

Carol Info Services Limited

BOARD OF DIRECTORS

DR. G B PARULKAR

Chairman

D G MODI

Director

R B GANDHI

Director

ANIL KAMATH

Director

V R KHETAN

Company Secretary

BANKERS

State Bank of India (CAG Branch)

Citibank, N.A.

ICICI Bank Ltd.

HDFC Bank Ltd.

AUDITORS

Haribhakti & Co.

REGISTERED OFFICE

City Survey No. 681,

Village Nahur,

Mulund-Goregaon Link Road,

Bhandup (West),

Mumbai-400 078.

Carol Info Services Limited

DIRECTORS' REPORT

The Directors take pleasure in presenting the 25th Annual Report of the Company and audited accounts for the period ended March 31, 2005.

FINANCIAL PERFORMANCE

	15 Months Period ended 31.03.2005	(Rs. in thousands) Year ended 31.12.2003
Operating Income	407,161	337,795
Operating Profit/(Loss)	48,047	(29,396)
Other Income	90,875	94,656
Interest Income/(Expense)	133,133	(1,081)
Depreciation	(74,529)	(75,109)
Exceptional items	—	(79,332)
Profit/(Loss) Before Tax	197,525	(90,262)
Provision for Tax	(8,504)	(288)
Deferred Tax Asset/(Liability)	(13,321)	170,537
Net Profit/(Loss) for the Year/Period	175,700	79,987

SUBSIDIARIES AND OPERATIONS

Wockhardt International Limited, a wholly owned subsidiary of the Company, during the year made loss of Rs. 175,128/-. The results of Wockhardt International Limited are annexed with this report.

BOARD OF DIRECTORS

Dr. G B Parulkar retires by rotation as director at the upcoming Annual General Meeting and being eligible, offers himself for re-appointment. Dr. G B Parulkar is the former Dean of G. S. Medical College and K.E.M. Hospital, Mumbai. He is the doyen of Cardio-vascular surgery in India and considered an authority in this subject the world over. His other directorships include Khorakiwala Foundation, Medicaid Clinical Research P Ltd., Wockhardt International Limited, Wockhardt Hospitals Limited and Wockhardt Maharashtra Hospital Limited.

The Board recommends his appointment.

APPOINTMENT OF AUDITORS AND LEGAL COMPLIANCE

M/s. Haribhakti & Co. retire as auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA) OF THE COMPANIES ACT, 1956

- The annual accounts presented to the members have been prepared on going concern basis and applicable accounting standards have been followed.
- In case of any material departures from the applicable accounting standards, proper explanations have been provided.
- In order to provide a true and fair view of the state of affairs of the Company as on March 31, 2005 and the profits for the period ended on that date reasonable and prudent judgements and estimates have been made and generally accepted accounting policies have been selected and consistently applied.
- For safeguarding the assets of the Company and for preventing and detecting any material fraud and irregularities, proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956.

LEGAL COMPLIANCES

The Company has no employees covered under Section 217(2A) of the Companies Act, 1956.

Information pursuant to 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, relating to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are also annexed.

CORPORATE GOVERNANCE

The report on Corporate Governance and the Auditors' Certificate on compliance with the conditions of corporate governance under Clause 49 of the Listing Agreement is annexed to this report.

For and on behalf of the
Board of Directors
G B PARULKAR
Chairman

Place : Mumbai
Date : June 10, 2005

ANNEXURE TO THE DIRECTORS' REPORT

Information under 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 and forming part of the Directors' Report for the fifteen months period ended 31st March, 2005.

I. CONSERVATION OF ENERGY

(1) **Energy conservation measures taken:**

- (a) The energy efficient lighting (having 3250 lumens in place of 2450 lumens in conventional lighting) is introduced in phased manner.
- (b) The variable frequency drives are introduced in different areas where the loading has wide fluctuations.
- (c) The electronic ballasts are installed in place of conventional copper ballast reducing the power consumption from 13 Wh to 4 Wh.
- (d) Fine tuning in Atomization of Fuel during combustion.

(2) **Additional Investments and proposals being implemented for reduction of energy consumption:**

Introduction of Variable Frequency drives in fan/homogeniser.

(3) **Impact of measures taken at (1) above:**

The saving to the tune of Rs. 1,85,000 achieved up to March 2005.

(4) **Total energy consumption and energy consumption per unit of production:**

	15 Months Period Ended 31.03.2005	Year Ended 31.12.2003
(A) Power & Fuel Consumption:		
1. Electricity		
a. Purchased		
Units (in million)	1.338	1.088
Total Amount (in million)	5.032	4.180
Rate/Unit (Rs.)	3.76	3.84
b. Own Generation Through Diesel Generator		
Units (in million)	0.312	0.240
Units per litre of Diesel Oil	3.35	3.48
Cost/Unit (Rs.)	6.15	5.09
2. Coal		Not Applicable
Quantity	—	—
Total Cost	—	—
Average Rate	—	—
3. Furnace Oil & LSHS		
Quantity (Kilo-litres)	692.3	536.0
Total Amount (in million)	9.904	7.113
Average Rate (Rs./Ltr.)	14.31	13.22
4. Natural Gas		Not Applicable
Quantity (unit NM ³)	—	—
Total Amount (in million)	—	—
Average Rate (Rs./100 NM ³)	—	—

(B) **Consumption per unit of production:**

The consumption per unit depends on the product mix since it consist of different types of products. Hence there is no specific standard.

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year)**

Company has not imported any technology.

2. **Foreign Exchange Earnings & Outgoing**

Total Foreign Exchange Used and Earned

	15 Months Period Ended 31.03.2005	Year Ended 31.12.2003
(A) Total Foreign Exchange used		
(i) On input of raw materials, spare parts & capital goods	2.62	9.79
(ii) Expenditure in foreign currency for business travels, books & periodicals, membership subscription, commission on sales and R & D expenses	—	—
(B) Total Foreign Exchange Earned		
	—	—

Carol Info Services Limited

REPORT ON CORPORATE GOVERNANCE

Carol Info Services Limited endeavors to attain the highest standards of Corporate Governance. The Company's pursuit towards achieving good governance is an ongoing process, thereby ensuring truth, transparency, accountability and responsibility in all our dealing with our employees, stakeholders, customers and the community at large.

1. Board of Directors

The constitution of the Board is given below:

Director	Designation	Wholetime/ Independent	Number of outside directorship held ¹	Number of membership on Board Committees
Dr. G B Parulkar	Chairman	Independent	3	3
Mr. R B Gandhi	Director	Independent	5	4
Mr. Anil Kamath	Director	Independent	5	3
Mr. D G Modi	Director	Independent	1	2

¹ This excludes directorships held in foreign companies, private companies and alternate directorships.

2. Audit Committee

Terms of Reference of the Audit Committee are as per Section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreements with the Stock Exchanges that inter alia include a review of financial reporting process, draft financial statements and auditors' report (before submission to the board), accounting policies and practices, internal controls and internal audit systems, risk management policies and practices, related party transactions, internal audit reports and adequacy of internal audit function.

The role of the audit committee includes recommending the appointment and removal of external auditor, discussion of audit plan, fixation of audit fee and also approval for payment of any other services.

During the 15 months period, three meetings were held one of which was before finalisation of accounts. The said meetings were held on March 31, 2004, July 31, 2004 and October 29, 2004.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name	Designation	Wholetime/ Independent	Profession	Committee Meetings Attended
Dr. G B Parulkar	Chairman	Independent	Medical Practitioner	3
Mr. R B Gandhi	Director	Independent	Company Executive	3
Mr. Anil Kamath	Director	Independent	Company Executive	2
Mr. D G Modi	Director	Independent	Company Executive	3

3. Investors Grievance Committee

The Investors Grievance Committee which is headed by Dr. G B Parulkar specifically looks into redressing of shareholders and investors complaints such as transfer of shares, non-receipt of shares, non-receipt of dividends and to ensure expeditious share transfer process. During the 15 months ended March 31, 2005, four meetings of the Committee were held.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name	Committee Meetings Attended
Dr. G B Parulkar	4
Mr. R B Gandhi	4
Mr. Anil Kamath	4
Mr. D G Modi	4

Name & Designation of compliance officer

Mr. V R Khetan – Company Secretary

During the year the Company received 145 communications pertaining to non-receipt of shares sent for transfer, non-receipt of dividend warrants and non-receipt of credit or documents sent for demat. All the communications were satisfactorily replied. There are no shares pending for transfer for a period of more than 21 days from the day of receipt, so long as the documents are clear in all respects.

4. Remuneration of Directors

During the year, no remuneration has been paid or loans and advances have been given to any of the Directors.

5. Board Meetings & Attendance at Board Meetings & Annual General Meeting

The Board of the Company met seven times during the 15 months period of the current financial year, i.e. on February 9, 2004, March 31, 2004, April 30, 2004, July 31, 2004, October 29, 2004, December 1, 2004 and January 31, 2005. The Company placed before the Board the annual operating plans and budgets and performance of various divisions from time to time. Information regarding recruitment of senior executives, show cause notices which are materially important, default if any, in financial obligations, details of joint ventures & collaborations, labour problems, signing of wage agreements, etc. is also placed before the Board as and when the same takes place.

The attendance at the Board Meetings and Annual General Meeting was as under:

Director	Attendance	
	Board meeting	AGM
Dr. G B Parulkar	7	✓
Mr. R B Gandhi	7	✓
Mr. Anil Kamath	7	✓
Mr. D G Modi	6	—

Details of previous AGMs & Postal Ballot

For the financial year 2001 AGM was held on June 28, 2002 at 3.30 pm at Merind Limited, Mulund-Goregaon Link Road, Bhandup, Mumbai 400 078.

For the financial year 2002 AGM was held on June 30, 2003 at 3.30 pm at Merind Limited, Mulund-Goregaon Link Road, Bhandup, Mumbai 400 078.

For the financial year 2003 AGM was held on June 18, 2004 at 3.30 pm at Merind Limited, Mulund-Goregaon Link Road, Bhandup, Mumbai 400 078.

During the last year no resolution was put through postal ballot and neither during the current year any resolution is proposed to be conducted through postal ballot.

6. Management Discussion & Analysis Report

Since, presently the Company has only one unit at Lalru, which purchases fresh milk and manufactures neutraceutical and other milk based products on job work basis, the management discussion and analysis is not material and accordingly the report on the same is not attached with the Directors Report.

7. Disclosures

No transactions of material nature are entered into by the Company with Promoters, Directors or Management, or their relatives etc. that may have a potential conflict with interests of the Company. The register of contracts containing the transactions in which the Directors are interested is placed before the Board regularly. There are no material pecuniary transaction with the independent/non-executive directors. No penalties, strictures have been imposed on the Company either by SEBI or stock exchange or other statutory body for non-compliance on any matter related to capital market.

8. Notes on Directors appointment/re-appointment

Relevant details forms part of the Directors Report.

9. Share Transfers

The trading of equity shares of the Company is mandatory in the dematerialised form. During the year, all the powers concerning Share Transfer was delegated to Mr. Vijay Khetan, the Company Secretary to expedite the process of share transfer.

Details of complaints received, number of shares transferred during the last year as well as average time taken for effecting these transfers are highlighted in the "Shareholder Information" section of the Annual Report.

10. Means of Communication

The Company publishes its quarterly results in Free Press Journal and Navshakti.

11. Auditors Certificate on Compliance of Conditions of Corporate Governance

Certificate from the Auditors is enclosed alongwith this report.

SHAREHOLDER INFORMATION

1. Annual General Meeting

- Date and time : September 12, 2005, 3.00 p.m.
 — Venue : Merind Limited, Goregaon-Mulund Link Road, Bhandup (West), Mumbai 400 078.

2. Financial Calendar

Financial reporting for

Quarter ending June 30, 2005	End of July, 2005
Quarter ending September 30, 2005	End of October, 2005
Quarter ending December 31, 2005	End of January, 2006
Year ending March 31, 2006	End of June, 2006
Annual General Meeting for the year ending March 31, 2006	End of September, 2006

3. **Dates of book closure** : September 9, 2005 to September 16, 2005 (both days inclusive)
 4. **Registered Office** : City Survey No. 681, Village Nahur, Mulund-Goregaon Link Road, Bhandup (W), Mumbai 400 078.

