WOCKHARDT

NOW EUROPE... ...AHEAD OF TIME

ANNUAL REPORT 2007

NOW EUROPE...
...AHEAD OF TIME

For Wockhardt, the globe is a field of infinite possibilities. Striding across global markets, we have mastered the art of acquisitions, fructifying into success stories... that make Wockhardt a true Indian global company today.

With the insight to innovate and the foresight to anticipate, we built our strategy based on the future we saw as ours. We never deterred walking the unbeaten path. From Wallis Laboratory in 1998 to Negma Laboratories in 2007, we have come a long way. Today, we ace the European markets becoming the largest Indian pharmaceutical company in Europe. Our European slice of the pie is widening, contributing to more than 54% of our revenues.

It has always been our persistent endeavour to create value from our acquisitions and ensure growth of these companies we have embraced. Negma in France, Esparma in Germany, Pinewood in Ireland, Wallis and CP Pharmaceuticals in UK, have all led us to establish a distinguished presence in these pharma emerging markets of the European continent.

Today, Europe is gaining a key strategic prominence in the global pharmaceutical market. And Wockhardt is now firmly entrenched in Europe to consolidate, integrate, rationalise and optimise to reap the desired benefits. Ahead of time...

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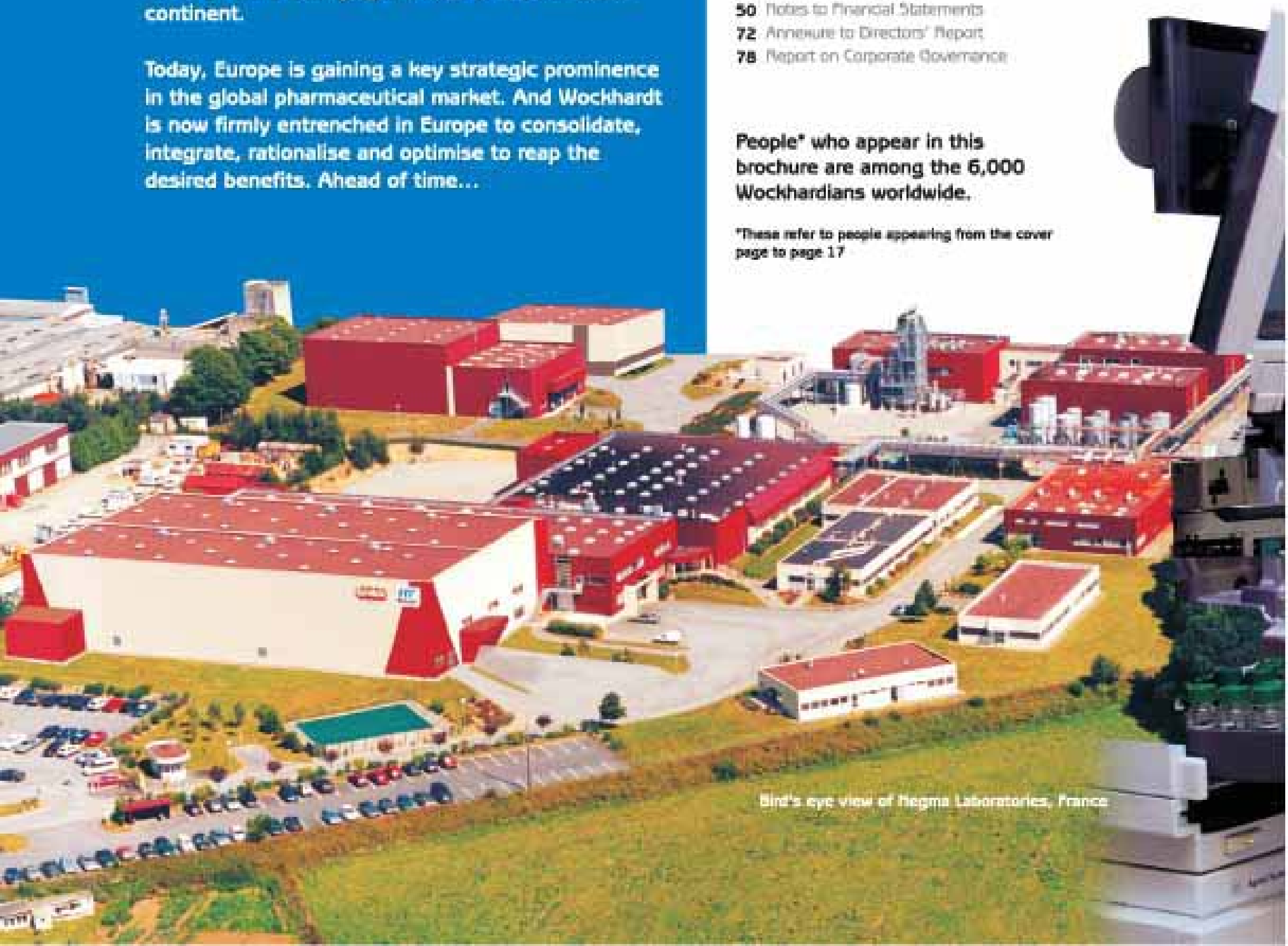
People* who appear in this brochure are among the 6,000 Wockhardians worldwide.

*These refer to people appearing from the cover page to page 17



Bird's eye view of Negma Laboratories, France

WOCKHARDT VISION

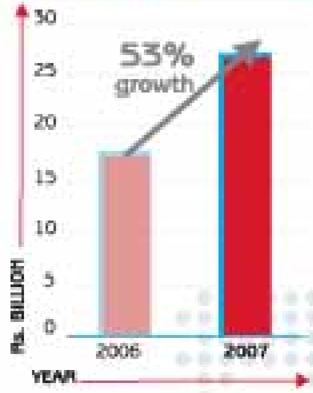
To be the most admired healthcare group from India

Wockhardt's research capabilities is one of our prime growth drivers

NET SALES

Rs. 26.5 bn

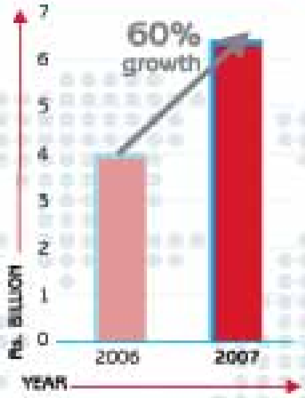
$ 673 mn



OPERATING PROFIT

Rs. 6.4 bn

$ 162 mn



Revenue from EU business doubles

- Negma Laboratories, France, with its patented portfolio, taps into the 2nd largest market in Europe
- Pinewood, Ireland records double digit growth in its very first year of operations, post-acquisition
- Wockhardt UK records all round growth in Generics, Hospital and Export business segments

India Business consolidates with 15% growth

- 8 brands feature in the Top-300 club
- Launches 5 in-licensed patented products of European and American companies in niche markets
- Wosulin (recombinant insulin) brings back bounce in sales

US operations gain critical mass

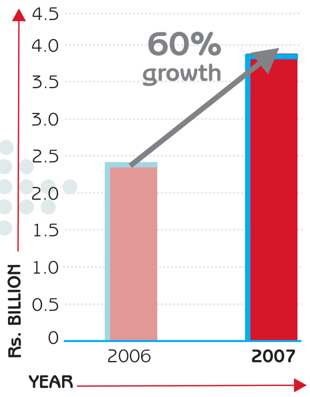
- Acquires Morton Grove Pharmaceuticals Inc., USA, amongst leaders in liquid dosage forms
- Receives 13 ANDA (Abbreviated New Drug Application) approvals taking the tally to 25
- Files 7 DMFs (Drug Master Files)

Pinewood integrates with Corporate Wockhardt under the SAP platform

NET PROFIT

Rs. 3.9 bn

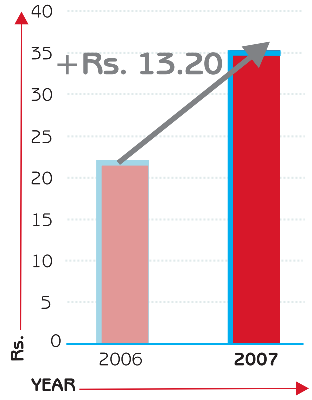
$ 98 mn



EARNINGS PER SHARE

Rs. 35.25

$ 0.89



Strategic business plans developed for value-creation from all Wockhardt - EU companies

Early mover advantage of biotech products in regulated markets

- First generic company to file Biotech IND in the USA, with Europe to follow soon

Development of Insulin analogue pipeline

- Glargine, Long Acting Insulin, cleared for marketing in India by DCGI (Drugs Controller General of India)
- Lispro, Fast Acting Insulin, in Phase III Clinical Trials

Robust R&D and Clinical Research

- Filed 25 ANDAs in US and 7 MAs (Marketing Authorisations) in Europe. Also filed 204 patents
- New Drug Discovery Program firmly moves forward. WCK-771 completes Phase II Trials. WCK-2349 enters Phase I Trials. Three lead molecules in pre-clinical trial stage

My dear Shareowners,

They say success is a journey not a destination. And I feel privileged to tell you that 6,000 Wockhardians are journeying tirelessly together, spreading their footprints on the global landscape.

The last 18 months have been transformational for all of us. We have arrived as a truly global organisation. The acquisitions in France (Negma Laboratories), in USA (Morton Grove Pharmaceuticals) and in Ireland (Pinewood) have given us a strong business footprint in Europe and USA. In fact, our global business has grown by 53% in the last year. Our geographical base, combined with our management depth has established a firm foundation for rapid growth in the next year.

EUROPE - OUR STRATEGIC FOCUS

The IMS Prognosis 2007 studies show that the pharma emerging markets are France, Germany and UK. Today, Wockhardt UK not only continues to consolidate its business and improve profitability; but it has also shown double-digit growth, outperforming the industry growth rate. Post acquisition, Pinewood continues to grow from strength to strength and the numbers amply justify it's No. 1 generic company ranking in Ireland. Esparma, Germany has shown a turnaround and has become a gateway to Russia and other CIS countries.

The acquisition of Negma Laboratories in France catapulted us to become the largest Indian Pharma Company in

Europe. I am proud and honoured to say that this was a competency acquisition. Our learning and understanding of marketing brands, with patent coverage in West European markets, are a precursor to us applying the same for our soon-to-be launched biotech products.

From our leadership to people profile, Wockhardt is a diverse global company, representing 14 nationalities worldwide. Our work ethos to continuously excel and stretch ourselves to the limits is unrelenting. The European leadership team with assistance from Bain & Co. has developed a roadmap for building a strong presence in the EU over the next three years.

GAINING PRESENCE IN THE USA

In October 2007, Wockhardt, once again made a strategic and value acquisition. Morton Grove Pharmaceuticals Inc. based in Illinois, Chicago, is a leading liquid generic and speciality dermatology company in the US. It provided us the right entry vehicle into the US generic market with a portfolio of 31 products. Currently, with an overall product portfolio of 56 products, we have gained critical mass in the US market. This represents a clear demonstrable strength in sales and marketing. It also makes us a unique

pharma generic company, that is into every aspect of dosage manufacturing.

TOWARDS CONTRACT MANUFACTURING SUPPORT FOR GLOBAL COMPANIES

The European pharma markets are undergoing tectonic shifts. Several leading global pharma companies have already expressed their intent to exit manufacturing in the near future. Given the circumstance, we are well positioned to seize the opportunity presented by the immense potential of the European contract manufacturing market.

With 14 US FDA / MHRA approved manufacturing facilities dotting key markets around the globe, these plants have the requisite capacities and capabilities to manufacture all dosage forms. From biotechnology start-ups to leading pharmaceutical companies, Wockhardt is ideally placed to meet their technological and manufacturing needs. Our team has worked out a game plan in this space. I expect contract manufacturing to become a significant value creator in the future.

VISION 2012

We were also privileged to have the advice and guidance of the world's No.1 Strategic Management Guru, Prof. C K Prahalad to fulfil our Vision 2012. Acting as a catalyst at our World Strategy Forum, he was instrumental in pushing the management team to think out-of-the-box, identify key growth drivers and chalk-out strategic plans to optimise value and rationalise resources for potential markets and businesses.

Prof. C K Prahalad also advocated a finer aspect of management that good entrepreneurs do not benchmark against the best practices; they create the next practices. This, I believe, rightly dovetails with our intentions of value creation for all our stakeholders.

AT THE CORE IS RESEARCH & DEVELOPMENT

Wockhardt has considered demerging its Research & Development business into a separate entity. The new company will house the new drug discovery programme and the innovative new technologies being developed by the R&D team. The Wockhardt R&D set up will continue to retain its other research components, namely biotechnology, as well as research in chiral chemistry and pharmaceutical research.

The R&D business has great potential and needs to be a focused entity for carrying out unrelenting research activities for the future. At Wockhardt, we recognise this fundamental need and are re-structuring our R&D business to unlock true value for all our stakeholders.

FICCI ADDS A NEW DIMENSION

As President of FICCI for 2007, it was a year of personal enrichment for me. I explored and delved into the broader macro economic perspectives and social issues facing the nation. I interacted with key ministries, international statesmen and was the voice of the Indian industry at various forums. Most of all, I have become more aware than ever of how environmentally fragile our world has become. I am gratified to note that Wockhardt, as a company, is playing a part in protecting our planet's well being.

Lastly, I want to leave behind a profound thought. 'The toughest thing about success is that you've got to keep on being a success.' Thankfully, at Wockhardt, success is a habit and will always be a journey ahead!

Habil Khorakiwala
Chairman

EUROPE

Integration and Value Creation Towards Leadership in EU Market

Pinewood Laboratories manufacturing unit at Ireland

Today, Wockhardt is the largest Indian pharma company in the 2nd largest pharma market of the world - the European market. The tactical move has provided us with a space and a competitive edge.

Our strong foothold in Europe is a grand display of our astutely planned strategies and our passion to succeed. With our business insight, we have made pertinent, high-value acquisitions. As we tread the European markets with resolute steps, we are translating opportunities into results.

Today, we are the first Indian company in the European continent with a balanced product portfolio that enables us to maximise opportunities in the region.

WOCKHARDT LARGEST INDIAN PHARMACEUTICAL COMPANY IN EUROPE		
Annualized Sales $ 400+ mn	54%+ Wockhardt's revenues and 1,500 Wockhardians	
Pan Europe persence in major markets	Ground presence in UK, Germany, France, Ireland Accounting for 60% of EU pharma market	
Products 200+	Product portfolio of patented and generic products	
Presence across the Value Chain	Comprehensive R&D, Manufacturing and Front End capabilities	
Negma 4th largest integrated company in France	Pinewood No. 1 Generic company in Ireland	Wockhardt UK 2nd largest in hospital (UK) segment

NEGMA LABORATORIES: THE DOORWAY TO FRANCE- PATENTED PORTFOLIO IN THE 2nd LARGEST MARKET IN EUROPE

Replete with robust R&D, manufacturing and marketing capabilities, Negma Laboratories is deemed a relevant addition to our list of acquisitions. The company is the fourth largest independent, integrated pharmaceutical group in Europe.

Manufacturing unit at Wockhardt UK, Wrexham

Negma President, Frederic Champavere (extreme left) with members of his team

Today, Negma has already made its distinct mark in key therapeutic segments:

- **Osteoarthritis / Rheumatology:**
  Its brand, ART50 is ranked #1 amongst all anti-rheumatic drugs. The brand has also received approval from French Health Agency for the long term symptomatic treatment of osteoarthritis.

- **Phlebotonic:**
  Negma's brand, Veinamitol is a leader in venous dysfunction. The company's new product, Veinamitex, an innovative compression stocking line, is widely accepted by doctors as well as pharmacists in the French market place.

- **Arterial Hypertension:**
  Brand Nebilox, a new beta-blocker, is successfully co-marketed with Menarini.

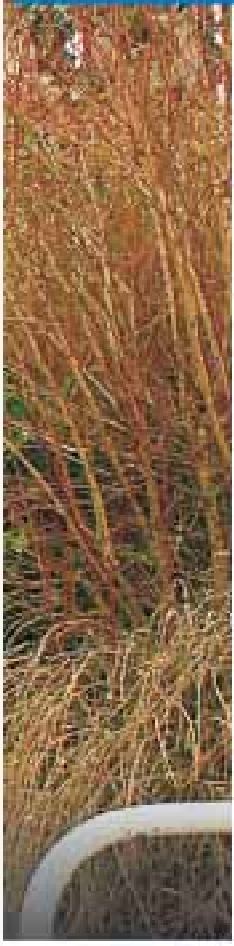
Our experience of successful acquisitions has enabled us to leverage our proven strength of integration and quick value creation for Negma as well. A common cultural ethos reverberates amongst Wockhardians across the world. With our eyes set on a unanimous corporate mission, we continuously align our efforts towards a single, common objective.

WOCKHARDT UK MAINTAINS DOUBLE DIGIT GROWTH

Wockhardt UK is one of the top 10 generics companies in UK and the second largest hospital generics supplier. At the end of the bygone fiscal, the company continued with its trend of exhibiting magnificent performance figures. Each of its business segments - Hospitals, Generics and Exports - recorded impressive growth during 2007. While the Hospitals business displayed a 20% increase, our Generics business grew by 33%. The company also witnessed the successful launch of Nicotine Replacement Therapy (NRT) patches and lozenges. With the transfer of solid dose manufacturing to India and liquid products to Pinewood, the company has optimised its resources.

Today, Oncology is fast emerging as a promising business segment across the world. Consequently, it forms a cardinal area of focus for Wockhardt UK. The company has a broad cancer portfolio comprising:

- Cytotoxic drugs
- Opioid analgesics
- Heparin
- Disodium pamidronate
- Hyaluronidase
- Tamoxifen



Pinewood Managing Director, Manish Gupta in discussion with his team

Wockhardt UK Managing Director, Sirjiwan Singh sets out a strategic plan

PINEWOOD, IRELAND: IN TUNE WITH THE 'WOCKHARDT WAY'

In its very first year of operation after acquisition, Wockhardt has rubbed its effect on Pinewood. Once again, we have lived up to our reputation of turning around acquisitions in a year's time. **During the fiscal 2007, Pinewood, Ireland witnessed an impressive 15% growth, with a 52% increase in its operating profit. The company launched 9 new products in Ireland and 7 new products in the export market.** Moreover, through SAP implementation, we have also succeeded in transforming and substantially integrating Pinewood into Corporate Wockhardt.

7 of the top 10 Pinewood products are ranked #1 whereas the remaining 3 are #2. It is also a market leader in renal business in Ireland, accounting for a market share of 60%. Today, the company holds in excess of 200 prescriptions and over-the-counter formulations, licensed in various markets across the world.

ESPARMA, GERMANY: MARCHING AHEAD WITH PURPOSEFUL STEPS

Esparma's performance reflects our unwavering determination to succeed. **Despite pricing reforms in Germany, our business recorded a growth of 16%, against the generic decline of 10%. The company also launched as many as 8 new products that contributed 21% to its turnover.** Esparma also recorded an impressive growth in sales across CIS countries during 2007. The strategic launch of Gluco Meter is a judicious deliberation, paving the way forward for other products.

Manufacturing of Wosulin (recombinant insulin) injection at Wockhardt Biotech Park, India

INDIA

Building Power Brands In-licensing Niche Products

Wockhardt India business has been consistently recording double digit growth since the past three years, moving ahead of the industry growth and gaining market share. 29 new products were launched during the year. **Furthermore, our range of 'Power Brands' have demonstrated a healthy growth of 22%. Our infant food segment also witnessed a surge above 20%.**

In-Licensed Product	Company	Launch
Vitix	LSI, UK	2007
Viticolor	ACM Crawford, France	2007
Pedistine	Gnosis, Italy	2007
Kelocote	ABT, USA	2007
BioCorneum	ABT, USA	2007
B-Lift Range	Syrio, Italy	2008
Zinderm	Crawford, UK	2008
Novophane	ACM Crawford, France	2008
Mobiwok	Indena, Italy	2008
Sammy	Gnosis, Italy	2008
Normagut	Gnosis, Italy	2008

AGGRESSIVE IN-LICENSING STRATEGY

Wockhardt has finalised 11 in-licensing arrangements with European and American companies in the field of dermatology, derma-cosmetology, oncology, medical nutrition and osteoarthritis meeting the unmet needs of the Indian patients. Already, 5 in-licensed products have been launched in India.

8 BRANDS INTO THE ELITE LIST

Today, 8 of our brands adorn the list of India's Top 300 Pharma Brands, 2 of which are among the top 100.

Sunil Khera, President - Domestic & International (ROW) Business, pointing out market details to his divisional heads

GAINING GROUNDS IN DIABETOLOGY

The growth of our oral diabetology business exceeded 30%. Also, our recombinant insulin injection, Wosulin, has witnessed a good growth.

'LONG ACTING INSULIN' SOON TO GET LAUNCHED

DCGI has approved marketing of Wockhardt's recombinant insulin analogue, Glargine. **Very soon Indian patients will get the benefit of the 'long acting insulin'. Wockhardt is second in the world to have developed this technology driven insulin.**

ANIMAL HEALTH DIVISION GOES GLOBAL

With growth touching every aspect of our India business, our Animal Health Division has also exhibited an impressive performance, with exports accounting for 15% of its revenues.

Research Unit at Morton Grove Pharmaceuticals, US

USA

Spreading Footprints Gaining Momentum

STRATEGIC ACQUISITION OF MORTON GROVE PHARMACEUTICALS, USA

During 2007, we indeed made a splash in time with the acquisition of Morton Grove Pharmaceuticals Inc., USA. We have already restructured our business in the US to slice a greater market share in the generic field. **The premeditated acquisition of Morton Grove is a strategic fit to our growth objectives. It positions Wockhardt as a leading liquid generic and speciality dermatology company in the US.** We now have a widespread spectrum of 31 generic products, which include 2 branded generic products. **13 of Morton Grove's total generic products enjoy the top market position whereas, the remaining find a spot in the list of Top 3.** Additionally, Morton Grove is also providing us with a healthy pipeline for new products, with 16 formulations under development and 6 ANDAs under review. The company is also expecting its first ANDA approval in the nasal spray segment by mid-2008.

The ripple-effect of the acquisition has already stimulated our performance in the US. During the by-gone fiscal, our initiatives from India received as many as 13 ANDA approvals and has completed 7 DMF filings in the US. Furthermore, our prescription volume has more than doubled. **Post-acquisition our product basket has swelled to 56 products, complete in all dosage forms, comprising of tablets, capsules, liquids and sterile injectables. This would help us gain critical mass in the US market.**

WOCKHARDT

Manufacturing Plant of Morton Grove Pharmaceuticals, US

Synergies lead to strength and ultimately, a meaningful consequential existence. We have already identified areas where we can leverage our strength and capacities, thereby bringing about rationalisation and optimisation of global resources.

UNIQUE ANDA PIPLINE

Differentiation is one of the rudiments that success thrives on. Today, we have a unique pipeline of approvals to drive growth. **40% of the total ANDAs filed are of sterile products such as, injections and ophthalmics. We also have in the pipeline, 4 NDDS (Novel Drug Delivery System) products. Additionally we have various ANDA products, which are difficult to replicate and unique.**

Wockhardt USA Inc. and Morton Grove Pharmaceuticals Inc. President, Kurt Orlofski in his New Jersey office

RESEARCH

Preparing for Tomorrow Innovating and Evolving

Wockhardt Research Center, India developing ANDA / NA products for the US & European markets

DISTINCT ACHIEVEMENT IN BIOTECHNOLOGY SPACE

Having received DCGI permission, Wockhardt is ready to launch insulin analogue, Glargine in the Indian market. This is a 'long acting' recombinant insulin with a promising future. Wockhardt is next only to the originator in the world to have got this developed.

WOSULIN CLINICAL TRIALS TO PROGRESS IN US AND EUROPE

Our first BIO-IND for recombinant insulin injectables (Wosulin) is approved in the US for clinical trials. The same will follow soon for Europe as well. These consequential achievements have opened doors to the marketing of Wosulin within a few years in the highly regulated markets, unleashing a huge market potential for the product.

