

ANNUAL REPORT 2005



ONE WORLD
ONE WOCKHARDT



ONE WORLD ONE WOCKHARDT



"All the world's a stage, and all the men and women merely players,"
wrote William Shakespeare.

As business and corporate strategist Kenichi Ohmae observes, this is no longer just an elegant metaphor.

"In the past, business and economics were like plays performed in separate theatres to discrete audiences. Their actors and actresses were distinct and their manner of performance was often influenced by the individual theatre's tradition. Now the drama takes place on one enormous global stage...we all form part of a giant troupe..."

The success of a business today depends on how its practices, strategies, competencies and culture relate to the new world order.

When Wockhardt ventured out of India in its quest for growth, we discovered that our management philosophy, work culture and scientific skills were well suited to serving the healthcare needs of people in diverse societies worldwide. In its global march, Wockhardt has built on this success formula and perfected it by absorbing the best from various regions to build a unique, holistic, global identity. In short, One Wockhardt, worldwide.

This Wockhardt identity, shared by over 4,000 Wockhardians belonging to 12 nationalities worldwide, is not affiliated to any single country. The new Wockhardt is one dynamic entity straddling the world healthcare map. The global ERP software, launched recently, has integrated various activities of the company worldwide, enabling access to realtime data and information worldwide from the Wockhardt world.

When it comes to healthcare, we have found that people's needs are one. The quest for good health transcends all boundaries drawn by man and nature. Everyone wants the best quality medicines at the most affordable prices. Diseases too, unlike in the past, are no longer identified with geographical regions. Diabetes, for example, has become a killer disease for rich and poor alike, across continents. With its global focus, Wockhardt is now well poised to serve the emerging world healthcare market.



Cover page shows Wockhardians: left to right:
Dr. Zinobia Madan, Associate VP - Clinical Research
Dr. Bui Song Lam, Country Manager - Vietnam
Anna Verbina, Marketing Manager - Russia
Dr. Yatendra Kumar, President - Pharma Research & Regulatory
George Cubuk, Managing Director - Esparma, Germany
Dinesh Dua, President - Biotechnology Strategic Business Unit



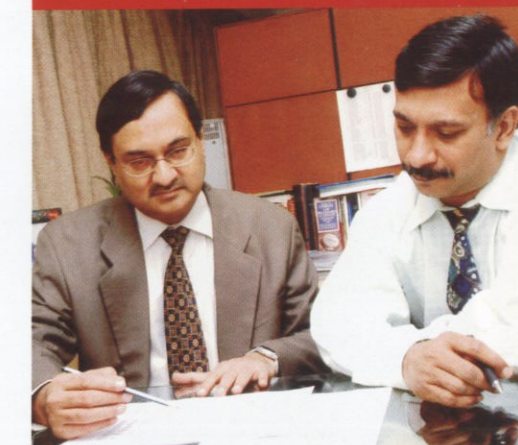
To be the most admired
healthcare group
from India



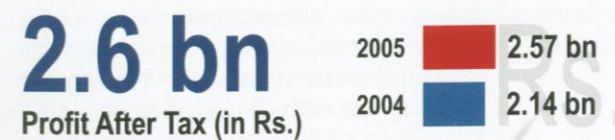
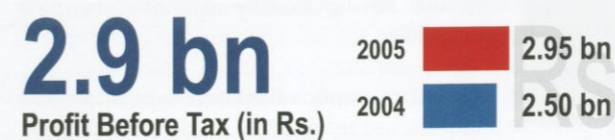
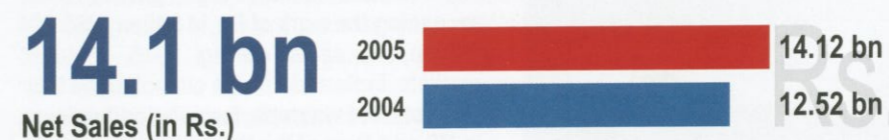
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- High-end Diabetology products grow by 58%
- Biopharmaceutical portfolio grows by 54% during the year, surpassing US \$10 million in annual revenue
- With 11 products in the US market compared to 5 at the beginning of the year, US formulation business grows 50%
- 16 ANDAs filed in FY 2005
- R&D investment of Rs. 1.04 billion, 7.4% of sales
- WCK 771 enters into Phase II Clinical Trials
- India formulation business grows by over 10%, outgrowing the industry growth at 8.6%





Just as harmony in family values can nurture quality upbringing, for us, it is our ecosystem that knits the Wockhardt communities together for superior results

most admired

Dear Shareowners,

According to Robert Heller, a leading thinker of our times, "effective management always means asking the right questions."

At Wockhardt, we constantly seek answers to questions about our direction and leveraging capabilities. Expressed in an ideology, through which we sustain a view of the world, and the image of our self in the world, "One World, One Wockhardt" is our own ethos which helps us attend to these questions. Just as harmony in family values can nurture quality upbringing, for us, it is our ecosystem that knits the Wockhardt communities together for superior results.

We recorded double digit growth while exceeding the mark of Rs 14 billion (US\$ 324 million) in sales during 2005. Matured markets, India and Europe consolidated their position well whereas, formulation business in US and Rest of the World (ROW) posted a robust growth of over 50%. This has resulted in our having healthy operating margins at 23.3%.

Indeed, our culture has become an invaluable and necessary asset of modern Wockhardt! According to me, our culture does not necessarily imply strict uniformity of values. Indeed, quite different sub-culture values should healthily co-exist, so that we can leverage these differences to improve creativity and value through diversity. As we grow into a multifaceted global company, we are employing and inheriting people from different backgrounds and work cultures.

Our Indian business launched India's first automatic insulin pen and cartridges for our Wosulin brand, whereas, Wockhardt UK and Esparma GmbH launched their generic products, terbinafine in UK and lamotrigine in Germany, on the 'first-day' after the expiry of the product patents in those countries. These timely launches are a matter of pride for Team Wockhardt across these countries.

FUNDAMENTAL PILLARS OF STRENGTH

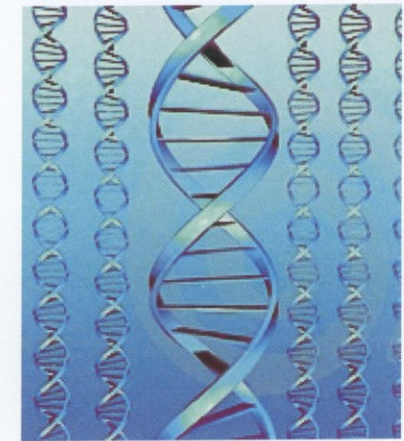
We are continuously building pillars of strength that can help us reach greater heights and be successful in the global marketplace.

Firstly, we are passionate to nurture our management's managerial and scientific competencies, and I believe that we will always strive to be amongst the better companies globally in this respect.

Secondly, we are further strengthening our capability to deal with multiple technology in the healthcare industry. As a group, we are probably one of the few companies globally that operates as a complete healthcare enterprise, through biotech, pharmaceuticals and nutraceuticals segments. And, in each of these segments we have created our mark. Wosulin and Wepox are the leading brands of our biopharmaceutical business and are making steady entry in different countries, whereas, Wockhardt UK is amongst the top 10 generic companies in United Kingdom. We have now launched innovative disease-specific nutraceutical products in India.

Thirdly, we have created business insight by knowing and accessing different markets well. By matching relevant products with markets that are most appropriate, we are continuously building the potential for yielding superior returns by choosing the right blend of products, competitive positioning, and entry strategies in markets with varying regulatory complexities. In fact, development of the bethanechol formulation for the US market was amongst the most complex processes undertaken by the company. We are now reaping the benefit of this product which has captured 44% of market share in the US.

Collectively, an energetic fusion between these fundamental value drivers is taking place at Wockhardt, helping us to meet even more challenging goals in the future.



UNWAVERING JOURNEY

Johann Goethe believed that "Whatever you can do, or dream you can, begin it. Boldness has genius, magic, and power in it."

In the next 3-5 years, I expect your company to become one of the top generics players in the world. Our ability to create value through inorganic growth is well known. We are targeting medium to large acquisitions in Europe and the US to leapfrog into the big league in the global generic pharmaceutical market. With your support and approval, we are building a war chest of US\$ 800 million for this purpose.

To maintain a long-term presence in the global pharmaceuticals markets and to grow profitably, we continue to focus on R&D and the creation of successful IPR's. Through R&D and discovery of new drugs, the company also has the potential power to address unmet medical needs and improve the lives and health of millions of people across the globe. Our new molecule, WCK 771, which addresses the gap in effective medicines for treating MRSA (methicillin resistant staphylococcus aureus) has successfully entered the phase II stage of clinical trials. I expect this molecule to become a prescription drug in the next few years. It will be an 'Invented in India' drug, which should benefit your company considerably.

I also wish to express my sincere appreciation of the services and contribution made by our Director, Mr. Felipe Alfonso, who was on the board from the very first day since the Company went public.

For all that Wockhardt has achieved during FY 2005, I greatly value the support and confidence placed in us by our shareowners, banks, financial institutions, associates and fellow directors. The contribution of each Wockhardian is laudable.

Indeed the coming years, I believe, will be more exciting, challenging and greatly rewarding too.

Habil Khorakiwala
Chairman

From Chile in South America to Kochi in Southern India to the towns of Eastern Europe and Central Asia, diabetic patients now have access to a safe, potent and more affordable, world-class recombinant insulin - Wosulin.

Wosulin is just an example of how Wockhardt is transforming the healthcare scene in many corners of the world. In several regions, Wockhardt's entry has led to expansion of the market - by making medicines more affordable through technological innovation and superior management, people who could not afford treatment are now able to access modern medicines.



FOUR CORNERS OF THE WORLD

With a vast footprint that spans across the globe, we are working in sync to serve our markets in all four corners of the world

ONE WORLD, ONE QUALITY

Behind Wockhardt's success in diverse markets is its passionate belief in One World, One Quality. The pursuit of world-class quality has led to Wockhardt's manufacturing facilities receiving the approval of regulatory bodies such as the US FDA, UK's MHRA and WHO. The Wockhardt Biotech Park in India, for example, received WHO certification in 2005. Wockhardt was also approved by the Gulf Coordination Council (GCC) for export of biopharmaceuticals to member countries in the Middle East.