5. Listing on stock exchanges at

(A) Equity Shares	The Stock Exchange, Mumbai The National Stock Exchange
(B) GDRS	Luxembourg Stock Exchange

6. Listing fees

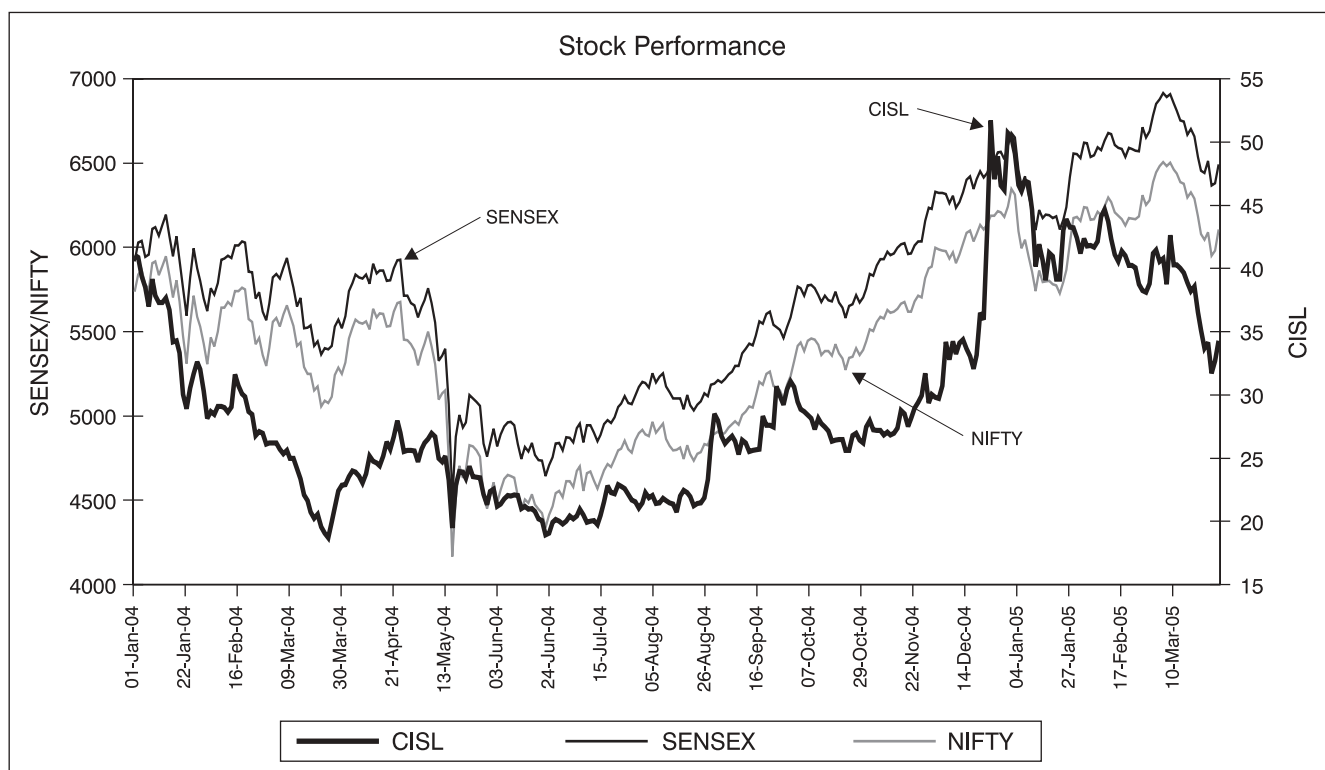
Paid for all the above stock exchanges for 2005-2006.

7. Stock Market Data

- (a) Stock code
 — The Stock Exchange, Mumbai : 500446
 — National Stock Exchange : CAROLINFO
 (b) Stock price data

Month	BSE			NSE		
	High	Low	Monthly Volume	High	Low	Monthly Volume
January 2004	42.80	28.80	909,794	42.90	28.65	1,644,198
February 2004	32.20	26.00	527,336	32.40	26.00	1,050,777
March 2004	28.35	17.50	336,039	26.25	18.60	822,026
April 2004	29.00	22.90	302,476	28.80	22.15	975,963
May 2004	27.25	19.05	221,295	27.80	18.80	522,329
June 2004	23.15	18.65	134,749	23.10	18.55	287,568
July 2004	23.60	19.45	260,913	24.00	19.50	559,586
August 2004	28.85	20.75	669,442	28.85	20.65	1,562,637
September 2004	32.90	24.80	1,668,892	32.90	24.70	3,671,940
October 2004	31.45	25.00	524,063	31.80	25.15	622,382
November 2004	32.65	26.10	817,354	32.40	25.90	873,746
December 2004	53.85	25.35	9,195,325	52.85	28.50	10,659,447
January 2005	52.95	37.10	3,487,107	53.00	37.20	3,622,169
February 2005	47.90	38.00	1,598,937	47.45	37.70	1,980,380
March 2005	43.80	31.50	2,051,407	43.85	31.00	2,916,069

8. Stock Performance Index



9. **Registrars & transfer agents** : Intime Spectrum Registry P. Ltd.
C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West)
Mumbai 400 078

10. Share transfer system

All shares have been transferred and returned in **21** days from the date of receipt, so long as the documents have been clear in all respects.

11. Investor Relations

All complaints received from shareholders have been cleared within the financial year. The complaints are generally replied to within 10 days from their lodgement with the Company.

12. Distribution of shareholding as at March 31, 2005

Slab of Shareholdings No. of Shares	No. of Shareholders	%	Amount in Rs.	%
1 – 500	31,736	90.94	48,828,360	13.78
501 – 1000	1,806	5.18	15,058,950	4.25
1001 – 2000	750	2.15	11,519,820	3.25
2001 – 3000	233	0.67	6,112,440	1.72
3001 – 4000	80	0.23	2,894,270	0.82
4001 – 5000	103	0.29	4,953,950	1.40
5001 – 10000	107	0.30	8,226,020	2.32
Above 10000	83	0.24	256,770,910	72.46
Total	34,898	100.00	354,364,720	100.00

According to categories of shareholders as at March 31, 2005

Categories	Number of shares	Amount in Rs.	%
Promoters, directors & relatives	22,597,158	225,971,580	63.77
Financial Institutions & Banks	5,400	54,000	0.02
Mutual Funds	1,300	13,000	0.00
Insurance Companies	365,900	3,659,000	1.03
Foreign Institutional Investors/OCB's	428,200	4,282,000	1.21
Bodies Corporate	1,672,918	16,729,180	4.72
Non-resident Indians	471,921	4,719,210	1.33
Shares Representing GDRs	377,046	3,770,460	1.06
Public	9,516,629	95,166,290	26.86
Total	35,436,472	354,364,720	100.00

13. Dematerialisation of shares

As on 31st March, 2005, out of the public holding of 9,516,629 equity shares, 8,258,349 equity shares representing 86.78% of public holding, is in dematerialised form. The Company's shares are compulsorily tradable in dematerialised form. Number of outstanding GDRs as on March 31, 2005 is 377,046.

14. **Investors correspondence** : V R Khetan, City Survey No. 681, Village Nahur, Mulund-Goregaon Link Road, Bhandup (West), Mumbai-400 078.

15. **Address of Factories** : Ambala-Chandigarh Highway, Village Sarsini, Lalru P O., Dist. Patiala 140 501, Punjab.

Auditors' Report on Corporate Governance – March 31, 2005

To

The Members of **Carol Info Services Limited**

We have examined the compliance of conditions of Corporate Governance by Carol Info Services Limited, for the period ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the Company with the stock exchanges in India.

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 with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

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.

Haribhakti & Co.
Chartered Accountants

CHETAN DESAI
Partner
Membership No.: 17000

Place : Mumbai
Dated : June 10, 2005

CONSOLIDATED AUDITOR'S REPORT

To the Board of Directors of CAROL INFO SERVICES LIMITED
(formerly Wockhardt Life Sciences Limited)

1. We have audited the attached consolidated balance sheet of Carol Info Services Limited ('CISL' or 'Company') and its subsidiary as at March 31, 2005, and also the consolidated profit and loss account and consolidated cash flow statement for the fifteen months period ended on that date annexed thereto. These financial statements are the responsibility of the Carol's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 the Company in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statement of the Company and its subsidiary included in the consolidated financial statements.
4. Based on our audit and to the best of our information and according to the explanation given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated balance sheet, of the state of affairs of the Company and its subsidiary as at March 31, 2005;
 - (b) in the case of the consolidated profit and loss account, of the profit for the fifteen months period ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the fifteen months period ended on that date.

Haribhakti & Co.
Chartered Accountants

CHETAN DESAI
Partner
Membership No.: 17000

Place : Mumbai
Date : June 10, 2005

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005

(All amounts in thousands of Indian Rupees)

	Notes	As at 31.3.2005	As at 31.12.2003 (Note 27)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3		354,364
Equity share capital		354,364	354,364
Reserves and surplus	4	3,050,708	3,038,722
		<u>3,405,072</u>	<u>3,393,086</u>
LOAN FUNDS			
Secured loans	5	1,115	70,835
Unsecured loans	6	220,724	78,798
		<u>221,839</u>	<u>149,633</u>
DEFERRED TAX LIABILITY	2(g) & 7	73,889	60,568
		<u>3,700,800</u>	<u>3,603,287</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	2(a) & 8	2,160,653	1,971,765
Accumulated depreciation		(533,150)	(476,203)
Net block		<u>1,627,503</u>	<u>1,495,562</u>
Capital work-in-progress and advances		26,001	18,236
		<u>1,653,504</u>	<u>1,513,798</u>
INVESTMENTS	2(c) & 9	381,590	351,653
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	2(d) & 10	3,205	36,594
Sundry debtors	11	26,556	—
Cash and bank balances	12	12,561	571,732
Loans and advances	13	1,953,578	1,064,871
		<u>1,995,900</u>	<u>1,673,197</u>
CURRENT LIABILITIES AND PROVISIONS	14	(330,194)	(98,900)
NET CURRENT ASSETS		<u>1,665,706</u>	<u>1,574,297</u>
PROFIT AND LOSS ACCOUNT		—	163,539
		<u>3,700,800</u>	<u>3,603,287</u>

The accompanying notes 1 to 27 are an integral part of this balance sheet.

As per our report of even date

Haribhakti & Co.
Chartered Accountants

Chetan Desai
Partner

Place : Mumbai
Date : June 10, 2005

V. R. Khetan
Company Secretary

For and on behalf of the Board of Directors

G. B. Parulkar
Chairman

D. G. Modi
R. B. Gandhi
A. V. Kamath } Directors

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2005

(All amounts in thousands of Indian Rupees)

	Notes	For the period ended 31.3.2005	For the year ended 31.12.2003 (Note 27)
INCOME			
Sales and services	2(f) & 15	407,161	337,795
Other income	16	90,875	94,750
Interest	17	133,133	(1,081)
		<u>631,169</u>	<u>431,464</u>
EXPENDITURE			
Materials consumed	18	223,678	280,242
(Increase)/Decrease in inventories	19	16,543	(64,422)
Operating and other expenses	20	119,108	151,371
Depreciation	2(a) & 8	74,537	75,109
		<u>433,866</u>	<u>442,300</u>
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		197,303	(10,836)
Exceptional Items	21	—	(88,923)
PROFIT/(LOSS) BEFORE TAX		197,303	(99,759)
Provision for tax		(8,504)	—
— Deferred tax	2(g) & 7	(13,321)	170,537
— Wealth tax		—	(287)
NET PROFIT FOR THE PERIOD		175,478	70,491
Excess/(Short) Provision of earlier year		47	—
		<u>175,525</u>	<u>70,491</u>
Profit and Loss Account, beginning of year		(163,539)	(279,680)
AMOUNT AVAILABLE FOR APPROPRIATION		11,986	(209,189)
APPROPRIATIONS			
Transfer (from)/to general reserve		—	(45,650)
PROFIT AND LOSS ACCOUNT, end of period		11,986	(163,539)
		<u>11,986</u>	<u>(209,189)</u>
Earning per share	22		
Basic & Diluted Rs.		4.95	1.99
Basic & Diluted (Annualised) Rs.		3.96	1.99
Nominal value of share Rs.		10	10

The accompanying notes 1 to 27 are an integral part of this statement.

