fixtures of formulation & API businesses are written down to their recoverable amount, being the residual realizable value and some of the intangible assets of formulation business on account of discontinuing the business of related products.

In accordance with the said standard, impairment loss as at 1st April, 2004 amounting to Rs.203 Millions is charged to the General Reserve. Rs 58 Million in respect of Group's proportionate share in impairment loss of a Joint Venture company is charged to Group's proportionate share in reserves of Joint Ventures, whereas the impairment loss amounting to Rs. 2 Million arising during the year is charged to the Profit & Loss Account.

2 To align the reporting period of all the subsidiaries and Joint Ventures with that of Holding company, the accounts of foreign subsidiaries and a Joint Venture company has been reported for thirteen / fifteen months period in consolidated accounts. Due to this change the consolidated sales increased by 324 Million and profit increased by Rs. 57 Millions.

3 Previous year's figures of twelve months are not comparable with those of the current year's figures which includes thirteen / fifteen months figures of foreign subsidiaries and a joint venture company.

4 In view of the announcement by the Institute of Chartered Accountants of India, with reference to Accounting Standard - 9, the inter unit transfer of bulk drugs of Rs. 304 [ Previous year Rs. 356 ] Millions have been excluded from the sales and from the material consumption and the export incentives of Rs. 130 [ Previous year Rs. 69 ] Millions & Processing Charges income of Rs. 136 [ Previous Year Rs. 138 ] Millions have been regrouped from sales to Other Income. However, this has no impact on profitability.

5 Hitherto the company has been providing for sales return & warranty claims in the year in which actual credit notes are issued and goods are returned by the customers. However, in view of the accounting standard - 29 , " Provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, being mandatory w.e.f. 1st April, 2004, the company has provided for the customers' probable claims of product warranties based on management estimates. Due to such change , the profit for the year is lower by Rs. 12 millions

6 Up to last year Zydus France SAS, wholly owned subsidiary company was following a policy of Impairment in respect of Intangible fixed assets and no depreciation was provided for. During the current year the management has decided to depreciate the intangibles over its estimated economic life of 10 years from the date they were acquired in addition to provision for impairment loss. Due to such change, an additional charge amounting to Rs. 33 Million on account of depreciation is provided during the year resulting into lower profit to that extent.

7 The Sales include Rs. 1254 Millions [ Previous year Rs. 1155 millions ] Group's proportionate share in net sales of Joint Ventures

CADILA HEALTHCARE LIMITED

Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

Schedule : 21 - Significant Accounting Policies and Notes on Accounts

8 Contingent liabilities not provided for :

Rupees in Millions

Cadila Healthcare Ltd.    Joint Ventures  
and Subsidiaries

	As at 31-03-05	As at 31-03-04	As at 31-03-05
A In respect of guarantees given by a Bank and counter guarantees given by the Company.	129.4	117.2	0.0
B In respect of outstanding dues against guarantees given by the Company to Banks for the loans availed by a Joint Venture Company	225	134	0
C Claims against the Company not acknowledged as debts	284	17.1	0.6
D In respect of the demand raised by the Central and State Excise dept. against which the Company has preferred an appeal. The Company has been legally advised that the demand is not ten	277	219	0
E In respect of the demand raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order , 1979 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations and disputed by the Company. Based on the legal advice the Company does not foresee the crystallization of the liability.	27	27	0
F In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	59	241	0
G In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	77	91	0
H In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired by one of the jointly controlled entity against which appeal has been preferred before the Hon'able Delhi High Court	0	0	16
9 Estimated amount of contracts remaining to be executed on capital account and not provided for [ Net of Advances ]	217	136	7.3

# Segment Information :

A Primary Business Segment : There is only one Segment namely Pharmaceutical Products.

B Secondary Business Segment - By Geographical market :

	<u>Within India</u>		<u>Outside India</u>		<u>Total</u>	
	<u>Year Ended</u> 31-03-05	31-03-04	<u>Year Ended</u> 31-03-05	31-03-04	<u>Year Ended</u> 31-03-05	31-03-04
a Sales revenue by geographical market	10297	9956	2754	2817	13051	12773
b Carrying amount of segment assets	12923	13013	520	231	13443	13244
c Additions to fixed assets	1220	835	51	360	1271	1195

C Notes :

a The segment revenue in the geographical segments considered for disclosure are as follows :

- Revenue within India includes sales to customers located within India .
- Revenue outside India includes sales to customers located outside India.



CADILA HEALTHCARE LIMITED

Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule : 21 Significant Accounting Policies & Notes on Accounts - Continue :

b Details relating to persons referred to in item 11-A [ b ] above :

	Year Ended	
	31-03-05	31-03-04
1 Remuneration	75	82
2 Interest expense on deposits taken	0	10
3 Rent paid - [ Rs 0.2 { previous Year Rs 0.2 } Millions ]	0	0
4 Deposits repaid	0	232
5 Outstanding fixed deposits payable	0	0
6 Outstanding remuneration payable	72	79

# Calculation of Earnings per Share [ EPS ] :

The numerators and denominators used to calculate the basic and diluted EPS are as follows :

		Year ended	
		31-03-05	31-03-04
A Profit attributable to Shareholders	Rs. in Millions	1215	1331
B Basic and weighted average number of Equity shares outstanding during 1 Nos.		#####	62806854
C Nominal value of equity share	Rupees	5	5
D Basic and Diluted EPS	Rupees	19.34	21.20

# Deferred Tax :

A The Deferred tax liability of Rs. 106 Millions for the year has been recognised in the Profit And Loss Account.