Wockhardt's ability to integrate, synergise and add value to operations from diverse markets around the world has been the happy outcome of its organisational culture to embrace the best from every market it has entered. The Wockhardt Way, which is not country-dependent, is the cementing force that unites 4,000 plus Wockhardians across twelve nations.

FOUR CORNERS OF THE WORLD



Management team of Esparma GmbH, Germany, takes pride in launching lamotrigine on the first day of its patent expiry.

**The world is my country,
science my religion**

Christian Huygens

EUROPE EMERGES NO.1 MARKET

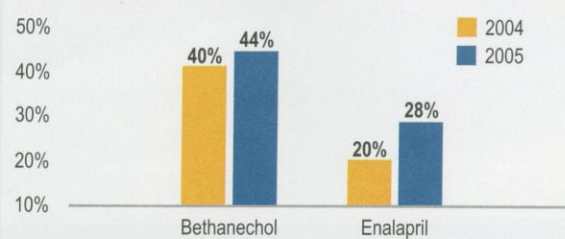
The European Union overtook India to become Wockhardt's largest market in 2005, accounting for 41% of sales. Formulation sales in European Union grew by 15% despite pricing pressures and a fall in the value of European currencies. New products were launched both in UK and Germany on the first day of patent expiry, giving the company a headstart. Wockhardt UK launched terbinafine on the first working day after patent expiry, thereby getting a headstart. Similarly, Esparma, Wockhardt's wholly-owned subsidiary in Germany, launched lamotrigine. Esparma also revamped its sales organisation and expanded its reach across Germany and stepped up export activities in Eastern Europe and former CIS countries.

USA: FASTEST GROWING MARKET

United States, the world's largest pharmaceutical market, became Wockhardt's fastest growing market during the year, clocking a 50% growth in formulation sales. Wockhardt USA, Inc., the wholly-owned subsidiary, completed its first year of operations in 2005. Wockhardt now sells 11 products in the US. It has also started marketing products for other companies. Wockhardt filed 16 abbreviated new drug applications (ANDAs), nine of them for injectables, during the year. Wockhardt also improved its market share in several key products in the US and entered the OTC (over the counter) segment for the first time. Wockhardt products are now available in leading drug retailing centres, including large supermarket chains like Wal-Mart. US business will be the key growth driver for Wockhardt in the near term.

An example of Wockhardt's successful global networking to reach products to customers timely, anywhere in the world is the supply of porcine insulins to diabetic patients in Canada after a leading manufacturer in North America discontinued the products. The supplies to Canada are now being made from Wockhardt UK.

Market Share of Major Products in US (%)



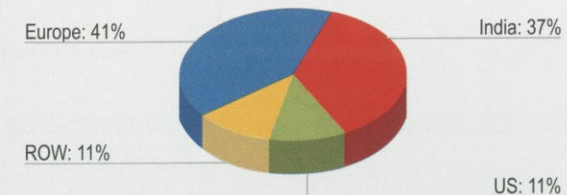
Wockhardt USA Inc. management team

REACHING OUT INTO EMERGING MARKETS

Wockhardt is now exploring ways to increase its presence in four regions where it can add value to the healthcare market: South East Asia and Pacific, Middle East, South America and Africa.

Business in India, Wockhardt's second largest market, grew faster than industry, fuelled by its focus on high-end diabetology and biotechnology products which grew by 58% and 27% respectively. Wepox, Wockhardt's recombinant erythropoietin, became the 'Number One' prescribed erythropoietin brand during the year. Recombinant insulin, Wosulin, became the largest prescribed brand among newly-diagnosed Indian diabetics. Oral anti-diabetic products posted a 39% growth in India in 2005.

Geographical Split



Wosulin Pen with cartridges launched in early 2005



Wosulin - the largest prescribed brand among newly-diagnosed Indian diabetics



Sterile manufacturing facility of Wosulin at Wockhardt Biotech Park, India

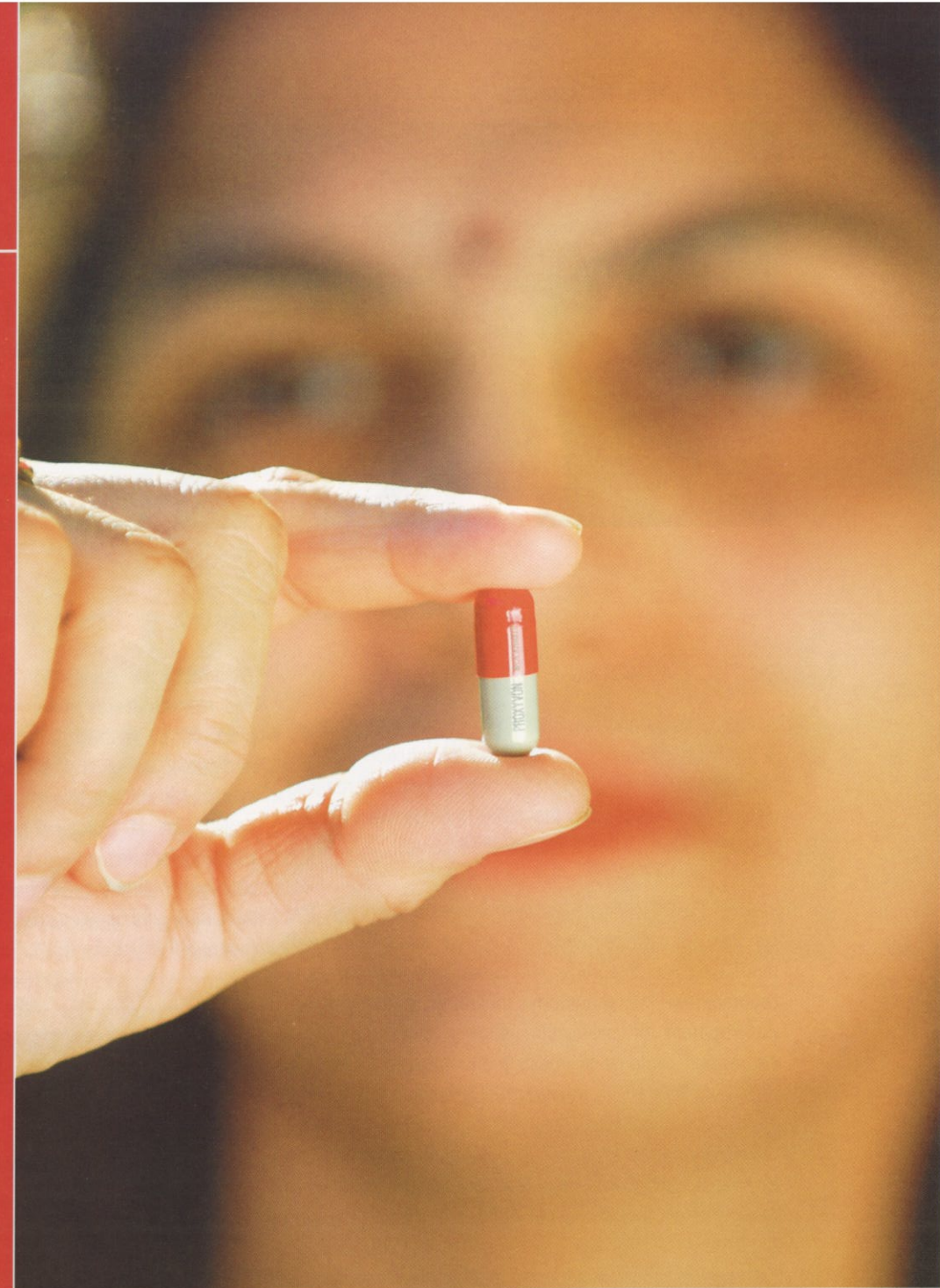


Its intimate knowledge of the healthcare market has bestowed Wockhardt with an intuition that has translated to the first-mover advantage in several areas.

Wockhardt was among the earliest to see the huge generic opportunities in US, the world's largest pharmaceutical market. Way back in 1995, Wockhardt became the first company from India to receive US FDA approval.

Wockhardt was also among the first to sense opportunities for generic pharmaceuticals in Europe. This led the company to target its first overseas acquisition - Wallis Laboratory - in 1998 in the UK, the second largest generic market in Europe. This was followed up with the acquisition of CP Pharmaceuticals in Wales in 2003. Wockhardt UK, which combines operations of Wallis and CP Pharmaceuticals, is today one of UK's top 10 generic companies. Wockhardt entered Germany, Europe's largest generics market, by acquiring the pharmaceutical business and marketing infrastructure of Esparma GmbH in 2004. Europe is today Wockhardt's single largest market.

Our distinct business model which encapsulates concept to market, is enabling us to draw various derivatives of the pharma industry into the Wockhardt world, capturing the total value stream under one roof



**FROM INTUITION
TO MARKET**

FROM INTUITION TO MARKET



Wockhardt has over 400 scientists, including 100 doctorates, working on pharmaceutical technologies, biotechnology and new drug discovery.

Just as energy is the basis of life itself, and ideas the source of innovation, so is innovation the vital spark of all human change, improvement and progress

Ted Levitt

BIOTECH ADVANTAGE

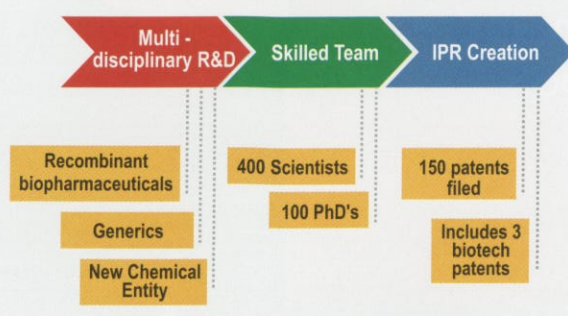
Wockhardt's defining identity today, its biotechnology edge, is the most outstanding example of an intuition that has blossomed into a full-fledged business. Wockhardt realised around two decades ago that biotechnology was destined to revolutionise medicine in the years to come.