As per our report of even date

Haribhakti & Co.
Chartered Accountants

Chetan Desai
Partner

Place : Mumbai
Date : June 10, 2005

V. R. Khetan
Company Secretary

For and on behalf of the Board of Directors

G. B. Parulkar
Chairman

D. G. Modi
R. B. Gandhi
A. V. Kamath } Directors

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2005

(All amounts in thousands of Indian Rupees)

	2005	2003 (Note 27)
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Profit/(Loss) before tax	197,303	(99,759)
Adjustments to reconcile profit before tax to cash provided by operations:		
Depreciation	74,537	75,109
Amortisation of expenses/write off of fixed assets	—	50
Provision for doubtful advances/loans	16,714	—
Foreign exchange gain	(238)	(4,389)
(Profit)/loss on sale of fixed assets/Division, net	(80,642)	3,100
Interest expense	12,365	71,149
Interest income	(145,497)	(65,183)
Dividend income	(181)	—
Operating profit before working capital changes	<u>74,361</u>	<u>(19,923)</u>
(Increase)/decrease in current assets, loans and advances:		
Inventories	33,389	(69,228)
Sundry debtors	(26,556)	208,511
Loans and advances	37,330	1,069,845
Increase/(Decrease) in current liabilities and provisions	<u>228,450</u>	<u>(98,077)</u>
Cash provided by operations	<u>346,974</u>	<u>1,091,128</u>
Tax paid	<u>(56,058)</u>	<u>(19,972)</u>
Net cash provided by operating activities	<u>290,916</u>	<u>1,071,156</u>
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of fixed assets including capital work-in-progress	(234,932)	(10,417)
Proceeds from sale of division	80,487	597,708
Proceeds from sale of fixed assets	20,845	3,908
Purchase of Investments	(29,937)	(511,920)
Proceeds from sale of investments	—	511,920
Loan (to)/from Companies, net	(902,783)	542,586
Interest received	145,497	65,183
Dividend received	181	—
Net cash used in investing activities	<u>(920,642)</u>	<u>1,198,968</u>
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:		
(Repayment)/Proceeds from long-term borrowings, net	79,840	(1,638,530)
Interest paid	(8,229)	(69,844)
Dividend paid (Including tax on dividend)	(1,056)	(388)
Net cash provided by financing activities	<u>70,555</u>	<u>(1,708,762)</u>
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	<u>(559,171)</u>	<u>561,362</u>
CASH AND BANK BALANCES, beginning of year	571,732	16,920
Adjustment on sale of investment in Biostadt Europe Limited	—	(6,550)
CASH AND BANK BALANCES, end of period	<u>12,561</u>	<u>571,732</u>

The accompanying notes 1 to 27 are an integral part of this cash flow statement.

As per our report of even date

Haribhakti & Co.
Chartered Accountants

Chetan Desai
Partner

Place : Mumbai
Date : June 10, 2005

V. R. Khetan
Company Secretary

For and on behalf of the Board of Directors

G. B. Parulkar
Chairman

D. G. Modi
R. B. Gandhi
A. V. Kamath } Directors

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2005

(All amounts in thousands of Rupees unless otherwise stated)

1.(a) Background

Carol Info Services Limited (formerly Wockhardt Life Sciences Limited) ('CISL' or 'the Company'), is a subsidiary of Khorakiwala Holdings and Investments Pvt. Limited. Pursuant to a scheme of arrangement, the pharmaceutical business of the Company was demerged into Wockhardt Limited with effect from January 1, 2000. The name of the Company has been changed from Wockhardt Life Sciences Limited to Carol Info Services Limited with effect from November 7, 2003.

The Company had controlling interest, in the following entity during the period ended March 31, 2005:

	Name of subsidiary	Country of Incorporation	Name of Parent	Percentage of ownership
1.	Wockhardt International Limited	India	Carol Info Services Limited	100%

The Company together with its subsidiary Wockhardt International Limited ('WIL'), (collectively, 'the group') is primarily engaged in the business of manufacture of nutrition products. It has a manufacturing facility at Lalru (Ambala).

(b) Basis of consolidation

- (i) The consolidated financial statements of the group have been prepared based on a line-by-line consolidation of the financial statements of CISL and its subsidiary. All material inter-company balances and transactions have been eliminated on consolidation.
- (ii) The financial statements of WIL as at March 31, 2005 used for consolidation purposes have been audited.

2. Summary of the group's significant accounting policies

The consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting, and in conformity with accounting principles generally accepted in India. These consolidated financial statements have been prepared to meet the requirements of Clause 32 of the listing agreements with the Stock Exchanges. The significant accounting policies are as follows:

(a) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets. Exchange differences relating to loan taken for the acquisition of fixed assets are adjusted in the cost of the assets.

Depreciation is provided, using the straight line method, pro-rata to the period of use of assets, at the rates specified in Schedule XIV of the Companies Act, 1956 or based on the useful life of the assets whichever is higher. The rates used by the Company are as follows:

Assets	Percentage
Leasehold land	over the period of lease
Buildings	1.63 - 3.34
Plant & Machinery	4.75 - 5.88
Furniture & Fixtures	6.33
Office Equipments	4.75 - 25
Information Technology Equipments	33.33
Vehicles	20

Fixed assets whose aggregate cost is Rs. 5,000 or less are depreciated fully in the year of acquisition.

(b) Foreign currency transactions

Foreign currency transactions during the year are recorded at rates of exchange prevailing on the date of the transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing on the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except those relating to acquisition of fixed assets, which are adjusted in the cost of the assets.

In respect of transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the profit and loss account over the period of the contract.

(c) Investments

Long-term investments are stated at cost. Provision is made to recognise a diminution, other than temporary, in the value of investments. Current investments are stated at lower of cost and fair value.

(d) Inventories

Inventories of raw materials, packing materials, work-in-process, finished goods and traded products are valued at standard cost adjusted for variances or net realisable value, whichever is lower. Cost of work-in-process and finished goods includes materials, labour and manufacturing overheads. Excise and customs duty accrued on production or import of goods, as applicable, is included in the valuation of inventories.

Inventories of samples and stores and spare parts are valued at cost.

(e) Retirement benefits

The liability on account of gratuity and leave encashment are provided based on valuation by an independent actuary. Contributions to provident fund and family pension fund are charged to the profit and loss account as incurred.

(f) Revenue recognition

The Company recognises revenues on dispatch of goods to customers. Revenues are recorded at invoice value but net of sales tax, excise, returns and trade discounts.

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(g) Income-tax

Provision for Income tax is made on the basis of relevant provisions of Income tax Act, 1961 as applicable to the financial year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(h) Leases

Lease payments for operating leases are recognised as expense over the lease term. Lease income from operating leases is recognised as income over the lease term. Initial direct costs are recognised immediately as an expense.

(i) Research and development (R&D)

Capital expenditure on R&D is capitalised as fixed assets. Other expenditure on R&D is expensed as incurred.

	As at 31-3-2005	As at 31-12-2003
3. SHARE CAPITAL		
AUTHORISED		
100,000,000 (2003 – 100,000,000) Unclassified shares of Rs. 10 each	<u>1,000,000</u>	<u>1,000,000</u>
ISSUED		
35,519,797 (2003 – 35,519,797) Equity Shares of Rs. 10 each fully paid up	<u>355,198</u>	355,198
	<u>355,198</u>	<u>355,198</u>
SUBSCRIBED & PAID UP		
35,436,472 (2003 – 35,436,472) Equity Shares of Rs. 10 each fully paid up	<u>354,365</u>	354,365
<i>Less:</i> Allotment money due on 300 equity shares of Rs. 10 each	<u>1</u>	1
	<u>354,364</u>	<u>354,364</u>
Of the above equity shares:		
(a) 21,210,400 (2003 - 21,210,400) fully paid up equity shares are held by Khorakiwala Holdings & Investments Pvt. Limited, the holding company.		
(b) 25,900,976 (2003 - 25,900,976) Equity shares are allotted as fully paid by way of Bonus shares by capitalisation of General Reserve, Capital Redemption Reserve and Share Premium.		
(c) 374,820 (2003 - 374,820) equity shares are allotted as fully paid up pursuant to amalgamation of Wockhardt Health Care Limited with the Company.		
4. RESERVES AND SURPLUS		
Central/State cash subsidy	8,084	8,084
Capital redemption reserve	297,500	297,500
Share premium account	2,716,000	2,716,000
Revaluation reserve		
Opening balance	—	21,533
<i>Less:</i> Transferred to General Reserve	—	(21,533)
	<u>—</u>	<u>—</u>
Debenture redemption reserve		
Opening balance	17,138	41,254
<i>Less:</i> Transferred to General Reserve	(17,138)	(24,116)
	<u>—</u>	<u>17,138</u>
General reserve		
Opening balance	—	—
Transferred (to)/from Profit and Loss Account	—	(45,650)
Transferred from Revaluation Reserve	—	21,534
Transferred from Debenture Redemption Reserve	17,138	24,116
	<u>17,138</u>	<u>—</u>
Balance at the end of the period	17,138	—
Profit & Loss Account	11,986	—
	<u>3,050,708</u>	<u>3,038,722</u>

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	As at 31-3-2005	As at 31-12-2003
5. SECURED LOANS		
(a) Non-Convertible Debentures	—	68,552
(b) Term Loan from Banks*	1,115	2,283
	1,115	70,835
* Term loans from banks are secured by hypothecation of respective vehicles against which loan is taken.		
6. UNSECURED LOANS		
Long term		
Sales Tax Deferral Loan (out of the above Rs. 3,471 thousand (2003 – Rs. 1,735 thousand) is repayable within one year)	63,584	64,024
Short term (repayable within one year)		
Loan from banks	150,000	—
Loan from companies	7,140	14,774
	220,724	78,798
7. DEFERRED TAX LIABILITY		
Deferred tax liabilities		
Depreciation on fixed assets	222,409	206,195
Total (A)	222,409	206,195
Deferred tax assets		
Unabsorbed depreciation and business losses	148,520	145,627
Total (B)	148,520	145,627
Deferred tax liability (A – B)	73,889	60,568
Net deferred tax liability as of the period end	73,889	60,568
Less: Opening Deferred Tax Liability	60,568	231,105
Deferred tax (credit)/Charge for the period	13,321	(170,537)

8. FIXED ASSETS

BLOCK OF ASSET	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 01.01.04	Additions during the period	Deletions/ Adjustments during the period	As at 31.03.05	As at 01.01.04	Charge for the period	Deletions/ Adjustments during the period	As at 31.03.05	As at 31.03.05	As at 31.12.03
Freehold land	30,993	—	—	30,993	—	—	—	—	30,993	30,993
Leasehold land	195,141	—	—	195,141	10,507	3,299	—	13,806	181,336	184,634
Buildings	943,788	224,275	14,684	1,153,379	92,588	24,440	2,932	114,096	1,039,284	851,200
Plant and machinery	530,614	2,020	12,569	520,065	181,787	32,946	6,345	208,388	311,676	348,827
Furniture and fixtures	102,639	555	4,375	98,819	32,218	8,081	1,956	38,343	60,475	70,421
Office equipments	52,126	206	4,359	47,973	48,080	3,451	4,257	47,274	699	4,046
Information technology equipments	97,017	111	1,786	95,342	96,772	250	1,786	95,236	106	245
Vehicles	19,447	—	506	18,941	14,251	2,070	314	16,007	2,934	5,196
Total	1,971,765	227,167	38,279	2,160,653	476,203	74,537	17,590	533,150	1,627,503	1,495,562
Capital Work-in-progress (inclusive of Capital Advances)									26,001	18,236
Grand Total	1,971,765	227,167	38,279	2,160,653	476,203	74,537	17,590	533,150	1,653,504	1,513,798
As at 31.12.2003	2,209,731	7,058	245,024	1,971,765	473,648	75,109	72,554	476,203	1,495,562	

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	As at 31-3-2005	As at 31-12-2003
9. INVESTMENTS (at cost)		
LONG TERM INVESTMENTS		
TRADE:		
UNQUOTED:		
Others		
(a) 50,000,000 (2003 – 50,000,000) Equity shares of Re. 1 each fully paid up in Wockhardt Hospitals Limited.	50,000	50,000
(b) 1,300,000 (2003 – 1,300,000) 8% Non-cumulative Secured NCDs of Rs. 100 each in Wockhardt Hospitals Limited	130,000	130,000
(c) 1,510,000 (2003 – 1,510,000) 8% Unsecured Non-Convertible Debentures (NCDs) of Rs. 100 each in Merind Limited	151,000	151,000
NON-TRADE:		
QUOTED:		
In Government securities		
2,200 (2003 – 2,200) 6.75% taxfree US-64 Bonds of Rs. 100 each guaranteed by Government of India, issued by the administrator of the specified undertaking of the Unit Trust of India	250	250
UNQUOTED		
In Government securities		
National Savings Certificate having face value of Rs. 260 thousand (2003 – Rs. 260 thousand)	260	260
Others		
(a) 780,000 (2003 – 780,000) Equity shares of Rs. 10 each fully paid up in Al Barr Finance House Limited	17,583	17,583
(b) Nil (2003 – 6,300) Equity shares of Rs. 10 each fully paid up in Bharuch Enviro Infrastructure Limited.	—	60
(c) Nil (2003 – 2,500) Bonds of Rs. 1,000 each in State Bank of India	—	2,500
(d) Investment in Mutual Fund	32,497	—
	381,590	351,653
10. INVENTORIES		
(As Taken, Valued and Certified by the Management)		
Raw materials	—	9,693
Packing materials	—	7,360
Work-in-process	—	1,776
Finished goods	—	14,767
Stores and spare parts	3,205	2,998
	3,205	36,594
11. SUNDRY DEBTORS (Unsecured)		
Outstanding for more than six months		
Considered good	—	—
Considered doubtful	9,167	9,167
	9,167	9,167
Less: Provision for doubtful debts	(9,167)	(9,167)
	—	—
Other debts		
Unsecured, considered good	26,556	—
	26,556	—
12. CASH AND BANK BALANCES		
Cash in hand	29	76
Balances with scheduled banks		
— in current accounts	11,452	53,421
— in margin accounts	80	6,235
Fixed Deposits	1,000	512,000
	12,561	571,732