Considering our rich portfolio of products and our early mover advantage, we are slated to account for $20 billion of the total $ 30 billion off-patent opportunity, over the next 10 years.

INCREASING REGULATORY APPROVALS OF WOSULIN FROM ROW MARKETS

Wosulin goes forward in ROW (Rest of the World) markets. Leveraging our standing in the biotechnology sphere, we have already ventured into several international markets. **We received 45 regulatory approvals for recombinant insulin (Wosulin) in the ROW markets, taking our total of registered biotechnology product to 73.**

BUILDING GATEWAYS TO THE GLOBAL MARKET

With our well-thought-out Biosimilar strategy, we are ready to take the opportunity into the global biotechnology market. We plan to enter into strategic alliances for our biotech products.

PHARMA RESEARCH IN THE ACTIVE MODE

On the Wockhardt Pharma Research front, the year 2007 saw receipt of highest number of ANDA approvals - 13 and 32 ANDA/MA filings were undertaken. Moreover, 204 patents were also filed making the research pipeline strong to leverage growth for the company.

NEW CHEMICAL ENTITY, WCK-2349 CLEARED FOR PHASE - I CLINICAL TRIALS

Backed by our robust R&D setup, we have traversed a significant mile in New Drug Discovery program. **We have received the DCGI clearance of IND application to initiate Phase - I Clinical Trials of WCK-2349.** Also, our WCK-771 has successfully completed Phase II clinical trials on humans and now gets ready for the next phase of Clinical Trials.


Wockhardt Research Heads in discussion

MANUFACTURING

Multi-technology for Global Markets

Manufacturing Unit of Pinewood, Ireland

14 Wockhardt plants, spanning the globe from India to Europe to the US operate incessantly to realise our zeal for creation. Our multi-technology facilities are equipped with premium manufacturing infrastructure.

Wockhardt UK has developed an integrated US FDA approved manufacturing facility at Wrexham for sterile injectables such as, cartridges, vials and ampoules; including lyophilized products. This plant aids us in achieving our long-term growth objectives by providing strategic inputs for contract manufacturing in addition to our own use. Wockhardt UK has entered into strategic contract manufacturing for some of the products of pharmaceutical companies such as:

- Amylin Pharmaceuticals Inc.
- Cephalon Inc.
- Schering Plough
- Astra Zeneca
- GW Pharmaceuticals
- Mitsubishi Tanabe Pharma Corporation
- Fidia Farmacuetici SpA

Operating out of Ireland, Pinewood, with its best-in-class manufacturing expertise, efficiently caters to the demands of the European markets. Transnational organisations also utilise its facility for sourcing their products, resulting in additional revenue generation for Pinewood.

All our manufacturing plants in India are approved by the US FDA / MHRA UK.


Manufacturing Unit at Wockhardt Biotech Park, India

WOCKHARDT MULTI-TECHNOLOGICAL SET-UPS

Wockhardt has successfully integrated its capabilities and capacities to deliver a varied range of products in the Active Pharmaceutical Ingredients (API) as well as in the formulations space of pharmaceuticals, biopharmaceuticals and nutraceuticals. This comes in a variety of dosage forms and delivery systems such as tablets, capsules, cream, gel, liquid, as well as sterile injectables with cartridges, disposable pens and pre-filled syringes. Merging our prowess in manufacturing and innovative technologies, we cater to the commercial needs of many global companies through strategic contract manufacturing.

Our recent acquisition in USA, Morton Grove Pharmaceuticals also has to its credit, comprehensive manufacturing capabilities in solutions, lotions, suspensions, narcotic liquids and nasal spray products. This will open up additional avenues for Wockhardt in the North Atlantic Markets.

GLOBAL SAFETY STANDARDS

We employ global safety standards across all our facilities and ensure their stringent implementation. Regulatory environmental bodies recognise and award Wockhardt for its commitment towards environment and safety.

Back: **N A Shah** Director; **Rajiv Gandhi** Director - Corporate Finance & Information; **Aman Mehta** Director

Front: **Dr. Abid Hussain** Director; **Dr. B L Maheshwari** Director; **Habil Khorakiwala** Chairman; **Shekhar Datta** Director; **Bharat Patel** Director

COMPANY SECRETARY
Rajiv B Gandhi

AUDITORS
S R Batliboi & Co.

SOLICITORS
Crawford Bayley & Co.

BANKERS
State Bank of India
Punjab National Bank
ICICI Bank
HDFC Bank
ING Vysya Bank
Citibank, N.A.
HSBC
Calyon Bank
ABN AMRO Bank N.V.
Deutsche Bank

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

Habil Khorakiwala
Chairman

Rajiv B Gandhi
Director - Corporate Finance & Information

Dr. Murtaza H Khorakiwala
Executive Director

Sirjiwan Singh
Managing Director - Wockhardt UK, Wales

Sunil Khera
President - Domestic & International (ROW) Business

Frederic Champavere
President - Negma Laboratories, France

Huzaifa H Khorakiwala
Executive Director

Sanjeev V Mehta
President - Corporate Supply Chain

Manish Gupta
Managing Director - Pinewood Laboratories, Ireland

Kurt Orlofski
President - Wockhardt USA Inc. & Morton Grove Pharmaceuticals Inc., USA

Dr. Yatendra Kumar
President - Pharma Research & Regulatory Affairs

Abbas Master
President - Projects

Directors' Report

The Directors take pleasure in presenting the Ninth Annual Report of the Company and audited accounts for the year ended December 31, 2007.

FINANCIAL PERFORMANCE

(Rs. in millions)

	Year 2007	Year 2006
Consolidated		
Operating Income	**26,532**	17,290
Profit before Interest & Depreciation	**6,390**	4,003
Profit Before Tax	**4,742**	2,942
Provision for Taxation	**917**	529
Share of Profit/(Loss) from Associates	**33**	—
Net Profit	**3,858**	2,413
Standalone		
Operating Income	**12,368**	11,345
Profit Before Tax	**2,731**	2,526
Provision for Taxation	**592**	391
Profit After Tax	**2,139**	2,135

SUBSIDIARIES

The year under review had been good for the Company, in terms of acquisitions. In the month of May 2007 Negma Lerads, France was acquired and in the month of November 2007, Morton Grove Pharmaceuticals, USA was acquired.

CONSOLIDATED FINANCIAL STATEMENTS

Your Company recorded 53.5% growth in consolidated revenue for the year at Rs. 26,532 million. The Consolidated Net Profit grew by 59.9% at Rs. 3,858 million as against Rs. 2,413 million for the previous financial year. As required under Clause 32 of the Listing Agreements with the Stock Exchanges, audited consolidated financial statements form part of the annual Report and the same are annexed to this report.

DIVIDEND AND RESERVES

The Board of Directors in the month of October, 2007 had declared and paid an interim dividend of 175% on equity shares for the year December 31, 2007, absorbing an amount of Rs. 957.56 million. The Board further recommends a final dividend of 50%, which will absorb an amount of Rs. 273.59 million. It is recommended that an amount of Rs. 500.00 million be transferred to General Reserve.

CHANGES IN CAPITAL STRUCTURE

During the year there has been no change in the capital structure of the Company.

BOARD OF DIRECTORS

Mr. Shekhar Datta and Dr. B. L. Maheshwari retire by rotation as director at the upcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. Shekhar Datta has been a director of the Company since February 25, 2000. He is non-executive Chairman on the Board of Bombay Stock Exchange Limited, former Managing Director of Greaves Limited and a past President of Confederation of Indian Industry and the Bombay Chamber of Commerce. He is an engineering graduate from London. His other directorships include Bharat Heavy Electricals Limited and Vesuvius India Limited.

Dr. B. L. Maheshwari has been a director of the Company since February 25, 2000. He has a Phd. from the University of Pennsylvania. He is the Founding Director of the Centre of Organisation Development, Hyderabad since January 1980. He is a pioneer in the field of "management by objectives".

The Board recommends their appointment.

APPOINTMENT OF AUDITORS

M/s. S. R. Batliboi & Co. retire as auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management, confirm that:

- 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 December 31, 2007 and the profits for the year 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 received an exemption from the central Government under Section 212(8) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of the subsidiaries for the year ended December 31, 2007. The accounts of the subsidiaries will be made available for inspection by any member of the Company at its registered office and also at the registered office of the concerned subsidiary. The accounts of the subsidiary companies and detailed information will be made available to the members upon receipt of request from them. The summary of the key financials of the company's subsidiaries is included in this annual report.

Information as per Section 217(2A) of the Companies Act, 1956 ("the Act"), read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. As per the provisions of Section 219(1) (b) of the Act, the Report and Accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

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.

SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI) secretarial audit is being carried out at the specified period, by the practicing company secretary. The findings of the secretarial audit were entirely satisfactory.

CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENTS

Your Directors acknowledge the impeccable service rendered by the employees of the Company at all levels towards its overall success. The Directors also take this opportunity to place on record their appreciation to the stakeholders, bankers and members of medical profession for their continued support to the Company.

For and on behalf of the
Board of Directors

H. F. KHORAKIWALA
Chairman

Mumbai, February 20, 2008

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

To the Board of Directors of
Wockhardt Limited

1. We have audited the attached consolidated balance sheet of Wockhardt Limited "Wockhardt" and its subsidiaries as at 31st December, 2007 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Wockhardt'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 did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 37,474 million as at 31st December, 2007, the total revenue of Rs. 20,999 million and related cash flows for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. The financial statement of associate which reflects Group's share of profit of Rs. 33.24 million for the year ended 31st December, 2007 as considered in the consolidated financial statements have been certified by their Directors, whose certificates have been furnished to us, and our opinion, insofar as it relates to the amount included in respect of this associate, is based solely on this certificate.
5. We report that the consolidated financial statements have been prepared by the Wockhardt's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in 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. In addition, the value in these consolidated financial statements are also stated in United States Dollars translated at the closing year end rates.
6. We have not reviewed the translations of the amounts mentioned in United States Dollars in the financial statements, and accordingly do not express an opinion on such amounts.
7. Without qualifying our opinion, we state that the financial statements are without provision for premium payable on 108,500 Zero Coupon Foreign Currency Convertible bonds of USD 1,000 each (refer note 28(d) to the financial statement) as the premium payable on redemption which is contingent upon a future uncertain event, namely, the redemption of such bonds is presently not determinable.
8. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations 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 in Indian Rupees of the consolidated state of affairs of the Wockhardt Group as at 31st December, 2007;
   (b) in the case of 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
   (c) in the case of the consolidated cash flow statement expressed in Indian Rupees of the consolidated cash flows of Wockhardt and its subsidiaries for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No. 36647
Place : Mumbai
Date : February 20, 2008.

Consolidated Balance Sheet

As at December 31, 2007

	Notes	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1(b)(d)] [Note 31]
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share capital	3	**547.18**	**13.88**	547.18	12.37
Reserves and surplus	4	**12,188.43**	**309.27**	10,115.70	228.62
		12,735.61	**323.15**	10,662.88	240.99
LOAN FUNDS					
Secured loans	5	**23,440.18**	**594.78**	14,750.74	333.37
Unsecured loans	6	**5,559.56**	**141.07**	4,952.00	111.92
		28,999.74	**735.85**	19,702.74	445.29
DEFERRED TAX LIABILITY (Net)	2(h) & 7	**920.95**	**23.36**	921.06	20.81
TOTAL		**42,656.30**	**1,082.36**	31,286.68	707.09
APPLICATION OF FUNDS					
FIXED ASSETS	2(a) & 8				
Gross block		**34,095.85**	**865.16**	18,531.30	418.81
Accumulated depreciation		**(8,602.75)**	**(218.29)**	(4,549.49)	(102.82)
Net block		**25,493.10**	**646.87**	13,981.81	315.99
Capital work-in-progress, including capital advances		**5,219.59**	**132.44**	3,085.91	69.74
		30,712.69	**779.31**	17,067.72	385.73
INVESTMENTS	2(c) & 9	**709.44**	**18.00**	3.14	0.07
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	2(d) & 10	**7,717.75**	**195.84**	4,299.96	97.19
Sundry debtors	11	**6,700.65**	**170.02**	4,615.65	104.34
Cash and bank balances	12	**3,801.78**	**96.46**	9,731.78	219.93
Loans and advances	13	**1,888.58**	**47.92**	1,376.73	31.11
	[A]	**20,108.76**	**510.24**	20,024.12	452.57
Less: CURRENT LIABILITIES AND PROVISIONS	14				
Current liabilities		**8,301.17**	**210.64**	4,975.44	112.43
Provisions		**573.42**	**14.55**	832.86	18.85
	[B]	**8,874.59**	**225.19**	5,808.30	131.28
NET CURRENT ASSETS	[A] – [B]	**11,234.17**	**285.05**	14,215.82	321.29
TOTAL		**42,656.30**	**1,082.36**	31,286.68	707.09

The Notes referred to above form an integral part of the Balance Sheet

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

WOCKHARDT

Consolidated Statement of Profit and Loss Account

For the Year Ended December 31, 2007

	Notes	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2006 Rs. in millions	For the year ended 31.12.2006 USD in millions [see note 1(b)(d)] [Note 31]
INCOME					
Sales and services	2(f)	26,683.85	677.08	17,536.81	396.33
Less: Excise duty		(152.31)	(3.86)	(246.42)	(5.57)
		26,531.54	673.22	17,290.39	390.76
Other income	15	110.44	2.80	189.79	4.30
TOTAL		26,641.98	676.02	17,480.18	395.06
EXPENDITURE					
Materials consumed and purchase of goods	16	11,358.94	288.22	7,291.32	164.78
(Increase)/decrease in inventories	2(d) & 17	(1,431.42)	(36.32)	(612.83)	(13.84)
Operating and other expenses	18	10,213.85	259.17	6,609.25	149.36
TOTAL		20,141.37	511.07	13,287.74	300.30
PROFIT BEFORE DEPRECIATION, INTEREST AND TAX		6,500.61	164.95	4,192.44	94.76
Less: Depreciation/Amortisation	2(a) & 8	784.84	19.92	620.61	14.03
PROFIT BEFORE INTEREST AND TAX		5,715.77	145.03	3,571.83	80.73
Less: Financial expenses (net)	19	974.29	24.72	26.39	0.59
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		4,741.48	120.31	3,545.44	80.14
Less: Exceptional items		–	–	603.72	13.64
PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS		4,741.48	120.31	2,941.72	66.50
Provision for tax					
— Current tax	2 (h)	(526.50)	(13.36)	(435.13)	(9.83)
— Minimum alternate tax credit entitlement		–	–	199.16	4.50
Net Current Tax		(526.50)	(13.36)	(235.97)	(5.33)
— Deferred tax	2 (h) & 7	(354.01)	(8.98)	(260.49)	(5.89)
— Fringe benefit tax		(36.07)	(0.92)	(32.76)	(0.74)
NET PROFIT AFTER TAX		3,824.90	97.05	2,412.50	54.54
Add: Share in Profit of Associate Companies		33.24	0.85	–	–
NET PROFIT AFTER TAX FOR THE YEAR		3,858.14	97.90	2,412.50	54.54
Balance brought forward from previous year		963.53	24.45	674.95	15.25
PROFIT AVAILABLE FOR APPROPRIATION		4,821.67	122.35	3,087.45	69.79
APPROPRIATIONS					
Proposed dividend on equity shares		273.59	6.94	–	–
Tax on proposed dividend		46.50	1.18	–	–
Interim dividend on equity shares		957.56	24.30	547.18	12.38
Tax on interim dividend		162.74	4.13	76.74	1.74
Transfer to general reserve		500.00	12.69	1,500.00	33.90
Surplus carried to balance sheet		2,881.28	73.11	963.53	21.77
		4,821.67	122.35	3,087.45	69.79
Earnings per share (Rs.)	22				
— Basic		35.25	0.89	22.05	0.50
— Diluted		35.25	0.89	22.04	0.50
Nominal Value of shares Rs. 5 (Previous Year – Rs. 5)		5.00	0.13	5.00	0.11

The Notes referred to above form an integral part of the Profit & Loss Account

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2007

	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions	For the year ended 31.12.2006 Rs. in millions	For the year ended 31.12.2006 USD in millions
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:				
Net Profit Before Tax	**4,741.48**	**120.31**	2,941.72	66.50
Adjustments for:				
Depreciation/Amortisation	**784.84**	**19.92**	620.61	14.03
Amortisation of expenses/Depreciation for Product Development	**54.89**	**1.39**	13.31	0.30
Provision for doubtful debts	**–**	**–**	22.97	0.52
Bad debts/One time charge backs	**51.18**	**1.29**	384.83	8.70
Unrealised foreign exchange (gain)/loss, net	**(196.67)**	**(4.99)**	31.22	0.71
(Profit)/Loss on sale of fixed assets, net	**7.57**	**0.19**	(0.67)	(0.02)
Fixed assets written off	**2.36**	**0.06**	–	–
Interest expense	**1,315.47**	**33.38**	409.35	9.25
Interest income	**(349.57)**	**(8.87)**	(284.43)	(6.43)
Dividend income	**(0.08)**	**–**	(0.73)	(0.02)
Operating profit before working capital changes	**6,411.47**	**162.68**	4,138.18	93.54
Movement in working capital				
(Increase)/Decrease in inventories	**(1,114.20)**	**(28.27)**	(964.70)	(21.80)
(Increase)/Decrease in sundry debtors	**(459.51)**	**(11.66)**	(1,459.10)	(33.00)
(Increase)/Decrease in loans and advances	**(280.64)**	**(7.12)**	(263.75)	(5.96)
Increase/(Decrease) in current liabilities and provisions	**(122.15)**	**(3.10)**	991.97	22.42
Cash generated from operations	**4,434.97**	**112.53**	2,442.60	55.20
Direct Taxes paid, including fringe benefit tax	**(662.89)**	**(16.82)**	(557.20)	(12.59)
Net cash provided by operating activities	**3,772.08**	**95.71**	1,885.40	42.61
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:				
Purchase of fixed assets including capital work-in-progress	**(3,360.65)**	**(85.27)**	(2,709.29)	(61.23)
Proceeds from sale of fixed assets	**10.34**	**0.26**	35.28	0.80
Purchase of investments	**(773.05)**	**(19.62)**	(350.00)	(7.91)
Proceeds from sale of investments	**100.00**	**2.54**	350.00	7.91
Repayment by companies/(loan to companies)	**(42.97)**	**(1.09)**	57.75	1.31
Interest received	**374.35**	**9.50**	404.84	9.15
Dividend received	**0.08**	**–**	0.73	0.02
Acquisition of subsidiary companies during the year	**(12,985.43)**	**(329.50)**	(6,552.13)	(148.08)
Net cash provided by/(used in) investing activities	**(16,677.33)**	**(423.18)**	(8,762.82)	(198.03)

	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions	For the year ended 31.12.2006 Rs. in millions	For the year ended 31.12.2006 USD in millions
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:				
Proceeds from issuance of share capital	–	–	0.45	0.01
Premium on issue of shares	–	–	9.62	0.22
(Repayment)/proceeds from borrowings, net	**10,034.78**	**254.63**	10,564.03	238.74
Interest paid	**(1,519.68)**	**(38.56)**	(414.25)	(9.36)
Dividend paid (including tax on dividend)	**(1,738.11)**	**(44.10)**	(621.28)	(14.04)
Net cash from/(used in) financing activities	**6,776.99**	**171.97**	9,538.57	215.57
Translation/consolidation adjustment	**(341.33)**	**(8.66)**	(9.07)	(0.20)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(6,469.59)**	**(164.16)**	2,652.08	59.95
CASH AND CASH EQUIVALENTS, beginning of year	**9,731.78**	**246.94**	7,139.34	161.32
Cash acquired on acquisition of subsidiaries	**592.96**	**15.04**	75.53	1.71
Unrealised gain/(loss) on foreign currency cash and cash equivalents	**(53.37)**	**(1.36)**	(135.17)	(3.05)
CASH AND CASH EQUIVALENTS, at the end of year	**3,801.78**	**96.46**	9,731.78	219.93
Components of Cash and Cash Equivalents: as at December 31, 2007				
Cash	**1.67**	**0.04**	1.93	0.04
With banks				
– on current accounts	**590.93**	**14.99**	472.53	10.68
– on margin money accounts	**23.92**	**0.61**	24.53	0.55
– on fixed deposit accounts	**3,185.26**	**80.82**	9,232.79	208.66
	3,801.78	**96.46**	9,731.78	219.93

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

(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, 2007:

	Name of subsidiaries	Country of Incorporation	Name of Parent	Percentage of ownership
1.	Wockhardt Biopharm Limited	India	Wockhardt Limited	100%
2.	Vinton Healthcare Limited	India	Wockhardt Limited	100%
3.	Wockhardt Infrastructure Development Limited	India	Wockhardt Limited	100%
4.	Wockhardt UK Holdings Limited (formerly, Wockhardt UK Limited)	England & Wales	Wockhardt Limited	100%
5.	CP Pharmaceuticals Limited	England & Wales	Wockhardt UK Holdings Limited	100%
6.	Wallis Group Limited	England & Wales	Wockhardt UK Holdings Limited	100%
7.	The Wallis Laboratory Limited	England & Wales	Wallis Group Limited	100%
8.	Wallis Licensing Limited	England & Wales	Wallis Group Limited	100%
9.	Wockhardt UK Limited	England & Wales	Wockhardt EU Operations (Swiss) AG	100%
10.	PWH Limited	England & Wales	Pinewood Laboratories Limited	100%
11.	Wockhardt France (Holdings) S.A.S.	France	Wockhardt EU Operations (Swiss) AG	100%
12.	Girex S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
13.	Pharma 2000 S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
14.	Niverpharma S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
15.	Negma Lerads S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
16.	S.E.G.A. S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
17.	DMH S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
18.	Phytex S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
19.	Scomedia S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
20.	Mazal Pharmaceutique S.A.R.L.	France	Girex S.A.S.	100%
21.	Hariphar S.C.	France	Pharma 2000 S.A.S. Negma Lerads S.A.S. DMH S.A.S.	80% 10% 10%
22.	Cap Dermatology S.A.R.L.	France	Niverpharma S.A.S.	100%
23.	Chams Informatique S.A.R.L.	France	S.E.G.A S.A.S.	100%
24.	S.C.I. Salome	France	S.E.G.A S.A.S. DMH S.A.S.	99% 1%
25.	Negma Beneulex S.A.	Belgium	Wockhardt France (Holdings) S.A.S. Negma Lerads S.A.S.	54% 46%
26.	Wockpharma Ireland Limited	Ireland	Wockhardt EU Operations (Swiss) AG	100%
27.	Pinewood Laboratories Limited	Ireland	Wockpharma Ireland Limited	100%
28.	Nonash Limited	Ireland	Pinewood Laboratories Limited	100%
29.	Wockhardt EU Operations (Swiss) AG	Switzerland	Wockhardt Limited	100%
30.	Esparma AG	Switzerland	Wockhardt EU Operations (Swiss) AG	100%
31.	CP Pharma (Schweiz) AG	Switzerland	CP Pharmaceuticals Limited	100%
32.	Esparma GmbH	Germany	Wockhardt Limited	100%
33.	Wockhardt Europe Limited	British Virgin Islands	Wockhardt Limited	100%
34.	Wockhardt Nigeria Limited	Nigeria	Wockhardt Europe Limited	100%
35.	Wockhardt Farmaceutica Do Brazil Ltda	Brazil	Wallis Laboratory Limited Wockhardt Europe Limited	90% 10%
36.	Wockhardt USA, Inc.	USA	Wockhardt EU Operations (Swiss) AG	100%
37.	Atlantis USA, Inc.	USA	Wockhardt Limited	100%
38.	Wockhardt Holding Corporation	USA	Wockhardt EU Operations (Swiss) AG	100%
39.	MGP Holding Corporation	USA	Wockhardt Holding Corporation	100%

	Name of subsidiaries	Country of Incorporation	Name of Parent	Percentage of ownership
40.	Morton Grove Pharmaceuticals, Inc.	USA	MGP Holding Corporation	100%
41.	MGP, Inc.	USA	Morton Grove Pharmaceuticals, Inc.	100%
42.	Wockhardt Cyprus Limited	Cyprus	Wockhardt EU Operations (Swiss) AG	100%

The Company together with its subsidiaries Wockhardt Europe Limited ('WEL'), Wockhardt Biopharm Limited ('WBL'), Wockhardt Infrastructure Development Limited ('WIDL'), Consolidated Wockhardt UK Holdings Limited ('WUK'), Esparma GmbH (EG), Vinton Healthcare Limited and Consolidated Wockhardt EU Operations (Swiss) AG ('WS')(collectively, 'the Group') is primarily engaged in the business of manufacture and marketing of pharmaceutical products. The group has twelve manufacturing locations and there are five locations where research and development activities are carried out.