Wockhardt decided to invest in resources and people. The results have been remarkable. Over the years, Wockhardt has developed comprehensive capabilities in all facets of recombinant biotechnology including gene cloning, development of production strains, development of expression systems in yeast, mammalian and bacterial cells; purification, downstream processing and testing. Three successful products have been launched in India for managing diabetics, cancer / kidney failure and preventing Hepatitis-B infection. These are now being introduced in other markets too around the world. Wockhardt's decision to create a strategic business unit (SBU) of its biotechnology business has led to a focussed approach to penetrating global markets and accelerated growth.

The Wockhardt Biotech Park in Aurangabad, India, received a stream of visitors from many parts of the world in 2005. Every visitor has praised the world-class facility for the scale and quality of operations and the knowledge that went behind building this facility. The Wockhardt Biotech Park received World Health Organisation's (WHO) GMP certification for both Wepox (r-erythropoietin) and Wosulin (r-insulin) in 2005. It also became the first Indian company to receive registration for biopharmaceuticals from the Gulf Coordination Council (GCC). The biotechnology products have received 25 approvals from 18 countries, and more are in the pipeline. Wockhardt also started filing for registration of its Wosulin pens and cartridges during the year.

Wockhardt has taken upon itself the role of a pacesetter and market maker in its attempt to take its biological products to markets in developing countries. Health authorities in several countries have cooperated with Wockhardt officials in conducting local clinical trials and registration of biological products, especially Wosulin (recombinant insulin) with a view to fight the rapidly rising scourge of diabetes. Biopharmaceutical portfolio grew by 54% during the year, surpassing US \$10 million in annual revenue.

R&D - Highlights



BAD BUGS NEED DRUGS

Life-threatening, drug resistant infections have raised an alarm among healthcare workers. The Infectious Diseases Society of America has published a list of six microbes for which it said doctors have an "inadequate medicine cabinet." Heading the list of six villain microbes is methicillin-resistant staphylococcus aureus (MRSA), a disease that has plagued hospitals for several decades and is now showing up in new, more virulent form in people who acquire it outside hospitals.

When Wockhardt decided to take the first steps in new drug discovery research, it chose the anti-infective therapy. Less than a decade into this field, Wockhardt has promising lead molecules that are in various stages of clinical trials. The company is in discussion with international pharmaceutical companies for future licensing opportunities for these molecules.

Wockhardt is working on WCK 771, its proprietary compound, as a parenteral anti MRSA agent. It has also shown the potential to be useful against vancomycin/glycopeptide intermediate staphylococcus aureus (VISA/GISA).

WCK 771 successfully concluded Phase I human clinical trials during the year and entered the Phase II 'proof of concept' stage.

WOCKHARDT - FIRST MOVER

- First to introduce the concept of product detailing to doctors with 'Visual Aid' in India
- First to use Grignard Reactor for dextropropoxyphene API
- First pharmaceutical company to commission dedicated manufacturing plant for milk-based nutraceuticals
- First pharmaceutical company to go for IPO after Indian economic reforms
- First pharmaceutical company in India to get US FDA approval for its manufacturing plant
- First major acquisition in India by a pharma company - Acquisition of Merind Limited
- First Indian pharmaceutical company to raise funds through GDR
- First Asian company to launch recombinant insulin from concept to market stage
- First major pharmaceutical acquisition in UK by a India-based firm



With world-class capacities covering 6 major biotech products, Wockhardt is thriving on its global strategy to meet the market demand

THE GLOBAL EQUATION



Wockhardt is continuously enhancing efficiencies by tapping the synergies of various parts and components of One World, One Wockhardt.

Wockhardt's physical infrastructure straddling the globe consists of 10 world-class manufacturing plants in India and UK, a system of support services headquartered at the global corporate office in Wockhardt Towers, Mumbai, India. The global superstructure is seamlessly connected through the latest ERP software that provides instant information from anywhere in the World of Wockhardt at the click of a mouse. It will further enhance Wockhardt's capabilities to integrate and synergise global operations by leveraging a common technology platform and database, giving it a competitive edge in the market.



Automated biopharmaceutical manufacturing unit at Wockhardt Biotech Park, India

INDIA: MANUFACTURING & RESEARCH HUB

The world has woken up to India's potential as a manufacturing and research hub. Leading Fortune 500 companies, across various industries, have set up research and manufacturing operations in India, taking advantage of the country's scientific and managerial talent. India is Wockhardt's research and manufacturing powerhouse.

Wockhardt straddles the complete value chain from research and innovation to manufacturing of active ingredients, formulations and dosage forms, testing, clinical trials and regulatory filings for various markets. The group's multi-disciplinary research capabilities cover three areas - recombinant biotechnology, new drug discovery and generic pharmaceuticals. Wockhardt invested over Rs.1 billion in research in 2005.

Launch of Biovac-A in the Indian market



Wockhardt has extensive manufacturing facilities spread over 10 locations in India and UK that are certified by global regulatory bodies such as US FDA, UK MHRA and WHO. The group has sophisticated facilities to produce a wide range of pharmaceuticals and biopharmaceuticals including APIs and formulations for injectables, tablets, capsules, liquids, ointments, powder as well as delivery devices like insulin cartridges.

PARTNER OF CHOICE FOR BIG PHARMA

Wockhardt's UK manufacturing site at Wrexham in Wales underwent a major upgradation programme during the year. In addition to Wockhardt UK's products, it now manufactures about 40% of products of Esparma, Wockhardt's German subsidiary.

Wockhardt UK's sterile injectables facility, approved by US FDA, is also being used by global pharmaceutical companies for contract manufacturing of patented drugs.

Wockhardt's manufacturing facilities, approved by global regulatory agencies, are being patronised by leading pharmaceutical and biotechnology majors such as AstraZeneca, Aventis, Schering-Plough, Cell Therapeutics, Lab Aguettant and Eisai.

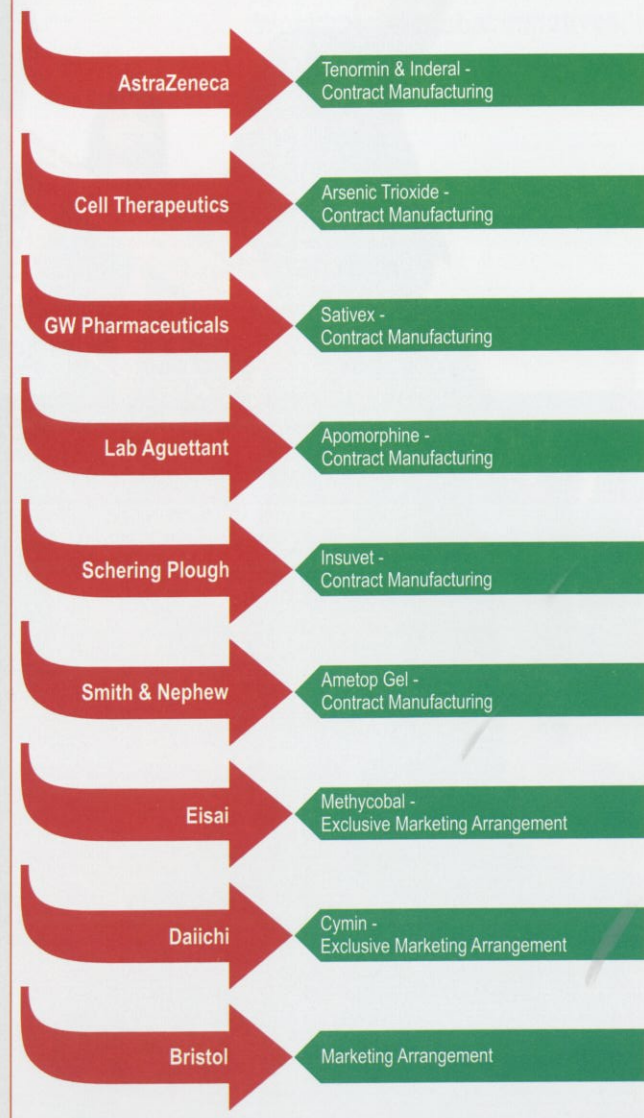
IN-LICENSING POTENTIAL WINNERS

In line with its tradition of launching latest products, Wockhardt introduced Biovac A, a new generation Hepatitis A vaccine in the Indian market, under licence from a leading Chinese biotechnology company. This is a single dose vaccine without the need for a booster dose, unlike other competing vaccines in the market. The new generation vaccine that offers great convenience at lower

Globalisation is a fact. It can't be stopped; it has already happened; it is here to stay. Success is acting on the global stage, leveraging radically new drivers of economic power and growth

cost has been widely acclaimed by the medical profession in India. Wockhardt is also in talks with leading pharmaceutical and biotechnology companies for in-licensing opportunities for patented drugs and technology platforms for the Indian market.

Wockhardt's International Partnerships



Sterile manufacturing facility of Wockhardt UK at Wrexham



Wockhardt UK manufacturing plant at Wrexham



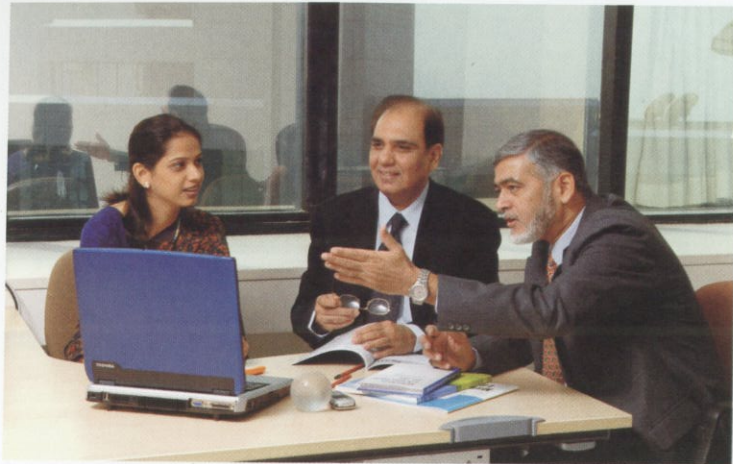


Wockhardt is often asked how it has consistently succeeded in integrating companies from different countries and cultures into its fold and created added value.