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		As at 31-3-2005	As at 31-12-2003
13. LOANS AND ADVANCES (Unsecured, considered good)			
Loans to employees		66	8
Loans to Companies			
Considered good		1,555,023	676,529
Considered doubtful		118,314	101,600
		1,673,337	778,129
<i>Less: Provision for doubtful debts</i>		(118,314)	(101,600)
		1,555,023	676,529
Loans to others		806	—
Share application money		33,638	255
Advances recoverable in cash or in kind or for value to be received		12,171	76,019
Balance with customs and excise authorities		2,449	2,800
Other Deposits		7,831	15,220
Advance tax, net of provision for tax		341,594	294,040
		1,953,578	1,064,871
<p>Loans to companies include amount due from companies under the same management, Merind Limited Rs. 600 thousand (2003 – Rs. Nil) [maximum amount outstanding during the year Rs. 430,000 thousand (2003 – Rs. 9,625 thousand)], Wockhardt Hospitals Limited Rs. 937 thousand (2003 – Rs. 472,087 thousand) [maximum amount outstanding during the year Rs. 564,930 thousand (2003 – Rs. 541,201 thousand)], Wockhardt Maharashtra Hospitals Limited Rs. 2,223 thousand (2003 – Rs. 1,257 thousand) [maximum amount outstanding during the year Rs. 2,223 thousand (2003 – Rs. 1,257 thousand)].</p>			
14. CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Sundry creditors		30,282	58,473
Security deposits		270,823	4,399
Investor education and protection fund would be credited as and when required			
Unclaimed dividends		3,004	4,060
Interest accrued but not due		4,135	—
Other liabilities		19,062	29,393
		327,306	96,325
Provisions			
Provision for retirement benefits		2,888	2,575
		2,888	2,575
		330,194	98,900
	For the period ended 31-3-2005		For the year ended 31-12-2003
15. SALES AND SERVICES			
Sale of goods	315,515	289,487	
<i>Less: Excise duty</i>	(9,169)	(17,170)	
		306,346	272,317
Lease rent income		6,910	5,528
Business centre operations		82,454	59,950
Loan Licensee charges		11,451	—
		407,161	337,795
16. OTHER INCOME			
Consideration received for sale of Intravenous fluid division		80,487	80,487
Profit on sale of assets/business		155	5,329
Miscellaneous income		10,233	8,934
		90,875	94,750

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	For the period ended 31-3-2005	For the year ended 31-12-2003
17. INTEREST		
Interest paid		
Fixed	4,464	13,007
Others	7,900	58,142
	<u>12,364</u>	<u>71,149</u>
Less: Exchange (gain)/Loss on borrowings	—	(4,885)
Less: Interest received [TDS Rs. 30,485 thousand (2003 – Rs. 13,084 thousand)]	<u>(145,497)</u>	<u>(65,183)</u>
	<u><u>(133,133)</u></u>	<u><u>1,081</u></u>
18. MATERIAL COSTS		
Consumption of raw and packing materials	221,622	261,095
Purchase of finished goods	2,056	19,147
	<u>223,678</u>	<u>280,242</u>
19. DECREASE/(INCREASE) IN INVENTORIES		
Opening stock		
Finished goods	14,767	58,455
Work-in-process	1,776	3,430
Transfer in terms of scheme of arrangement with Biostadt India Limited		
Finished goods	—	(104,894)
Work-in-process	—	(4,413)
Stores & spares	—	(457)
Closing stock		
Finished goods	—	(14,767)
Work-in-process	—	(1,776)
	<u>16,543</u>	<u>(64,422)</u>
20. OPERATING AND OTHER EXPENSES		
Salaries, wages and bonus	27,294	39,435
Retirement benefits	703	1,507
Company's contribution to provident and other funds	2,003	2,080
Staff welfare expenses	3,590	5,478
Travelling expenses	1,624	14,632
Commission on Sales	—	1,739
Power and fuel	19,025	15,568
Rent, Rates and taxes	14,466	14,659
Maintenance and repairs		
Machinery	1,103	599
Buildings	1,744	1,409
Stores and spare parts consumed	2,485	1,612
Insurance	2,249	3,049
Provision for doubtful debts	16,714	—
Loss on sale of asset	8,172	—
General expenses	17,936	49,604
	<u>119,108</u>	<u>151,371</u>

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	For the period ended 31-3-2005	For the year ended 31-12-2003
21. EXCEPTIONAL ITEMS		
Loss on sale of Bioagro Division	—	(88,913)
Loss on sale of shares of Biostadt Europe	—	(10)
	<u>—</u>	<u>(88,923)</u>

22. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders (net profit for the year less dividends on preference shares) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares from the exercise of options on unissued share capital. The number of equity shares is the aggregate of the weighted average number of equity shares and the weighted average number of equity shares, which would be issued on the conversion of all the dilutive potential equity shares into equity shares.

The calculations of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below.

Reconciliation of earnings	2005	2003
Net profit attributable to equity shareholders		
Profit/(Loss) after tax for the financial year	<u>175,525</u>	70,491
Profit/(Loss) after tax for the financial year (Annualised)	<u>140,420</u>	<u>70,491</u>
	<u>140,420</u>	<u>70,491</u>
Reconciliation of weighted average number of shares	Shares	Shares
For basic/diluted earnings per share		
	<u>35,436</u>	35,436
	<u>35,436</u>	<u>35,436</u>
	<u>35,436</u>	<u>35,436</u>
Earnings per share (nominal value Rs. 10 each)	Rs.	Rs.
Basic/Diluted	4.95	1.99
Basic/Diluted (Annualised)	3.96	1.99

23. SEGMENT INFORMATION

(i) Information about business segments

	Year	Nutrition	Agrisciences	Others	Total
REVENUE					
External Sales*	2005	326,966	—	89,364	416,330
	2003	276,124	13,363	65,478	354,965
Total Revenue	2005	326,966	—	89,364	416,330
	2003	276,124	13,363	65,478	354,965
RESULT					
Segment result	2005	15,570	—	47,140	62,710
	2003	13,149	(84,311)	22,072	(49,090)
Unallocated Corporate Expenses	2005				89,415
	2003				134,840
Operating Profit	2005				(26,705)
	2003				183,930
Interest Expenses	2005				(133,133)
	2003				1,081
Other Income	2005				90,875
	2003				94,749
Net Profit	2005				197,303
	2003				(90,262)
OTHER INFORMATION					
Segment assets	2005	32,783	—	1,199,688	1,232,471
	2003	354,421	—	1,014,940	1,369,361
Unallocated Corporate Assets	2005				2,798,524
	2003				2,169,288

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(i) Information about business segments (Contd.)

	Year	Nutrition	Agrisciences	Others	Total
Total Assets	2005	32,783	—	1,199,688	4,030,995
	2003	354,421	—	1,014,940	3,538,649
Segment Liabilities	2005	7,327	—	—	7,327
	2003	21,960	—	—	21,960
Unallocated Corporate Liabilities	2005				618,594
	2003				287,141
Total Liabilities	2005	7,327	—	—	625,921
	2003	21,960	—	—	309,101
Capital Expenditure	2005	4,775	—	248,393	253,168
	2003	508	4,791	5,140	10,439
Depreciation	2005	24,199	—	50,338	74,537
	2003	19,225	4,550	51,334	75,109

* Revenue is gross of excise duty

(ii) Information about Secondary Segments

The Company operates in one geographical segment i.e. in India and hence no additional information has been provided in respect of this segment.

(iii) Notes:

Primary Segments

The primary segments of the Company are:

- Nutrition – Comprising of manufacture and marketing of milk based products.
- Agrisciences – Comprising of manufacture and marketing of Agricultural products.
- Others – comprising of service income.

Secondary Segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The Company operates in one geographical segment i.e. in India.

Segment revenue and result

The expenses that are not directly attributable to the business segments are shown as unallocated corporate costs.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of debtors, inventories, advances and fixed assets, net of allowances. Assets at the corporate level are not allocable to segments on a reasonable basis and thus the same have not been allocated.

Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

24. RELATED PARTY DISCLOSURES

(a) Parties where control exists

Subsidiary companies

Wockhardt International Ltd.

Holding company

Khorakiwala Holdings & Investments Pvt. Limited

(b) Related party relationships where transactions have taken place during the year

Holding company

Khorakiwala Holdings & Investments Pvt. Limited

Fellow Subsidiary companies

Wockhardt Limited

Wockhardt Hospitals Limited

Merind Limited

(c) Transactions with related parties during the year

Holding company

	Jan. 04 - Mar. 05	Jan. 03 - Dec. 03
Rent paid	137	118
Sale of shares	—	406,250
Interest received	29,559	—
Loan given	985,583	885,453
Loan repaid	405,860	682,268

Note: Maximum loans given to holding company at any point of time was Rs. 579,723 thousand (2003 – Rs. 453,260 thousand).

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24. RELATED PARTY DISCLOSURES (Contd.)

Jan. 04 - Mar. 05 Jan. 03 - Dec. 03

Fellow Subsidiary companies

Sale of finished goods Wockhardt Limited Rs. 273,368 thousands	273,368	249,935
Sale of raw/packing material Wockhardt Limited Rs. 10,160 thousands	10,160	—
Commision paid	—	877
Rent received Wockhardt Limited Rs. 9,735 thousands	9,981	7,224
Processing charges received Wockhardt Limited Rs. 11,451 thousands	11,451	—
Sharing of Expenses incurred/(recovered) Wockhardt Limited (Rs. 57,825 thousands) Wockhardt Hospitals Limited (Rs. 21,219 thousands)	(79,044)	(14,295)
Interest income Wockhardt Hospitals Limited Rs. 12,916 thousands	12,916	28,296
Interest expense	—	6,910
Interest received on Non-convertible debentures Wockhardt Hospitals Limited Rs. 13,000 thousands Merind Limited Rs. 15,100 thousands	28,100	33,720
Loan given to fellow subsidiaries Wockhardt Hospitals Limited Rs. 1,174,236 thousands Merind Limited Rs. 431,600 thousands	1,605,836	3,882,259
Loan repaid by fellow subsidiaries Wockhardt Hospitals Limited Rs. 1,173,298 thousands Merind Limited Rs. 431,000 thousands	1,604,298	3,421,421
Corporate Guarantees given Wockhardt Hospitals Limited Rs. 300,000 thousands	300,000	314,450
Note: Maximum loans given to Fellow Subsidiary Companies at any point of time was Rs. 994,929 thousand (2003 – Rs. 481,750 thousand)		
(d) Related party balances outstanding		
Receivable from/payable to holding company	587,467	203,185
Receivable (from)/payable to fellow subsidiaries	27,276	472,127
Corporate Guarantees given	300,000	314,450
Non-Convertible debentures with fellow subsidiary company	281,000	281,000
Security deposit payable to fellow subsidiary company	250,000	—

25. Management of WIL has disclosed that sundry debtors include an amount of Rs. 7,850 thousand in respect of which WIL is awaiting Reserve Bank of India approval for a write off. Accordingly, no adjustments have been made on account of exchange fluctuation relating to these debts.

26. CONTINGENT LIABILITIES

- (i) Counter guarantees given to banks Nil (2003 – Rs. 10,493 thousand).
- (ii) Corporate Guarantees given to banks amount to Rs. 300,000 thousand (2003 – Rs. 314, 450 thousand).
- (iii) Demands by Central Excise authorities in respect of classification disputes; stay orders have been obtained by the Company against these demands Nil (2003 – Rs. 26,190 thousand).
- (iv) Demands by Income Tax Authorities for various assessment years; the Company has appealed against these demands – Rs. 376,003 thousand. (2003 – Rs. 482,770 thousand).
- (v) Demands for 14, 316 thousand (2003 – Rs. 14,316 thousand) has been raised by Sales Tax Authorities. The Company has filed appeals against the said demand.
- (vi) Claims against the group not acknowledged as debts – Rs. 9,950 thousand (2003 – Rs. 9,950 thousand).

27. Prior year comparatives

Prior year figures have been re-classified wherever necessary to conform with current years' presentation. As the figures for the current period are for fifteen months, these are not comparable to the figures of the previous year.

Carol Info Services Limited

AUDITORS' REPORT

To

The Members of Carol Info Services Limited (Formerly Wockhardt Life Sciences Limited)

1. We have audited the attached Balance Sheet of Carol Info Services Limited ('the Company') as at March 31, 2005, the related Profit and Loss Account for the fifteen months period ended on that date annexed thereto and the Cash Flow Statement for the fifteen months period ended on that date, which we have signed under reference to this report. 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 have 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 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 Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
 - e. On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the director of the Company is disqualified as on March 31, 2005 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, 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;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit for fifteen months period ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for fifteen months period ended on that date.