(b) Basis of consolidation

(a) 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 using uniform accounting policies for like transactions and other events in similar circumstances. All material inter-company balances and transactions are eliminated on consolidation.

(b) 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 twelve months closing rates and the resulting net translation adjustment aggregating Rs. 341.33 million (USD 8.66 million) [2006 – Rs. 9.07 million (USD 0.2 million)] has been adjusted to Reserves.

(c) During the year, WL along with its subsidiaries, have established following wholly owned subsidiaries:

Name of subsidiaries	Country of Incorporation
1. Wockhardt France (Holdings) S.A.S.	France
2. Girex S.A.S.	France
3. Pharma 2000 S.A.S.	France
4. Niverpharma S.A.S.	France
5. Negma Lerads S.A.S.	France
6. S.E.G.A S.A.S.	France
7. DMH S.A.S.	France
8. Phytex S.A.S.	France
9. Scomedia S.A.S.	France
10. Mazal Pharmaceutique S.A.R.L.	France
11. Hariphar S.C.	France
12. Cap Dermatology S.A.R.L.	France
13. Chams Informatique S.A.R.L.	France
14. S.C.I. Salome	France
15. Negma Beneulex S.A.	Belgium
16. Esparma AG	Switzerland
17. Atlantis USA, Inc.	USA
18. Wockhardt Holding Corporation	USA
19. MGP Holding Corporation	USA
20. Morton Grove Pharmaceuticals, Inc.	USA
21. MGP, Inc.	USA

At the reporting date, this has resulted in an increase in net assets by Rs. 7,305.86 million (USD 185.38 million) and change in Profit before tax by Rs. 553.69 million. (USD 14.05 million).

(d) 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, 2007 have been translated into United States dollars at the closing rate as at December 31, 2007 [USD 1 = Rs. 39.41 (2006 – USD 1 = Rs. 44.25)]. 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, depreciation/amortization and impairment

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. The recoverable amount is the greater of assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values at the weighted average cost of capital.

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 3-15 years, which are based on their useful lives.

(b) Foreign currency translations

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. Exchange differences arising in respect of fixed assets acquired from outside India on or before accounting period commencing before December 7, 2006 are capitalised as part of fixed assets.

Profit/loss on derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge risks associated with foreign currency fluctuations and interest rates are considered as revenue items.

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

All inventories are valued at moving weighted average price other than finished goods, which are valued on quarterly moving average price. Finished goods and Work in progress is computed based on respective moving weighted average of procured materials and appropriate share of labour and other manufacturing overheads.

Inventories are valued at cost or net realizable value, whichever is lower. Cost also includes all charges incurred for bringing the inventories to their present location and condition. 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.

The Company maintains 401(k) retirement contribution plans that cover all regular employees on the payroll of Wockhardt USA, Inc (WUSA) & Morton Grove Pharmaceuticals, Inc. 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 incurred are charged off over a maximum period of 4 years. No such expenditure shall be carried forward to accounting periods commencing on or after 1st April, 2010.

(f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods
Revenue is recognized 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, value added tax (VAT), returns and trade discounts.

Sale of Services
Revenues from services are recognised on completion of such services.

Export Incentive
Benefit on account of entitlement to import duty free materials under the "Duty Entitlement Pass Book Schemes" is recognized in the year of export.

Royalties
Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

Interest
Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(g) Research and development (R & D)

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

(h) Income tax

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of local Income Tax rules as applicable to the financial year. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

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

(i) Leases

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 recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

Finance Lease

The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases and hire purchase 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 carrying value of assets acquired is treated as goodwill.

(k) Financing/Borrowing cost

Financing/Borrowing costs attributable to acquisition and/or construction of qualifying asset are capitalised as a part of the cost of such assets, up to the date such assets are ready for their intended use. Other financing/ borrowing costs are charged to Profit & Loss Account. Initial direct costs 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) Earnings 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 share capital are deemed to have been converted into equity shares.

(n) Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets. Grants of revenue nature are credited to income in the period to which they relate.

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1 (b) (d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1 (b) (d)] [Note 31]
3. SHARE CAPITAL				
AUTHORISED				
250,000,000 (2006 – 250,000,000) Equity shares of Rs. 5 each	**1,250.00**	**31.72**	1,250.00	28.25
	1,250.00	**31.72**	1,250.00	28.25
ISSUED, SUBSCRIBED AND PAID UP				
109,435,903 (2006 – 109,435,903) Equity shares of Rs. 5 each fully paid up	**547.18**	**13.88**	547.18	12.37
	547.18	**13.88**	547.18	12.37

1. Of the above shares:
   (a) 70,123,304 (2006 – 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 Science Limited).
   (b) 2,400,000 (2006 – 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 (2006 – 69,716,132) equity shares of Rs. 5/- fully paid up are held by Khorakiwala Holdings and Investments Private Limited, the holding company.

2. 439,200 (2006 – 439,200) fully paid equity shares of Rs. 5/- each were allotted pursuant to exercise of stock options.

3. 36,431,502 (2006 – 36,431,502) equity shares of Rs. 5/- each are allotted as Bonus shares out of Capital Redemption Reserve.

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1 (b) (d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1 (b) (d)]
			[Note 31]	
4. RESERVES AND SURPLUS				
Capital redemption reserve				
Balance as per last accounts	**265.34**	**6.73**	265.57	6.00
Utilised for issue of bonus shares	**–**	**–**	(0.23)	(0.01)
	265.34	**6.73**	265.34	5.99
Securities premium account				
Balance as per last accounts	**134.14**	**3.40**	117.07	2.65
Additions: during the year	**–**	**–**	17.07	0.39
	134.14	**3.40**	134.14	3.04
Employee stock option outstanding	**–**	**–**	3.68	0.08
Less: Deferred employee compensation expenses	**–**	**–**	–	–
	–	**–**	3.68	0.08
Capital reserve on consolidation				
Balance as per last accounts	**720.26**	**18.28**	–	–
Additions: during the year	**–**	**–**	720.26	16.28
	720.26	**18.28**	720.26	16.28
Foreign currency translation reserve				
Balance as per last accounts	**72.21**	**1.83**	81.28	1.84
Deductions: during the year	**(341.33)**	**(8.66)**	(9.07)	(0.20)
	(269.12)	**(6.83)**	72.21	1.64
General reserve				
Balance as per last accounts	**7,956.53**	**201.89**	6,465.76	146.13
Less: Adjustment for employee benefit provision	**–**	**–**	(9.23)	(0.21)
Transfer from profit and loss account	**500.00**	**12.69**	1,500.00	33.90
	8,456.53	**214.58**	7,956.53	179.82
Profit and loss account	**2,881.28**	**73.11**	963.53	21.77
	12,188.43	**309.27**	10,115.70	228.62
5. SECURED LOANS				
(A) Term loans				
(i) From financial institutions	**–**	**–**	164.01	3.71
(ii) From banks:	**22,526.34**	**571.59**	14,326.68	323.78
(B) Working Capital Loans from Banks	**913.84**	**23.19**	260.05	5.88
	23,440.18	**594.78**	14,750.74	333.37

(A) Term Loans are secured as under:

(a) Foreign currency denominated loan (External Commercial Borrowings) 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 2008, September 2008 and March 2009.

(b) Rupee denominated loans from banks includes an amount of Rs. 7.76 million (2006 – Rs. 19.08 millions) for purchase of vehicles and are secured by hypothecation of vehicles purchased under the agreement.

(c) Loan amounting to Rs. 592.13 million (2006 – Rs. 868.83 million) is secured against the fixed assets and working capital of Wockhardt UK Holdings Limited.

(B) Working capital loans from banks are secured by hypothecation of inventories and debtors and specific charge on all tangible movable assets excluding plant and machinery tools, equipments, accessories, etc.

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1 (b) (d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1 (b) (d)]
			[Note 31]	
6. UNSECURED LOANS				
Long term				
(A) Sales tax deferral loan	**52.29**	**1.33**	52.29	1.18
(B) Zero coupon foreign currency convertible bonds	**4,275.99**	**108.50**	4,801.13	108.51
(C) Short term Loans	**1,231.28**	**31.24**	98.58	2.23
	5,559.56	**141.07**	4,952.00	111.92

(A) 108,500 (2006 – 108,500) 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 129.58 percent of its principal amount, if not redeemed or converted earlier.

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1 (b) (d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1 (b) (d)]
			[Note 31]	
7. DEFERRED TAX LIABILITY (Net)				
Deferred tax liabilities				
Difference between depreciation on block of assets (including CWIP)	**1,385.28**	**35.15**	1,101.14	24.89
Total (A)	**1,385.28**	**35.15**	1,101.14	24.89
Deferred tax assets				
Provision for gratuity	**32.16**	**0.82**	31.71	0.72
Provision for leave encashment	**25.75**	**0.65**	21.37	0.49
Deferred expenses	**139.56**	**3.54**	(10.05)	(0.23)
Tax Losses in Subsidiaries	**124.80**	**3.17**	–	–
Provision for bonus	**1.83**	**0.05**	1.42	0.03
Provision for doubtful debts	**140.23**	**3.56**	135.63	3.07
Total (B)	**464.33**	**11.79**	180.08	4.08
Net Deferred tax liability (A-B)	**920.95**	**23.36**	921.06	20.81
Net deferred tax liability as of the year end	**920.95**	**23.36**	921.06	20.81

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8 Fixed Assets

PARTICULARS	Gross Block: As At 01.01.2007	Gross Block: Additions	Gross Block: Deductions & Transfers	Gross Block: Exc. Gain/ (Loss)	Gross Block: As At 31.12.2007	Depreciation: As At 01.01.2007	Depreciation: Additions	Depreciation: Deductions & Transfers	Depreciation: Exc. Gain/ (Loss)	Depreciation: As At 31.12.2007	Net Block: As at 31.12.2007 Rs. In Millions	Net Block: As at 31.12.2007 USD in Millions See Note 1(b)(d)	Net Block: As at 31.12.2006 Rs. In Millions	Net Block: As at 31.12.2006 USD in Millions See Note 1(b)(d)
Intangibles														
Goodwill on Consolidation	5,626.06	10,179.22	–	–	**15,805.28**	6.72	–	–	(6.72)	–	**15,805.28**	**401.05**	5,619.34	126.99
Licenses & Dossiers	757.37	564.72	1.70	4.56	**1,324.95**	578.08	563.10	1.70	11.33	1,150.81	**174.14**	**4.42**	179.29	4.05
Trade Marks	1,221.00	156.53	69.07	(20.65)	**1,287.81**	357.41	129.37	69.97	(2.02)	414.79	**873.02**	**22.15**	863.59	19.52
Software	159.67	93.30	(3.17)	(6.12)	**250.02**	21.25	78.56	(6.87)	(3.71)	102.97	**147.05**	**3.73**	138.42	3.13
Total Intangibles A	**7,764.10**	**10,993.77**	**67.60**	**(22.21)**	18,668.06	**963.46**	**771.03**	**64.80**	**(1.12)**	**1,668.57**	**16,999.49**	**431.35**	6,800.64	153.69
Tangibles														
Freehold land	403.68	56.61	(2.45)	(32.03)	**430.71**	296.38	0.64	–	(26.93)	270.09	**160.62**	**4.08**	107.30	2.43
Leasehold land	83.41	178.10	–	0.88	**262.39**	4.76	4.40	–	(0.09)	9.07	**253.32**	**6.43**	78.65	1.78
Buildings	1,232.44	975.44	2.45	0.82	**2,206.25**	192.62	712.03	–	10.37	915.02	**1,291.23**	**32.76**	1,039.82	23.50
Electrical Fittings	1.11	–	–	–	**1.11**	0.33	0.05	–	–	0.38	**0.73**	**0.02**	0.78	0.02
Plant and Machinery	7,518.54	2,116.13	12.56	(164.90)	**9,457.21**	2,210.74	1,534.41	(38.04)	(78.61)	3,704.58	**5,752.63**	**145.97**	5,307.80	119.96
Furniture and fittings	202.78	93.98	–	(6.24)	**290.52**	77.38	47.45	–	(5.19)	119.64	**170.88**	**4.34**	125.40	2.83
Office Equipments	923.07	810.62	517.87	(9.06)	**1,206.76**	530.05	672.59	513.87	(2.61)	686.16	**520.60**	**13.21**	393.02	8.88
Information Technology Equipments	296.57	133.41	0.03	(9.59)	**420.36**	214.10	75.47	0.03	(8.92)	280.62	**139.74**	**3.55**	82.47	1.86
Vehicles	100.62	2.10	30.40	(0.47)	**71.85**	54.69	13.79	20.74	(0.32)	47.42	**24.43**	**0.62**	45.93	1.04
Assets on Finance Lease	4.98	1,053.38	–	22.27	**1,080.63**	4.98	877.66	–	18.56	901.20	**179.43**	**4.54**	–	–
Total Tangibles B	**10,767.20**	**5,419.77**	**560.86**	**(198.32)**	15,427.79	**3,586.03**	**3,938.49**	**496.60**	**(93.74)**	**6,934.18**	**8,493.61**	**215.52**	7,181.17	162.30
Capital Work-in-Progress :C: (Inclusive of Capital Advances)					**5,219.59**						**5,219.59**	**132.44**	3,085.91	69.74
Total A+B+C	**18,531.30**	**16,413.54**	**628.46**	**(220.53)**	39,315.44	**4,549.49**	**4,709.52**	**561.40**	**(94.86)**	**8,602.75**	**30,712.69**	**779.31**	17,067.72	385.73

The net block of tangible fixed assets includes an amount of Rs. 38.25 million (2006 – Rs. 60.10 million) in respect of assets held under Hire Purchase contracts and Rs. 179.43 million (2006 – Rs. 144.23) in respect of assets under finance lease.

Capital expenditure that has been contracted but not provided for Rs. 833.23 million (2006 – Rs. 1,091.22 million).

Capital Work-in-progress includes expenditure incurred during construction period pending allocation aggregating Rs. 773.73 million (Previous Year – Rs. 590.15 million). These expenses include Material Consumption Rs. 80.10 million (Previous Year – Rs. 55.02 million), Employee cost aggregating Rs. 198.48 million (Previous Year – Rs. 119.98 million), Interest expenses Rs. 0.21 million (Previous Year – Rs. 0.37 million), Depreciation Rs. 46.47 million (Previous Year – Rs. 20.62 million) and Operating expenses aggregating Rs. 448.47 million (Previous Year – Rs. 394.16 million) [Stores & spares Rs. 52.52 million (Previous Year – Rs. 19.37 million), Power Rs. 20.38 million (Previous Year – Rs. 10.66 million), Travelling Rs. 11.24 million (Previous Year – Rs 11.11 million), Repairs Rs. 14.57 million (Previous Year – Rs. 3.70 million), General Expenses Rs. 349.76 million (Previous Year – Rs. 349.32 million)].

Addiiton to fixed assets and depreciation for the year include the cost of the assets of subsidiaries acquired during the year of Rs. 5,125.20 million (2006 – Rs. 2,769.15 millions) and accumulated depreciation thereon of Rs. 3,924.68 million (2006 – Rs. 817.64 millions) respectively.

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1 (b) (d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1 (b) (d)] [Note 31]
9. INVESTMENTS				
LONG TERM INVESTMENTS (at Cost)				
Other than trade (Unquoted)				
305,982 (2006 – 305,982) shares of Bharuch Eco-Aqua Infrastructure Ltd of Rs. 10 each fully paid	**3.05**	**0.08**	3.05	0.07
6,300 (2006 – 6,300) shares of Bharuch Environmental Infrastructure Ltd of Rs. 10 each fully paid	**0.06**	**–**	0.06	–
250 (2006 – 250) Shares of Kanishka Housing Development Co. Pvt. Ltd. of Rs. 100 each fully paid	**0.03**	**–**	0.03	–
1,000 Shares of Saraswat Co-Op Bank Ltd. of Rs. 10 each fully paid up	**0.01**	**–**	–	–
Investment in Associates				
19,215,000 Equity shares of Swiss Bio Sciences AG (Refer note 27)	**706.29**	**17.92**	–	–
	709.44	**18.00**	3.14	0.07

Units of Mutual Funds Purchased & Sold during the year Rs. 100 million (2006 – Rs. 350 million)

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions
10. INVENTORIES				
Raw materials	**2,340.47**	**59.39**	1,453.76	32.86
Packing materials	**154.12**	**3.91**	173.75	3.93
Work-in-progess	**763.76**	**19.38**	534.32	12.08
Finished goods	**4,297.94**	**109.06**	2,010.72	45.44
Samples	**30.33**	**0.77**	30.73	0.69
Stores and spare parts	**131.13**	**3.33**	96.68	2.19
	7,717.75	**195.84**	4,299.96	97.19

	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1 (b) (d)]	As at 31.12.2006 Rs. in millions	As at 31.12.2006 USD in millions [see note 1 (b) (d)] [Note 31]
11. SUNDRY DEBTORS				
Sundry debtors considered good	**6,700.65**	**170.02**	4,615.65	104.34
Sundry debtors considered doubtful	**473.13**	**12.01**	480.99	10.87
	7,173.78	**182.03**	5,096.64	115.21
Less: Provision for doubtful debts	**(473.13)**	**(12.01)**	(480.99)	(10.87)
Sundry Debtors, net of provisions/ charge back	**6,700.65**	**170.02**	4,615.65	104.34
12. CASH AND BANK BALANCES				
Cash on hand	**1.67**	**0.04**	1.93	0.04
Balances with Scheduled banks				
— on current accounts	**590.93**	**14.99**	472.53	10.68
— on margin accounts	**23.92**	**0.61**	24.53	0.55
— on deposit accounts [Includes unutilised amounts of FCCB Rs. 382.28 million (2006 – Rs. 4,214.78 million)]	**3,185.26**	**80.82**	9,232.79	208.66
	3,801.78	**96.46**	9,731.78	219.93
13. LOANS AND ADVANCES				
(Unsecured, considered good)				
Loans to employees	**13.55**	**0.34**	16.40	0.37
Loans to companies	**0.31**	**0.01**	0.10	–
Advances recoverable in cash or in kind or for value to be received	**766.11**	**19.44**	548.08	12.39
Accrued income	**8.88**	**0.23**	33.66	0.76
Balance with customs and excise authorities	**186.73**	**4.74**	128.01	2.89
Loans to others	**0.30**	**0.01**	0.15	–
Minimum alternate tax (MAT) credit entitlement	**199.16**	**5.05**	199.16	4.50
Advance taxes (including tax deducted at source) – net of provisions for tax*	**179.83**	**4.56**	79.52	1.80
Other deposits	**533.71**	**13.54**	371.65	8.40
	1,888.58	**47.92**	1,376.73	31.11

* Advance Taxes are after netting off provisions for taxes of Rs. 235.50 Millions (2006 – Rs. 47.26 Millions). Tax assets and liabilities are in accordance with respective countries Tax Legislations.

14. CURRENT LIABILITIES AND PROVISIONS CURRENT LIABILITIES				
Sundry creditors	**4,506.08**	**114.34**	2,798.58	63.25
Lease finance	**99.45**	**2.52**	60.02	1.36
Security deposits	**164.43**	**4.17**	153.92	3.48
Investor education and protection fund shall be credited as & when due by the following amounts:				
Unclaimed dividends	**15.15**	**0.38**	9.04	0.20
Interest accrued but not due	**140.21**	**3.56**	21.75	0.49
Other liabilities	**3,375.85**	**85.67**	1,932.13	43.65
	8,301.17	**210.64**	4,975.44	112.43
PROVISIONS				
Interim dividend on equity shares payable	**–**	**–**	547.18	12.38
Tax on interim dividend payable	**–**	**–**	76.74	1.74
Proposed dividend	**273.59**	**6.94**	–	–
Tax on proposed dividend	**46.50**	**1.18**	–	–
Provision for retirement benefits	**178.33**	**4.53**	163.94	3.71
Other provision	**75.00**	**1.90**	45.00	1.02
	573.42	**14.55**	832.86	18.85
	8,874.59	**225.19**	5,808.30	131.28

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	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1 (b) (d)]	For the year ended 31.12.2006 Rs. in millions	For the year ended 31.12.2006 USD in millions [see note 1 (b) (d)] [Note 31]
15. OTHER INCOMES				
Dividends received on investments	**0.08**	**–**	0.73	0.02
Profit/(Loss) on sale of assets	**(7.57)**	**(0.19)**	0.67	0.02
Miscellaneous income	**117.93**	**2.99**	188.39	4.26
	110.44	**2.80**	189.79	4.30
16. MATERIAL CONSUMED AND PURCHASE OF GOODS				
Consumption of raw and packing materials	**7,373.89**	**187.11**	5,085.45	114.93
Purchase of finished goods	**3,985.05**	**101.11**	2,205.87	49.85
	11,358.94	**288.22**	7,291.32	164.78
17. (INCREASE)/DECREASE IN INVENTORIES				
Inventories as at December 31, 2006				
Finished goods	**2,010.72**	**51.02**	1,547.13	34.97
Samples	**30.73**	**0.78**	24.63	0.56
Work-in-progress	**534.33**	**13.56**	180.25	4.07
Less: Excise duty on opening stock	**(32.21)**	**(0.82)**	(56.58)	(1.28)
	2,543.57	**64.54**	1,695.43	38.32
Stock acquired on acquisition of Subsidiary Companies				
Finished goods	**788.07**	**20.00**	235.28	5.32
Work-in-progress	**306.85**	**7.79**	0.03	–
	1,094.92	**27.79**	235.31	5.32
Inventories as at December 31, 2007				
Finished goods	**(4,297.94)**	**(109.06)**	(2,010.72)	(45.44)
Samples	**(30.33)**	**(0.77)**	(30.73)	(0.69)
Work-in-progress	**(763.76)**	**(19.38)**	(534.33)	(12.08)
Less: Excise duty on closing stock	**22.12**	**0.56**	32.21	0.73
	(5,069.91)	**(128.65)**	(2,543.57)	(57.48)
	(1,431.42)	**(36.32)**	(612.83)	(13.84)
18. OPERATING AND OTHER EXPENSES				
Employee costs	**4,678.69**	**118.72**	2,691.98	60.84
Travelling expenses	**493.33**	**12.52**	417.07	9.43
Freight and forwarding	**530.33**	**13.46**	363.37	8.21
Selling and distribution	**707.16**	**17.94**	524.34	11.84
Commission on sales	**220.30**	**5.59**	179.02	4.05
Power and fuel	**476.60**	**12.09**	439.54	9.93
Rent, Rates and taxes	**174.58**	**4.43**	160.24	3.62
Repairs and maintenance:				
Machinery	**169.50**	**4.30**	113.01	2.55
Buildings	**23.51**	**0.60**	17.99	0.41
Others	**123.55**	**3.13**	119.90	2.71
Stores and spare parts consumed	**307.41**	**7.80**	316.30	7.15
Insurance	**152.08**	**3.86**	116.95	2.64
Bad debts	**51.18**	**1.30**	8.84	0.20
Miscellaneous expenses	**2,105.63**	**53.43**	1,140.70	25.78
	10,213.85	**259.17**	6,609.25	149.36
19. FINANCIAL EXPENSES (Net)				
Interest paid				
On term Loans	**1,321.17**	**33.52**	224.02	5.06
Others Loans	**316.96**	**8.04**	185.33	4.19
	1,638.13	**41.56**	409.35	9.25
Add: Exchange (gain)/loss on borrowings	**(314.27)**	**(7.97)**	(98.53)	(2.23)
Less: Interest received	**(349.57)**	**(8.87)**	(284.43)	(6.43)
	974.29	**24.72**	26.39	0.59