The answer lies in the Wockhardt Way and Culture, which has stood the test of time despite the march of time and the globalisation of Wockhardt. Simply stated, the Wockhardt value system emphasises open culture and transparency. It encourages involving people in decision making. It provides ample opportunities for everyone to learn and take up challenges. The company fosters innovation and entrepreneurship. At the heart of the organisation lies the spirit and the will to experiment, to take risks and to learn continuously. This is demonstrated in Wockhardt's global initiatives, in marketing as well as research.

ONE WORLD ONE VALUE SYSTEM

Aspired by the vision to become the most admired healthcare group from India, Wockhardt is a global community of inspired individuals, stimulated by a value system that fosters dynamism and velocity



Wockhardt's open, participative culture permeates across all levels

WOCKHARDT WAY

Three things ingrained in every Wockhardian are:

- Doing things right the first time
- Sticking to commitments
- Be non-compromising in quality in everything we do

These values transcend countries and cultures and have helped Wockhardt's growth in every region it has moved into.

One Wockhardt has been the result of efforts to make the company a learning organisation, absorbing the best of all regions and blending them into uniform values and culture that brings out the best in Wockhardians of all nationalities across the world.

Wockhardt has embarked on a systematic process of developing global leadership capabilities. There is no greater joy for us at Wockhardt than to nurture our people at the threshold of the opportunities that lie ahead.

With the successful launch of ACE (Aim for Competitive Excellence), a programme for developing managerial talent tailor-made for Wockhardt by the prestigious Indian Institute of Management (IIM), Bangalore, along with leading management professionals, Wockhardt is confident of creating a pool of potential leaders who will steer the company in the future. ACE is one among a series

of human development initiatives during the year to ensure that Wockhardt continues to grow as a vibrant organisation...

- where people continually expand their capacity to create the results they truly desire
- where new and expansive patterns of thinking are nurtured
- where collective, team aspirations find optimal expression, and
- where people continue to learn how to learn together.

SERVING THE SOCIETY

Wockhardt has a history of helping local communities in solving problems and improving the quality of their lives.

WHARF (Wockhardt-Harvard Medical International HIV/AIDS Education and Research Foundation), a collaborative, non-profit organisation established by Wockhardt Group and Harvard Medical International, focusses on providing training to healthcare professionals and counsellors in India working in the area of HIV/AIDS. WHARF's vision is to train care-providers in India and empower them in their efforts to control HIV/AIDS epidemic in India. WHARF also conducted programmes for 170 paramedical staff working in tribal communities in Jhabua in Madhya Pradesh in collaboration with API, a German non-governmental organisation working in this central Indian state.

Technology does not run an enterprise, relationships do. We achieve harmony when we learn to balance the material wonders of technology with the spiritual demands of our human race

WHARF trained 5,060 healthcare professionals in 2005, taking the total number of people trained since its inception in 2003 to 11,710. Activities during the year included programmes for the Mumbai District AIDS Control Society (MDACS), the Maharashtra AIDS Control Society (MSACS) and AVERT.



Educating and aiding the ailing in our community through the WHARF programme.

SINGLED OUT FOR RECOGNITION

Wockhardt received global recognition as a 'Business Superbrand' from a UK-based organisation tracking reputed consumer products and corporate brands in 45 countries including US, France, Germany, Australia, Canada and several other countries. The Business Superbrands are selected by a council of independent experts in recognition of emotional and tangible benefits to stakeholders. Wockhardt is the only pharmaceutical company from India to get this recognition.





Seated in the centre Habil Khorakiwala
Chairman

R A Shah
Alternate Director

Bharat Patel
Director

Seated on the left Dr. Abid Hussain
Director

Standing from left to right

Felipe B Alfonso
Director

Aman Mehta
Director

Seated on the right Dr. B L Maheshwari
Director

Lalit Kumar
Executive Director

Shekhar Datta
Director

COMPANY SECRETARY
Rajiv B Gandhi

AUDITORS
S R Batliboi & Co.

SOLICITORS
Crawford Bayley & Co.

BANKERS
State Bank of India (CAG Branch)
HSBC
Punjab National Bank
Standard Chartered Bank
Citibank, N.A.
ICICI Bank
HDFC Bank
ABN AMRO Bank N.V.
Calyon Bank
ING Vysya Bank

REGISTERED OFFICE
Wockhardt Towers
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051, India



Habil Khorakiwala
Chairman



Huzaiifa H Khorakiwala
Executive Director



Dr Murtaza H Khorakiwala
Executive Director



Lalit Kumar
Executive Director



Dinesh Dua
President - Biotechnology
Strategic Business Unit



Rajiv B Gandhi
President - Corporate Finance
& Information



Dr Yatendra Kumar
President - Pharma
Research & Regulatory



Abbas Master
President - Projects



Sanjeev V Mehta
President -
Corporate Supply Chain



K A Narayan
President - Corporate Human
Resources & Legal



Dr Mahesh V Patel
Director - New Drug
Discovery



Dr M K Sahib
Director - Genomics &
Biotechnology Research



Dr Bharat Trivedi
Chief Scientific Officer
Medicinal Chemistry-
Drug Discovery



Arvind Vasudeva
President - Japan &
Developing Countries

HEADS OF WOCKHARDT'S INTERNATIONAL SUBSIDIARIES



George Cubuk
Managing Director
Esparma GmbH, Germany



Sirjiwan Singh
Managing Director -
Wockhardt UK Limited

Consolidated Balance Sheet as at December 31, 2005

Schedules	As at 31.12.2005 Rs. in millions [see note 1(b)(d)]	As at 31.12.2005 USD in millions	As at 31.12.2004 Rs. in millions [see note 1(b)(d)] (Note 29)	As at 31.12.2004 USD in millions
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share capital	3			
Equity share capital		546.50	12.13	544.98
Reserves and surplus	4	7,614.54	169.01	5,620.75
		8,161.04	181.14	6,165.73
				141.89
LOAN FUNDS				
Secured loans	5	4,124.37	91.54	4,082.02
Unsecured loans	6	4,940.76	109.66	4,832.23
		9,065.13	201.20	8,914.25
				205.17
DEFERRED TAX LIABILITY (Net)				
	2(h) & 7	617.73	13.72	600.48
		17,843.90	396.06	15,680.46
				360.88
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross block	2(a) & 8	8,383.97	186.08	7,614.13
Accumulated depreciation		(2,905.77)	(64.49)	(2,630.98)
Net block		5,478.20	121.59	4,983.15
Capital work-in-progress and advances		2,402.56	53.32	1,634.38
		7,880.76	174.91	6,617.53
				152.29
INVESTMENTS				
	2(c) & 9	3.14	0.07	2.89
				0.07
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	2(d) & 10	2,746.54	60.96	2,163.53
Sundry debtors	11	2,809.52	62.36	2,354.80
Cash and bank balances	12	7,139.34	158.46	7,354.84
Loans and advances	13	909.83	20.20	694.62
		13,605.23	301.98	12,567.79
		(3,645.23)	(80.90)	(3,507.75)
CURRENT LIABILITIES AND PROVISIONS				
	14			289.27
		9,960.00	221.08	9,060.04
		17,843.90	396.06	15,680.46
				208.52
				360.88

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place: Mumbai
Date: February 14, 2006

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman and Managing Director

B. L. Maheshwari
Shekhar Datta
Aman Mehta
Bharat Patel
Abid Hussain
Directors

Lalit Kumar
Executive Director

Consolidated Statement of Profit and Loss For the Year Ended December 31, 2005

Schedules	For the year ended 31.12.2005 Rs. in millions [see note 1(b)(d)]	For the year ended 31.12.2005 USD in millions	For the year ended 31.12.2004 Rs. in millions	For the year ended 31.12.2004 USD in millions [see note 1(b)(d)] (Note 29)
INCOME				
Sales and services	2(f)	14,581.98	323.65	12,876.47
Less: Excise Duty		(461.10)	(10.23)	(360.53)
		14,120.88	313.42	12,515.94
Other income	15	179.97	3.99	158.02
		14,300.85	317.41	12,673.96
				291.69
EXPENDITURE				
Materials consumed and purchase of goods	16	6,101.06	135.41	5,514.53
(Increase)/decrease in inventories	2(d) & 17	(329.70)	(7.33)	(296.57)
Operating and other expenses	18	5,062.98	112.37	4,598.79
Depreciation/Amortisation	2(a) & 8	426.23	9.46	368.02
Financing cost	19	95.21	2.11	(16.42)
		11,355.78	252.02	10,168.35
		2,945.07	65.39	2,505.61
				57.66
PROFIT BEFORE TAX				
Provision for tax				
— Current	2(h)	(342.81)	(7.61)	(214.48)
— Deferred	2(h) & 7	(17.94)	(0.41)	(156.06)
— FBT		(13.31)	(0.30)	—
		2,571.01	57.07	2,135.07
NET PROFIT AFTER TAX FOR THE YEAR				
PROFIT AND LOSS ACCOUNT, beginning of year		427.85	9.50	303.85
Adjustment on sale of Investment of Wallis to Wockhardt UK Limited		—	—	6.00
		2,998.86	66.57	2,444.92
				56.26
PROFIT AVAILABLE FOR APPROPRIATION				
APPROPRIATIONS				
Proposed dividend on equity shares		547.17	12.14	545.75
Tax on dividend		76.74	1.70	71.32
Transfer to general reserve		1,700.00	37.74	1,400.00
PROFIT AND LOSS ACCOUNT, end of year		674.95	14.99	427.85
		2,998.86	66.57	2,444.92
				56.26
Earnings per share (Rs.)	22			
— Basic		23.55	0.52	19.59
— Diluted		23.53	0.52	19.56
Nominal Value of shares (Rs.)		5.00	0.11	5.00
				0.45
				0.45
				0.12

The schedules referred to above and notes form an integral part of the Profit and Loss Account.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place: Mumbai
Date: February 14, 2006