For **Haribhakti & Co.**
Chartered Accountants

CHETAN DESAI
Partner
Membership No. 17000

Place : Mumbai

Date : June 10, 2005

ANNEXURE TO AUDITORS' REPORT — MARCH 31, 2005

Annexure referred to in paragraph 3 of our report of even date to the members of **Carol Info Services Limited** on the financial statement for fifteen months period ended March 31, 2005.

I Fixed Assets:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. We have been informed that the Company has a policy to verify its Fixed Assets once in the period of three years. Accordingly no physical verification has been done during the period under audit, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
2. During the period covered by our audit, the Company has not disposed off substantial part of fixed assets.

II Inventories:

3. The inventories of stores and spare parts of the Company has been physically verified by the management during the period covered by our audit. In our opinion, the frequency of verification was reasonable.
4. In our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The Company has maintained proper records of Inventory and the discrepancies between the physical stocks and the book stocks noticed on physical verification were not material and were properly dealt with in the books.

III Loans and Borrowings:

6. The Company, during the period covered by our audit, has not granted secured or unsecured loans to companies covered in the register maintained under Section 301 of the Act.
7. The Company, during the period covered by our audit, has not taken secured or unsecured loans from companies covered in the register maintained under Section 301 of the Act.
8. According to the records of the Company, it has not defaulted in repayment of its dues to any financial institution or bank or to debenture holders during the period covered by our audit.
9. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. On the basis of review of utilisation of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company have been applied for the purposes for which they are obtained.
11. On the basis of overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis that have been used for long-term investment.
12. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.

IV Internal Control:

13. In our opinion, there is adequate internal control system commensurate with size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and on the basis of information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system.
14. As per the information and explanations given to us and on the basis of examination of records no material fraud on or by the Company was noticed or reported during the period covered by our audit.
15. In our opinion the Company's present internal audit system is commensurate with its size and nature of business.

V Deposits:

16. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA or any other relevant provision of the Act and the rules framed there under.

VI Statutory Dues:

17. According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management Representations, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, service tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with appropriate authorities.
18. As at March 31, 2005, there have been no disputed dues which have not been deposited with respective authorities in respect of customs duty, wealth-tax, excise duty, service tax and cess which were due for a period of more than six months from the date they become payable except disputed income-tax dues of Rs. 28,125.79 thousands pending before income-tax Appellate Tribunal and Rs. 347,877.43 thousands pending before Commissioner of income-tax (Appeals), Sales Tax dues of Rs. 13,905.6 thousands (under Bombay Sales Tax Act 1959) pending before Appellate Tribunal and Rs. 410 thousands (Kerala General Sales Tax Act 1963) pending before Appellate Tribunal.

VII Miscellaneous Clause:

19. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Act.
20. On the basis of records produced to us, we are of the opinion that, prima facie, the cost records prescribed by the Central Government of India under Section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
21. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the fifteen months period covered by our audit and the immediately preceding financial year.
22. In our opinion, considering the nature of activities carried on by the Company during the period covered by our audit, the provision of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to it.
23. The Company has not dealt or traded in shares, securities, debentures or other investments during the period covered by our audit.
24. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institution are not prejudicial to the interest of the Company.
25. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act.
26. The Company has not raised any money by public issue during the period covered by our audit.
27. As clause 4(iii)(b), 4(iii)(c), 4(iii)(d), 4(iii)(e), 4(iii)(f), 4(iii)(g), of para Nos. 4 & 5 of Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004, are not applicable to Company, it has not been reported.

For **Haribhakti & Co.**
Chartered Accountants

CHETAN DESAI
Partner

Membership No. 17000

Place : Mumbai

Date : June 10, 2005

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

BALANCE SHEET AS AT MARCH 31, 2005

(All amounts in thousands of Rupees)

	Notes	As at 31.3.2005	As at 31.12.2003 (Note 26)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3		
Equity share capital		354,364	354,364
Reserves and surplus	4	3,038,722	3,038,722
		3,393,086	3,393,086
LOAN FUNDS			
Secured loans	5	1,115	70,835
Unsecured loans	6	220,724	78,794
		221,839	149,629
DEFERRED TAX LIABILITY	2 (g) & 7	73,889	60,568
		3,688,814	3,603,283
APPLICATION OF FUNDS			
FIXED ASSETS			
2(a) & 8			
Gross block		2,160,640	1,971,752
Accumulated depreciation		(533,137)	(476,198)
Net block		1,627,503	1,495,554
Capital work-in-progress and advances		26,001	18,236
		1,653,504	1,513,790
INVESTMENTS	2(c) & 9	401,590	371,653
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	2(d) & 10	3,205	36,594
Sundry debtors	11	26,556	-
Cash and bank balances	12	12,517	571,636
Loans and advances	13	1,918,220	1,029,419
		1,960,498	1,637,649
CURRENT LIABILITIES AND PROVISIONS	14	(330,161)	(98,892)
NET CURRENT ASSETS		1,630,337	1,538,757
PROFIT AND LOSS ACCOUNT		3,383	179,083
		3,688,814	3,603,283

The accompanying notes 1 to 26 are an integral part of this balance sheet.

As per our report of even date

Haribhakti & Co.
Chartered Accountants

Chetan Desai
a Partner

Place : Mumbai
Date : June 10, 2005

V. R. Khetan
Company Secretary

For and on behalf of the Board of Directors

G. B. Parulkar
Chairman

D. G. Modi
R. B. Gandhi
A. V. Kamath } Directors

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2005

(All amounts in thousands of Rupees)

	Notes	For the period ended 31.3.2005	For the year ended 31.12.2003 (Note 26)
INCOME			
Sales and services	2(f) & 15	407,161	337,795
Other income	16	90,875	94,656
Interest income	17	133,133	(1,081)
		<u>631,169</u>	<u>431,370</u>
EXPENDITURE			
Materials consumed	18	223,678	280,242
(Increase)/Decrease in inventories	19	16,543	(64,422)
Operating and other expenses	19	118,894	151,371
Depreciation	2(a) & 8	74,529	75,109
		<u>433,644</u>	<u>442,300</u>
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		197,525	(10,930)
Exceptional items	21	-	(79,332)
PROFIT/(LOSS) BEFORE TAX		197,525	(90,262)
Provision for tax		(8,504)	-
Deferred tax	2 (g) & 7	(13,321)	170,537
Wealth Tax		-	(288)
NET PROFIT FOR THE PERIOD		175,700	79,987
Profit and Loss Account, beginning of year		(179,083)	(304,720)
AMOUNT AVAILABLE FOR APPROPRIATION		(3,383)	(224,733)
APPROPRIATIONS			
Transfer (from)/to general reserve		-	(45,650)
PROFIT AND LOSS ACCOUNT, end of year		(3,383)	(179,083)
		<u>(3,383)</u>	<u>(224,733)</u>
Earning per share	23		
Basic & Diluted Rs.		4.96	2.26
Basic & Diluted (Annualised) Rs.		3.97	2.26
Nominal value of share Rs.		10.00	10.00

The accompanying notes 1 to 26 are an integral part of this statement.

As per our report of even date

Haribhakti & Co.
Chartered Accountants

Chetan Desai
a Partner

Place : Mumbai
Date : June 10, 2005

V. R. Khetan
Company Secretary

For and on behalf of the Board of Directors

G. B. Parulkar
Chairman

D. G. Modi
R. B. Gandhi
A. V. Kamath } Directors

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2005

(All amounts in thousands of Rupees)

	2005	2003 (Notes 26)
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Profit/(Loss) before tax	197,525	(90,262)
Adjustments to reconcile profit before tax to cash provided by operations:		
Depreciation	74,529	75,109
Amortisation of expenses/write off of fixed assets	-	43
Provision for doubtful advances/loans	16,714	-
Foreign exchange gain	255	(4,389)
(Profit)/loss on sale of fixed assets/Division, net	(80,642)	(6,460)
Interest expense	12,365	71,149
Interest income	(145,497)	(65,183)
Dividend income	(181)	-
Operating profit before working capital changes	75,068	(19,993)
(Increase)/decrease in current assets, loans and advances		
Inventories	33,389	(69,228)
Sundry debtors	(26,556)	208,511
Loans and advances	36,592	1,070,000
Increase/(Decrease) in current liabilities and provisions	227,934	(98,070)
Cash provided by operations	346,427	1,091,220
Tax paid	(55,404)	(19,950)
Net cash provided by operating activities	291,023	1,071,270
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of fixed assets including capital work-in-progress	(234,932)	(10,417)
Proceeds from sale of division	80,487	597,709
Proceeds from sale of fixed assets	20,845	3,759
Purchase of investments	(29,937)	(511,920)
Proceeds from sale of investments	-	511,920
Loan (to)/from Companies, net	(902,838)	542,585
Interest received	145,497	65,183
Dividend received	181	-
Net cash used in investing activities	(920,697)	1,198,819
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:		
(Repayment)/Proceeds from long-term borrowings, net	79,840	(1,638,530)
Interest paid	(8,229)	(69,844)
Dividend paid (Including tax on dividend)	(1,056)	(387)
Net cash provided by financing activities	70,555	(1,708,761)
NET DECREASE IN CASH AND BANK BALANCES	(559,119)	561,328
CASH AND BANK BALANCES, beginning of period	571,636	10,308
CASH AND BANK BALANCES, end of period	12,517	571,636

The accompanying notes 1 to 26 are an integral part of this cash flow statement.

As per our report of even date

Haribhakti & Co.
Chartered Accountants

Chetan Desai
a Partner

Place : Mumbai
Date : June 10, 2005

V. R. Khetan
Company Secretary

For and on behalf of the Board of Directors

G. B. Parulkar
Chairman

D. G. Modi
R. B. Gandhi
A. V. Kamath } Directors

Carol Info Services Limited

(Formerly Wockhardt Life Sciences Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2005

(All amounts in thousands of Rupees unless otherwise stated)

1. Background

Carol Info Services Limited (formerly Wockhardt Life Sciences Limited) ('CISL' or 'the Company'), is a subsidiary of Khorakiwala Holdings and Investments Private Limited. Pursuant to a scheme of arrangement, the pharmaceutical business of the Company was demerged into Wockhardt Limited with effect from January 1, 2000. The name of the Company has been changed from Wockhardt Life Sciences Limited to Carol Info Services Limited with effect from November 7, 2003.

The Company is primarily engaged in the business of manufacture of Nutrition products.

The Company has a manufacturing unit at Lalru, Ambala.

2. Summary of significant accounting policies

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in accordance with accounting principles generally accepted in India. The significant accounting policies are as follows:

(a) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets. Exchange differences relating to loan taken for the acquisition of fixed assets are adjusted in the cost of the assets.

Depreciation is provided, using the straight line method, pro-rata to the period of use of assets, at the rates specified in Schedule XIV of the Companies Act, 1956 or based on the useful life of the assets whichever is higher. The rates used by the Company are as follows:

Assets	Percentage
Leasehold land	Over the period of Lease
Buildings	1.63 – 3.34
Plant & Machinery	4.75 – 5.88
Furniture & Fixtures	6.33
Office Equipments	4.75 – 25
Information Technology Equipments	33.33
Vehicles	20

Fixed assets whose aggregate cost is Rs 5,000 or less are depreciated fully in the year of acquisition.

(b) Foreign currency transactions

Foreign currency transactions during the year are recorded at rates of exchange prevailing on the date of the transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing on the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except those relating to acquisition of fixed assets, which are adjusted in the cost of the assets.

In respect of transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the profit and loss account over the period of the contract.

(c) Investments

Long term investments are stated at cost. Provision is made to recognise a diminution, other than temporary, in the value of investments. Current investments are stated at lower of cost and fair value.

(d) Inventories

Inventories of raw materials, packing materials, work-in-process, finished goods and traded products are valued at standard cost adjusted for variances or net realisable value, whichever is lower. Cost of work-in-process and finished goods includes materials, labour and manufacturing overheads. Excise and customs duty accrued on production or import of goods, as applicable, is included in the valuation of inventories.

Inventories of stores and spare parts are valued at cost.

(e) Retirement benefits

The liability on account of gratuity and leave encashment are provided based on valuation by an independent actuary. Contributions to provident fund and family pension fund are charged to the profit and loss account as incurred.

(f) Revenue recognition

The Company recognises revenues on dispatch of goods to customers. Revenues are recorded at invoice value net of sales tax, excise, returns and trade discounts.

(g) Income-tax

Provision for Income tax is made on the basis of relevant provisions of Income tax Act, 1961 as applicable to the financial year.

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change

in tax rates is recognised in statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(h) Leases

Lease payments for operating leases are recognised as expense over the lease term. Lease income from operating leases is recognised as income over the lease term. Initial direct costs are recognised immediately as an expense.