	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1 (b) (d)]	For the year ended 31.12.2006 Rs. in millions	For the year ended 31.12.2006 USD in millions [see note 1 (b) (d)] [Note 31]
20. (a) Annual commitments under non-cancellable operating leases are:				
Less than 1 year	**25.78**	**0.65**	21.38	0.48
More than 1 year but less than 5 years	**69.75**	**1.77**	59.09	1.34
More than 5 years	**75.13**	**1.91**	22.92	0.52
	170.66	**4.33**	103.39	2.34
(b) Annual commitments under finance leases are:				
In 1 year or less	**79.85**	**2.03**	50.69	1.15
More than 1 year but less than 5 years	**63.63**	**1.61**	44.80	1.01
More than 5 years	**8.76**	**0.22**	–	–
	152.24	**3.86**	95.49	2.16
Less: Finance charge	**2.30**	**0.06**	6.23	0.14
Present value of minimum lease payments	**149.94**	**3.80**	89.26	2.02
21. EXPENDITURE ON RESEARCH AND DEVELOPMENT				
Capital	**1,011.09**	**25.66**	767.01	17.33
Revenue	**504.59**	**12.80**	610.41	13.80
	1,515.68	**38.46**	1377.42	31.13

22. EARNINGS PER SHARE

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

Reconciliation of earnings	2007 Rs. in millions	2007 USD in millions	2006 Rs. in millions	2006 USD in millions
Profit after tax for the financial year	**3,858.14**	**97.90**	2,412.50	54.54
Net profit attributable to equity shareholders	**3,858.14**	**97.90**	2,412.50	54.54
Reconciliation of weighted average number of shares	**Shares**		Shares	
For basic earnings per share	**109,435,903**		109,419,237	
Add: Deemed exercise of options on unissued equity share capital	**–**		22,161	
For diluted earnings per share	**109,435,903**		109,441,398	
Earnings per share (nominal value Rs. 5 each)				
Basic	**35.25**	**0.89**	22.05	0.50
Diluted	**35.25**	**0.89**	22.04	0.50

23. SEGMENT INFORMATION

(i) **Information about Primary Segments**

The company is primarily engaged in pharmaceutical business which is considered as 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	2007 Rs. in millions	2007 USD in millions	2006 Rs. in millions	2006 USD in millions
India	**7,811.82**	**198.22**	6,764.71	152.88
USA / Western Europe	**16,813.47**	**426.63**	8,808.31	199.07
Rest of the World	**1,906.25**	**48.37**	1,717.37	38.81
Total	**26,531.54**	**673.22**	17,290.39	390.76

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 Rs. in millions	India USD in millions	Others Rs. in millions	Others USD in millions
Carrying amount of segment assets	**16,310.96** (16,404.38)	**413.88** (370.74)	**35,219.92** (20,737.86)	**893.68** (468.68)
Additions to tangible and intangible assets	**736.45** (2,266.40)	**18.69** (51.22)	**11,752.40** (6,749.87)	**298.21** (152.55)

(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 and Investments Private Limited

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

Fellow Subsidiary

Carol Info Services Limited

Associates Enterprises

Khorakiwala Foundation

Key management personnel

H F Khorakiwala, Chairman and Managing Director

Rajiv B Gandhi, Whole Time Director

(c) Transactions with related parties during the period

	2007 Rs. in millions	2007 USD in millions	2006 Rs. in millions	2006 USD in millions
Holding company				
Dividend Paid	**958.60**	**24.32**	348.58	7.88
Fellow Subsidiary/Associate enterprises				
Loan Licensee paid [(2006 – Merind Limited –Rs. 252.65 million), Carol Info Services Limited Rs. 75.76 million (2006 – Rs. 69.20 million)]	**75.76**	**1.92**	321.85	7.27
Rent paid [(Carol Info Services Limited Rs. 51.93 million (2006 – Rs. 48.59 million), (2006 – Merind Limited – Rs 1.42 million)]	**51.93**	**1.32**	50.01	1.13

	2007 Rs. in millions	2007 USD in millions	2006 Rs. in millions	2006 USD in millions
Expenses recovered/(paid) [Carol Info Services Limited Rs. 15.60 million (2006 – Rs. 10.80 million), Khorakiwala Foundation Rs. 0.81 million (2006 – Rs. 2.59 million)]	**16.41**	**0.42**	13.39	0.30
Donation given [Khorakiwala Foundations Rs. 2.70 million (2006 – Rs. Nil)]	**2.70**	**0.07**	–	–
Security deposit given [(2006 – Merind Limited – Rs. 280 million), Carol Info Services Limited Rs. 250 million (2006 – Rs. 250 million)]	**250.00**	**6.34**	530.00	11.98
Security deposit recovered [(2006 – Merind Limited – Rs. 280 million), Carol Info Services Limited Rs. 250 million (2006 – Rs. 250 million)]	**250.00**	**6.34**	530.00	11.98
Key management personnel				
Remuneration to Directors:				
Salary	**16.87**	**0.43**	11.50	0.26
Commission	**70.96**	**1.80**	71.18	1.61
Contribution to Providend Fund	**1.32**	**0.03**	1.22	0.03
Other Perquisites	**0.78**	**0.02**	1.43	0.03
	89.93	**2.28**	85.33	1.93
(d) **Related party balances**				
Payable to associate enterprises				
[(2006 – Merind Limited – Rs. 21.49 million), Carol Info Services Limited Rs. 15.15 million (2006 – Rs. 14.77 million)]	**(15.15)**	**(0.38)**	(36.26)	(0.82)
Payable to Key management personnel – Chairman and Managing Director	**(70.96)**	**(1.80)**	(71.18)	(1.61)

25. Turnover includes exchange rate gain, including gain on hedging activity, of Rs. 843.96 million (2006 – Rs. 829.50 million).

26. Provision for Sales Return, date expiry and chargebacks - Opening Balance Rs. 116.67 million (2006 – 26.11 million), Additions during the year Rs. 140.65 million (2006 – Rs.156.30 million), utilised during the year Rs. 139.13 million (2006 – Rs. 64.16 million), Closing Balance Rs. 111.56 million (2006 – Rs. 116.67) [(Net of exchange Rs. 6.62 million (2006 – Rs. 1.58 million)].

27. INVESTMENT IN ASSOCIATE COMPANIES

Investment in associate include goodwill of Rs. 543.21 Millions (2006 – Nil). The holding interest of Wockhardt group in Swiss Bio Sciences AG is 45 % (2006 – Nil)

28 CONTINGENT LIABILITIES NOT PROVIDED FOR:

(a) Demands by Central Excise authorities in respect of Classification/Valuation/Cenvat Credit related disputes; stay orders have been obtained by the Company in case of demands which have been confirmed – Rs. 63.01 million (2006 – Rs. 66.67 million).

(b) Demand by Income tax authorities Rs. 535.35 million (2006 – Rs. 408.53 million) disputed by the Company.

(c) A Government grant of Rs. 44.46 million (2006 – Rs. 37.80 Millon) received by Pinewood Limited, which pertains to periods prior to acquisition, is repayable only if certain conditions are not fulfilled.

(d) 108,500 (2006 – 108,500) 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 129.57 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. 775.98 million (2006 – Rs. 581.74 million).

(e) Contingent liability in respect of VAT for Wockhardt UK Holding Limited and its subsidiaries amounts Rs. Nil (2006 – Rs. 169.06 million).

29. EMPLOYEE BENEFIT

(A) Defined Benefit Plans:

	2007		2006	
	Gratuity (Non-funded)	Leave Encashment (Non-funded)	Gratuity (Non-funded)	Leave Encashment (Non-funded)
I. Expenses recognised during the year ended December 31, 2007				
1. Current Service Cost	**15.07**	**7.49**	7.79	6.60
2. Interest cost	**7.81**	**4.68**	4.76	2.59
3. Actuarial Losses/(Gains)	**(12.14)**	**17.15**	4.90	14.90
Total Expenses	**10.74**	**29.32**	17.45	24.09
II. Net Asset/(Liability) recognised in the Balance Sheet as at December 31, 2007				
1. Present value of defined benefit obligation	**94.62**	**75.75**	94.20	63.50
2. Net Asset/(Liability)	**(94.62)**	**(75.75)**	(94.20)	(63.50)
III. Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended December 31, 2007				
1. Net Asset/(Liability) at the beginning of the year	**(94.20)**	**(63.50)**	(84.94)	(48.67)
2. Expense as per I above	**10.74**	**29.32**	17.45	24.09
3. Employer contributions	**10.32**	**17.07**	8.19	9.26
Net asset/(liability) at the end of the year	**(94.62)**	**(75.75)**	(94.20)	(63.50)
Experience adjustment	**5.76**	**N.A.**	4.90	N.A.
IV. Actuarial Assumptions:	**As at 31.12.2007**		As at 31.12.2006	
1. Discount rate	**8.00%**		7.50%	
2. Mortality	**LIC (1994-96) Ultimate**		LIC (1994-96) Ultimate	

Note: (a) Amounts recognized as an expense and included in the Schedule 18:

"Retirement benefits" are gratuity Rs. 8.68 million (Previous Year – Rs. 17.46 million), Leave Encashment Rs. 29.67 million (Previous Year – Rs. 31.34 million).

(b) Actuarial valuation is worked out considering attrition rate and estimates of future salary increase taking into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(c) In the previous year, the Company had gone for earlier adoption of Accounting Standard 15 (Revised) which is mandatory from accounting periods starting from December 7, 2006. Accordingly, the Company had provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method. Further, in accordance with the transitional provision in the revised Accounting Standard, Rs. Nil [Previous Year – Rs. 9.23 million (net of tax liability Rs. 4.68 million)] has been adjusted to the General Reserve.

(B) Defined contribution plan:

Amount recognised as an expense and included in the Schedule 18 – "Contribution to provident and other funds" of Profit and Loss Account Rs. 505.45 million (Previous Year – Rs. 160.52 million).

30. DISCLOSURE REGARDING DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

(a) The Company enters into forward exchange contracts being derivative instruments, which are not intended for trading, or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

(b) Outstanding currency swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate and interest rate changes:

	2007		2006	
No. of contracts	**2**		**2**	
	USD in millions	**Rs. in millions**	**JPY in millions**	**Rs. in millions**
National principal	**100.00**	**3,941.00**	4,158.83	1,548.75

(c) The year end foreign currency exposures that have not ben hedged by a derivative instrument or otherwise are given below:

Particulars	2007 Currency	2007 Amt. in Foreign Currency (in millions)	2007 Rs. in millions	2006 Currency	2006 Amt. in Foreign Currency (in millions)	2006 Rs. in millions
Loan Availed	**USD**	**50.00**	**1,970.50**	USD	50.26	2,223.82
				GBP	1.03	89.86
Interest Payable	**USD**	**0.72**	**28.28**	USD	0.48	21.27
Sundry Debtors	**ACU**	**0.16**	**6.42**	ACU	0.03	1.12
	AUD	**0.01**	**0.48**	AUD	0.01	0.48
	CHF	**0.04**	**1.54**	CHF	–	–
	EUR	**5.45**	**315.66**	EUR	0.57	33.48
	GBP	**3.41**	**268.83**	GBP	4.26	369.87
	USD	**59.31**	**2,337.28**	USD	33.08	1,463.87
Loans and Advances	**EUR**	**3.02**	**175.03**	EUR	3.02	175.94
	USD	**21.83**	**860.16**	USD	1.82	80.71
	CHF	**0.04**	**1.29**	CHF	–	–
	GBP	**–**	**–**	GBP	5.22	452.88
Sundry Creditors	**ACU**	**0.001**	**0.05**	ACU	–	–
	AUD	**0.0002**	**0.01**	AUD	0.004	0.15
	CAD	**0.01**	**0.22**	CAD	–	–
	CHF	**0.08**	**2.68**	CHF	0.06	2.20
	EUR	**1.10**	**63.62**	EUR	0.21	12.51
	GBP	**0.46**	**36.09**	GBP	0.97	84.00
	JPY	**15.83**	**5.56**	JPY	48.48	18.05
	SEK	**0.23**	**1.44**	SEK	–	–
	USD	**8.48**	**334.04**	USD	8.02	355.00
	ZAR	**0.001**	**–**	ZAR	–	–
Foreign Currency Convertible Bonds	**USD**	**108.50**	**4,275.99**	USD	108.50	4,801.13
Time Deposit	**USD**	**9.70**	**382.28**	USD	95.25	4,214.78

31. PREVIOUS YEAR COMPARATIVES

Previous year's figures have been re-grouped where necessary to conform to this year's classification.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Auditors' Report

To

The Members of Wockhardt Limited

1. We have audited the attached Balance Sheet of Wockhardt Limited ('the Company') as at December 31, 2007 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   v. Without qualifying our opinion, we state that the financial statements are without provision for premium payable on 108,500 Zero Coupon Foreign Currency Convertible bonds of USD 1000 each (refer note 30(d) to the financial statements) as the premium payable on redemption which is contingent upon a future uncertain event, namely, the redemption of such bonds is presently not determinable.
   vi. On the basis of the written representations received from the directors, as on December 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      (a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2007;
      (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No.: 36647

Mumbai
February 20, 2008

Annexure referred to in paragraph 3 of our report of even date

Re: Wockhardt Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a program for phased physical verification of all its fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, certain fixed assets have been physically verified by the management during the year and discrepancies noticed on such verification, which were not material, have been properly dealt with in the books of account.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of 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.

(c) The Company is maintaining proper records of inventory and discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of account.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) None of the transactions made in pursuance of such contracts or arrangements exceed the value of Rupees five lakh in respect of any one such party in the financial year.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in millions)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Reversal of CENVAT credit	0.40	April 1999 to August 1999	Commissioner Appeal
	Penalty for classification	3.66	February 2001 to February 2003	CESTAT
	Differential Duty	21.92	November 1996 to April 1998	Commissioner
	Education Cess	0.24	July 2004 to August 2004	Deputy Commissioner
	Differential Duty	3.62	December 2001 to January 2004	Additional Commissioner
	Cenvat Credit wrongly availed	33.17	August 2001 to January 2003	Commissioner

Name of the statute	Nature of dues	Amount (Rs. in millions)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Demand under Section 143(3)	13.34	April 2000 to March 2001	High Court
	Demand under Section 143(3)	36.42	April 2001 to March 2002	High Court
	Demand under Section 143(3)	40.75	April 2002 to March 2003	Income Tax Appellate Tribunal.
	Demand under Section 143(3)	204.02	April 2003 to March 2004	Commissioner of Income Tax (Appeals)
	Demand under Section 143(3)	126.82	April 2004 to March 2005	Commissioner of Income Tax (Appeals)

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution and banks. The company does not have any debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantees for loans taken by subsidiaries from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) The Company had raised funds through unsecured Foreign Currency Convertible Bonds and through foreign currency borrowing, which pending / part utilization, have been gainfully deployed in Bank Deposits. Based on information and explanations given to us by the management, all other term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No.: 36647

Mumbai
February 20, 2008

Balance Sheet

As at December 31, 2007

(All amounts in millions of Indian Rupees)

	Notes	As at 31.12.2007	As at 31.12.2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	2	**547.18**	547.18
Reserves and surplus	3	**9,713.06**	9,018.37
		10,260.24	9,565.55
LOAN FUNDS			
Secured loans	4	**2,539.76**	2,221.58
Unsecured loans	5	**5,548.28**	4,853.42
		8,088.04	7,075.00
DEFERRED TAX LIABILITY (Net)	1(h) & 6	**1,121.21**	816.73
TOTAL		**19,469.49**	17,457.28
APPLICATION OF FUNDS			
FIXED ASSETS	1(a) & 7		
Gross block		**7,644.18**	7,061.29
Accumulated depreciation		**(1,946.68)**	(1,578.79)
Net block		**5,697.50**	5,482.50
Capital work-in-progress including capital advances		**3,409.21**	1,530.11
		9,106.71	7,012.61
INVESTMENTS	1(c) & 8	**3,024.66**	1,598.91
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	1(d) & 9	**2,654.56**	2,149.82
Sundry debtors	10	**3,469.84**	2,543.78
Cash and bank balances	11	**1,771.49**	5,192.17
Loans and advances to subsidiaries	20(j)	**1,368.47**	1,061.55
Other Loans and advances	12	**1,213.82**	1,062.26
[A]		**10,478.18**	12,009.58
Less: **CURRENT LIABILITIES AND PROVISIONS**	13		
Current Liabilities		**2,574.60**	2,337.20
Provisions		**565.46**	826.62
[B]		**3,140.06**	3,163.82
NET CURRENT ASSETS [A] - [B]		**7,338.12**	8,845.76
TOTAL		**19,469.49**	17,457.28

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

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Profit and Loss Account

For the Year Ended December 31, 2007

(All amounts in millions of Indian Rupees)

	Notes	For the year ended 31.12.2007	For the year ended 31.12.2006
INCOME			
Sales and services	1(f)	**12,520.24**	11,585.86
Less: Excise Duty		**(152.31)**	(240.98)
		12,367.93	11,344.88
Other income	14	**110.07**	219.05
TOTAL		**12,478.00**	11,563.93
EXPENDITURE			
Materials consumed and purchase of goods	15	**6,059.88**	4,809.27
(Increase)/decrease in inventories	1(d) & 16	**(517.65)**	(257.02)
Operating and other expenses	17	**3,696.67**	3,332.47
Research and development expenses	18	**354.54**	512.09
Depreciation/Amortisation	1(a) & 7	**345.41**	348.43
Financial expenses (net)	19	**(191.92)**	(311.27)
TOTAL		**9,746.93**	8,433.97
PROFIT BEFORE TAX AND BEFORE EXCEPTIONAL ITEMS		**2,731.07**	3,129.96
Less: Exceptional Items	22	**–**	603.72
PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS		**2,731.07**	2,526.24
Provision for tax			
– Current tax (Minimum Alternative Tax)	1 (h)	**(251.77)**	(278.26)
– Less: Minimum Alternative Tax Credit	1 (h)	**–**	199.16
– Net current tax		**(251.77)**	(79.10)
– Deferred tax	1 (h)	**(304.47)**	(280.60)
– Fringe Benefit Tax		**(36.07)**	(31.05)
NET PROFIT AFTER TAX		**2,138.76**	2,135.49
Balance brought forward from previous year		**321.62**	310.05
PROFIT AVAILABLE FOR APPROPRIATION		**2,460.38**	2,445.54
APPROPRIATIONS			
Interim dividend on equity shares		**957.56**	547.18
Tax on interim dividend		**162.74**	76.74
Proposed dividend on equity shares		**273.59**	–
Tax on proposed dividend		**46.50**	–
Transfer to general reserve		**500.00**	1,500.00
Surplus carried to Balance Sheet		**519.99**	321.62
		2,460.38	2,445.54
Earnings per share (Rs.)	21		
– Basic		**19.54**	19.52
– Diluted		**19.54**	19.51
Nominal Value of shares (Rs.)		**5.00**	5.00

The notes referred to above 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 Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Cash Flow Statement

for the year ended December 31, 2007

(All amounts in millions of Indian Rupees)

		For the year ended 31.12.2007	For the year ended 31.12.2006
A.	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:**		
	Net Profit before tax	**2,731.07**	2,526.24
	Adjustments for :		
	Depreciation/Amortisation	**345.41**	348.43
	Amortisation of expenses	**8.42**	13.32
	Provision for doubtful debts and bad debts written off/one time chargeback	**59.24**	398.73
	Unrealised Foreign exchange (gain)/loss, net	**(196.66)**	22.33
	(Profit)/loss on sale of fixed assets, net	**1.61**	0.03
	Interest expense	**45.78**	106.24
	Interest income	**(237.71)**	(322.03)
	Dividend income	**(0.84)**	(1.77)
	Fixed assets write off	**2.36**	–
	Depreciation considered for product development expenses	**46.47**	21.86
	Profit on sale of investments	**–**	(39.13)
	Operating profit before working capital changes	**2,805.15**	3,074.25
	Movement in working capital		
	(Increase)/decrease in inventories	**(504.73)**	(588.32)
	(Increase)/decrease in sundry debtors	**(1,118.11)**	(923.66)
	(Increase)/decrease in loans and advances	**(95.01)**	66.12
	Increase/(decrease) in current liabilities and provisions	**278.13**	411.77
	Cash generated from operations	**1,365.43**	2,040.16
	Direct taxes paid, including fringe benefit tax	**(399.43)**	(352.81)
	Net cash from operating activities	**966.00**	1,687.35
B.	**CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:**		
	Purchase of fixed assets including capital work-in-progress	**(2,498.62)**	(1,424.94)
	Proceeds from sale of fixed assets	**8.67**	9.63
	Investments in Subsidiaries	**(1,425.74)**	(377.48)
	Purchase of investments	**(100.00)**	(350.00)
	Proceeds from sale of investments	**100.00**	1,010.47
	Repayment by subsidiaries/companies	**904.56**	140.81
	Long term loan to subsidiaries	**(1,254.46)**	(471.91)
	Interest received	**280.84**	285.89
	Dividend received	**0.84**	1.77
	Net cash from/(used in) investing activities	**(3,983.91)**	(1,175.76)

		For the year ended 31.12.2007	For the year ended 31.12.2006
C. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Proceeds from issuance of share capital		**–**	0.45
Premium on issue of shares		**–**	9.62
(Repayment)/Proceeds from borrowings, net		**1,750.82**	(921.70)
Interest paid		**(362.10)**	(106.31)
Dividend paid (Including tax on dividend)		**(1,738.11)**	(621.28)
Net cash from/(used in) financing activities		**(349.39)**	(1,639.22)
Net Decrease In Cash And Cash Equivalents	(A+B+C)	**(3,367.30)**	(1,127.63)
Cash and Cash Equivalents, at the beginning of year		**5,192.17**	6,460.76
Unrealised gain/(loss) on Foreign Currency Cash and Cash Equivalents		**(53.38)**	(140.96)
Cash and Cash Equivalents, at the end of year		**1,771.49**	5,192.17
Components of Cash and Cash Equivalents, as at December 31, 2007			
Cash		**0.94**	0.77
With Banks:			
– on Current Account		**64.31**	30.61
– on Margin Money Account		**23.92**	24.53
– on Fixed Deposits Account		**1,682.32**	5,136.26
		1,771.49	5,192.17

Note:

Merger of Wockhardt Switzerland Holding AG into Wockhardt EU Operations Swiss AG is considered as non-cash transaction.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Notes to Accounts

for the year ended December 31, 2007

(All amounts in millions of Rupees, unless otherwise stated)

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(a) Fixed assets, depreciation/amortisation and impairment

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

The carrying amounts of fixed assets and intangible assets 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. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

Depreciation:

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

Assets	Rates
Leasehold land	Over the period of lease
Buildings	1.63 - 3.34%
Plant & Machinery	4.75 - 6.67%
Furniture & Fixtures	6.33%
Office Equipments	25%
Information Technology Equipments	20 - 33.33%
Vehicles	20 - 33%

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

Intangibles:

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

The cost relating to Intangible assets, which are acquired, are capitalized and amortised upto the period of ten years, which is based on their estimated useful life.

(b) Foreign currency translations

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. Exchange differences arising in respect of fixed assets acquired from outside India on or before accounting period commencing before December 7, 2006 are capitalised as part of fixed assets.

Profit/loss on derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge risks associated with foreign currency fluctuations and interest rates are considered as revenue items.

Premium or discount 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

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

(d) **Inventories**

All inventories are valued at moving weighted average price other than finished goods, which are valued on quarterly moving average price. Finished goods and Work in Progress is computed based on respective moving weighted average of procured materials and appropriate share of labour and other manufacturing overheads.