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman and Managing Director

B. L. Maheshwari
Shekhar Datta
Aman Mehta
Bharat Patel
Abid Hussain
Directors

Lalit Kumar
Executive Director

Consolidated Statement of Cash Flows for the Year Ended December 31, 2005

	For the year ended 31.12.2005 Rs. in millions [see note 1(b)(d)]	For the year ended 31.12.2005 USD in millions	For the year ended 31.12.2004 Rs. in millions [see note 1(b)(d)] (Note 29)	For the year ended 31.12.2004 USD in millions
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:				
Profit before tax	2,945.07	65.39	2,505.61	57.66
Adjustments to reconcile profit before tax to cash provided by operations:				
Depreciation/Amortisation	426.23	9.46	368.02	8.47
Amortisation of expenses/(income)	4.50	0.10	3.94	0.08
Provision for doubtful debts	6.23	0.14	27.49	0.63
Bad debts	31.34	0.70	5.57	0.13
Foreign exchange (profit)/loss	68.62	1.50	(66.77)	(1.54)
Actuarial Gain on Pension scheme	—	—	(6.31)	(0.15)
(Profit)/Loss on sale of fixed assets, net	(1.28)	(0.03)	5.88	0.14
Fixed assets write off	—	—	5.92	0.14
Investments write off	0.31	0.01	0.01	—
Interest expense	261.26	5.80	200.34	4.59
Interest income	(248.73)	(5.52)	(50.49)	(1.16)
Dividend income	(1.42)	(0.03)	(0.51)	(0.01)
Operating profit before working capital changes	3,492.13	77.52	2,998.70	68.98
(Increase)/decrease in current assets, loans and advances				
Inventories	(583.01)	(12.94)	(408.21)	(9.39)
Sundry debtors	(450.06)	(9.99)	(273.08)	(6.28)
Loans and advances	(222.64)	(4.94)	(394.13)	(9.07)
Increase/(decrease) in current liabilities and provisions	181.49	4.01	377.13	8.67
Cash provided by operations	2,417.91	53.66	2,300.41	52.91
Taxes paid, including FBT	(371.36)	(8.24)	(207.75)	(4.78)
Net cash provided by operating activities	2,046.55	45.42	2,092.66	48.13
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:				
Purchase of fixed assets including capital work-in-progress	(1,741.10)	(38.64)	(1,581.66)	(36.40)
Proceeds from sale of fixed assets	27.80	0.62	16.83	0.39
Purchase of investments	(1,110.57)	(24.65)	(2.58)	(0.06)
Proceeds from sale of Investments	1,110.00	24.64	—	—
Repayment by/(Loan to) companies	4.13	0.09	(2.03)	(0.01)
Interest received	252.03	5.59	50.49	1.16
Dividend received	1.42	0.03	0.51	0.01
Net cash provided by/(used in) investing activities	(1,456.29)	(32.32)	(1,518.44)	(34.91)

	For the year ended 31.12.2005 Rs. in millions [see note 1(b)(d)]	For the year ended 31.12.2005 USD in millions	For the year ended 31.12.2004 Rs. in millions [see note 1(b)(d)] (Note 29)	For the year ended 31.12.2004 USD in millions
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:				
Proceeds from issue of equity share capital	0.54	0.01	0.36	0.01
Premium on issue of shares	12.62	0.28	8.01	0.18
(Repayment)/Proceeds from borrowings, net	36.51	0.81	876.28	20.18
Interest paid	(305.77)	(6.79)	(160.23)	(3.69)
Proceeds from FCCB issue	—	—	4,779.94	110.01
Dividend paid (Including tax on dividend)	(614.92)	(13.65)	(306.55)	(7.06)
Net cash (used in)/provided by financing activities	(871.02)	(19.34)	5,197.81	119.63
Adjustment on sale of Investment of Wallis to Wockhardt UK Limited	—	—	6.00	0.14
Translation/Consolidation adjustment	(36.67)	(0.81)	3.55	0.07
NET INCREASE IN CASH AND CASH EQUIVALENTS	(317.43)	(7.05)	5,781.58	133.06
CASH AND CASH EQUIVALENTS, beginning of year	7,354.84	163.24	1,530.41	35.22
Unrealised gain/(loss) on Foreign Currency Cash and Cash Equivalents	101.93	2.27	42.85	0.99
CASH AND CASH EQUIVALENTS, end of year	7,139.34	158.46	7,354.84	169.27
CASH AND CASH EQUIVALENTS, end of year consists of:				
Cash on hand	59.33	1.32	0.41	0.01
Balances with banks				
– in current accounts	190.76	4.23	176.57	4.06
– in margin accounts	37.81	0.84	11.17	0.26
– in deposit accounts	6,851.44	152.07	7,166.69	164.94
	7,139.34	158.46	7,354.84	169.27

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place : Mumbai
Date : February 14, 2006

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman and Managing Director

B. L. Maheshwari
Shekhar Datta
Aman Mehta
Bharat Patel
Abid Hussain
Directors

Lalit Kumar
Executive Director

Notes to The Consolidated Financial Statements for the year ended December 31, 2005

(All Amounts in millions of Rupees Unless Otherwise Stated)

1. (a) Background

Wockhardt Limited ('WL' or 'Company') is a subsidiary of Khorakiwala Holdings and Investments Private Limited. The Company has controlling interest, directly or through subsidiaries, in the following entities during the year ended December 31, 2005:

Name of subsidiaries	Country of Incorporation	Name of Parent	Percentage of ownership
1. Wockhardt UK Limited [formerly, CP Pharmaceuticals Holdings Ltd.]	England & Wales	Wockhardt Limited	100%
2. esparma GmbH	Germany	Wockhardt Limited	100%
3. Wockhardt Europe Limited	British Virgin Islands	Wockhardt Limited	100%
4. Wockhardt Biopharm Limited	India	Wockhardt Limited	100%
5. Wockhardt Switzerland Holdings AG	Switzerland	Wockhardt Limited	100%
6. CP Pharmaceuticals Limited	England & Wales	Wockhardt UK Limited	100%
7. Wallis Group Limited	England & Wales	Wockhardt UK Limited	100%
8. CP Pharma (Schweiz) AG	Switzerland	CP Pharmaceuticals Limited	100%
9. Wallis Licensing Limited	England & Wales	Wallis Group Limited	100%
10. The Wallis Laboratory Limited	England & Wales	Wallis Group Limited	100%
11. Wockhardt Farmaceutica Do Brazil Ltda	Brazil	The Wallis Laboratory Limited Wockhardt Europe Limited	90% 10%
12. Wockhardt USA Inc.	United States of America	Wockhardt Switzerland Holdings AG	100%
13. Wockhardt EU Operations (Swiss) AG	Switzerland	Wockhardt Switzerland Holdings AG	100%

The Company together with its subsidiaries Wockhardt Europe Limited ('WEL'), Wockhardt Biopharm Limited ('WBL'), Consolidated Wockhardt UK Limited ('WUK'), esparma GmbH (EG), and Consolidated Wockhardt Switzerland ('WS') (collectively, 'the Group') is primarily engaged in the business of manufacture and marketing of pharmaceutical products. The group has eight manufacturing locations and a research and development centre.

(b) Basis of consolidation

- The consolidated financial statements of the group have been prepared based on a line-by-line consolidation of the financial statements of Wockhardt Limited and its subsidiaries. All material inter-Company balances and transactions are eliminated on consolidation.
- Assets and liabilities of subsidiaries are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet date. Revenues and expenses are translated into Indian rupees at average of the opening and closing rates and the resulting net translation adjustment aggregating Rs. 36.67 million (USD 0.81 million) [2004 - Rs. 25.02 million (USD 0.58 million)] has been adjusted to Reserves.
- During the year WS established wholly owned subsidiary - Wockhardt EU Operations (Swiss) AG, in Switzerland, for marketing & distribution of pharmaceutical products. At the reporting date, this has resulted in an increase in net assets by Rs. 2.96 million and reduction in Profit before tax by Rs. 0.49 million.
- Convenience translation
The accompanying financial statements have been prepared in Indian rupees, the national currency of India. Solely for the convenience of the reader, the financial statements as of and for the year ended December 31, 2005 have been translated into United States Dollars at the closing rate as at December 31, 2005 [USD 1 = Rs. 45.05 (2004 - USD 1 = Rs. 43.45)]. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States Dollars at such a rate or any other rate.

2. SUMMARY OF 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 agreement with the stock exchanges. The significant accounting policies of the group are as follows:

(a) Fixed assets and depreciation and amortization

Fixed assets are stated at cost less accumulated depreciation/amortization and impairment loss if any. The Group capitalises all costs relating to the acquisition and installation of fixed assets.

The carrying amounts of fixed assets and intangible assets (including goodwill) are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount. 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, based on the estimated useful life of the assets.

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

Intangible assets except goodwill are amortised over a period of 7-15 years which are based on their useful lives.

(b) Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

Foreign currency monetary items are reported using closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction.

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise. Foreign exchange differences on borrowings made before January 1, 2005 relating to the acquisition/construction of fixed assets are adjusted in the cost of the assets. Further, foreign exchange differences relating to the acquisition/construction of fixed assets acquired from outside India is adjusted in the cost of the assets.

Premium or discount on Forward Exchange Contracts arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

(c) Investments

Long-term investments are stated at cost. Provision is made to recognise a diminution, other than temporary, in the value of investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

(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.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(e) Employee benefits

Retirement benefits in the form of Provident Fund, Family Pension Fund, Super annuation Schemes and non-contributory money purchase scheme, which are defined contribution schemes, are charged to the Profit & Loss Account of the year when the contributions to the respective funds accrue.

WUK operates defined contribution pension scheme. Till February 2004, WUK operated defined benefit pension scheme. The assets of schemes are held separately from those of the WUK in an independently administered fund.

Gratuity liability, which is a defined benefit scheme, and Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

In respect of stock options granted to employees during the year under the WL's Employee Stock Option Scheme ('ESOS'), the excess of the market price of the share at the date of grant of the option over its exercise price is treated as a form of employee compensation in the financial statements of the WL. This amount is amortised on a straight-line basis over the vesting period. The unamortised portion is carried forward as deferred employee compensation.