3. SHARE CAPITAL

	As at 31.3.2005	As at 31.12.2003
AUTHORISED		
100,000,000 (2003 – 100,000,000) Unclassified shares of Rs. 10 each	1,000,000	1,000,000
ISSUED		
35,519,797 (2003 – 35,519,797) Equity Shares of Rs. 10 each fully paid-up	355,198	355,198
	355,198	355,198
SUBSCRIBED & PAID-UP		
35,436,472 (2003 – 35,436,472) Equity Shares of Rs. 10 each fully paid-up	354,365	354,365
<i>Less:</i> Allotment money due on 300 Equity Shares of Rs. 10 each	1	1
	354,364	354,364

Of the above equity shares:

- (a) 21,210,400 (2003 – 21,210,400) fully paid-up Equity Shares are held by Khorakiwala Holdings and Investments Pvt. Limited, the holding company.
- (b) 25,900,976 (2003 – 25,900,976) Equity Shares are allotted as fully paid by way of Bonus shares by capitalisation of General Reserve, Capital Redemption Reserve and Share Premium.
- (c) 374,820 (2003 – 374,820) Equity Shares are allotted as fully paid-up pursuant to amalgamation of Wockhardt Health Care Limited with the Company.

4. RESERVES AND SURPLUS

Central/State cash subsidy	8,084	8,084
Capital redemption reserve	297,500	297,500
Share premium account	2,716,000	2,716,000
Revaluation reserve		
Opening balance	–	21,533
<i>Less:</i> Transferred to General Reserve	–	(21,533)
	–	–
Debenture redemption reserve		
Opening balance	17,138	41,254
<i>Less:</i> Transferred to General reserve	(17,138)	(24,116)
	–	17,138
General reserve		
Opening balance	–	–
Transferred (to)/from Profit and Loss Account	–	(45,650)
Transferred from Revaluation Reserve	–	21,534
Transferred from Debenture Redemption Reserve	17,138	24,116
Balance at the end of the period	17,138	–
	3,038,722	3,038,722

	As at 31.3.2005	As at 31.12.2003
5. SECURED LOANS		
(a) Non-Convertible Debentures	–	68,552
(b) Term Loan from Banks*	1,115	2,283
	1,115	70,835
* Term loans from banks are secured by hypothecation of respective vehicles against which loan is taken.		
6. UNSECURED LOANS		
Long term		
Sales Tax Deferral Loan (out of the above Rs. 3,471 thousand (2003 – Rs. 1,735 thousand) is repayable within one year)	63,584	64,025
Short term (repayable within one year)		
Loan from banks	150,000	–
Loan from companies	7,140	14,769
	220,724	78,794
7. DEFERRED TAX LIABILITY		
Deferred tax liabilities		
Depreciation on fixed assets	222,409	206,195
Total (A)	222,409	206,195
Deferred tax assets		
Unabsorbed depreciation and business losses	148,520	145,627
Total (B)	148,520	145,627
Deferred tax liability (A-B)	73,889	60,568
Net deferred tax liability as of the period end	73,889	60,568
Less : Opening Deferred Tax Liability	60,568	231,105
Deferred tax (credit)/Charge for the period	13,321	(170,537)

8. FIXED ASSETS

BLOCK OF ASSET	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK		
	As at 01.01.2004	Additions during the period	Deletions/ Adjustments during the period	As at 31.3.2005	As at 01.01.2004	Charge for the period	Deletions/ Adjustments during the period	As at 31.3.2005	As at 31.3.2005	As at 31.12.2003
Freehold land	30,993	–	–	30,993	–	–	–	–	30,993	30,993
Leasehold land	195,141	–	–	195,141	10,507	3,298	–	13,806	181,336	184,634
Buildings	943,788	224,275	14,684	1,153,379	92,588	24,440	2,932	114,096	1,039,284	851,200
Plant and machinery	530,614	2,020	12,569	520,064	181,787	32,946	6,345	208,388	311,676	348,826
Furniture and fixtures	102,639	555	4,375	98,818	32,218	8,081	1,956	38,343	60,475	70,421
Office equipments	52,113	206	4,359	47,960	48,075	3,444	4,257	47,262	699	4,039
Information Technology equipments	97,017	111	1,786	95,342	96,772	250	1,786	95,236	106	245
Vehicles	19,447	–	506	18,941	14,252	2,070	314	16,007	2,934	5,196
Total	1,971,752	227,167	38,279	2,160,640	476,198	74,529	17,590	533,137	1,627,503	1,495,554
Capital Work-In-Progress (inclusive of Capital advances)									26,001	18,236
Grand Total	1,971,752	227,167	38,279	2,160,640	476,198	74,529	17,590	533,137	1,653,504	1,513,790
As at 31.12.2003	2,200,043	7,054	235,344	1,971,752	466,288	75,109	65,199	476,198	1,495,554	

	As at 31.3.2005	As at 31.12.2003
9. INVESTMENTS (AT COST)		
LONG TERM INVESTMENTS		
TRADE:		
UNQUOTED:		
In subsidiary companies		
(a) 2,000,000 (2003 – 2,000,000) Equity Shares of Rs. 10 each fully paid-up in Wockhardt International Limited (including one fully paid-up share of par value held in the name of the nominee of the Company).	20,000	20,000
Others		
(a) 50,000,000 (2003 – 50,000,000) Equity Shares of Re. 1 each fully paid-up in Wockhardt Hospitals Limited.	50,000	50,000
(b) 1,300,000 (2003 – 1,300,000) 8% Non-cumulative Secured NCDs of Rs. 100 each in Wockhardt Hospitals Limited.	130,000	130,000
(c) 1,510,000 (2003 – 1,510,000) 8% Unsecured Non-Convertible Debentures (NCDs) of Rs. 100 each in Merind Limited.	151,000	151,000
NON-TRADE:		
QUOTED:		
In Government securities		
(a) 2,200 (2003 – 2,200) 6.75% taxfree US-64 Bonds of Rs. 100 each guaranteed by Government of India, issued by the administrator of the specified undertaking of the Unit Trust of India.	250	250
UNQUOTED:		
In Government securities		
(a) National Savings Certificate having face value of Rs. 260 thousand (2003 – Rs. 260 thousand)	260	260
Others		
(a) 780,000 (2003 – 780,000) Equity Shares of Rs. 10 each fully paid-up in Al Barr Finance House Limited.	17,583	17,583
(b) Nil (2003 – 6,300) Equity Shares of Rs. 10 each fully paid-up in Bharuch Enviro Infrastructure Limited.	–	60
(c) Nil (2003 – 2,500) Bonds of Rs. 1,000 each in State Bank of India.	–	2,500
(d) Investment in Mutual Fund.	32,497	–
	401,590	371,653
	<hr/> <hr/>	<hr/> <hr/>
10. INVENTORIES (As Taken, Valued and Certified by the Management)		
Raw materials	–	9,693
Packing materials	–	7,360
Work-in-process	–	1,776
Finished goods	–	14,767
Stores and spare parts	3,205	2,998
	3,205	36,594
	<hr/> <hr/>	<hr/> <hr/>

	As at 31.3.2005	As at 31.12.2003
11. SUNDRY DEBTORS (Unsecured)		
Outstanding for more than six months		
Considered good	-	-
Considered doubtful	1,317	1,317
	<u>1,317</u>	<u>1,317</u>
<i>Less: Provision for doubtful debts</i>	(1,317)	(1,317)
	<u>26,556</u>	-
Other debts		
Unsecured, Considered good	26,556	-
	<u>26,556</u>	<u>-</u>
12. CASH AND BANK BALANCES		
Cash on hand	29	76
Balances with scheduled banks		
– in current accounts	11,408	53,325
– in margin accounts	80	6,235
Fixed Deposits	1,000	512,000
	<u>12,517</u>	<u>571,636</u>
13. LOANS AND ADVANCES (Unsecured, considered good)		
Loans to employees	66	-
Loans to Companies		
Considered good	1,555,023	676,529
Considered doubtful	118,314	101,600
	<u>1,673,337</u>	<u>778,129</u>
<i>Less: Provision for doubtful debts</i>	(118,314)	(101,600)
	<u>1,555,023</u>	<u>676,529</u>
Loans to others	806	-
Share application money	255	255
Advances recoverable in cash or in kind or for value to be received	12,172	41,868
Balance with customs and excise authorities	2,420	2,800
Other Deposits	7,831	15,220
Advance tax, net of provision for tax	339,648	292,748
	<u>1,918,221</u>	<u>1,029,420</u>
	<u>1,918,221</u>	<u>1,029,420</u>
Loans to companies include amount due from companies under the same management, Merind Limited Rs. 600 thousand (2003 – Rs. Nil) [maximum amount outstanding during the year Rs. 430,000 thousand (2003 – Rs. 9,625 thousand)], Wockhardt Hospitals Limited Rs. 937 thousand (2003 – Rs. 472,087 thousand) [maximum amount outstanding during the year Rs. 564,930 thousand (2003 – Rs. 541,201 thousand)], Wockhardt Maharashtra Hospitals Limited Rs. 2,223 thousand (2003 – Rs. 1,257 thousand) [maximum amount outstanding during the year Rs. 2,223 thousand (2003 – Rs. 1,257 thousand)].		
14. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors – Small scale industrial undertakings [see note 22 (f)]	333	774
– Others	29,950	57,691
Security deposits	270,823	4,399
Investor education and protection fund would be credited as and when required		
Unclaimed dividends	3,004	4,060
Interest accrued but not due	4,135	-
Other liabilities	19,028	29,393
	<u>327,273</u>	<u>96,317</u>
PROVISIONS		
Provision for retirement benefits	2,888	2,575
	<u>2,888</u>	<u>2,575</u>
	<u>330,161</u>	<u>98,892</u>
	<u>330,161</u>	<u>98,892</u>

	For the period ended 31.3.2005	For the year ended 31.12.2003
15. SALES AND SERVICES		
Sale of goods	315,515	289,487
<i>Less: Excise duty</i>	(9,169)	(17,170)
	306,346	272,317
Lease rent income	6,910	5,528
Business centre operations	82,454	59,950
Loan Licensee charges	11,451	–
	407,161	337,795
16. OTHER INCOME		
Consideration received for sale of Intravenous fluid division	80,487	80,487
Profit on sale of assets/business	155	5,302
Miscellaneous income	10,233	8,867
	90,875	94,656
17. INTEREST		
Interest paid		
Fixed	4,464	13,007
Others	7,900	58,142
	12,364	71,149
<i>Less: Exchange (gain)/loss on borrowings</i>	–	(4,885)
<i>Less: Interest received [TDS Rs. 30,485 thousand (2003 – Rs. 13,084 thousand)]</i>	(145,497)	(65,183)
	(133,133)	1,081
18. MATERIAL COSTS		
Consumption of raw and packing materials	221,622	261,095
Purchase of finished goods	2,056	19,147
	223,678	280,242
19. DECREASE/(INCREASE) IN INVENTORIES		
Opening stock		
Finished goods	14,767	55,965
Work-in-process	1,776	3,430
Transfer in terms of scheme of arrangement with Biostadt India Ltd.		
Finished goods	–	(102,404)
Work-in-process	–	(4,413)
Stores & spares	–	(457)
Closing stock		
Finished goods	–	(14,767)
Work-in-process	–	(1,776)
	16,543	(64,422)

	For the period ended 31-03-2005	For the year ended 31-12-2003
20. OPERATING AND OTHER EXPENSES		
Salaries, wages and bonus	27,294	39,435
Retirement benefits	703	1,507
Company's contribution to provident and other funds	2,003	2,080
Staff welfare expenses	3,590	5,478
Travelling expenses	1,624	14,632
Commission on Sales	-	1,739
Power and fuel	19,025	15,568
Rent, Rates and taxes	14,466	14,659
Maintenance and repairs		
Machinery	1,103	599
Buildings	1,744	1,409
Stores and spare parts consumed	2,485	1,612
Insurance	2,249	3,049
Provision for doubtful debts	16,714	-
Loss on sale of Asset	8,172	-
General expenses	17,722	49,604
	<u>118,894</u>	<u>151,371</u>

21. EXCEPTIONAL ITEMS

Loss on sale of Bioagro Division	-	(79,332)
	<u>-</u>	<u>(79,332)</u>

22. SUPPLEMENTARY PROFIT & LOSS ACCOUNT DATA

(a) Break-up of Materials and Stores & Spare Parts Consumed

	For the period ended 31-03-2005		For the year ended 31-12-2003	
	Value Rs. in thousands	%	Value Rs. in thousands	%
(i) Materials				
Imported – Materials	3,056	1.38	14,354	5.50
Indigenously Procured Materials	218,566	98.62	246,741	94.50
	<u>221,622</u>	<u>100.00</u>	<u>261,095</u>	<u>100.00</u>
(ii) Stores and Spare Parts				
Imported	-	-	-	-
Indigenously Procured	2,485	100.00	1,612	100.00
	<u>2,485</u>	<u>100.00</u>	<u>1,612</u>	<u>100.00</u>