Inventories are valued at cost or net realizable value, whichever is lower. Cost also includes all charges incurred for bringing the inventories to their present location and condition. 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) **Retirement and Other Employee benefits**

Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Profit & Loss Account of the year when the contributions to the respective funds accrue.

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.

Actuarial gains and losses are immediately taken to profit and loss account and are not deferred.

(f) **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized 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.

Sale of Services

Revenues from services are recognised on completion of such services.

Export Incentive

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

Royalties

Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(g) **Research and development**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

(h) **Income-tax**

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of Income Tax Act, 1961 as applicable to the financial year. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(i) Leases

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

(j) Financing/Borrowing cost

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

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

(k) 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.

(l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year 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 for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year 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 share capital are deemed to have been converted into equity shares.

(m) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

	As at 31.12.2007	As at 31.12.2006
2. SHARE CAPITAL		
AUTHORISED		
250,000,000 (Previous Year – 250,000,000) Equity shares of Rs. 5/- each	**1,250.00**	1,250.00
	1,250.00	1,250.00
ISSUED, SUBSCRIBED AND PAID UP		
109,435,903 (Previous Year – 109,435,903) Equity shares of Rs. 5/- each fully paid	**547.18**	547.18
	547.18	547.18

1 Of the above :

a) 70,123,304 (Previous Year – 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 (Previous Year – 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 (Previous Year – 69,716,132) equity shares of Rs. 5/- fully paid up are held by Khorakiwala Holdings and Investments Private Limited, the holding company.

d) 439,200 (Previous Year – 439,200) fully paid equity shares of Rs. 5/- each were allotted pursuant to exercise of stock options.

e) 36,431,502 (Previous Year – 36,431,502) equity shares of Rs. 5/- each are allotted as Bonus shares out of Capital Redemption Reserve.

WOCKHARDT

	As at 31.12.2007	As at 31.12.2006
3. RESERVES AND SURPLUS		
Capital redemption reserve		
Balance as per last account	**265.34**	265.57
Less: Utilised for bonus shares	**–**	(0.23)
	265.34	265.34
Securities premium account		
Balance as per last account	**134.14**	117.07
Add: Received during the year	**–**	17.07
	134.14	134.14
Employee Stock Option Outstanding	**–**	3.68
Less: Deferred Employee Compensation Outstanding	**–**	–
	–	3.68
General reserve		
Balance as per last account	**8,293.59**	6,802.82
Less: Adjustment for employee benefits provision (net of tax) [Note 27(A)(c)]	**–**	(9.23)
Add: Transferred from profit and loss account	**500.00**	1,500.00
	8,793.59	8,293.59
Profit and loss account	**519.99**	321.62
	9,713.06	9,018.37
4. SECURED LOANS		
(A) TERM LOANS		
(i) From banks:		
(a) Foreign currency denominated loans	**1,812.86**	2,202.50
(b) Rupee denominated loans	**5.10**	13.29
(ii) From others :		
Rupee denominated loans	**2.66**	5.79
(B) Working capital loan from Banks	**719.14**	–
	2,539.76	2,221.58

(A) Term Loans are secured as under :

(a) Foreign currency denominated loan (External Commercial Borrowings) 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 2008, September 2008 and March 2009.

(b) Rupee denominated loans from banks and others are for purchase of vehicles and are secured by hypothecation of vehicles purchased under the agreement.

(B) Working capital loans from banks are secured by hypothecation of inventories and debtors.

	As at 31.12.2007	As at 31.12.2006
5. UNSECURED LOANS		
Long term		
Sales tax deferral loan	**52.29**	52.29
[Of the above Rs. Nil (Previous Year - Rs. Nil) is repayable within one year]		
Zero Coupon Foreign Currency Convertible Bonds	**4,275.99**	4,801.13
Short term		
From Banks	**1,220.00**	–
	5,548.28	4,853.42

108,500 (Previous Year – 108,500) Zero Coupon Foreign Currency Convertible Bonds of USD 1000 each are:

(a) Convertible by the holders at any time on or after 24 November, 2004 but prior to close of business on 25th September, 2009. Each bond will be converted into 94.265 fully paid up equity shares 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 25th October 2007 but not less than seven business days prior to maturity date i.e. 25th 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.

	As at 31.12.2007	As at 31.12.2006
6. DEFERRED TAX LIABILITY (net)		
Deferred tax liabilities		
Difference between depreciation on block of assets (including CWIP)	**1,313.64**	995.33
Deferred Expenses	**7.54**	11.53
Gross deferred tax liabilities	**1,321.18**	1,006.86
Deferred tax assets		
Provision for Gratuity	**32.16**	31.71
Provision for Leave Encashment	**25.75**	21.37
Provision for Bonus	**1.83**	1.42
Provision for doubtful debts	**140.23**	135.63
Gross deferred tax assets	**199.97**	190.13
	1,121.21	816.73

7. FIXED ASSETS (At cost)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.01.2007	Additions	Deductions	As at 31.12.2007	As at 01.01.2007	For the year	Deductions/ Adjustments	As at 31.12.2007	As at 31.12.2007	As at 31.12.2006
Intangibles										
Trademarks/ Technical knowhow	101.81	65.96	–	**167.77**	23.88	13.39	–	**37.27**	**130.50**	77.93
Software	59.61	4.88	–	**64.49**	5.98	6.98	–	**12.96**	**51.53**	53.63
Tangibles										
Freehold land	28.55	–	–	**28.55**	–	–	–	–	**28.55**	28.55
Leasehold land	83.41	–	–	**83.41**	4.77	1.05	–	**5.82**	**77.59**	78.64
Buildings	685.04	52.67	–	**737.71**	118.66	22.65	–	**141.31**	**596.40**	566.38
Plant and Machinery	5,640.12	435.04	10.54	**6,064.62**	1,195.26	243.27	(39.16)	**1,477.69**	**4,586.93**	4,444.86
Furniture and fittings	155.29	43.34	–	**198.63**	38.30	11.47	–	**49.77**	**148.86**	116.99
Office Equipments	48.14	3.24	0.22	**51.16**	35.59	5.60	0.22	**40.97**	**10.19**	12.55
Information Technology Equipments	176.13	13.82	0.03	**189.92**	111.24	30.16	0.03	**141.37**	**48.55**	64.89
Vehicles	83.19	0.57	25.84	**57.92**	45.11	10.84	16.43	**39.52**	**18.40**	38.08
Total	7,061.29	619.52	36.63	**7,644.18**	1,578.79	345.41	(22.48)	**1,946.68**	**5,697.50**	5,482.50
Capital Work-in-Progress (including Capital advances)				**3,409.21**					**3,409.21**	1,530.11
Total	7,061.29	619.52	36.63	**11,053.39**	1,578.79	345.41	(22.48)	**1,946.68**	**9,106.71**	7,012.61
Previous Year	4,873.51	2,205.01	17.23	**7,061.29**	1,217.30	348.43	(13.06)	**1,578.79**	**5,482.50**	

(a) Estimated amount of Contracts remaining to be executed on capital account not provided for Rs. 742.95 million (Previous Year – Rs. 664.66 million) after deducting advance on capital account of Rs. 196.77 million (Previous Year – Rs. 70.58 million).

(b) Capital Work-in-progress includes expenditure incurred during construction period pending allocation aggregating Rs. 773.73 million (Previous Year – Rs. 590.15 million). These expenses include Material Consumption Rs. 80.10 million (Previous Year – Rs. 55.02 million), Employee cost aggregating Rs. 198.48 million (Previous Year – Rs. 119.98 million), Interest expenses Rs. 0.21 million (Previous Year – Rs. 0.37 million), Depreciation Rs. 46.47 million (Previous Year – Rs. 20.62 million) and Operating expenses aggregating Rs. 448.47 million (Previous Year – Rs. 394.16 million) [Stores & spares Rs. 52.52 million (Previous Year – Rs. 19.37 million), Power Rs. 20.38 million (Previous Year - Rs. 10.66 million), Travelling Rs. 11.24 million (Previous Year – Rs. 11.11 million), Repairs Rs. 14.57 million (Previous Year - Rs. 3.70 million), General Expenses Rs. 349.76 million (Previous Year – Rs. 349.32 million)].

	As at 31.12.2007	As at 31.12.2006
8. INVESTMENTS		
LONG TERM INVESTMENTS (at cost)		
A. In subsidiary companies (unquoted)		
Investment in esparma (GmbH) Euro 25,000 (Previous Year – Euro 25,000) in Share Capital Rs. 1.36 million (Previous Year – Rs. 1.36 million), Euro 3.6 million (Previous Year – Euro 3.6 million) in capital reserve Rs. 196.02 million (Previous Year – Rs. 196.02 million)	**197.38**	197.38
1,307,368 (Previous Year – 1,307,368) Equity Shares of Wockhardt Europe Limited of par value £1 each fully paid up (including two fully paid up shares held in the name of nominees of the Company)	**83.80**	83.80
27,504,823 (Previous Year – 27,504,823) Equity Shares of Wockhardt UK Holdings Limited [formerly Wockhardt UK Limited] of 1p each fully paid up	**752.66**	752.66
18,000,000 (Previous Year – 18,000,000) Equity Shares of Wockhardt Biopharm Limited of Rs. 10 each fully paid up	**90.00**	90.00
Nil (Previous Year – 9,500) Shares of Wockhardt Switzerland Holding AG of CHF 1,000 each fully paid up	**–**	342.81
35,700 (Previous Year – Nil) shares of Wockhardt EU Operations Swiss (AG) of CHF 1,000 each fully paid up	**1,768.51**	–
2,000,000 (Previous Year – 2,000,000) Equity Shares of Rs. 10 each fully paid up in Wockhardt Infrastructure Development Limited (including one fully paid up share of par value held in the name of the nominee of the Company)	**35.00**	35.00
12,800,000 (Previous Year – 12,800,000) 7% Non-cumulative Redeemable Preference Shares of Rs. 100 each fully paid up of Vinton Healthcare Limited	**83.24**	83.24
10,000,000 (Previous Year – 10,000,000) Equity Shares of Rs. 10 each fully paid up of Vinton Healthcare Limited	**10.88**	10.88
1,000 (Previous Year – Nil) Stocks of USD 1 each fully paid up of Atlantis USA Inc.	**0.04**	–
B. Other than trade (unquoted)		
305,982 (Previous Year – 305,982) Shares of Bharuch Eco-Aqua Infrastructure Ltd. of Rs. 10 each fully paid up	**3.05**	3.05
6,300 (Previous Year – 6,300) Shares of Bharuch Environmental Infrastructure Ltd. of Rs. 10 each fully paid up	**0.06**	0.06
250 (Previous Year – 250) Shares of Kanishka Housing Development Co. Ltd. of Rs. 100 each fully paid up	**0.03**	0.03
1,000 (Previous Year – Nil) Shares of Saraswat Co-Op. Bank Ltd. of Rs. 10 each fully paid up	**0.01**	–
	3,024.66	1,598.91
Following investments were purchased and sold during the year:		
Units of Deutsche (DWS Investments)	**100.00**	–
Units of Prudential ICICI	**–**	350.00
9. INVENTORIES		
Raw materials	**673.50**	787.39
Packing materials	**254.18**	172.17
Work-in-progress	**459.98**	410.68
Finished goods	**1,163.69**	703.74
Samples	**30.33**	30.73
Stores and spares	**72.88**	45.11
	2,654.56	2,149.82

	As at 31.12.2007	As at 31.12.2006
10. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, Considered good	**1,070.86**	393.29
Unsecured, Considered doubtful	**412.57**	402.94
	1,483.43	796.23
Provision for doubtful debts	**(412.57)**	(402.94)
	1,070.86	393.29
Other debts		
Unsecured, Considered good	**2,398.98**	2,150.49
	3,469.84	2,543.78
11. CASH AND BANK BALANCES		
Cash on hand	**0.94**	0.77
Balances with scheduled banks		
– on current accounts	**64.31**	30.61
– on margin accounts	**23.92**	24.53
– on deposit accounts [(including unutilised amount of FCCB) Rs. 382.28 million (Previous Year – Rs. 4,214.78 million)]	**1,682.32**	5,136.26
	1,771.49	5,192.17
12. OTHER LOANS AND ADVANCES		
(Unsecured, considered good)		
Loans to employees	**10.74**	12.74
Loans to companies	**0.31**	0.10
Advances recoverable in cash or in kind or for value to be received	**538.20**	547.61
Balance with customs and excise authorities	**175.95**	124.97
Other deposits	**75.66**	75.47
Minimum Alternative Tax (MAT) credit entitlement	**199.16**	199.16
Advance tax, net of provision for tax	**213.80**	102.21
	1,213.82	1,062.26
13. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors – Micro and Small enterprises [see Note 20(k)]	**23.09**	2.30
– Subsidiary companies	**56.96**	59.47
– Others	**1,843.48**	1,639.11
Security deposits	**160.28**	143.91
Investor Education and Protection Fund shall be credited as and when due by the following amounts:		
– Unclaimed dividends	**15.15**	9.04
Interest accrued but not due	**28.25**	21.75
Other liabilities	**447.39**	461.62
	2,574.60	2,337.20
PROVISIONS		
Other Provision (Refer Note 29)	**75.00**	45.00
Interim dividend	**–**	547.18
Tax on interim dividend	**–**	76.74
Proposed dividend	**273.59**	–
Tax on proposed dividend	**46.50**	–
Provision for Retirement benefits	**170.37**	157.70
	565.46	826.62
	3,140.06	3,163.82

	For the year ended 31.12.2007	For the year ended 31.12.2006
14. OTHER INCOME		
Dividend income on investments in subsidiaries	**0.78**	1.04
Dividend on other investments	**0.06**	0.73
Profit on sale of investments	**–**	39.13
Miscellaneous income	**109.23**	178.15
	110.07	219.05
15. MATERIAL CONSUMED AND PURCHASE OF GOODS		
Consumption of raw and packing materials	**4,158.98**	3,220.25
Purchase of finished goods	**1,900.90**	1,589.02
	6,059.88	4,809.27
16. (INCREASE)/DECREASE IN INVENTORIES		
Inventories as at December 31, 2006		
Finished goods	**703.74**	742.57
Samples	**30.73**	24.63
Work-in-progress	**410.68**	146.59
Less: Excise Duty on opening stock	**(30.92)**	(56.58)
Inventories as at December 31, 2007		
Finished goods	**(1,163.69)**	(703.74)
Samples	**(30.33)**	(30.73)
Work-in-progress	**(459.98)**	(410.68)
Less: Excise Duty on closing stock	**22.12**	30.92
	(517.65)	(257.02)
17. OPERATING AND OTHER EXPENSES		
Salaries, wages and bonus	**1,004.58**	860.03
Retirement benefits	**32.11**	43.29
Contribution to provident and other funds	**51.90**	42.33
Staff welfare expenses	**122.37**	102.10
Travelling and conveyance	**339.35**	321.19
Freight and forwarding charges	**302.53**	290.18
Selling and distribution	**342.02**	242.19
Commission on sales	**161.21**	149.12
Power and fuel	**297.25**	313.95
Rent	**73.43**	68.90
Rates and taxes	**18.03**	32.73
Repairs and maintenance		
Plant & Machinery	**50.84**	61.27
Buildings	**18.15**	15.41
Others	**50.16**	41.61
Stores and spare parts consumed	**113.69**	161.40
Insurance	**44.74**	59.88
Bad debts	**49.61**	10.59
Provision for doubtful debts	**9.63**	12.17
Miscellaneous expenses	**615.07**	504.13
	3,696.67	3,332.47

	For the year ended 31.12.2007	For the year ended 31.12.2006
18. RESEARCH AND DEVELOPMENT EXPENSES		
Chemicals and consumables	**61.45**	103.10
Employee cost	**142.61**	114.41
Travelling expenses	**29.45**	25.07
Power and fuel	**15.33**	17.81
Repair and maintenance	**12.06**	17.52
Printing and stationery	**9.64**	5.69
Communication expenses	**7.02**	5.54
Clinical trial expenses	**10.28**	14.39
Analysis expenses	**8.63**	37.55
Legal and professional expenses	**11.64**	27.02
Other Research and Development expenses	**46.43**	143.99
	354.54	512.09
19. FINANCIAL EXPENSES (net)		
Interest		
On Term Loans	**98.02**	13.90
Others	**270.43**	92.34
	368.45	106.24
Add: Exchange (gain)/loss	**(322.66)**	(95.48)
Less: Interest received [TDS of Rs. 18.84 million (Previous Year – Rs. 10.84 million)]	**(237.71)**	(322.03)
	(191.92)	(311.27)
20. SUPPLEMENTARY STATUTORY INFORMATION		
(a) Remuneration to Directors :		
(i) Salary	**16.87**	11.50
Commission	**76.96**	74.18
Contribution to Provident Fund	**1.32**	1.22
Other Perquisites	**0.78**	1.43
	95.93	88.33
As the future liability for gratuity and leave encashment is provided on the actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included in above.		
(ii) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to Directors		
Net profit before tax	**2,731.07**	2,526.24
Add : Depreciation	**345.41**	348.43
Add : Directors' fees	**0.16**	0.13
Add : Directors' remuneration	**95.93**	88.33
Add : (Profit)/Loss on sale of Fixed Assets	**1.61**	(39.10)
Add : Bad debts written off against provision for doubtful debts	**(49.61)**	(10.58)
Add : Provision for doubtful debts	**59.24**	282.28
Less : Depreciation under Section 350	**(345.41)**	(348.43)
Adjusted net profit as per Section 349 of the Companies Act, 1956	**2,838.40**	2,847.30
Computation of commission payable to :		
(i) Chairman & Managing Director @ 2.5% of adjusted net profit	**70.96**	71.18
(ii) Other Directors @ Rs. 1.00 million (Previous Year - Rs. 0.50 million)	**6.00**	3.00
Total Commission Payable	**76.96**	74.18
(b) Capital Expenditure on Research and Development	**912.93**	766.54
	912.93	766.54

(c) **Break-up of Raw Materials, Packing Materials and Stores and Spare Parts consumed**

	For the year ended 31.12.2007		For the year ended 31.12.2006	
	Value	**%**	Value	%
(i) Materials				
Imported	**979.08**	**23.54**	953.97	29.62
Indigenously Procured	**3,179.90**	**76.46**	2,266.28	70.38
	4,158.98	**100.00**	3,220.25	100.00
(ii) Stores and Spare Parts				
Imported	**39.53**	**27.10**	31.26	15.20
Indigenously Procured	**106.35**	**72.90**	174.40	84.80
	145.88	**100.00**	205.66	100.00

Materials and Stores & Spare parts consumed includes foreign exchange gain of Rs. 31.11 million (Previous Year – exchange loss Rs. 2.55 million).

(d) **Raw Material and Packing Material Consumed**

Material Description	Unit of Measurement	For the year ended 31.12.2007		For the year ended 31.12.2006	
		Quantity	**Value (Rs. in Mn.)**	**Quantity**	**Value (Rs. in Mn.)**
1. Cyclohexenylethylamine	Kgs.	**111,305**	**77.54**	77,970	60.28
2. Ranitidine Base	Kgs.	**41,400**	**43.23**	26,100	28.37
3. Lisnopril	Kgs.	**3,086**	**70.16**	22	0.25
4. Cefprozil	Kgs.	**747**	**33.70**	–	–
5. P-Methoxy Phenyl Acetic Acid	Kgs.	**147,750**	**72.07**	103,500	53.19
6. Fosphenytoin sodium	Kgs.	**135**	**30.28**	–	–
7. 7-Amino Cephalosporanic Acid	Kgs.	**22,340**	**93.14**	10,540	39.92
8. Povidone Iodine	Kgs.	**38,719**	**26.76**	44,687	34.77
9. Paracetamol	Kgs.	**492,457**	**78.88**	527,535	87.14
10. D-Mandelic Acid	Kgs.	**50,700**	**41.91**	38,925	29.35
11. Azithromycin	Kgs.	**4,555**	**32.74**	4,043	32.77
12. Beet Molasses	Tons	**1,984,774**	**22.67**	4,167,771	49.12
13. Product B	Gms.	**200,000**	**74.75**	151,950	68.56
14. ECPP alanine	Kgs.	**8,000**	**49.48**	5,149	33.82
15. Isopropyl alcohol	Tons	**572,051**	**31.23**	635,996	35.32
16. Others			**3,380.44**		2,667.39
			4,158.98		3,220.25

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

Particulars	Unit of Measurement	Installed Capacity Per Annum Quantity	Production Quantity	Purchase Quantity	Stock at Commencement		Stock at close		Turnover	
					Quantity	Rs./Million Value	Quantity	Rs./Million Value	Quantity	Rs./Million Value
1. Injections	Ltrs.	**462,600** (462,600)	**245,764** (372,386)	**1,480,856** (1,422,417)	**184,841** (218,491)	**177.95** (159.23)	**270,871** (184,841)	**230.94** (177.95)	**1,640,590** (1,828,453)	**1,743.77** (1,981.31)
2. Liquids & Solutions	Ltrs.	**2,100,000** (2,100,000)	**2,271,455** (2,562,578)	**4,081,219** (2,871,719)	**906,784** (631,615)	**84.83** (70.70)	**957,504** (906,784)	**101.53** (84.83)	**6,301,954** (5,159,128)	**1,394.31** (1,119.87)
3. Tablets & Capsules	Nos. in Lacs	**53,878** (53,878)	**41,933** (41,148)	**12,351** (10,089)	**4,677** (4,058)	**251.33** (204.86)	**5,497** (4,677)	**291.30** (251.33)	**53,464** (50,618)	**5,652.08** (5,543.63)
4. Ointments	Kgs.	**240,000** (240,000)	**96,986** (88,242)	**112,651** (71,518)	**47,922** (27,188)	**18.64** (14.00)	**40,596** (47,922)	**42.13** (18.64)	**216,963** (139,026)	**248.67** (220.72)
5. Powder	Kgs.	**–** –	**4,885,093** (2,488,156)	**1,103,483** (1,031,957)	**627,876** (556,858)	**86.34** (79.11)	**1,109,054** (627,876)	**132.80** (86.34)	**5,507,398** (3,449,095)	**1,614.79** (792.28)
6. Bulk Drugs	Kgs.	**420,200** (420,200)	**450,918** (332,577)	**4,923** (5,542)	**42,700** (37,665)	**115.38** (239.30)	**62,019** (42,700)	**391.24** (115.38)	**436,522** (333,084)	**1,519.01** (1,676.92)
7. Other goods	Nos. in Lacs			**5.48** –				**4.08** –		**130.51** (23.17)
8. Processing charges										**2.38** (2.75)
9. Distribution income										**4.31** (6.12)
10. Management fees										**52.08** (53.28)
11. Export Incentive										**158.33** (165.81)
						734.47 (767.20)		**1,194.02** (734.47)		**12,520.24** (11,585.86)

(i) Production and Sale figures include trade incentives and demonstration samples.

(ii) Turnover includes sale of traded goods.

(iii) Installed capacity is on a single shift basis, and is as certified by the management and not verified by the auditors.

(iv) Turnover includes exchange rate gain including gain on hedging activity of Rs. 843.96 million (Previous Year - Rs. 843.92 million) and exchange fluctuation loss of Rs. 213.34 million (Previous Year - Rs. 45.28 million).

(v) Production includes quantities manufactured by loan licensees.

(vi) Figures in brackets represent prior year comparatives.