The Company maintains 401(k) retirement contribution plans that cover all regular employees on Wockhardt USA Inc's (WUSA) payroll. The Company makes a matching contribution on the first 6% and employee participation is allowable as per US Government laws. The assets of the plan are held separately from those of the company in an independently administered fund.

Expenses on Voluntary Retirement Scheme are charged off over a period of 4 years.

(f) Revenue recognition

Revenues are recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sales of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with dispatch of goods to customers. Revenues are recorded at invoice value, net of excise duty, sales tax, returns and trade discounts.

Sales of Services

Revenue from services are recognised on completion of such services.

Export Incentive

Benefit on account of entitlement to import duty free materials under the "Duty Exemption Pass Book Schemes" is recognised in the year of export.

(g) Research and development (R&D)

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

(h) Income tax

Income tax charge is the simple aggregation of the tax charge appearing in the group companies.

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 reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(i) Lease**Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the lease term, are classified as operating lease. Operating lease payments are recognised as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

Finance leases

The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases and HP contracts. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

(j) Acquisitions and goodwill

On acquisition, the excess cost of acquisition over fair value of assets acquired, is treated as purchased goodwill.

(k) Financing/Borrowing Cost

Financing/Borrowing costs attributable to acquisition and/or construction of a qualifying asset are capitalised as a part of the cost of such asset, up to the date such assets, are ready for their intended use. Other financing/borrowing costs are charged to Profit & Loss Account. Initial direct cost are recognised immediately as an expense.

Expenses incurred in connection with raising of funds are amortised over the tenure of the borrowing.

(l) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at the balance sheet date and adjusted to reflect the current best estimates.

(m) Earning per share

Basic earnings per share are calculated by dividing the net Profit or Loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue to existing shareholders and share split.

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. Options on unissued equity shares capital are deemed to have been converted into equity shares.

	As at 31.12.2005 Rs. in millions	As at 31.12.2005 USD in millions [see note 1(b)(d)]	As at 31.12.2004 Rs. in millions (Note 29)	As at 31.12.2004 USD in millions [see note 1(b)(d)]
3. SHARE CAPITAL				
ISSUED, SUBSCRIBED AND PAID-UP				
109,299,601 (2004 – 108,996,006) Equity shares of Rs. 5 each fully paid-up	546.50	12.13	544.98	12.54
	546.50	12.13	544.98	12.54
1. Of the above shares:				
(a) 70,123,304 (2004 – 70,123,304) fully paid up equity shares of Rs. 5/- each were allotted pursuant to scheme of arrangement to demerge pharmaceuticals business of Carol Info Services Limited ('CISL') (formerly Wockhardt Life Sciences Limited).				
(b) 2,400,000 (2004 – 2,400,000) fully paid up equity shares of Rs. 5/- each were allotted pursuant to amalgamation of Wockhardt Veterinary Limited ('WVL') with the Company.				
(c) 69,716,132 (2004 – 70,721,132) equity shares of Rs. 5/- fully paid up are held by Khorakiwala Holdings and Investments Pvt. Limited, the holding company.				
2. 302,898 (2004 – 140,700) fully paid equity shares of Rs. 5/- each were allotted pursuant to exercise of stock options.				
3. 126,434 (2004 – 109,350) employee stock options are outstanding as at the balance sheet date, each option represents three equity shares of Rs. 5/- each.				
4. 36,386,068 (2004 – 36,332,002) equity shares of Rs. 5/- each are allotted as Bonus shares out of Capital Redemption Reserve.				
5. 141,397 (2004 – Nil) equity shares of Rs. 5/- each fully paid-up were allotted during the year on conversion of foreign currency convertible bonds.				
4. RESERVES AND SURPLUS				
Capital redemption reserve	265.84	5.90	447.50	10.30
Opening balance	(0.27)	(0.01)	(181.66)	(4.18)
Utilised for issue of bonus shares	265.57	5.89	265.84	6.12
Securities premium account	28.22	0.63	12.48	0.29
Opening balance	88.85	1.97	15.74	0.36
Received during the year	117.07	2.60	28.22	0.65
Debenture redemption reserve	—	—	15.37	0.35
Opening balance	—	—	(15.37)	(0.35)
Transferred to General reserve	—	—	—	—
Employee Stock Option Outstanding	11.13	0.25	20.30	0.47
Less : Deferred Employee Compensation Expenses	(1.22)	(0.03)	(5.17)	(0.12)
	9.91	0.22	15.13	0.35
General reserve	4,883.71	108.39	3,464.79	79.74
Opening Balance	—	—	15.37	0.35
Transfer from Debenture redemption reserve	(36.67)	(0.82)	(25.02)	(0.58)
Translation gain/(loss) on consolidation	—	—	28.57	0.66
Consolidation adjustments	1,700.00	37.74	1,400.00	32.22
Transfer from profit and loss account	6,547.04	145.31	4,883.71	112.39
Balance at the end of the year	674.95	14.99	427.85	9.84
Profit and loss account	7,614.54	169.01	5,620.75	129.35

	As at 31.12.2005 Rs. in millions	As at 31.12.2005 USD in millions [see note 1(b)(d)]	As at 31.12.2004 Rs. in millions	As at 31.12.2004 USD in millions [see note 1(b)(d)]
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5. SECURED LOANS

(A) TERM LOANS

(i) From financial institutions	—	—	15.00	0.35
(ii) From banks	3,933.61	87.31	3,669.01	84.44
(B) Working Capital Loans from Banks	190.76	4.23	398.01	9.17
	4,124.37	91.54	4,082.02	93.96

(A) Term Loans are secured as under:

- (i) (a) Foreign currency denominated loans (External Commercial Borrowings) amounting to Rs. 3,118.34 million (2004 – Rs. 3,112.50 million) are secured by mortgage and hypothecation of movable and immovable assets at Aurangabad, Ankleshwar, Daman, Biotech-Waluj, Cephal-Waluj (Plant & Machinery) and Research Centre, Aurangabad. The loans are repayable in July 2006, July 2008, September 2008 and March 2009.
- (b) Loan amounting to Rs. 777.36 million (2004 – Rs. 508.98 million) is secured against the fixed assets and working capital of Wockhardt UK Limited.
- (c) Rupee denominated loans from banks amounting to Rs. 37.91 million (2004 – Rs. 47.53 million) are secured by hypothecation of vehicles.

- (B) Working capital loans from banks are secured by hypothecation of raw materials, work-in-process, finished goods and debtors and first charge on all tangible movable assets excluding plant and machinery, tools, equipments, accessories, etc.

6. UNSECURED LOANS

Long term

(A) Sales tax deferral loan [out of the above Nil (2004 – Nil) is repayable within one year]	52.29	1.16	52.29	1.21
(B) Zero Coupon Foreign Currency Convertible Bonds	4,888.47	108.50	4,779.94	110.00
	4,940.76	109.66	4,832.23	111.21

(A) 108,500 (2004-110,000) Zero coupon Foreign Currency Convertible Bonds of USD 1,000 each are:

- (a) Convertible by the holders at any time on or after 24 November, 2004 but prior to close of business on 25 September, 2009. Each bond will be converted into 94.265 fully paid-up equity share with par value of Rs. 5 per share at a fixed price of Rs. 486.075 per share.
- (b) Redeemable, in whole but not in part, at the option of the Company at any time on or after 25 October, 2007 but not less than seven business days prior to maturity date i.e. 25 October, 2009 as per the terms and conditions of the bonds mentioned in the offering circular.
- (c) Redeemable on maturity date at 129.578 percent of its principal amount, if not redeemed or converted earlier.

7. DEFERRED TAX LIABILITY

Deferred tax liabilities

Depreciation on fixed assets	687.94	15.27	663.32	15.27
Deferred expenses	15.60	0.35	21.08	0.49
Total (A)	703.54	15.62	684.40	15.76

Deferred tax assets

Provision for Gratuity	26.64	0.59	20.25	0.47
Provision for Leave Encashment	13.65	0.30	5.09	0.12
Provision for Bonus	1.35	0.03	1.36	0.03
Provision for doubtful debts	44.17	0.98	57.22	1.32
Total (B)	85.81	1.90	83.92	1.94

Net deferred tax liability (A – B)	617.73	13.72	600.48	13.82
Less: Opening Deferred Tax Liability	600.48	13.33	450.64	10.37
Translation Gain	7.99	0.18	—	—
Deferred tax charge/(credit) for the year (Refer note below)	25.24	0.57	149.84	3.45

Note: Deferred tax income of Rs. 7.30 million (USD 0.16 million) [2004 – Deferred tax charge of Rs. 6.22 million (USD 0.14 million)] of Wockhardt UK Limited [formerly, CP Pharmaceutical (Holdings) Ltd.] on account of Pension liability grouped in Current liabilities.

8. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at 01.01.2005	Additions Total	Deductions Total	Total Exch Gain/(Loss) As at 31.12.2005	As at 01.01.2005	For the year	Deductions/ Adjust- ments	Total Exch Gain/(Loss) As at 31.12.2005	As at 31.12.2005 Rs. in millions	As at 31.12.2005 USD in millions [see note 1(b)(d)]	As at 31.12.2004 Rs. in millions	As at 31.12.2004 USD in millions [see note 1(b)(d)]
INTANGIBLES												
Goodwill	648.80	—	—	(17.52)	631.28	86.61	—	(7.24)	79.37	551.91	12.25	562.19
Licenses & Dossiers	508.73	3.96	—	(42.53)	470.16	337.03	59.54	(30.25)	366.32	103.84	2.30	171.70
Trademarks/Technical knowhow	258.42	31.13	2.50	(15.65)	271.40	11.22	25.86	0.32	(1.42)	35.34	236.86	5.24
Software	14.42	144.09	—	0.36	158.87	0.38	5.96	—	0.12	6.46	152.41	3.38
TANGIBLES												
Freehold land	333.95	13.45	—	(26.66)	320.74	288.35	0.48	(24.12)	264.71	56.03	1.24	45.60
Leasehold land	58.05	—	—	—	58.05	3.30	0.68	—	3.98	54.07	1.20	54.75
Buildings	448.40	64.07	—	—	512.47	80.80	15.95	—	96.75	415.72	9.23	367.60
Electrical Fittings	1.11	—	—	—	1.11	0.23	0.05	—	0.28	0.83	0.02	0.88
Plant and Machinery	4,851.45	698.57	9.63	(140.81)	5,399.58	1,568.09	257.82	0.12	(70.01)	1,755.78	3,643.80	80.87
Furniture and fittings	243.95	23.67	—	(10.67)	256.95	128.14	17.57	—	(9.23)	136.48	120.47	2.67
Office Equipments	49.50	12.44	0.82	(1.28)	59.84	28.04	8.89	0.76	(0.44)	35.73	24.11	0.54
Information Technology Equipments	97.16	46.76	0.01	0.07	143.98	69.12	17.79	0.01	0.04	86.94	57.04	1.27
Vehicles	100.19	22.11	22.12	(0.64)	99.54	29.67	15.64	7.35	(0.33)	37.63	61.91	1.38
Total	7,614.13	1,060.25	35.08	(255.33)	8,383.97	2,630.98	426.23	8.56	(142.88)	2,905.77	5,476.20	121.59
Capital Work-in-Progress (inclusive of Capital advances)					2,402.56					2,402.56	53.32	1,634.38
Total	7,614.13	1,060.25	35.08	(255.33)	10,786.53	2,630.98	426.23	8.56	(142.88)	2,905.77	7,880.76	174.91

The net block of tangible fixed assets includes an amount of Rs. 101.90 million (2004 – Rs. 134.97 million) in respect of assets held under Hire Purchase contracts.

Capital expenditure that has been contracted but not provided for Rs. 265.16 mn (2004 – Rs. 258.51 million)

Capital Work-in-progress includes expenditure incurred during construction period pending allocation aggregating Rs. 900.71 million. (2004 – Rs. 424.79 million). These expenses include Employee cost aggregating Rs. 106.72 million (2004 – Rs. 55.64 million), Interest expenses Rs. 81.94 million (2004 – Rs. 36.03 million), Exchange rate fluctuation Rs. 12.07 million (2004 – Rs. 25.27 million) and Operating expenses aggregating Rs. 699.98 million (2004 – 307.85 mn), Stores & Spares Rs. 67.82 million (2004 – Rs. 17.10 million), Power Rs. 111.41 million (2004 – Rs. 54.32 million), Travelling Rs. 20.74 million (2004 – Rs. 12.11 million), Repairs Rs. 19.06 million (2004 – 7.99 million), General Expenses Rs. 480.95 million (2004 – Rs. 216.33 million).

Additions during the period include exchange differences on account of changes in foreign exchange rates relating to acquisition of fixed assets Rs. 19.68 million (2004 – Rs. 18.07 million)

	As at 31.12.2005 Rs. in millions	As at 31.12.2005 USD in millions [see note 1(b)(d)]	As at 31.12.2004 Rs. in millions	As at 31.12.2004 USD in millions [see note 1(b)(d)]
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(Note 29)

9. INVESTMENTS

TRADE:

LONG TERM INVESTMENTS (UNQUOTED)

Nil (2003 – 245) equity shares fully paid in Wockhardt Egypt Limited, at cost	—	—	0.31	0.01
305,982 (2004 – 225,000) shares of Bharuch Eco-Aqua Infrastructure Ltd. of Rs. 10 each fully paid	3.05	0.07	2.25	0.05
6,300 (2004 – 6,300) shares of Bharuch Environmental Infrastructure Ltd. of Rs. 10 each fully paid	0.06	—	0.06	—
250 (2004 – Nil) shares of Kanishka Housing Development Co. Pvt. Ltd. of Rs. 100 each fully paid	0.03	—	—	—
Nil (2004 – 53,165) shares of Bharuch Eco-Aqua Infrastructure Ltd. of Rs. 10 each Rs. 5 paid up	—	—	0.27	0.01
	3.14	0.07	2.89	0.07

*Units of Mutual Funds Purchased & Sold during the year Rs. 1,110 mn (2004 – Nil)

	As at 31.12.2005 Rs. in millions	As at 31.12.2005 USD in millions [see note 1(b)(d)]	As at 31.12.2004 Rs. in millions (Note 29)	As at 31.12.2004 USD in millions [see note 1(b)(d)]
10. INVENTORIES				
Raw materials	844.79	18.75	645.93	14.87
Packing materials	130.37	2.89	110.39	2.54
Work-in-process	193.87	4.30	159.24	3.66
Finished goods	1,547.13	34.34	1,225.26	28.20
Samples	24.63	0.55	20.85	0.48
Stores and spare parts	5.75	0.13	1.86	0.04
	2,746.54	60.96	2,163.53	49.79
11. SUNDRY DEBTORS				
Sundry Debtors, net of provisions	2,809.52	62.36	2,354.80	54.20
12. CASH AND BANK BALANCES				
Cash on hand	59.33	1.32	0.41	0.01
Balances with banks				
— in current accounts	190.76	4.23	176.57	4.06
— in margin accounts	37.81	0.84	11.17	0.26
— in deposit accounts	6,851.44	152.07	7,166.69	164.94
	7,139.34	158.46	7,354.84	169.27
13. LOANS AND ADVANCES (Unsecured, considered good)				
Loans to employees	8.63	0.20	5.16	0.12
Loans to companies	0.01	—	4.14	0.10
Advances recoverable in cash or in kind or for value to be received	566.96	12.58	455.27	10.52
Accrued income	154.07	3.42	112.29	2.58
Balance with customs and excise authorities	116.78	2.59	58.39	1.32
Other deposits	63.38	1.41	59.37	1.37
	909.83	20.20	694.62	16.01
14. CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry creditors	1,688.68	37.48	1,357.26	31.24
Security deposits	139.17	3.09	143.53	3.30
Unclaimed dividends	6.41	0.14	4.26	0.10
Interest accrued but not due	20.86	0.46	59.34	1.37
Other liabilities	706.05	15.67	914.65	21.06
	2,561.17	56.84	2,479.04	57.07
Provisions				
Provision for tax, net of advance tax paid	9.79	0.22	25.04	0.58
Proposed dividend	547.17	12.14	545.75	12.56
Tax on proposed dividend	76.74	1.70	71.32	1.64
Provision for retirement benefits	435.36	9.66	386.60	8.90
Other provision	15.00	0.34	—	—
	1,084.06	24.06	1,028.71	23.68
	3,645.23	80.90	3,507.75	80.75

	For the year ended 31.12.2005 Rs. in millions	For the year ended 31.12.2005 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2004 Rs. in millions (Note 29)	For the year ended 31.12.2004 USD in millions [see note 1(b)(d)]
15. OTHER INCOME				
Dividend received on investments	1.42	0.03	0.51	0.01
Profit/(Loss) on sale of assets	1.28	0.03	(5.88)	(0.14)
Miscellaneous income	177.27	3.93	163.39	3.77
	179.97	3.99	158.02	3.64
16. MATERIAL CONSUMED AND PURCHASE OF GOODS				
Consumption of raw and packing materials	3,987.43	88.50	3,608.97	83.06
Purchase of finished goods	2,113.63	46.91	1,905.56	43.85
	6,101.06	135.41	5,514.53	126.91
17. (INCREASE)/DECREASE IN INVENTORIES				
Opening stock				
Finished goods	1,225.26	27.19	882.91	20.32
Samples	20.85	0.46	29.21	0.67
Work-in-process	159.24	3.53	209.21	4.81
Less : Excise Duty on Opening Stock	(26.00)	(0.58)	(38.55)	(0.90)
	1,379.35	30.60	1,082.78	24.90
Closing stock				
Finished goods	(1,547.13)	(34.34)	(1,225.26)	(28.20)
Samples	(24.63)	(0.55)	(20.85)	(0.48)
Work-in-process	(193.87)	(4.30)	(159.24)	(3.66)
Less : Excise Duty on Closing Stock	56.58	1.26	26.00	0.60
	(1,709.05)	(37.93)	(1,379.35)	(31.74)
	(329.70)	(7.33)	(296.57)	(6.84)
18. OPERATING AND OTHER EXPENSES				
Employee cost	2,096.43	46.53	1,893.04	43.57
Travelling expenses	329.04	7.30	294.70	6.78
Freight and forwarding	328.24	7.29	270.34	6.22
Selling and distribution	290.95	6.46	386.90	8.90
Commission on sales	34.54	0.77	48.03	1.11
Power and fuel	185.35	4.11	144.76	3.33
Rent, Rates and Taxes	152.91	3.39	126.99	2.92
Repairs and Maintenance				
Machinery	52.01	1.15	36.75	0.85
Buildings	24.95	0.55	17.78	0.41
Others	98.71	2.19	56.36	1.30
Stores and spare parts consumed	249.27	5.53	206.25	4.75
Insurance	89.92	2.00	58.71	1.35
Provision for doubtful debts	6.23	0.14	27.49	0.63
Bad debts	31.34	0.70	5.57	0.13
General expenses	1,093.09	24.26	1,025.12	23.64
	5,062.98	112.37	4,598.79	105.89
19. FINANCING COST				
Interest paid				
Fixed	0.37	0.01	7.66	0.18
Others	260.89	5.79	192.68	4.41
	261.26	5.80	200.34	4.59
Add: Exchange (gain)/loss on borrowings	82.68	1.83	(166.27)	(3.83)
Less: Interest received	(248.73)	(5.52)	(50.49)	(1.16)
	95.21	2.11	(16.42)	(0.40)

	For the year ended 31.12.2005 Rs. in millions	For the year ended 31.12.2005 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2004 Rs. in millions	For the year ended 31.12.2004 USD in millions [see note 1(b)(d)]
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(Note 29)

20. ANNUAL COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES ARE:

Upto five years	36.96	0.82	32.84	0.76
More than five years	20.52	0.46	22.40	0.52
	57.48	1.28	55.24	1.28