B Break up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under :

	Rupees in Millions	
	As on 31-03-05	As on 31-03-04
Deferred Tax Liabilities :		
Depreciation	1155	1135
Others	14	16
Total	1169	1151
Deferred Tax Assets :		
Retirement benefits	53	23
Receivables	4	6
Others	102	150
Total	159	179
Net Deferred Tax Liability	1010	972

As per our report of even date

For R.R.Patel & Co., For Mukesh M. Shah & Co.,  
Chartered Accountants Chartered Accountants

Chairman & Managing Director

Chief Accounts Officer

Proprietor

Partner

Company Secretary

Directors

Directors

Ahmedabad, Dated :

Cadila Healthcare Limited  
Consolidated Cash Flow Statement for the year ended March 31 , 2005

Particulars	Rupees in Millions	
	Year ended 31-03-2005	Year ended 31-03-2004
<b>A Cash Flows from Operating Activities :-</b>		
Net profit before taxation and extraordinary items	1496	1606
Adjustments for :-		
Depreciation	716	712
Loss on impairment of assets	2	0
Profit on sale of assets [ net ]	(9)	0
Profit on sale of investments [ net ]	(15)	0
Interest income	(33)	(50)
Dividend income	(4)	(5)
Interest expenses	209	277
Bad debts written off	19	18
Discount on debentures written off	0	1
Provision for Probable Product Warranty Claims & Return of Goods	11	0
Provisions for retirement benefits	40	41
Total	936	994
Operating profit before working capital changes	2432	2600
Adjustments for :-		
[ Increase ] / Decrease in trade receivables	754	(397)
[ Increase ] / Decrease in other receivables	(236)	170
[ Increase ] / Decrease in inventories	(453)	245
Increase / [ Decrease ] in trade payables & other liabilities		
Acquisition of deferred tax liability		
Increase / [ Decrease ] in trade payables & other liabilities	99	64
Total	164	82
Cash generated from operations	2596	2682
Interest received	23	50
Interest paid	(218)	(244)
Direct taxes paid ( Net of refunds )	(118)	(94)
Total	(313)	(288)
Cash flow before extraordinary items	2283	2394
Exchange Rate Fluctuation and other adjustments arising on Consolidation	58	0
Extraordinary items	(50)	(55)
Net cash from operating activities	2291	2339
<b>B Cash flows from investing activities :-</b>		
Purchase of fixed assets	(1248)	(1040)
Pre-operative & Project expenses	(18)	0
Refund of Investment received and credited to Capital Reserves	19	0
Acquisition of reserves (net) on amalgamation adjusted against capital reserve	0	34
Purchase of investments	(5)	(556)
Proceeds from sale of Investments	33	0
Proceeds from sale of fixed assets	143	381
Interest Received on long term investments	0	0
Dividend received	4	7
Net cash from investing activities	(1072)	(1174)
<b>C Cash flows from financing activities :-</b>		
Redemption of Preference share capital		0
Borrowings ( net )	(543)	(526)
Dividends paid	(376)	(218)
Tax on dividends paid	(130)	(92)
Net cash used in financing activities	(1049)	(836)
Net increase / (-) decrease in cash and cash equivalents	170	329
Cash and cash equivalents at the beginning of the year	442	103
Cash and cash equivalents of new subsidiary at the beginning of year	0	10
Cash and cash equivalents at the close of the year	612	442



Cadila Healthcare Limited  
Consolidated Cash Flow Statement for the year ended March 31 , 2005

Notes to the cash flow statement

- 1 All figures in brackets are outflow.
- 2 Previous year's figures have been regrouped wherever necessary.

Chairman & Managing Director

Chief Accounts Officer

Company Secretary

Directors

Directors

Ahmedabad, Dated :

Auditor's Report

The Board of Directors,  
Cadila Healthcare Limited,  
Zydus Tower ,  
Sarkhej-Gandhinagar Highway,  
Ahmedabad - 380 015.

We have examined the attached Consolidated Cash Flow Statement of Cadila Healthcare Limited for the year ended March 31, 2005. The statement has been prepared by the Company in accordance with the requirements of Clause No. 32 of the listing agreement with various Stock Exchanges and is based on and is derived from the audited Profit and Loss Account and Balance Sheet of the Company for the year ended March 31, 2005 covered by our Report dated 29th April, 2005 to the members of the Company.

For R.R.Patel & Co.,  
Chartered Accountants

For Mukesh M. Shah & Co.,  
Chartered Accountants

Proprietor

Partner

Ahmedabad, Dated :

Ahmedabad, Dated :