	For the year ended 31.12.2007	For the year ended 31.12.2006
(f) Auditor's Remuneration :		
Audit Fees	**3.09**	2.64
Tax Audit Fees	**1.50**	0.51
Other services	**1.88**	1.74
Out of pocket expenses	**0.10**	0.12
	6.57	5.01
(g) Value of Imports on C.I.F. Basis		
Raw Materials, Packing Materials, components & spares	**1,370.10**	1,142.08
Capital Goods	**524.56**	254.71
	1,894.66	1,396.79
(h) Expenditure in Foreign Currency (Accrual Basis)		
Travelling	**7.26**	8.46
Professional fees	**66.50**	84.97
Royalty	**23.64**	8.83
Interest	**97.28**	12.01
Others	**303.87**	437.44
	498.55	551.71

	For the year ended 31.12.2007	For the year ended 31.12.2006
(i) Earnings in Foreign Exchange (Accrual Basis)		
Exports of goods on F.O.B. basis	**3,631.97**	3,621.18
Management fees	**52.08**	53.29
Royalty	**86.35**	131.47
Dividend	**0.76**	1.04
Interest	**214.44**	254.64
	3,985.60	4,061.62

(j) Information pursuant to clause 32 of the listing agreements with stock exchanges:

Loans and advances to subsidiaries in the nature of loans comprises of amounts recoverable from CP Pharmaceutical Limited amounting to Rs. Nil (Previous Year – Rs. 452.89 million) [maximum amount outstanding during the year Rs. 452.89 million (Previous Year – Rs. 454.47 million)], Wockhardt USA Inc., amounting to Rs. 71.88 million (Previous Year – Rs. 80.71 million) [maximum amount outstanding during the year Rs. 125.76 million (Previous Year – Rs. 84.71 million)], esparma GmbH amounting to Rs. 175.03 million (Previous Year – Rs. 176.03 million) [maximum amount outstanding during the year Rs. 177.08 million (Previous Year – Rs. 178.29 million)], Wockhardt Infrastructure Development Ltd. Rs. 38.99 million (Previous Year – Rs. 78.42 million) [maximum amount outstanding during the year Rs. 147.99 million (Previous Year – Rs. 115.85 million)], Vinton Healthcare Ltd. Rs. 293.05 million (Previous Year – Rs. 272.16 million) [maximum outstanding during the year Rs. 639.17 million (Previous Year – Rs. 319.74 million)], Wockhardt EU Operations (Swiss) AG Rs. 80.11 million (Previous Year – Rs. 1.34 million) [maximum outstanding during the year Rs. 80.16 million (Previous Year – Rs. 52.08 million)], Wockpharma Ireland Ltd. Rs. Nil (Previous Year – Rs. Nil) [maximum outstanding during the year Rs. Nil (Previous Year – Rs. 2.72 million)], Atlantis USA Inc. Rs. 0.03 million (Previous Year – Rs. Nil) [maximum outstanding during the year Rs. 3.13 million (Previous Year – Rs. Nil)], Morton Grove Pharmaceuticals, Inc. Rs. 78.82 million (Previous Year – Rs. Nil) [maximum outstanding during the year Rs. 79.34 million (Previous Year – Rs. Nil)], Wockhardt Holding Corporation Rs. 630.56 million (Previous Year – Rs. Nil) [maximum outstanding during the year Rs. 635.24 million (Previous Year– Rs. Nil)].

(k) Principal amount payable to micro and small enterprises as per MSMED Act, 2006 as at December 31, 2007 Rs. 23.09 million (Previous Year – Rs. 2.30 million).

21. EARNINGS PER SHARE

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

	For the year ended 31.12.2007	For the year ended 31.12.2006
Reconciliation of earnings		
Net profit for calculation of basic/diluted EPS	**2,138.76**	2,135.49
Weighted average number of shares in calculating basic EPS		
	Shares	Shares
For basic earnings per share	**109,435,903**	109,419,237
Add:		
Deemed exercise of options on unissued equity share capital	**–**	22,161
Weighted average number of shares in calculating diluted EPS	**109,435,903**	109,441,398

22. EXCEPTIONAL ITEMS

Represents one time reimbursement of chargeback for USA business amounting to Rs. Nil (Previous Year – Rs. 376 million) and Merger and Acquisition expenses amounting to Rs. Nil (Previous Year – Rs. 227.72 million) comprising of Legal and Professional expenses Rs. Nil (Previous Year – Rs. 207.28 million), Travelling expenses Rs. Nil (Previous Year – Rs. 2.09 million) and Other expenses Rs. Nil (Previous Year – Rs. 18.35 million).

23. SEGMENTAL REPORTING

As the Company's annual report contains both Consolidated Financial Statement and this financial statement, Segmental information is presented only on the basis of consolidated Financial Statement. (Refer Note 23 of Consolidated Financial statement).

24. Product Development Expenses of Rs. 743.85 million (Previous Year – Rs. 566.44 million) are considered as capital expenditure to be capitalized as intangible assets.

25. The Company has taken office premises on operating lease. These leave and licence agreements are for a period not exceeding five years and are in most cases renewable by mutual consent, on mutually agreeable terms. There are no restrictions imposed by lease arrangements. There are no subleases.

26. RELATED PARTY DISCLOSURES

(a) **Parties where control exists**

Wholly owned subsidiary companies

1. Wockhardt UK Holdings Limited (formerly, Wockhardt UK Limited)
2. CP Pharmaceuticals Limited
3. CP Pharma (Schweiz) AG
4. Wallis Group Limited
5. The Wallis Laboratory Limited
6. Wockhardt Farmaceutica Do Brazil Ltda
7. Wallis Licensing Limited
8. Wockhardt Biopharm Limited
9. Vinton Healthcare Limited
10. Wockhardt Infrastructure Development Limited
11. esparma GmbH
12. Wockhardt Europe Limited
13. Wockhardt Nigeria Limited
14. Wockhardt USA Inc.
15. Wockhardt EU Operations (Swiss) AG
16. Wockhardt UK Limited
17. Wockhardt Cyprus Limited
18. Wockpharma Ireland Limited
19. Pinewood Laboratories Limited
20. Nonash Limited
21. PWH Limited
22. Atlantis USA Inc.
23. Negma Lerads S.A.S.
24. Wockhardt France (Holdings) S.A.S.
25. esparma AG
26. Wockhardt Holding Corp
27. MGP Holding Corporation
28. Morton Grove Pharmaceuticals, Inc.
29. MGP Incorporation
30. Girex S.A.S.
31. Mazal Pharmaceutique S.A.R.L.
32. Pharma 2000 S.A.S.
33. Hariphar S.C.
34. Niverpharma S.A.S.
35. Cap Dermatology S.A.R.L.
36. Negma Beneulex S.A.
37. S.E.G.A. S.A.S.
38. Chams Informatique S.A.R.L.
39. S.C.I. Salome
40. DMH S.A.S.
41. Phytex S.A.S.
42. Scomedia S.A.S.

Holding company

Khorakiwala Holdings and Investments Private Limited

Enterprise over which Key Managerial Personnel exercising significant influence

Palanpur Holdings and Investments Private Limited

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

Fellow Subsidiary

Carol Info Services Limited

Associate Enterprises

Khorakiwala Foundation

Key management Personnel

H. F. Khorakiwala, Chairman and Managing Director
Rajiv B. Gandhi, Whole Time Director

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

	For the year ended 31.12.2007 Rs. in million	For the year ended 31.12.2006 Rs. in million
Holding Company		
Dividend Paid	**958.60**	348.58
Subsidiary Companies		
Purchase of Raw material [CP Pharmaceuticals Limited Rs. 27.05 million (Previous Year – CP Pharmaceuticals Limited Rs. 24.14 million), Vinton Healthcare Limited Rs. 8.35 million (Previous Year – Rs. Nil)]	**35.40**	24.14
Purchase of finished goods [Vinton Healthcare Limited Rs. 21.04 million (Previous Year – Rs. Nil)]	**21.04**	–
Sale of Raw Material [Vinton Healthcare Limited Rs. 0.84 million (Previous Year – Rs. 9.60 million)]	**0.84**	9.60
Sale of scrap [Vinton Healthcare Limited Rs. 0.06 million (Previous Year – Rs. Nil)	**0.06**	–
Management fees [CP Pharmaceuticals Limited Rs. 15.45 million (Previous Year – Rs. 28.18 million), Wockhardt USA Inc. Rs. 3.85 million (Previous Year – Rs. 12.77 million), esparma GmbH Rs. 5.48 million (Previous Year – Rs. 11.26 million), Wockhardt EU Operations (Swiss) AG Rs. 4.93 million (Previous Year – Rs. 1.08 million), Pinewood Laboratories Limited Rs. 14.89 million (Previous Year – Rs. Nil), Wockhardt France S.A.S. Rs. 7.48 million (Previous Year – Rs. Nil)]	**52.08**	53.29
Royalty expense [Wockhardt Biopharm Limited Rs. 8.90 million (Previous Year – Rs. 17.22 million), Wockhardt EU Operations (Swiss) AG Rs. 18.81 million (Previous Year – Rs. Nil)	**27.71**	17.22
Sales [Wockhardt USA Inc Rs. 1,162.78 million (Previous Year – Rs. 735.24 million), CP Pharmaceuticals Limited Rs. 9.05 million (Previous Year – Rs. 761.89 million), esparma GmbH Rs. 34.83 million (Previous Year – Rs. 23.39 million), Wockhardt EU Operations Swiss AG Rs. 862.57 million (Previous Year – Rs. 327.10 million)]	**2,069.23**	1,847.62
Interest Income [CP Pharmaceuticals Limited Rs. 24.90 million (Previous Year – Rs. 26.79 million), esparma GmbH Rs. 13.85 million (Previous Year – Rs. 14.28 million), Vinton Healthcare Limited Rs. 32.60 million (Previous Year – Rs. 4.64 million), Wockhardt Holding Corp Rs. 11.80 million (Previous Year – Rs. Nil), Morton Grove Pharmaceuticals, Inc. Rs. 0.75 million (Previous Year – Rs. Nil)]	**83.90**	45.71
Dividend Income [Wockhardt UK Holdings Limited Rs. 0.76 million (Previous Year – Rs. 1.04 million)]	**0.76**	1.04
Royalty received [esparma GmbH Rs. 62.77 million (Previous Year – Rs. 53.80 million), CP Pharmaceuticals Limited Rs. 18.57 million (Previous Year – Rs. 75.06 million), Wockhardt UK Limited Rs. 5.01 million (Previous Year – Rs. 2.61 million)]	**86.35**	131.47
Commission received on Sales [Vinton Healthcare Limited Rs. 1.63 million (Previous Year – Rs. 4.97 million)]	**1.63**	4.97
Profit on Buyback of Shares [Wockhardt UK Holdings Limited Rs. Nil (Previous Year – Rs. 19.89 million), Wockhardt Europe Limited Rs. Nil (Previous Year – Rs. 19.24 million)]	**–**	39.13
Capital expenditure recovered [Pinewood Laboratories Limited Rs. 22.10 million (Previous Year – Rs. Nil)]	**22.10**	–
Debtors written off [Wockhardt USA Inc. Rs. Nil (Previous Year – Rs. 116.46 million)]	**–**	116.46

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

	For the year ended 31.12.2007 Rs. in million	For the year ended 31.12.2006 Rs. in million
Expenses recovered [esparma GmbH Rs. 0.24 million (Previous Year – Rs. Nil), Pinewood Laboratories Limited Rs. 15.44 million (Previous Year – Rs. Nil), Wockhardt USA Inc., Rs. 0.11 million (Previous Year – Rs. Nil), Wockhardt EU Operations (Swiss) AG Rs. 0.56 million (Previous Year – Rs. Nil), Wockhardt France (Holding) S.A.S. Rs. 11.32 million (Previous Year – Rs. Nil), Wockhardt Holding Corporation Rs. 13.44 million (Previous Year – Rs. Nil)]	**41.11**	–
Reimbursement of expenses [CP Pharmaceuticals Limited Rs. 0.05 million (Previous Year – Rs. Nil), Atlantis USA Inc., Rs. 13.79 million (Previous Year – Rs. Nil)]	**13.84**	–
Increase in investments [Wockhardt EU Opertions (Swiss) AG Rs. 1,425.70 million (Previous Year – Rs. 248.37 million), Wockhardt Infrastructure Development Limited Rs. Nil (Previous Year – Rs. 35 million), Vinton Healthcare Limited Rs. Nil (Previous Year – Rs. 94.12 million)]	**1,425.70**	377.49
Swapping of investments against shares of Wockhardt EU Operations (Swiss) AG [Wockhardt Switzerland Holdings AG Rs. 342.81 million (Previous Year – Rs. Nil)]	**342.81**	–
Buyback of Shares [Wockhardt Europe Limited Rs. Nil (Previous Year – Rs. 514.18 million), Wockhardt UK Holdings Limited Rs. Nil (Previous Year – Rs. 107.16 million)]	**–**	621.34
Loans/Advances given [Wockhardt USA Inc. Rs. 50.91 million (Previous Year – Rs. Nil), esparma GmbH Rs. Nil (Previous Year – Rs. 29.84 million), Wockhardt Infrastructure Development Limited Rs. 69.57 million (Previous Year – Rs. 115.85 million), Vinton Healthcare Limited Rs. 331.88 million (Previous Year – Rs. 322.16 million), Wockpharma Ireland Limited Rs. Nil (Previous Year – Rs. 2.72 million), Wockhardt EU Operations (Swiss) AG Rs. Nil (Previous Year – Rs. 1.34 million), Morton Grove Pharmaceuticals, Inc. Rs. 78.82 million (Previous Year – Rs. Nil), Wockhardt Holding Corp Rs. 630.56 million (Previous Year – Rs. Nil), Atlantis USA Inc. Rs. 13.90 million (Previous Year – Rs. Nil)]	**1,175.64**	471.91
Loans/Advances recovered [CP Pharmaceuticals Limited Rs. 419.98 million (Previous Year – Rs. Nil), Wockhardt EU Operations (Swiss) AG Rs. Nil (Previous Year – Rs. 0.04 million), Wockhardt USA Inc. Rs. 50.91 million (Previous Year – Rs. Nil) , Wockhardt Infrastructure Development Limited Rs. 109 million (Previous Year – Rs. 37.44 million), Vinton Healthcare Limited Rs. 311 million (Previous Year – Rs. 50 million), Wockpharma Ireland Limited. Rs. Nil (Previous Year – Rs. 2.72 million), Atlantis USA Inc. Rs. 13.79 million (Previous Year – Rs. Nil)]	**904.68**	90.20
Commission recovered on Corporate Guarantee [CP Pharmaceuticals Limited Rs. 7.89 million (Previous Year – Rs. 11.49 million)]	**7.89**	11.49
Corporate guarantee given Vinton Healthcare Limited Rs. Nil (Previous Year – Rs. 11.70 million), Wockhardt USA Holding Swiss AG Rs. Nil (Previous Year – Rs. 11,991.75 million)]	**–**	12,003.45
Share Application money given [Wockhardt EU Operations Swiss AG Rs. 78.82 million (Previous Year – Rs. Nil)]	**78.82**	–
Corporate guarantee cancelled [CP Pharmaceuticals Limited Rs. 207.29 million (Previous Year – Rs. Nil)]	**207.29**	–

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

	For the year ended 31.12.2007 Rs. in million	For the year ended 31.12.2006 Rs. in million
Fellow Subsidiary/Associate enterprises		
Loan Licensee paid [(Previous Year – Merind Limited – Rs. 252.65 million), Carol Info Services Limited Rs. 75.76 million (Previous Year – Rs. 69.20 million)]	**75.76**	321.85
Rent paid [Carol Info Services Limited Rs. 51.93 million (Previous Year – Rs. 48.59 million), (Previous Year – Merind Limited – Rs. 1.42 million)]	**51.93**	50.01
Expenses recovered/(paid) [Carol Info Services Limited Rs. 15.60 million (Previous Year – Rs. 10.80 million), Khorakiwala Foundation Rs. 0.81 million (Previous Year – Rs. 2.59 million)]	**16.41**	13.39
Donation given [Khorakiwala Foundation Rs. 2.70 million (Previous Year – Rs. Nil)]	**2.70**	–
Security deposit given [(Previous Year – Merind Limited – Rs. 280 million), Carol Info Services Limited Rs. 250 million (Previous Year – Rs. 250 million)]	**250.00**	530.00
Security deposit recovered [(Previous Year – Merind Limited – Rs. 280 million), Carol Info Services Limited Rs. 250 million (Previous Year – Rs. 250 million)]	**250.00**	530.00
Key management personnel		
Remuneration paid [Remuneration to Chairman and Managing Director Rs. 82.53 million (Previous Year – Rs. 77.56 million)]	**89.93**	85.33
Enterprise over which Key Managerial Personnel exercising significant influence		
Rent paid [Palanpur Holdings and Investments Pvt. Limited Rs. 0.48 million (Previous Year – Rs. 0.48 million)]	**0.48**	0.48
(d) **Related party balances**		
Receivable from wholly owned subsidiary companies [CP Pharmaceuticals Limited Rs. Nil (Previous Year – Rs. 441.96 million), Esparma GmbH Rs. 412.50 million (Previous Year – Rs. 318.19 million), Wockhardt USA Inc. Rs. 1,359.04 million (Previous Year – Rs. 601.31 million), Vinton Healthcare Limited Rs. 293.05 million (Previous Year – Rs. 282.72 million), Wockhardt EU Operations Swiss AG Rs. 337.44 million (Previous Year – Rs. 330.83 million), Wockhardt UK Limited Rs. Nil (Previous Year – Rs. 2.21 million), Wockhardt Infrastructure Development Limited Rs. 38.99 million (Previous Year – Rs. 78.42 million), Pinewood Laboratories Limited Rs. 54.28 million (Previous Year – Rs. Nil), Wockhardt France (Holding S.A.S.) Rs. 7.43 million (Previous Year – Rs. Nil), Morton Grove Pharmaceuticals, Inc. Rs. 79.46 million (Previous Year – Rs. Nil), Wockhardt Holding Corp Rs. 654.03 million (Previous Year – Rs. Nil), Atlantis USA Inc. Rs. 0.03 million (Previous Year – Rs. Nil)	**3,236.25**	2,055.64
Payable to wholly owned subsidiary companies [Wockhardt Biopharm Limited Rs. 28.35 million (Previous Year – Rs. 21.47 million), CP Pharmaceuticals Limited Rs. 6.44 million (Previous Year – Rs. Nil), Wockhardt UK Limited Rs. 19.39 million (Previous Year – Rs. Nil)	**(54.18)**	(21.47)
Payable to fellow subsidiary/associate enterprises [Merind Limited Rs. Nil (Previous Year – Rs. 21.49 million), Carol Info Services Limited Rs. 15.15 million (Previous Year – Rs. 14.77 million)]	**(15.15)**	(36.26)
Payable to Key management personnel – Chairman and Managing Director	**(70.96)**	(71.18)

Note:
Wockhardt IP AG, Wockhardt Switzerland Holdings AG and Wockhardt USA Holdings (Swiss) AG had been merged with Wockhardt EU Operations (Swiss) AG vide agreement dated June 11, 2007 with effect from January 1, 2007. The said merger had been registered with Commercial Registry of Switzerland on June 18, 2007.

27. EMPLOYEE BENEFITS

(A) Defined benefit plans:

	2007		2006	
	Gratuity (Non-funded)	Leave Encashment (Non-funded)	Gratuity (Non-funded)	Leave Encashment (Non-funded)
I. Expenses recognised during the year ended December 31, 2007				
1. Current Service Cost	**15.07**	**7.49**	7.79	6.60
2. Interest cost	**7.81**	**4.68**	4.76	2.59
3. Actuarial Losses/(Gains)	**(12.14)**	**17.15**	4.90	14.90
Total Expenses	**10.74**	**29.32**	17.45	24.09
II. Net Asset/(Liability) recognised in the Balance Sheet as at December 31, 2007				
1. Present value of defined benefit obligation	**94.62**	**75.75**	94.20	63.50
2. Net Asset/(Liability)	**(94.62)**	**(75.75)**	(94.20)	(63.50)
III. Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended December 31, 2007				
1. Net Asset/(Liability) at the beginning of the year	**(94.20)**	**(63.50)**	(84.94)	(48.67)
2. Expense as per I above	**10.74**	**29.32**	17.45	24.09
3. Employer contributions	**10.32**	**17.07**	8.19	9.26
Net asset/(liability) at the end of the year	**(94.62)**	**(75.75)**	(94.20)	(63.50)
Experience adjustment	**5.76**	**N.A.**	4.90	N.A.
IV. Actuarial Assumptions:	**As at 31.12.2007**		As at 31.12.2006	
1. Discount rate	**8.00%**		7.50%	
2. Mortality	**LIC (1994-96) Ultimate**		LIC (1994-96) Ultimate	

Note:

(a) Amounts recognized as an expense and included in the Schedule 17:

"Retirement benefits" are gratuity Rs. 5.68 million (Previous Year – Rs. 16.24 million), Leave Encashment Rs. 29.67 million (Previous Year – Rs. 29.74 million).

(b) Actuarial valuation is worked out considering attrition rate and estimates of future salary increase taking into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(c) In the previous year, the Company had gone for earlier adoption of Accounting Standard 15 (Revised) which is mandatory from accounting periods starting from December 7, 2006. Accordingly, the Company had provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method. Further, in accordance with the transitional provision in the revised Accounting Standard, Rs. Nil [Previous Year – Rs. 9.23 million (net of tax liability Rs. 4.68 million)] has been adjusted to the General Reserve.

(B) Defined contribution plan:

Amount recognised as an expense and included in the schedule 17 – "Contribution to provident and other funds" and schedule 18 of Profit and Loss Account Rs. 48.10 million (Previous Year – Rs. 42.52 million).

28. DISCLOSURE REGARDING DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

(a) The Company enters into forward exchange contracts being derivative instruments, which are not intended for trading, or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

(b) Outstanding currency swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate and interest rate changes:

	2007		2006	
No. of contracts	2		2	
	USD in millions	Rs. in millions	JPY in millions	Rs. in millions
Notional principal	**100.00**	**3,941.00**	4,158.83	1,548.75

(c) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	2007			2006		
Particulars	Currency	Amt. in Foreign Currency (in millions)	Rs. in millions	Currency	Amt. in Foreign Currency (in millions)	Rs. in millions
Loan Availed	**USD**	**50.00**	**1,970.50**	USD	50.00	2,212.50
Interest Payable	**USD**	**0.72**	**28.28**	USD	0.48	21.27
Sundry Debtors	**ACU**	**0.16**	**6.42**	ACU	0.03	1.12
	AUD	**0.01**	**0.48**	AUD	0.01	0.48
	CHF	**0.04**	**1.54**	CHF	–	–
	EUR	**5.45**	**315.66**	EUR	0.57	33.48
	GBP	**3.41**	**268.83**	GBP	0.01	0.68
	USD	**59.31**	**2,337.28**	USD	33.06	1,463.07
Loans and Advances	**EUR**	**3.02**	**175.03**	EUR	3.02	175.94
	USD	**21.83**	**860.16**	USD	1.82	80.71
	CHF	**0.04**	**1.29**	CHF	–	–
	GBP	**–**	**–**	GBP	5.22	452.88
Sundry Creditors	**ACU**	**0.001**	**0.05**	ACU	–	–
	AUD	**0.0002**	**0.01**	AUD	0.004	0.15
	CAD	**0.01**	**0.22**	CAD	–	–
	CHF	**0.08**	**2.68**	CHF	0.06	2.20
	EUR	**1.10**	**63.62**	EUR	0.21	12.51
	GBP	**0.46**	**36.09**	GBP	0.48	41.62
	JPY	**15.83**	**5.56**	JPY	48.48	18.05
	SEK	**0.23**	**1.44**	SEK	–	–
	USD	**8.48**	**334.04**	USD	7.94	351.28
	ZAR	**0.001**	**–**	ZAR	–	–
Foreign Currency Convertible Bonds	**USD**	**108.50**	**4,275.99**	USD	108.50	4,801.13
Time Deposit	**USD**	**9.70**	**382.28**	USD	95.25	4,214.78
Investment in foreign subsidiaries	**EUR**	**3.63**	**197.38**	EUR	3.63	197.38
	GBP	**11.04**	**836.46**	GBP	11.04	836.46
	CHF	**52.31**	**1,768.51**	CHF	9.50	342.81
	USD	**0.001**	**0.04**	USD	–	–

29. Provision for Sales Return on date Expiry – Opening Balance Rs. 45 million (Previous Year – Rs. 15 million), Additions during the year Rs. 102.45 million (Previous Year – Rs. 83 million), Utilised during the year Rs. 72.45 million (Previous Year – Rs. 53 million), Closing balance Rs. 75 million (Previous Year – Rs. 45 million).