21. EXPENDITURE ON RESEARCH & DEVELOPMENT

Capital	240.15	5.33	259.20	5.97
Revenue	797.55	17.70	684.70	15.76
	1,037.70	23.03	943.90	21.73

22. EARNINGS PER SHARE

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		2004	
	Rs. in millions	USD in millions	Rs. in millions	USD in millions
Profit after tax for the financial year	2,571.01	57.07	2,135.07	49.13
Net profit attributable to equity shareholders	2,571.01	57.07	2,135.07	49.13

Reconciliation of weighted average no. of shares

	Shares	Shares
For basic earnings per share	109,158,742	108,986,089
Add: Deemed exercise of options on unissued equity share capital	126,289	130,704
For diluted earnings per share	109,285,031	109,116,793

	Rs.	USD	Rs.	USD
Earnings per share (nominal value Rs. 5 each)				
Basic	23.55	0.52	19.59	0.45
Diluted	23.53	0.52	19.56	0.45

23. SEGMENT INFORMATION

(i) **Information about Primary Segments**

The Company is primarily engaged in pharmaceutical business which is considered the only reportable business segment as per Accounting Standard – AS 17 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

(ii) **Information about Secondary Segments**

Sales by market — The following is the distribution of the Company's sale by geographical market, regardless of where the goods were produced:

Geographical segment	2005		2004	
	Rs. in millions	USD in millions	Rs. in millions	USD in millions
India	5,264.58	116.85	4,903.70	112.86
USA/Western Europe	7,260.26	161.14	6,330.34	145.69
Rest of the World	1,596.04	35.43	1,281.90	29.50
Total	14,120.88	313.42	12,515.94	288.05

Assets and additions to fixed assets by geographical area — The following table shows the carrying amount of segment assets and liabilities to fixed assets by geographical area in which the assets are located:

	India		Others	
	Rs. in millions	USD in millions	Rs. in millions	USD in millions
Carrying amount of segment assets	14,880.28 (14,823.04)	330.27 (341.17)	6,608.85 (4,365.17)	146.68 (100.46)
Additions to tangible and intangible assets	821.81 (1,590.98)	18.24 (36.62)	238.44 (138.61)	5.29 (3.19)

(iii) **Notes:**

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the Indian market and export markets as distinct geographical segments.

Segment assets

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.

Figures in brackets represent prior year comparatives.

24. RELATED PARTY DISCLOSURES

(a) **Parties where control exists**

Holding company

Khorakiwala Holdings & Investments Pvt. Limited.

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

Other enterprises (Entities in which Wockhardt Limited has significant influence or control)

(i) Carol Info Services Limited (formerly Wockhardt Life Sciences Limited), (ii) Merind Limited, (iii) Khorakiwala Foundation

Key management personnel

(i) H. F. Khorakiwala, Chairman and Managing Director, (ii) Lalit Kumar, Executive Director

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

	2005 Rs. in millions	2005 USD in millions	2004 Rs. in millions	2004 USD in millions
Other Enterprises				
Purchase of finished goods [Merind Ltd. Rs. 323.29 million (2004 – Rs. 533.82 million), Carol Info Services Ltd. Rs. 33.76 million (2004 – Rs. 239.61 million)]	357.05	7.92	773.43	17.80
Purchase of raw material [Merind Ltd. Rs. 80.35 million (2004 – Rs. 4.41 million), Carol Info Services Ltd. Rs. 10.16 million]	90.51	2.01	4.41	0.10
Consignment Agency Commission received [Merind Ltd. Rs. 0.06 million (2004 – Rs. 0.13 million)]	0.06	—	0.13	—
Loan Licensee paid [Merind Ltd. Rs. 80.90 million, Carol Info Services Ltd. Rs. 61.28 million]	142.18	3.16	—	—
Rent paid [(2004 – Carol Info Services Ltd. Rs. 7.79 million, Merind Ltd. Rs. 1.98 million)]	9.21	0.20	9.77	0.22
Expenses recovered/(paid) [Carol Info Services Ltd. Rs. 40.81 million (2004 – Rs. 50.02 million), Merind Ltd. Rs. 94.36 million (2004 – Rs. 160.79 million)]	(133.31)	(2.96)	(209.01)	(4.81)
Donation given [Khorakiwala Foundations Rs. 1.10 million]	1.10	0.02	—	—
Corporate guarantees given [(2004 – Carol Info Services Ltd. Rs. 10 million, Merind Ltd. Rs. 10 million)]	—	—	20.00	0.46
Security deposit given [Merind Ltd. Rs. 280 million (2004 – Rs. 280 million), Carol Info Services Ltd. Rs. 250 million (2004 – Rs. 250 million)]	530.00	11.76	530.00	12.20
Security deposit recovered [Merind Ltd. Rs. 280 million (2004 – Rs. 280 million), Carol Info Services Ltd. Rs. 250 million (2004 – Rs. 250 million)]	530.00	11.76	530.00	12.20
Key management personnel				
Remuneration to Directors :				
Salary	10.06	0.24	7.92	0.18
Commission	71.45	1.59	64.34	1.48
Contribution to Provident Fund	0.98	0.02	0.95	0.02
Other Perquisites	2.97	0.07	6.89	0.16
	85.46	1.92	80.10	1.84

(d) **Related party balances**

Receivable/(Payable) from/(to) other enterprises	(147.62)	(3.28)	(95.94)	(2.21)
Payable to Key management personnel	71.45	1.59	64.34	1.48

Auditor's Report to the Board of Directors of Wockhardt Limited on the Consolidated Financial Statements

25. Turnover includes exchange rate gain, including gain on hedging activity, of Rs. 817.87 million (2004 – Rs. 277.05 million).
26. Provision for Sales Return, date expiry and chargebacks — Opening Balance Nil (2004 – Nil), Additions during the year Rs. 26.11 million (2004 – Nil), utilised during the year Nil (2004 – Nil), Closing Balance Rs. 26.11 million (2004 – Nil).

27. PENSION

Actuarial gain/loss on pension scheme represents write back/write off on account of excess pension obligations, in Wockhardt UK Limited [formerly, CP Pharmaceuticals (Holdings) Limited], due to increase/decrease in the value of the underlying investments and the changes in assumption used by the actuary in computing the pension obligations for the year ended December 31, 2005.

28. CONTINGENT LIABILITIES NOT PROVIDED FOR

- (a) Demands by Central Excise authorities in respect of classification disputes; stay orders have been obtained by the Company against these demands – Rs. 26.22 million (2004 – Rs. 23.41 million)
- (b) Demand by Income tax authorities Rs. 133.76 million (2004 – Rs. 39.63 million) disputed by the Company.
- (c) Claim in respect of Value Added Tax Rs. 58.48 million (2004 – Rs. 50.95 million)
- (d) Corporate guarantees given by Wockhardt Limited on behalf of Wockhardt UK Limited in respect of bank loans amounts to Rs. 777.38 million. (2004 – Nil).
- (e) Corporate guarantees given by Wockhardt UK Limited on behalf of CP Pharmaceuticals Limited in respect of bank loans and overdrafts amounts to Rs. 204.98 million (2004 – Rs. 237.15 million).
- (f) 108,500 (2004 – 110,000) Zero coupon foreign currency convertible bonds of USD 1,000 each are:
- (i) Convertible by the holders at any time on or after November 24, 2004 but prior to close of business on September 25, 2009. Each bond will be converted into 94.265 fully paid up equity share with par value of Rs. 5 per share at a fixed price of Rs. 486.075 per share.
- (ii) Redeemable, in whole but not in part, at the option of the Company at any time on or after October 25, 2007 but not less than seven business days prior to maturity date i.e October 25, 2009 subject to the fulfillment of certain terms and obtaining requisite approvals.
- (iii) Redeemable on maturity date at 129.578 percent of its principal amount, if not redeemed or converted earlier.

The Bonds are considered as monetary liability. The bonds are redeemable only if there is no conversion of the bonds earlier. Hence, the payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence, no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to a maximum of Rs. 313 million (2004 – Rs. 47 million)

29. PREVIOUS YEAR COMPARATIVES

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place : Mumbai
Date : February 14, 2006

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman and Managing Director

B. L. Maheshwari
Shekhar Datta
Aman Mehta
Bharat Patel
Abid Hussain
Directors

Lalit Kumar
Executive Director

To the Board of Directors
Wockhardt Limited

- We have audited the attached Consolidated Balance Sheet of Wockhardt Limited ('Wockhardt') and its subsidiaries as at December 31, 2005 and also the consolidated Profit and Loss account and the consolidated cash flows statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Wockhardt management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 2,753.15 million as at December 31, 2005 and the total revenues of Rs. 5,234.45 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
- We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Wockhardt and its subsidiaries included in the consolidated financial statements, except that the standalone financial statements of Wockhardt Limited do not include amounts expressed in United States Dollars, as such disclosure is not warranted by Schedule VI to the Companies Act, 1956.
- We have not reviewed the translation of the amounts mentioned in United States Dollars in the financial statements, and accordingly do not express an opinion on such amounts.
- Without qualifying our opinion, we draw attention to Note 28(f) to the consolidated financial statements. The management is of the view that the liability to pay premium on redemption is contingent on the redemption happening and hence no provision for the premium is required. The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result in future has been made in the financial statements.
- In our opinion and on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Wockhardt and its subsidiaries referred to above, and subject to the matter referred to in paragraphs 4 and 5 above, the said accounts give a true and fair view in conformity with accounting principles generally accepted in India in the case of:
 - the consolidated balance sheet expressed in Indian Rupees of the consolidated state of affairs of Wockhardt and its subsidiaries as at December 31, 2005;
 - the consolidated profit and loss account expressed in Indian Rupees of the consolidated profit of Wockhardt and its subsidiaries for the year then ended on that date; and
 - the consolidated cash flows statement expressed in Indian Rupees of the consolidated cash flows of Wockhardt and its subsidiaries for the year then ended on that date.

For S. R. Batliboi & Company
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place : Mumbai
Date : February 14, 2006

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The World of Wockhardt

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