(b) Raw Material and Packing Material Consumed

Material Description	Unit of Measurement	For the period ended 31-03-2005		For the year ended 31-12-2003	
		Quantity	Value (Rs. in thousands)	Quantity	Value (Rs. in thousands)
1. Alphamethrin Tech	Kgs.	-	-	2,870	2,582
2. Acephate 75%	Kgs.	-	-	16,560	3,616
3. Chloropyriphos Tech 94%	Kgs.	-	-	10,000	3,328
4. Dextrose Anhydrous IP	Kgs.	-	-	2,096	68
5. Ethion Tech 92%	Kgs.	-	-	4,298	892
6. Quinolphos Tech 70%	Kgs.	-	-	18,472	5,282
7. Milk	Ltrs.	8,678,018	82,374	7,887,315	82,823
8. Whey Protein	Kgs.	65,299	13,977	59,517	12,516
9. Maltodextrin	Kgs.	514,272	12,845	421,370	10,851
10. Casein	Kgs.	44,269	12,061	33,332	8,377
11. Tin 500 gm.	Ths.	966	10,725	953	10,180
12. Others			89,640		120,580
			<u>221,622</u>		<u>261,095</u>

(c) Installed capacity, actual production, closing stock and sales in respect of each class of goods

Particulars	U/M	Period/Year	Installed Capacity Per Annum Quantity	Production Quantity	Purchase Quantity	Stock at Commencement		Stock at close		Turnover	
						Quantity	Rs./Thousand Value	Quantity	Rs./Thousand Value	Quantity	Rs./Thousand Value
1. Agro Products	LTRS.	2005 2003	– (5,352,000)	– (486,720)	– –	– (512,333)	– (46,450)	– –	– –	– (235,483)	– (13,940)
2. Powders	KGS.	2005 2003	4,000,000 (4,000,000)	3,676,382 (2,295,351)	– –	126,843 (89,053)	14,767 (9,520)	– (126,843)	– (14,770)	3,803,224 (2,257,561)	312,730 (273,537)
3. Others		2005 2003					– –	– –	– –		2,785 (2,010)
							14,767 (55,970)		– (14,770)		315,515 (289,487)

* Installed capacity is on one shift basis.

Figures in bracket indicates prior year comparatives

	2005	2003
(d) Auditor's Remuneration		
Audit Fees	170	450
Tax Audit Fees	4	100
Other services	–	400
	174	950
(e) Value of Imports on C.I.F. Basis		
Raw Materials & Packing Materials	2,620	9,790
	2,620	9,790
(f) List of small scale industrial undertakings (balances due, for more than thirty days at March 31, 2005).		
Nancy Packages Pvt. Ltd.		

23. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders (net profit for the year less dividends on preference shares) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares from the exercise of options on unissued share capital. The number of equity shares is the aggregate of the weighted average number of equity shares and the weighted average number of equity shares, which would be issued on the conversion of all the dilutive potential equity shares into equity shares.

The calculations of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below.

Reconciliation of earnings	31-03-2005	31-12-2003
Net Profit attributable to equity shareholders		
Profit/(Loss) after tax for the financial year	175,700	79,987
Profit/(Loss) after tax for the financial year (Annualised)	140,560	79,987
Reconciliation of weighted average number of shares		
	Shares	Shares
For basic/diluted earnings per share	35,436	35,436
	35,436	35,436
Earnings per share (nominal value Rs. 10 each)	Rs.	Rs.
Basic/Diluted	4.96	2.26
Basic/Diluted (Annualised)	3.97	2.26

24. RELATED PARTY DISCLOSURES

(a) Parties where control exists

Subsidiary companies

Wockhardt International Ltd.

Holding company

Khorakiwala Holdings & Investments Pvt. Limited

(b) Related party relationships where transactions have taken place during the year

Holding company

Khorakiwala Holdings & Investments Pvt. Limited

Fellow Subsidiary enterprises

• Wockhardt Limited • Wockhardt Hospitals Limited • Merind Limited

(c) *Transactions with related parties during the year*

	Jan. 04- Mar. 05	Jan. 03- Dec. 03
<i>Holding company</i>		
Rent paid	137	118
Sale of shares	-	406,250
Interest received	29,559	-
Loan given	985,583	885,453
Loan repaid	405,859	682,268

Note: Maximum loans given to holding company at any point of time was Rs. 579,723 thousand (2003 – Rs. 453,260 million)

Fellow Subsidiary companies

Sale of finished goods		273,368	249,935
Wockhardt Limited	Rs . 273,368 thousands		
Sale of raw/packing material		10,160	-
Wockhardt Limited	Rs . 10,160 thousands		
Commission paid		-	877
Rent received		9,981	7,224
Wockhardt Limited	Rs. 9,735 thousands		
Processing charges received		11,451	-
Wockhardt Limited	Rs. 11,451 thousands		
Sharing of Expenses incurred/(recovered)		(79,044)	(14,295)
Wockhardt Limited	Rs. (57,825) thousands		
Wockhardt Hospitals Limited	Rs. (21,219) thousands		
Interest income		12,916	28,296
Wockhardt Hospitals Limited	Rs. 12,916 thousands		
Interest expense		-	6,910
Interest received on Non-convertible debentures		28,100	33,720
Wockhardt Hospitals Limited	Rs. 13,000 thousands		
Merind Limited	Rs. 15,100 thousands		
Loan given to fellow subsidiaries		1,605,836	3,882,259
Wockhardt Hospitals Limited	Rs. 1,174,236 thousands		
Merind Limited	Rs. 431,600 thousands		
Loan repaid by fellow subsidiaries		1,604,298	3,421,421
Wockhardt Hospitals Limited	Rs. 1,173,298 thousands		
Merind Limited	Rs. 431,000 thousands		
Corporate Guarantees given		300,000	314,450
Wockhardt Hospitals Limited	Rs. 300,000 thousands		

Note: Maximum loans given to associates at any point of time was Rs. 994,929 thousand (2003 – Rs. 481,750 thousand)

(d) *Related party balances outstanding*

Receivable from/payable to holding company	587,467	203,185
Receivable (from)/payable to fellow subsidiaries	27,276	472,127
Corporate Guarantees given	300,000	314,450
Non-Convertible debentures with fellow subsidiary company	281,000	281,000
Security deposit payable to fellow subsidiary company	250,000	-

25. Contingent Liabilities

- (i) Counter guarantees given to banks Nil (2003 – Rs. 10,493 thousand).
- (ii) Corporate Guarantees given to banks amounts to Rs. 300,000 thousand. (2003 – Rs. 314,450 thousand).
- (iii) Demands by Central Excise authorities in respect of classification disputes; stay order have been obtained by the Company against these demands Nil (2003 – Rs. 26,190 thousand).
- (iv) Demands by Income Tax Authorities for various assessment years; the Company has appealed against these demands – Rs. 376,003 thousand. (2003 – Rs. 482,770 thousand).
- (v) Demands for Rs. 14,316 thousand (2003 – Rs. 14,316 thousand) has been raised by Sales Tax Authorities. The Company has filed appeals against the said demand.
- (vi) Claims against the Company not acknowledged as debts – Rs. 9,950 thousand (2003 – Rs. 9,950 thousand).

26. Prior year comparatives

Prior year figures have been re-classified wherever necessary to conform with current years' presentation. As the figures for the current period are for fifteen months, these are not comparable to the figures of the previous year.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (RUPEES IN MILLIONS)

(a) Registration details:		Application of funds	
Registration No.	21942	Net fixed assets	1,627,503
State Code	11	Capital work in progress including advances	26,001
Balance Sheet Date	31-03-2005	Investments	401,590
(b) Capital raised during the year:		Net current assets	1,630,337
Public Issue	Nil	Accumulated losses	3,383
Rights Issue	Nil	(d) Performance of the company:	
Bonus Issue	Nil	Turnover	631,169
Private Placement	Nil	Total expenditure	433,644
(c) Position of mobilisation and deployment of funds:		Profit/(loss) before tax	197,525
Total liabilities and shareholders funds	3,688,814	Profit/(loss) after tax	175,700
Total assets	3,688,814	Earnings per share	4.96
Sources of funds		Dividend rate %	Nil
Paid-up capital	354,364	(e) Generic names of three principal products/services of the company:	
Reserves and surplus	3,038,722	Product Description	MILK BASED PRODUCTS
Secured loans	1,115	Product Description	SKIMMED MILK POWDER
Unsecured loans	220,724	Product Description	GHEE
Deferred tax liability	73,889		

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Particulars	Wockhardt International Limited
1. The Financial year of the subsidiary company ended on	March 31, 2005
2. (a) The No. of Equity Shares held by Carol Info Services Limited and its nominee in the subsidiary as at March 31, 2005	20,00,000 Equity Shares of Rs. 10/- each fully paid up
(b) Extent of interest of Carol Info Services Limited in the Capital of the Subsidiary	100%
3. Net Aggregate amount of the Profits/Losses of the subsidiary so far it concerns the members of Carol Info Services Limited as is not dealt with the Companies' Accounts:	
(a) Profit/(Losses) for the 15 months period ended March 31, 2005 of the Subsidiaries (Rs. in thousands)	175
(b) Profits/(Losses) for the previous Financial Year of the subsidiaries, since it became a subsidiary of Carol Info Services Ltd. (Rs. in thousands)	15,515
4. Net Aggregate amount of the Profits/(Losses) of the subsidiary so far as dealt with or provision is made for those losses in Carol Info Services Ltd's. Accounts	
(a) For the Subsidiary's Financial Period ended March 31, 2005	0
(b) For the previous year since it became a subsidiary of Carol Info Services Ltd.	0

Mumbai, June 10, 2005

BOARD OF DIRECTORS

R. B. Gandhi
Chairman

G. B. Parulkar
Director

A. V. Kamath
Director

AUDITORS

Haribhakti & Co.

BANKERS

*The Hongkong and Shanghai Banking
Corporation Limited*

REGISTERED OFFICE

*Wockhardt Towers, Bandra-Kurla Complex
Bandra (East), Mumbai-400 051.*

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present the Fourteenth Annual Report and the Audited statement of Accounts for the 15 months period ended 31st March, 2005.

OPERATIONS

During the period under review, the Company has recorded a loss of Rs. 175,128/- . In view of this, the directors do not recommend any dividend for the year.

DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

EMPLOYEES

The Company has no employees covered by Section 217(2A) of the Companies Act, 1956.

BOARD OF DIRECTORS

Dr. G. B. Parulkar retires by rotation as director at the upcoming Annual General Meeting and being eligible offers himself for re-appointment. The Board recommends his appointment.

RE-APPOINTMENT OF AUDITORS AND LEGAL COMPLIANCE

The retiring auditors, M/s. Haribhakti & Co., Chartered Accountants have furnished the necessary certificate under Section 224 (1B) of the Companies Act, 1956, and

being eligible, offer themselves for re-appointment. The said appointment is proposed for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA)

- (i) The annual accounts presented to the members have been prepared on going concern basis and applicable accounting standards have been followed.
- (ii) In case of any material departures from the applicable accounting standards, proper explanations have been provided.
- (iii) In order to provide a true and fair view of the state of affairs of the Company as on March 31, 2005 and the profits for the period ended on that date reasonable and prudent judgments and estimates have been made and generally accepted accounting policies have been selected and consistently applied.
- (iv) For safeguarding the assets of the Company and for preventing and detecting any material fraud and irregularities, proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956.

For and on behalf of the Board of Directors

Place : Mumbai
Date : June 3, 2005

Sd/-
Chairman

Registered Office:
Wockhardt Towers
Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051.

AUDITORS' REPORT

TO THE MEMBERS OF WOCKHARDT INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of WOCKHARDT INTERNATIONAL LIMITED (the Company) as at March 31, 2005 and the related Profit and Loss Account for the fifteen months period ended on that date annexed thereto and Cash Flow Statement for the fifteen months period ended on that date, which we have signed under reference to this report. 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 have 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 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 Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
- (e) On the basis of written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the director of the Company is disqualified as on March 31, 2005 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - (ii) in the case of the Profit and Loss Account, of the loss for the fifteen months period ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the fifteen months period ended on that date.

For **HARIBHAKTI & CO.**
Chartered Accountants

CHETAN DESAI
Partner

Place : Mumbai
Date : June 3, 2005.

Membership No. 17000

ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in paragraph 3 of our report of even date to the members of Wockhard International Limited on the Financial Statements for fifteen months period ended March 31, 2005)

I. Fixed Assets

- The Company has maintained proper records showing full particulars, including quantitative details and situation, of its Fixed Assets. The Fixed Assets have been physically verified by the Management during the period covered by our audit and no material discrepancies have been noticed on such verification.
- During the period covered by our audit, the Company has not disposed off substantial part of Fixed Assets.

II. Loans and Borrowings:

- The Company, during the period covered by our audit, has not taken secured or unsecured loans, from Companies covered in the register maintained under Section 301 of the Act.
- The Company, during the period covered by our audit, has not granted secured or unsecured loans, to Companies covered in the register maintained under Section 301 of the Act.
- According to the records of the Company, the Company does not have any dues to any financial Institution or bank or to debenture holders during the period covered by our audit.
- The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- In our opinion and according to the information and explanations given to us, the Company has not taken any term loans.
- On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis that have been used for long-term investment.
- According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued by debentures.