Provision has been recognised for expected sales return on date expiry of products sold during last two years. It is expected that all of this would be incurred within two years of the balance sheet date.

30. CONTINGENT LIABILITIES NOT PROVIDED FOR:

(a) Demands by Central Excise authorities in respect of Classification/Valuation/Cenvat Credit related disputes; stay orders have been obtained by the Company in case of demands which have been confirmed – Rs. 63.01 million (Previous Year – Rs. 66.67 million).

(b) Demand by Income tax authorities Rs. 535.35 million (Previous Year – Rs. 408.53 million) disputed by the Company.

(c) Corporate Guarantee given on behalf of various subsidiaries in respect of bank loans amounts to Rs. 11,599.73 million (Previous Year – Rs. 13,218.52 million).

(d) 108,500 (Previous Year – 108,500) 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. 775.98 million. (Previous Year – Rs. 581.74 million).

31. 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 Vijay Bhatt
Partner
Membership No: 36647

Place : Mumbai
Date : February 20, 2008

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
R. A. Shah
Abid Hussain
Directors

Balance Sheet Abstract and Company's General Business Profile

(Rupees in millions)

(a)	**Registration details:**		
	Registration No.	:	L24230 MH1999 PLC120720
	State Code	:	11
	Balance Sheet Date	:	December 31, 2007
(b)	**Capital raised during the year:**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement	:	Nil
	Employment stock option	:	Nil
(c)	**Position of mobilisation and deployment of funds:**		
	Total liabilities and shareholders funds	:	19,469.49
	Total assets	:	19,469.49
	Sources of funds		
	Paid-up capital	:	547.18
	Reserves and surplus	:	9,713.06
	Secured loans	:	2,539.76
	Unsecured loans	:	5,548.28
	Deferred tax liability	:	1,121.21
	Application of funds		
	Net fixed assets	:	5,697.50
	Capital work in progress including advances	:	3,409.21
	Investments	:	3,024.66
	Net current assets	:	7,338.12
	Accumulated losses	:	–
(d)	**Performance of company:**		
	Turnover	:	12,478.00
	Total expenditure	:	9,746.93
	Profit/(Loss) before tax	:	2,731.07
	Profit/(Loss) after tax	:	2,138.76
	Earnings per share	:	19.54
	Dividend rate%	:	225%
(e)	**Generic names of three principal products/services of the company:**		
	Product Description	:	Spasmoproxyvon
	Product Description	:	Proxyvon
	Product Description	:	Methycobal

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Sr. No.	Name of subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at the close of financial year of subsidiary company		Currency	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's accounts		Net Aggregate amount of the Profits/ (Losses) of the Subsidiary so far as dealt with or provision is made for those losses in Holding Company's Accounts	
			(i) Shareholding	(ii) Extent of Holding (% age)		For the current financial year (in Millions)	For the previous financial year/ period since it became a subsidiary (in Million)	For the subsidiary's financial year end December 31, 2007 (in Millions)	For the previous financial years till it became the subsidiary (in Million)
1.	Wockhardt Biopharm Limited	31.12.07	18,000,000 Equity shares of Rs.10/- each fully paid up	100%	Rs.	5.14	(7.93)	0	0
2.	Vinton Healthcare Limited	31.12.07	100,000,000 Equity shares of Rs. 10/- each fully paid up, 12,800,000 7% Non- Convertible Redeemable Preference Shares of Rs. 100/- each fully paid up	100%	Rs.	18.72	16.06	0	0
3.	Wockhardt Infrastructure Development Ltd.	31.12.07	2,000,000 Equity shares of Rs. 10/- each fully paid up	100%	Rs.	(1.22)	(0.02)	0	0
4.	Esparma GmbH	31.12.07	Euro 36,25,000*	100%	Euro (€)	0.37	0.43	0	0
5.	Wockhardt Europe Ltd.	31.12.07	1,307,368 Ordinary shares of £ 1 each	100%	STG (£)	0.01	(1.83)	0	0
6.	Wockhardt Nigeria Limited@	31.12.07	1,500,000 Ordinary Shares of Naira 10 each fully paid up	100%	USD	(0.02)	(0.05)	0	0
7.	Wockhardt UK Holdings Ltd.	31.12.07	27,504,823 Ordinary shares of 1 p each fully paid up	100%	STG (£)	0	3.21	0	0
8.	CP Pharmaceuticals Ltd.@	31.12.07	570,000 Ordinary Shares of £ 1 each 1,862,549 'A' Ordinary Shares of £ 1 each	100%	STG (£)	2.59	7.28	0	0
9.	CP Pharmaceuticals (Schweiz) AG.@	31.12.07	250 shares of CHF 1000 each	100%	GBP	(0.04)	(0.35)	0	0
10.	Wallis Group Ltd. @	31.12.07	1,408,667 Ordinary shares of £ 1 each	100%	STG (£)	0	0	0	0
11.	The Wallis Laboratory Ltd.@	31.12.07	4,040 Ordinary Shares of £ 1 each	100%	STG (£)	0	0	0	0
12.	Wockhardt Farmaceutica do Brasil Ltda@	31.12.07	731,879.98 quotas of Brazilian Ria 1 each	100%	USD	(0.01)	(0.26)	0	0
13.	Wallis Licensing Ltd.@	31.12.07	1 Ordinary shares of £ 1 each	100%	STG (£)	0.09	(1.02)	0	0
14.	Wockhardt USA Inc.@	31.12.07	2,000,000 Equity shares of $ 1 each	100%	USD	(5.86)	(5.10)	0	0
15.	Wockhardt EU Operations (Swiss) AG@	31.12.07	35,700 shares of CHF 1000 each	100%	CHF	23.37	6.10	0	0

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies - Contd.

Sr. No.	Name of subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at the close of financial year of subsidiary company		Currency	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's accounts		Net Aggregate amount of the Profits/ (Losses) of the Subsidiary so far as dealt with or provision is made for those losses in Holding Company's Accounts	
			(i) Shareholding	(ii) Extent of Holding (% age)		For the current financial year (in Millions)	For the previous financial year/ period since it became a subsidiary (in Million)	For the subsidiary's financial year end December 31, 2007 (in Millions)	For the previous financial years till it became the subsidiary (in Million)
16.	Wockhardt UK Limited@	31.12.07	50,000 Ordinary Shares of £ 1 each	100%	STG (£)	0.97	0.26	0	0
17.	Wockhardt Cyprus Limited@	31.12.07	1,000 Ordinary shares of CY £ 1 each	100%	USD	(0.01)	(0.01)	0	0
18.	Wockpharma Ireland Limited@	31.12.07	15,000,000 Ordinary shares of € 1 each	100%	Euro (€)	(4.16)	0.86	0	0
19.	Nonash Limited@	31.12.07	(1) 30, 100 Ordinary Shares of Euro 1.27 each (2) 100 A Ordinary Shares of Euro 1.27 each (3) 100 B ordinary Shares of Euro 1.27 each (4) 500 C ordinary shares of Euro 1.27 each (5) 1000 D Ordinary Shares of Euro 0.63 each (6) 250 E Ordinary Shares of Euro 2.54 each (7) 100 F Ordinary Shares of Euro 2.54 each (8) 2000 G ordinary Shares of Euro 0.32 each (9) 2500 H Ordinary Shares of Euro 0.25 each (10) 50 I Ordinary Shares of Euro 12.69 each (11) 10 J Ordinary Shares of Euro 63.49 each (12) 25 K Ordinary Shares of Euro 25.39 each (13) 20 L Ordinary Shares of Euro 31.74 each (14) 125 M Ordinary Shares of Euro 5.08 each.	100%	Euro (€)	0.73	0.15	0	0
20.	Pinewood Laboratories Limited @	31.12.07	2,985,128 Ordinary shares of € 0.125 each 120"A" Ordinary shares of € 1.25 each	100%	Euro (€)	9.08	2.02	0.00	0.00
21.	Atlantis USA Inc.	31.12.07	1,000 Ordinary shares of $ 1 each	100%	USD	0.01	0.00	0.00	0.00
22.	Esparma AG@	31.12.07	100,000 Shares of CHF 1 each	100%	CHF	(0.01)	0.00	0.00	0.00
23.	Wockhardt Holding Corp.@	31.12.07	1,100 Ordinary Shares of US $ 1 each	100%	USD	0.01	0.00	0.00	0.00
24.	MGP Holding Corp@	31.12.07	100 Ordinary Shares of US $ 0.01 each	100%	USD	0.00	0.00	0.00	0.00
25.	Morton Grove Pharmaceuticals Inc.@	31.12.07	100 Ordinary Shares of US $ 0.01 each	100%	USD	(1.09)	0.00	0.00	0.00
26.	MGP Inc.@	31.12.07	100 Ordinary Shares of US $ 0.01 each	100%	USD	0.00	0.00	0.00	0.00
27.	Wockhardt France (Holdings) S.A.S.@	31.12.07	601000 Shares of € 100 each	100%	Euro (€)	0.00	0.00	0.00	0.00
28.	Girex S.A.S.@	31.12.07	78,820 Shares of € 16 each	100%	Euro (€)	(3.58)	0.00	0.00	0.00
29.	Pharma 2000 S.A.S.@	31.12.07	11,400 Shares of € 16 each	100%	Euro (€)	0.31	0.00	0.00	0.00
30.	Negma Lerads S.A.S.@	31.12.07	275,409 Shares of € 153 each	100%	Euro (€)	12.85	0.00	0.00	0.00
31.	DMH S.A.S.@	31.12.07	6,000 Shares of € 16 each	100%	Euro (€)	1.21	0.00	0.00	0.00
32.	Scomedia S.A.S.@	31.12.07	2,500 Shares of € 16 each	100%	Euro (€)	(0.13)	0.00	0.00	0.00
33.	Niverpharma S.A.S.@	31.12.07	10,000 Shares of € 16 each	100%	Euro (€)	0.80	0.00	0.00	0.00
34.	S.E.G.A. S.A.S.@#	31.12.07	121,250 Shares of € 16 each	100%	Euro (€)	0.00	0.00	0.00	0.00
35.	Negma Benulex S.A.@	31.12.07	2,976 Shares of € 25 each	100%	Euro (€)	0.01	0.00	0.00	0.00
36.	Phytex S.A.S.@	31.12.07	7,000 Shares of € 153 each	100%	Euro (€)	0.36	0.00	0.00	0.00
37.	Mazal Pharmaceutique S.A.R.L.@	31.12.07	1,000 Shares of € 16 each	100%	Euro (€)	(1.07)	0.00	0.00	0.00
38.	Cap Dermatology S.A.R.L.@	31.12.07	313 Shares of € 16 each	100%	Euro (€)	(0.19)	0.00	0.00	0.00
39.	Hariphar S.C.@	31.12.07	100 shares of € 152.45 each	100%	Euro (€)	0.10	0.00	0.00	0.00
40.	Chams Informatique S.A.R.L.@#	31.12.07	250 Shares of € 153 each	100%	Euro (€)	0.00	0.00	0.00	0.00
41.	S.C.I. Salome@	31.12.07	100 shares of € 15.24 each	100%	Euro (€)	0.04	0.00	0.00	0.00

* As per German law, there are no shares issued. Only capital is subscribed to, which is 25000 euros and subscription to capital reserve is 3,600,000 euros

@ Inclusive of shares held through wholly owned subsidiaries

\# During the year merged with Negma Lerads S.A.S.

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
R. A. Shah
Abid Hussain
Directors

R. B. Gandhi
Company Secretary

Place : Mumbai
Date : February 20, 2008

WOCKHARDT

Financial Details of the Subsidiary Companies
for the Year Ended December 31, 2007

Name of the Subsidiary	Currency	Closing Exchange rate against Indian Rupee as on 31.12.2007	Rs. in Million								
			Paid Up Capital	Reserves	Total Assets inclusive investments*	Total Liabilities	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
Wockhardt Biopharm Ltd.	Rs.	–	180.00	(122.35)	58.93	1.28	8.90	6.82	1.68	5.14	–
Vinton Healthcare Private Limited	Rs.	–	1,380.00	(531.06)	1,606.36	757.42	78.60	18.72	–	18.72	–
Wockhardt Infrastructure Development Ltd.	Rs.	–	20.00	13.98	186.61	152.63	0.01	(1.22)	–	(1.22)	–
Esparma GmbH	Euro (€)	**57.97**	1.74	255.07	961.14	704.34	1,107.23	37.68	16.23	21.45	–
Wockhardt Europe Ltd.	STG (£)	**78.95**	103.42	(19.74)	83.69	–	–	0.79	–	0.79	–
Wockhardt Nigeria Limited@	USD	**39.41**	3.15	(2.68)	0.47	–	–	(0.83)	–	(0.83)	–
Wockhardt UK Holdings Ltd.	STG (£)	**78.95**	22.11	944.24	1,561.79	595.44	–	–	–	–	–
CP Pharmaceuticals Ltd. @	STG (£)	**78.95**	191.85	779.24	2,456.13	1,485.05	2,838.25	273.09	72.63	200.46	–
CP Pharmaceuticals (Schweiz) AG.@	STG (£)	**78.95**	8.68	(30.00)	–	21.32	–	(3.47)	–	(3.47)	–
Wallis Group Ltd. @	STG (£)	**78.95**	111.32	132.16	243.48	–	–	–	–	–	–
The Wallis Laboratory Ltd.@	STG (£)	**78.95**	0.32	0.32	12.40	11.76	–	–	–	–	–
Wockhardt Farmaceutica do Brasil Ltda@	USD	**39.41**	11.67	(11.39)	0.32	0.04	–	(0.32)	–	(0.32)	–
Wallis Licensing Ltd.@	STG (£)	**78.95**	–	(73.42)	244.67	318.09	–	–	(6.95)	6.95	–
Wockhardt USA Inc.@	USD	**39.41**	78.82	(431.93)	1,063.68	1,416.79	1,044.76	(230.94)	–	(230.94)	–
Wockhardt EU Operations (Swiss) AG@	CHF	**35.03**	1,250.57	1,673.38	14,776.99	11,853.03	5,345.58	888.71	70.06	818.65	–
Wockhardt UK Limited@	STG (£)	**78.95**	3.95	97.11	1,874.19	1,773.14	3,615.91	112.11	35.53	76.58	–
Wockhardt Cyprus Limited@	USD	**39.41**	0.08	(0.59)	–	0.51	–	(0.28)	–	(0.28)	–
Wockpharma Ireland Limited@	Euro (€)	**57.97**	579.70	(191.30)	6,422.21	6,033.81	80.58	(240.00)	0.93	(240.93)	–
Nonash Limited@	Euro (€)	**57.97**	2.61	59.13	62.03	0.29	42.90	42.32	–	42.32	–
Pinewood Laboratories Limited @	Euro (€)	**57.97**	21.45	1,705.48	2,939.66	1,212.73	3,594.72	582.02	55.65	526.37	–
Atlantis USA Inc.	USD	**39.41**	0.04	0.55	1.34	0.75	13.52	0.63	0.08	0.55	–
Esparma AG@	CHF	**35.03**	3.50	(0.44)	3.11	0.05	0.00	(0.44)	0.00	(0.44)	–
Wockhardt Holding Corp.@	USD	**39.41**	0.04	867.21	1,497.82	630.57	0.23	0.23	0.00	0.23	–
MGP Holding Corp@	USD	**39.41**	0.00	3,273.24	3,273.24	0.00	0.00	0.00	0.00	0.00	–
Morton Grove Pharmaceuticals Inc.@	USD	**39.41**	0.00	(1,060.17)	1,929.87	2,990.04	438.16	(6.31)	36.71	(43.02)	–
MGP Inc.@	USD	**39.41**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	–
Wockhardt France (Holdings) S.A.S.@	Euro (€)	**57.97**	3,484.00	(329.79)	14,392.91	11,238.70	93.80	(426.31)	(160.58)	(265.73)	–
Girex S.A.S.@	Euro (€)	**57.97**	73.10	596.51	1,988.20	1,318.59	1,281.77	(197.21)	10.14	(207.35)	–
Pharma 2000 S.A.S.@	Euro (€)	**57.97**	10.55	58.55	343.18	274.08	172.92	18.14	0.00	18.14	–
Negma Lerads S.A.S.@	Euro (€)	**57.97**	2,442.74	483.76	4,716.03	1,789.53	3,065.22	861.14	116.23	744.91	–
DMH S.A.S.@	Euro (€)	**57.97**	5.57	(0.73)	336.92	332.09	534.89	79.42	9.33	70.09	–
Scomedia S.A.S.@	Euro (€)	**57.97**	2.32	(15.13)	118.37	131.19	146.95	(7.36)	0.00	(7.36)	–
Niverpharma S.A.S.@	Euro (€)	**57.97**	9.28	(62.96)	759.41	813.09	597.61	46.09	0.00	46.09	–
S.E.G.A. S.A.S.@ #	Euro (€)	**57.97**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	–
Negma Benulex S.A.@	Euro (€)	**57.97**	4.31	8.75	13.55	0.49	0.00	0.82	0.05	0.77	–
Phytex S.A.S.@	Euro (€)	**57.97**	62.09	27.36	145.74	56.29	0.00	31.71	10.61	21.10	–
Mazal Pharmaceutique S.A.R.L.@	Euro (€)	**57.97**	0.93	(259.42)	274.60	533.09	205.74	(58.43)	(3.95)	(62.38)	–
Cap Dermatology S.A.R.L.@	Euro (€)	**57.97**	0.29	(19.94)	11.01	30.66	0.25	(10.93)	0.00	(10.93)	–
Hariphar S.C.@	Euro (€)	**57.97**	0.87	11.01	12.35	0.46	6.72	5.62	0.00	5.62	–
Chams Informatique S.A.R.L.@#	Euro (€)	**57.97**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	–
S.C.I. Salome@	Euro (€)	**57.97**	0.09	4.23	5.98	1.66	2.43	2.20	–	2.20	–

* The Investments made by these subsidiary companies is only in their step down subsidiaries, no other investments are made by these companies

@ Inclusive of shares held through wholly owned subsidiaries

\# During the year merged with Negma Lerads S.A.S.

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 year ended December 31, 2007.

I. CONSERVATION OF ENERGY:

(1) Energy conservation measures taken:

The Company has for many years now been laying great emphasis on the Conservation of energy and has taken several measures including regular monitoring of consumption, reduction of transmission losses and improved maintenance of systems. Some of the more significant projects implemented on a continuous basis are:

- Effimax system installed for boiler resulting into fuel savings.
- Bulk Drug Utility cooling tower pump impeller trimmed.
- Frequency drive installed at air compressor.
- CT Ensaver installed on process & utility tower fan.
- Motors taking less than 50% load and having low factor are switched from delta to star connection.
- PLC based Automation system for Chilling plant implemented.
- Installed separate cooling tower for utility with low head pumps.
- Energy Saving Device and temperature controllers installed for optimizing the running time of the cooling towers.
- Installation and commissioning of variable frequency drive for equipments like Reactors etc.
- Installation of energy saving lights & Street light auto control on timers.
- Replaced cooling tower (conventional casting) blades with ABS (Acrylo Nitrile Butyl Styrene) blades.
- Installation of Pressure Reducing Valve (PRV) Station for Low pressure Steam Headers.
- Automation of Vacuum System with Solenoid Operated Valves and Steam Lines with Ph Meters.
- Maintained power factor at 0.99.
- Replaced reciprocating air compressors with screw compressors.

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

- Installation of power factor panel to reduce the transmission near the load point.
- Installation of lean burn system for captive power plant for improving the loading capacity of Engine.
- Brine plant automation to control operation of cooling tower.
- Auto cut in and cut off of cooling tower fan on temperature.

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

The adoption of Energy Conservation measures of the type indicated above have resulted in significant savings, which have been reflected in the cost of production over the years.

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

	Year ended 31.12.2007	Year ended 31.12.2006
A. Power & Fuel Consumption		
1. Electricity:		
a. Purchased		
Units (in million)	**33.17**	29.42
Total Amount (in millions)	**145.37**	120.58
Rate/Unit (Rs.)	**4.38**	4.10
b. Own Generation		
I. Through Diesel Generator		
Units (in million)	**2.60**	3.96
Units per litre of Diesel oil	**3.21**	2.39
Cost/unit (Rs.)	**10.51**	10.72

	Year ended 31.12.2007	Year ended 31.12.2006
II. Through Gas Generator		
Units (in million)	**9.62**	8.37
Units per M^3 of Gas	**3.03**	3.02
Cost/unit (Rs.)	**3.91**	3.16
2. Furnace Oil & LSHS:		
Quantity (Kilo-litres)	**1,914.34**	1,909.59
Total Amount (in million)	**47.92**	47.90
Average Rate	**25.03**	25.08
3. Natural Gas:		
Quantity (unit NM^3) (in million)	**3.59**	2.77
Total Amount (in million)	**73.91**	50.68
Average Rate (Rs./100NM^3)	**1,093.00**	958.00

B. Consumption per unit of production:

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

II. TECHNOLOGY ABSORPTION:

Research & Development:

1. Specific areas in which R & D is carried out by the Company:

The Company has an R & D Centre approved by the Department of Science and Technology, Government of India. The R & D focus of the Company is as follows:

A. **Biotechnology:** The Company has developed capability to construct genes and various expression systems and complete technology of upstream and downstream processes. So far the Company has already introduced 3 biotechnology products in the market – Wosulin (Human Insulin), Biovac B (Hepatitis B Vaccine) and Wepox (Erythropoetin). The Company expects to launch Glargine in the coming year.

B. **New Drug Discovery:** A major milestone has been achieved in the Anti-Infective research programme. Phase II clinical trials for the New Chemical Entity, WCK 771 has been completed and Phase I clinical trials for New Chemical Entity, WCK 1152 are in progress.

C. **Novel Drug Delivery System:** Wockhardt has introduced a number of Novel Drug Delivery System and introduced several products in India. Some of these products have been developed for the US and European market and appropriate alliance has been completed.

D. **Patents:** The Company in various fields has filed a total of over 200 Patents, during the year 2007.

E. **Technology Improvement in Fermentation, Chemical and Pharmaceuticals:** Major technology improvement has been undertaken which has resulted in cost saving.

2. Benefits derived as a result of above R & D:

Manufacturing process developed in in-house R & D have commercialised at various manufacturing factories of the Company. R & D efforts have resulted in import substitution of various high value bulk drugs as well as formulations.

3. Future plan of action:

(a) Development of formulations on new molecules belonging to various categories.

(b) Research in the field of herbal medicines will enable the Company to introduce herbal Ayurvedic drugs in the treatment of diseases for which allopathic treatments are not available or side effects are too many.

4. **Expenditure on R & D:**

(Rs. in Million)

	Year ended 31.12.2007	Year ended 31.12.2006
a. Wockhardt Limited – Standalone:		
(a) Capital	**912.93**	766.54
(b) Revenue	**354.54**	512.09
(c) Total	**1,267.47**	1,278.63
(d) Total R & D expenditure as a percentage of total turnover	**10.25%**	11.27%
b. Wockhardt – Consolidated (including subsidiaries):		
(a) Capital	**1,011.09**	767.01
(b) Revenue	**504.59**	610.41
(c) Total	**1,515.68**	1,377.42
(d) Total R & D expenditure as a percentage of total turnover	**5.71%**	7.97%

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. **Efforts in brief, made towards technology absorption, adaptation and innovation:**

The Company sets target for technology improvement based on global competition criteria. Wockhardt scientists undertake specific time-bound programmes to improve technology, which has upscaled gradually until desired results are achieved at the manufacturing level. The Research Scientists work in close relation with the manufacturing team to ensure smooth transfer of technology. Appropriate documents are created for quality control and this is monitored both by Wockhardt Quality control department and the Corporate Quality Assurance team.

2. **Benefits derived as a result of above efforts:**

– Cost reduction in an inflationary environment.

– The development of several new products and line developments.

– Substitution of imported raw materials and finished products.

– Product quality improvement and better stability.

– Export of intermediates and finished products.