III. Internal Controls:

- In our opinion, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and on the basis of information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system.
- As per the information and explanations given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the period covered by our audit.
- In our opinion, the Company's present Internal Audit System is commensurate with its size and nature of business.

IV. Deposits:

- The Company has not accepted any Deposits from the Public within the meaning of Section 58A and 58AA or any other relevant provision of the Act and the rules framed there under.

V. Statutory Dues:

- According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management Representations, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, service tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with appropriate authorities.
- As at March 31, 2005, there have been no disputed dues which have not been deposited with respective authorities in respect of income-tax, customs duty, wealth-tax, excise duty, service tax, and cess which were due for a period of more than six months from the date they become payable except disputed income tax dues of Rs. 944.42 thousands pending before Income Tax Appellate Tribunal.

VI. Miscellaneous:

- In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Act.
- The Company does not have accumulated losses as at March 31, 2005. However, the Company has incurred cash losses of Rs. 214.56 thousands during the period ended on that date but had not incurred cash loss in the immediately preceding previous year.
- In our opinion, considering the nature of activities carried on by the Company during the period covered by our audit, the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to it.
- The Company has not dealt or traded in shares, securities, debentures or other investments during the period covered by our audit.
- 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 or financial institution.
- According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act.
- The Company has not raised any money by public issue during the period covered by our audit.
- As clauses 4(ii), 4(iii)(b), 4(iii)(c), 4(iii)(d), 4(iii)(e), 4(iii)(f), 4(iii)(g) and 4(viii) of para no. 4 & 5 of Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004, are not applicable to Company, it has not been reported.

For **HARIBHAKTI & CO.**
Chartered Accountants

CHETAN DESAI
Partner

Place : Mumbai
Dated : June 3, 2005.

Membership No. 17000

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule No.	As at 31.03.2005 (Rupees)	As at 31.12.2003 (Rupees)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,00,00,000	2,00,00,000
Reserves and Surplus	2	1,53,40,729	1,55,15,857
Total		3,53,40,729	3,55,15,857
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	12,750	12,750
Less: Accumulated Depreciation		(12,749)	(5,123)
Net Block		1	7,627
CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets			
Sundry debtors	4	—	—
Cash and Bank balance		43,877	96,306
Loans and Advances	5	3,53,28,848	3,54,20,259
		3,53,72,525	3,55,16,565
Less: Current Liabilities and Provisions	6	31,797	8,335
NET CURRENT ASSETS		3,53,40,728	3,55,08,230
Total		3,53,40,729	3,55,15,857
Notes to Accounts	10		

As per our report of even date

For and on behalf of the Board

For **Haribhakti & Co.**
Chartered Accountants

R. B. Gandhi
G. B. Parulkar } Directors

Chetan Desai
Partner

Place : Mumbai
Dated : June 3, 2005.

PROFIT AND LOSS ACCOUNT FOR 15 MONTHS ENDED 31ST MARCH, 2005

	Schedule No.	For 15 Months ended 31.03.2005 (Rupees)	For 12 months ended 31.12.2003 (Rupees)
INCOME			
Other Income	7	—	93,399
		—	93,399
EXPENDITURE			
Operating and Other Expenses	8	2,14,563	27,143
Depreciation		7,626	605
		2,22,189	27,748
Profit/(Loss) before Tax		(2,22,189)	65,651
Provision for Taxation		—	(5,047)
Deferred tax provision	10 (3)	—	27,170
Profit/(Loss) after Tax		(2,22,189)	87,774
Excess/(Short) provision for earlier years		47,061	—
		(1,75,128)	87,774
Balance brought forward from previous year		1,55,15,857	1,54,28,083
Available for Appropriation		1,53,40,729	1,55,15,857
APPROPRIATIONS			
Balance carried forward to Balance Sheet		1,53,40,729	1,55,15,857
		1,53,40,729	1,55,15,857
Earning per share (Basic/Diluted)	9	(0.09)	0.04
Notes to Accounts	10		

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R. B. Gandhi
G. B. Parulkar } Directors

Chetan Desai
Partner

Place : Mumbai
Dated : June 3, 2005.

**STATEMENT OF CASH FLOW
for the period ended March 31, 2005**

	For the period ended 31.03.2005 (Rupees)	For the year ended 31.12.2003 (Rupees)
Cash flow from operating activities		
Net profit before Taxation and Extraordinary Item	(2,22,189)	65,651
Adjustments for:		
Depreciation	7,826	605
Loss/(Profit) on Sale of Assets	—	(27,363)
Operating profit before Working Capital changes	(2,14,563)	38,893
Loans and Advances Except Advance tax	7,42,204	(1,23,039)
Sundry Creditors	23,462	(7,353)
Cash generated from Operations	5,51,103	(91,499)
Income-taxes paid	(6,03,732)	(21,930)
Net cash from Operating Activities	(52,629)	(1,13,429)
Cash flow from Investing Activities		
Proceeds from Sale of Fixed Assets	—	1,48,335
Interest received	—	—
Net cash from Investing Activities	—	1,48,335
Cash flow from Financing activities		
Net cash used in Financing Activities	—	—
Net increase in cash and cash equivalents	(52,629)	34,906
Cash and cash equivalents at beginning of period	96,306	61,400
Cash and cash equivalents at the end of period	43,677	96,306

As per our report of even date

For and on behalf of the Board

For **Haribhakti & Co.**
Chartered Accountants

R. B. Gandhi }
G. B. Parulkar } Directors

Chetan Desai
Partner

Place : Mumbai
Dated : June 3, 2005

SCHEDULES

SCHEDULE 1

SHARE CAPITAL

	As at 31.03.2005 (Rupees)	As at 31.12.2003 (Rupees)
Authorised		
25,00,000 (25,00,000) Equity Shares of Rs. 10/- each	2,50,00,000	2,50,00,000
Issued		
20,00,000 (20,00,000) Equity Shares of Rs. 10/- each	2,00,00,000	2,00,00,000
Subscribed & Paid-up		
20,00,000 (20,00,000) Equity Shares of Rs. 10/- each	2,00,00,000	2,00,00,000
	2,00,00,000	2,00,00,000

Of the above equity shares 20,00,000 (20,00,000) fully paid-up equity shares are held by Carol Info Services Limited (formerly, Wockhardt Life Sciences Limited), the holding company.

SCHEDULE 2

RESERVES & SURPLUS

	As at 31.03.2005 (Rupees)	As at 31.12.2003 (Rupees)
Profit & Loss Account	1,53,40,729	1,55,15,857
	1,53,40,729	1,55,15,857

SCHEDULE 3

FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.01.04	Additions	Deductions	As at 31.03.05	As at 01.01.04	Charge for the period	Deduction/ Adjustments	As at 31.03.05	As at 31.03.05	As at 31.12.03
Office Equipments	12,750	—	—	12,750	5,123	7,626	—	12,749	1	7,627
TOTAL	12,750	—	—	12,750	5,123	7,626	—	12,749	1	7,627

SCHEDULE 4

CURRENT ASSETS

	As at 31.03.2005 (Rupees)	As at 31.12.2003 (Rupees)
A. SUNDRY DEBTORS (UNSECURED)		
Outstanding for a period exceeding six months		
Considered Good	—	—
Considered Doubtful	78,49,952	78,49,952
	78,49,952	78,49,952
Less: Provision for Doubtful Debts	(78,49,952)	(78,49,952)
	—	—
B. CASH AND BANK BALANCES		
With Scheduled Banks in:		
Current Accounts	43,677	96,306
Fixed Deposits	—	—
	43,677	96,306
	43,677	96,306

SCHEDULE 5

**LOANS AND ADVANCES
(Unsecured, Considered good)**

	As at 31.03.2005 (Rupees)	As at 31.12.2003 (Rupees)
Advances recoverable in cash or in kind or for value to be received	—	3,41,25,204
Share Application Money	3,33,83,000	—
Advance Tax (Including Tax Deducted at Source, net of provision for tax)	19,45,848	12,95,055
	3,53,28,848	3,54,20,259

SCHEDULE 6

CURRENT LIABILITIES

	As at 31.03.2005 (Rupees)	As at 31.12.2003 (Rupees)
Sundry Creditors	—	—
— Small scale undertakings	—	—
— Others	31,797	8,335
	31,797	8,335

SCHEDULE 7

OTHER INCOME

	For 15 months ended 31.03.2005 (Rupees)	For 12 months ended 31.12.2003 (Rupees)
Recovery from impaired asset	—	62,286
Profit on sale of asset	—	27,363
Liability no more payable	—	3,750
	—	93,399

SCHEDULE 8

OPERATING AND OTHER EXPENSES

	For 15 months ended 31.03.2005 (Rupees)	For 12 months ended 31.12.2003 (Rupees)
Auditors' Remuneration	20,663	6,480
Legal & Professional	1,43,900	4,600
Consultancy	50,000	—
Bank charges	—	16,063
	2,14,563	27,143

SCHEDULE 9

EARNING PER SHARE

	For 15 months ended 31.03.2005 (Rupees)	For 12 months ended 31.12.2003 (Rupees)
Profit after tax for the financial year	(1,75,128)	87,774
No. of equity shares	20,00,000	20,00,000
Earning per share (nominal value Rs. 10 each)	(0.09)	0.04
Basic/Diluted (Rs.)	(0.09)	0.04

SCHEDULE 10

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

- (a) **Basis of Accounting:**
All Income and Expenditure are accounted on Accrual basis.
- (b) **Fixed Assets:**
Fixed Assets are stated at historical cost of acquisition including direct/indirect cost incurred to put the asset in use or as adjusted for fluctuations in Foreign Exchange costs of acquisitions or at the value determined by the independent valuer on the date of such revaluation, as the case may be, less accumulated depreciation.
- (c) **Depreciation:**
Depreciation on Fixed Assets is provided using the Straight Line Method pro-rata to the period of use of assets, at the rates provided by Schedule XIV of the Companies Act, 1956.
- (d) **Investments:**
Investments are valued at cost plus related charges such as brokerage, stamps, fees etc.
- (e) **Deferred Tax Liability:**
Provision for current income-tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
Deferred tax assets are recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

	For the period ended 31.03.2005 (Rupees)	For the year ended 31.12.2003 (Rupees)
2. Auditors' Remuneration		
Audit Fees	18,750	6,000
Service Tax	1,913	480
Total	<u>20,663</u>	<u>6,480</u>

Particulars	Amount (Rs.)	Amount (Rs.)
Opening balance		
Accelerated Depreciation	—	27,171
Charge for the year		
Accelerated Depreciation	(10,096)	(27,171)
Closing balance		
Accelerated Depreciation	<u>(10,096)</u>	<u>—</u>

Due to virtual uncertainty of profits for the future years, Deferred Tax Asset of Rs. 10,096/- comprising of unabsorbed depreciation have not been recognised in books of accounts.

4. (a) Expenditure in Foreign Currency **Nil** Nil
(b) Earnings in Foreign Exchange **Nil** Nil
5. Sundry Debtors of Rs. 78,49,952/-, for which a provision has been made during the year 2000-2001, is subject to the RBI approval for a write off, and hence no further adjustment has been made for exchange fluctuations.
6. Previous years figures are regrouped wherever necessary. As the figures for the current period are for fifteen months, these are not comparable to the figures of the previous year.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details		
Registration No.	:	60162
State Code (Refer Code List)	:	11
Balance Sheet Date	:	31-03-2005
II Capital raised during the year (Amount in Rs. Thousands)		
Public Issue	:	N.A.
Rights Issue	:	N.A.
Bonus Issue	:	N.A.
Private Placement	:	N.A.
III Position of mobilisation and deployment of funds (Amount in Rs. Thousands)		
Total Liabilities	:	35,340.73
Total Assets	:	35,340.73
Sources of Funds		
Paid-up Capital	:	20,000.00
Reserves and Surplus	:	15,340.73
Secured Loans/Unsecured Loans	:	Nil
Deferred Tax Liability	:	Nil
Application of Funds		
Net Fixed Assets	:	Nil
Investments	:	Nil
Net Current Assets	:	35,340.73
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
IV Performance of Company (Amount in Rs. Thousands)		
Turnover	:	Nil
Total Expenditure	:	222.19
+/- Profit/(Loss) Before Tax	:	-222.19
+/- Profit/(Loss) After Tax	:	-175.13
Earnings per Share in Rs.	:	-0.09
Dividend Rate (%)	:	Nil
V Generic name of the principal products/services of the Company (as per monetary terms):		
Item Code No. (ITC CODE)	:	N.A.
Product Description	:	N.A.
Item Code No. (ITC CODE)	:	N.A.
Product Description	:	N.A.
Item Code No. (ITC CODE)	:	N.A.
Product Description	:	N.A.