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

During the current year Wockhardt has not imported any technology.

4. **Foreign Exchange Earnings & Outgoing:**

The export income for the current year amounted to Rs. 3,631.97 million (previous year – Rs. 3,621.18 million). The major export markets in which the Company is represented is America and Western European countries.

Total Foreign Exchange Used and Earned:

(Rs. in Million)

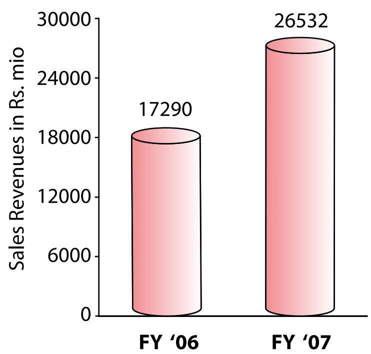
	Year ended 31.12.2007	Year ended 31.12.2006
(A) Total Foreign Exchange used		
(i) On input of raw materials, spare parts and capital goods	**1,894.66**	1,396.79
(ii) Expenditure in foreign currency for business travels, books and periodicals membership subscription, commission on sales and R & D expenses	**401.27**	539.70
(B) Total Foreign Exchange Earned	**3,985.60**	4,061.62

Management Discussion and Analysis Report

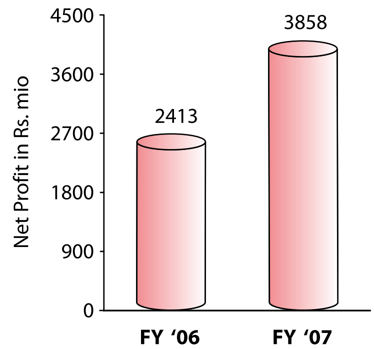
2007 was a very fast paced year for Wockhardt, which continued to power ahead by investing for the future. This was achieved by organic and inorganic growth, through investment in R & D, manufacturing, marketing and human resources.

The year under review saw Wockhardt acquiring a new growth momentum across all its businesses and markets. The predominant story has been a 53% topline growth to achieve consolidated revenues of Rs. 26,532 million (US$ 673 million). Profit after tax increased by 60% to Rs. 3,858 million (US$ 98 million) in 2007.

Sales Revenues



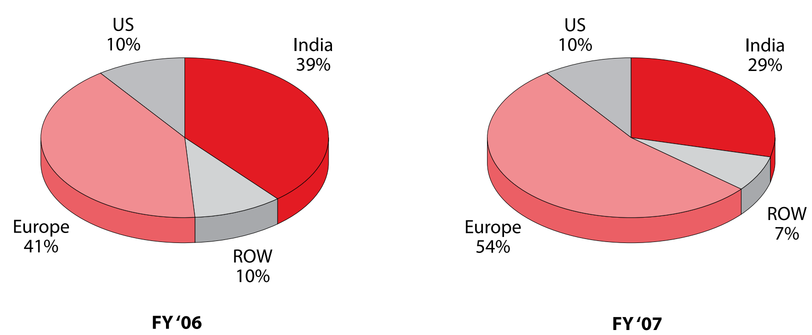
Net Profit



An interplay of various factors have contributed towards this performance – strengthening Wockhardt's business in existing markets and in developing new geographies, leveraging new acquisitions, creating wider technical capabilities, building infrastructure to drive greater production and optimizing efforts across the entire Company through proactive and seamless information technology networks.

Wockhardt's core businesses recorded consistent growth – and the acquisition and Negma Lerads in France and Morton Grove Pharmaceuticals in US widened the company's market presence and customer portfolio. Displaying innovative deal making capabilities, the company's strategic focus ensured that Europe business contributes 54% of the revenues in 2007 compared to 41% of revenues in 2006, growing by 97%.

Regional contribution of Revenues



Key business highlights:

- ❑ The European business was at Rs. 14,095 million growing at 97% and thus exceeded € 250 million. The year captured the effect of full annual consolidation of Pinewood, the Company's acquisition in Ireland and Negma Lerads, the Company's acquisition in France in May 2007.
- ❑ The Indian business was at Rs. 7,812 million growing at 15%. This was largely on account of new product launches and in-licensing arrangements in fast-growing areas of dermatology, nutraceuticals and osteoarthritis.
- ❑ The US business was at Rs. 2,718 million growing at 64%. This was backed by new product launches and the acquisition of Morton Grove Pharmaceuticals in October 2007.
- ❑ The ROW business was at Rs. 1,906 million growing at 11% on back of strong formulation sales and biotech registrations in South East Asian markets, Africa, GCC countries and Latin America.

Consolidation drive

The hectic pace of M&A activity witnessed over the last two years has clearly been the most significant trend shaping the pharmaceuticals industry, including generics. We have taken this opportunity to strategically drive our inorganic growth plans and strengthen all aspects of business. Our consistent endeavor across all our inorganic activities through financially viable and EPS accretive opportunities, are aimed at enhancing shareholder value. These acquisitions have significantly expanded our presence in US and European markets. We have supplemented our organic growth plans in upcoming markets, such as Brazil, Mexico and CIS countries to create an avenue in the high potential therapy segments of Anti-diabetic, Dermatology, Oncology and Bio-generics.

Trends in global markets

In a year of transition, the global pharmaceutical market grew by 6-7% to over US$ 680 billion. Declining costs of drug treatment in major therapy areas, increases uncertainty over safety, pricing and market access and intellectual property issues. There has been a visible shift in growth from mature to emerging markets, and from primary care classes to biotech and specialist-driven therapies. Generics represented more than half of the volume of pharmaceutical products sold in seven key world markets — the U.S., Canada, France, Germany, Italy, Spain, and the UK and is expected to witness a double-digit growth, well supported by pipeline of products going off-patent. This trend reflects the changing balance between new and old products, and the growing 'genericization' of many primary care categories.

Despite continued expansion of global pharmaceutical markets, underlying dynamics continue to alter the landscape. In 2007, products with sales in excess of US$ 18 billion lost their patent protection in seven key markets. With lower-cost therapies replacing branded products in classes such as lipid regulators, antidepressants, platelet aggregation inhibitors, anti-emetics and respiratory agents, generics will assume a more central role, as payers seek to restrict the growth of healthcare expenditures. Another factor influencing the market is the increasingly active role of patients and insurance funds, as they take charge of their health and demand greater access to therapies that will improve or prolong their lives.

With critical business size in the developed markets, our Company is well poised to harness the existing market potential.

Trends in India

India was one of the fastest growing markets in 2007, with pharmaceutical sales increasing 13% to over US$ 7 billion, which transformed it from a 'developing' market to an emerging one. Several factors, including the acceptance of intellectual property rights, a robust economy and the country's burgeoning healthcare needs have contributed to accelerated growth in India.

There are unprecedented opportunities to expand in a number of fields. The domestic industry's long established position as a world leader in the production of high quality generic medicines is set to reap significant new benefits as the patents on a number of blockbuster drugs are scheduled to expire over the next few years.

In addition, India's long established position as a preferred manufacturing location for multinational drug manufacturers is quickly spreading into other outsourcing activities. Souring costs of R & D and administration are persuading drug manufacturers to move more and more of their discovery research and clinical trials activities to the subcontinent or to establish administrative centers there, capitalizing on India's high levels of scientific expertise as well as low wages.

Outlook on Opportunities & Challenges

Global pharma companies are experiencing an ever shifting landscape, ripe with challenges and opportunities. In this challenging environment, Wockhardt is enhancing its reach and leveraging its competitive advantages to become a leading global player.

More and more governments worldwide are seeking to curb their soaring prescription drug costs through greater use of generics. These opportunities are presenting themselves not only India's traditional wealthy client markets such as the U.S. and European Union nations but also in emerging economies with vast populations such as Africa, South America, Asia and Eastern and Central Europe.

The global market for contract manufacturing was estimated to be US$ 19 billion and is likely to expand to US$ 31 billion by 2010. Asia – Pacific is expected to emerge as the fastest growing region. This region was estimated to be US$ 2 billion and projected to reach US$ 3 billion by 2010 (CAGR of 16%). Sterile injectables represent the fastest growing product segment of the pharmaceutical contract manufacturing industry. This segment was valued at US$ 3 billion. It is anticipated that there will be massive demand for manufacturing sterile syringes, cartridges and vials as biopharmaceutical companies continue to make R & D investments.

Wockhardt has substantial investment in manufacturing facilities and a very broad range of capabilities, with 9 plants in India, 4 in Europe and 1 in US. Most of these plants have got approval for either MHRA or US FDA or both as well as other national and international bodies. Given this and its experience in contract research and manufacturing services (CRAMS) via Wockhardt UK's contract with Amyln, the Company has taken a decision to develop and implement a plan to become a significant player in this large and growing market.

Both multinational and local drug manufacturers could eventually benefit from the market potential of India's population of over one billion. A large market will likely open up as the result of a projected boom in health insurance, an area in which the country is currently woefully underdeveloped. New government initiatives seek to enable the majority of the population to access the life saving drugs they need, while even greater opportunities may be presented by the rise of the new Indian consumer. This group-urban, middle class and wealthy-live fast-paced, Western-style lives and, as a result, they are beginning to suffer from Western, lifestyle-related illnesses, for which they want, and can afford, innovative drug treatments.

The domestic industry is still spending far too little on R & D, which must change quickly if it is to begin to address the new opportunities and challenges. On the international front, the industry still has some catching up to do in terms of quality assurance while, on the local market, pricing remains a problem.

Wockhardt invests heavily in R & D with a robust NCE (New Chemical Entity) program with 5 molecules in various stages of development. Our lead molecule, WCK 771, is currently undergoing phase IIb clinical trials.

Segment-wise Performance

The Company is exclusively into pharmaceutical business segment.

Internal Control Systems and Adequacy

The Company has set up internal control procedures commensurate with its size and nature of the business. These business procedures ensure optimuim use and protection of the resources and compliance with the policies, procedures and statutes. The internal control systems provide for well-defined policies guidelines, authorizations and approval procedures. the prime objective of such audits is to test the adequacy and effectiveness of the internal controls laid down by management and to suggest improvements.

Human Resources

At Wockhardt, change is the only constant in the process of constantly reinventing ourselves. The changing Indian pharmaceutical industry, the evolution of biotechnology and global competition, call for new strategy and organizational responses. At Wockhardt, our global acquisitions, expansion into overseas markets and increasing efforts in biotechnology research and marketing, have market the beginning of a revolution in the organization.

The context in which Wockhardt operates today thus demands new and dynamic leadership and management responses. Leadership development is therefore a strategic priority for Wockhardt. Alongside our other initiatives to build a learning organization and leverage people potential, we have embarked on a systematic process of developing global leadership capabilities. There is no greater joy for us at Wockhardt than to nurture our more than 6000 people at the threshold of the opportunities that lie ahead.

At Wockhardt, employee initiatives are constantly updated and modified to mark newer beginnings. Our professional development programs are designed to cover every spectrum of individual development. A competency-based model has been adopted which defines the required competencies and employee development initiatives at various levels and functions.

Report on Corporate Governance

Wockhardt is committed to uphold the core values of transparency, integrity, honesty and accountability. This commitment lays the foundation for further development of superior governance practices, which are vital for growing a successful business, creating sustainable long term shareholder value and balancing it with the interests of other stakeholders in the Company. It is not a discipline imposed by a Regulator, rather a culture that guides the Board, management and employees to function towards best interest of stakeholders.

Your Company's disclosures always seek to emulate the best practices in Corporate Governance. The Company strongly believes in maintaining highest business ethics and complies with all the statutory and regulatory requirements and hence it has fine-tuned its corporate practice so as to bring them in line with the revised clause 49 of the Listing agreement.

1. BOARD OF DIRECTORS

The Board of Directors of the Company consists of a majority of non-executive/independent directors, many of whom are acknowledged as leading professionals in their respective field. The Board comprises of two Wholetime directors and six Independent directors. The constitution of the Board is given below:

Director	Wholetime/ Independent	Number of outside directorship held*	Number of membership on Board committees**	Number of Chairmanship on Board committees**
Mr. H. F. Khorakiwala	Executive	2	None	None
Dr. Abid Hussain	Independent non-executive	7	2	None
Mr. R. A. Shah	Independent non-executive	14	10	5
Dr. B. L. Maheshwari	Independent non-executive	None	2	2
Mr. Shekhar Datta	Independent non-executive	3	4	1
Mr. Aman Mehta	Independent non-executive	5	8	3
Mr. Bharat Patel	Independent non-executive	4	6	2
Mr. Rajiv Gandhi	Executive	6	None	None

* *Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956 and Alternate directorship are excluded for the above purpose.*

** *This includes the Chairmanship/ Membership only in the Audit Committee and Shareholders' Grievance Committee.*

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 inter alia includes 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 year, four meetings were held one of which was before finalisation of accounts. The said meetings were held on February 22, 2007, April 26, 2007, July 25, 2007 and October 23, 2007. The Secretary of the Company acts as a Secretary to the Committee.

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. B. L. Maheshwari	Chairman	Independent Director	Management Consultant	4
Mr. Shekhar Datta	Member	Independent Director	Business Professional	3
Mr. R. A. Shah	Member	Independent Director	Solicitor	3
Dr. Abid Hussain	Member	Independent Director	Consultant	2
Mr. Aman Mehta	Member	Independent Director	Business Professional	3
Mr. Bharat Patel	Member	Independent Director	Business Professional	2

3. INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance Committee 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 year ended December 31, 2007, four meetings of the Committee were held.

The Committee is headed by Dr. B. L. Maheshwari and the constitution of the Committee and the attendance of each member of the Committee is given below:

Name	Committee Meetings Attended	Name	Committee Meetings Attended
Dr. B. L. Maheshwari	4	Dr. Abid Hussain	2
Mr. Shekhar Datta	3	Mr. Aman Mehta	3
Mr. R. A. Shah	3	Mr. Bharat Patel	2

During the year the Company has received 69 communications from the shareholders and the same have been attended within 10 days from the date of receipt.

Name & Designation of compliance officer

Mr. R. B. Gandhi — Company Secretary

4. REMUNERATION OF DIRECTORS

The remuneration of the executive and non-executive directors is approved by the Board of Directors within the limits fixed and approved by the shareholders in the general meeting. In addition to the annual remuneration, the Non-executive Directors are paid sitting fees of Rs. 20,000/- for each meeting of the Board attended by them.

The table below gives details of the remuneration paid to each director. During the year ended December 31, 2007, the Company did not advance any loans to the Directors:

Director	Relationship with other directors	Business relationship with Wockhardt if any	No. of equity shares held by non-executive director	Remuneration for the year 2007 (Rs. in Millions)			
				Sitting fees	Salary	Comm.	Total
Mr. H. F. Khorakiwala	–	Promoter	N.A.	–	9.860	70.960	80.820
Dr. Abid Hussain	–	None	–	0.010	–	1.000	1.010
Mr. R. A. Shah	–	None	–	0.035	–	1.000	1.035
Dr. B. L. Maheshwari	–	None	4,500	0.035	–	1.000	1.035
Mr. Shekhar Datta	–	None	–	0.035	–	1.000	1.035
Mr. Aman Mehta	–	None	–	0.030	–	1.000	1.030
Mr. Bharat Patel	–	None	–	0.015	–	1.000	1.015
Mr. Rajiv Gandhi	–	Executive	N.A.	–	9.110	–	9.110

No Stock Options have been granted during the year to any of the above directors.

5. BOARD MEETINGS & ATTENDANCE AT BOARD MEETINGS & ANNUAL GENERAL MEETING

The Board of the Company met five times during the last year, i.e. on February 22, 2007, March 8, 2007, April 26, 2007, July 25, 2007 and October 23, 2007. The Company placed before the Board the quarterly results of the Company, 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 minutes of the meetings of the Audit Committee, Investors Grievance Committee and other committees are placed before the Board at regular intervals.

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

Director	Attendance	
	Board meeting	AGM
Mr. H. F. Khorakiwala	5	√
Dr. Abid Hussain	2	√
Mr. R. A. Shah	4	√
Dr. B. L. Maheshwari	5	√
Mr. Shekhar Datta	4	√
Mr. Aman Mehta	4	√
Mr. Bharat Patel	3	√
Mr. Rajiv Gandhi	5	√

Details of previous AGMs, Postal Ballot & special resolutions passed at such AGM:

For the financial year 2004 AGM was held on April 20, 2005 at 3.30 p.m at Y. B. Chavan Auditorium, Mumbai and special resolutions pertaining to following business were passed:

- Approval of payment of commission to non-executive directors.
- Re-appointment of the managing director of the Company for a further period of five years.

For the financial year 2005 AGM was held on June 30, 2006 at 3.00 p.m. at Rama Watumull Auditorium, Churchgate, Mumbai 400 020. No special resolutions were passed at this AGM.

For the financial year 2006 AGM was held on May 18, 2007 at 3.00 p.m at Y. B. Chavan Auditorium, Mumbai and special resolutions pertaining to following business were passed:

- Approval of payment of remuneration to Mr. Rajiv Gandhi, a Whole-time director of the Company.

During the last year no resolution were 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

The Management discussion and Analysis Report for the year ended 31st December, 2007 is published separately in this Annual Report.

7. DISCLOSURES

a. The independent Directors on the Company's Board, apart from receiving Directors' remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board affect the independence of judgement of the Directors. The register of contracts containing the transactions in which the Directors are interested is placed before the Board regularly for its approval. Transactions with related party are disclosed in the schedules to the Annual Accounts in the annual report.

b. The Company has established procedures to enable its Board to periodically review compliance of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances.

c. The Company has laid down a "Code of Business Conduct and Ethics" for the members of the Board of Directors and the senior management. The Code has been posted on the website of the Company. All Board members and senior management personnel have affirmed compliance with the Code for the year 2007. A declaration to this effect signed by the CEO is given in this report.

d. The CEO and CFO have certified to the Board with regards to the Financial Statements and other matters as required in Clause 49 of the Listing agreement.

e. The Company has defined and adopted a Risk Management Policy, and has also set up a core group, which assesses the risks and lays down the procedure for minimization of the risks. The above will facilitate not only in risk assessment and timely rectification but also help in minimization of risk associated with any strategic, operational, financial and compliance risk across all business operations. These control procedures and systems ensure that the Board is periodically informed on the material risks faced by the Company and the steps taken by the Company to alleviate those risks.

f. The Company has continued to comply with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years; no penalties or strictures have been imposed on the Company by the stock exchanges or SEBI or any other statutory authorities relating to the above.

g. The non-mandatory requirements of the revised clause 49 of the listing agreement are neither necessary nor desirable and hence the Company does not consider the need to adopt them.

8. NOTES ON DIRECTORS APPOINTMENT/RE-APPOINTMENT

Relevant details forms part of the Directors' Report.

9. COMMUNICATION TO SHAREHOLDERS

The quarterly and annual results of the Company are generally published in The Free Press Journal and Navshakti. In addition to this the quarterly and annual results are sent to all the shareholders by way of Chairman's Letter to the shareholders. The quarterly as well as annual results and the presentations, if any, made to institutional investors or to the analysts are also posted on Company's website, www.wockhardt.com As per the requirement of the listing agreement the Company is also been filing all the data relating to quarterly financial results, shareholding pattern and annual report, electronically on the EDIFAR website.

10. AUDITORS CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

Certificate from the Auditors is enclosed alongwith this report.

Auditors' Certificate on Corporate Governance

To
The Members of Wockhardt Limited

We have examined the compliance of conditions of corporate governance by Wockhardt Limited, for the year ended on December 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

For S. R. Batliboi & Co.
Chartered Accountants

per Vijay Bhatt
Partner
Membership No.: 36647

Place :Mumbai
Date : March 17, 2008

Shareholder Information

1. ANNUAL GENERAL MEETING

— Date and time : Monday, April 28, 2008 at 3.15 p.m.

— Venue : Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021.

2. FINANCIAL CALENDAR

Financial reporting for

Quarter ending March 31, 2008	End of April 2008
Quarter & half year ending June 30, 2008	End of July 2008
Quarter ending September 30, 2008	End of October 2008
Year ending December 31, 2008	End of February 2009
Annual General Meeting for the year Ended December 31, 2008	End of April 2009

3. DATES OF BOOK CLOSURE FOR ANNUAL GENERAL MEETING : April 22, 2008 to April 28, 2008 (both days inclusive)

4. PAYMENT OF INTERIM DIVIDEND : 8 November, 2007
PAYMENT OF FINAL DIVIDEND : End of May, 2008

5. REGISTERED OFFICE : Wockhardt Towers, Bandra Kurla Complex, Bandra (East) Mumbai 400 051.

6. LISTING ON STOCK EXCHANGES AT :

(A) Equity Share The Bombay Stock Exchange Limited
The National Stock Exchange

(B) GDRs Luxembourg Stock Exchange

(C) FCCBs The Stock Exchange of Hong Kong Ltd.

7. LISTING FEES:

Paid for all the above stock exchanges for 2007-2008.

8. STOCK MARKET DATA:

(a) Stock code

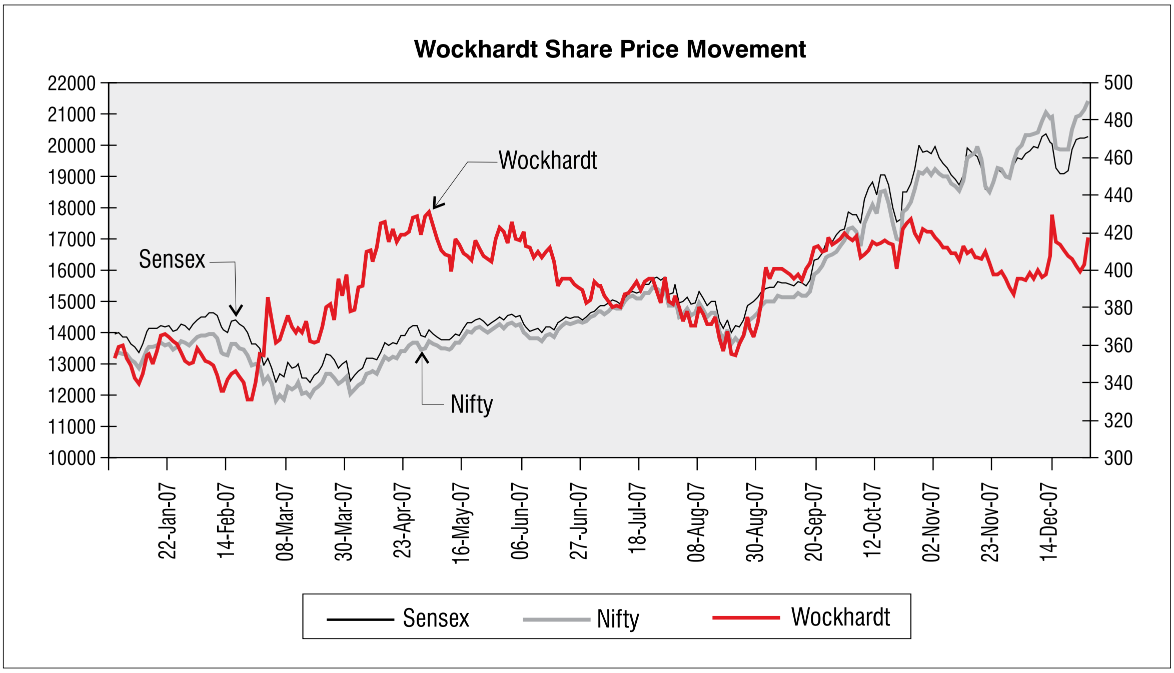
— Bombay Stock Exchange Limited : 532300

— National Stock Exchange : WOCKPHARMA

(b) Stock price data - 2007

Month	N S E			B S E		
	High	Low	Monthly Volume	High	Low	Monthly Volume
January 2007	375.90	337.00	1,574,693	372.00	323.50	733,932
February 2007	364.00	325.10	1,594,719	362.00	326.25	758,671
March 2007	411.00	343.05	2,417,815	450.05	350.00	963,029
April 2007	444.10	373.50	1,827,458	442.95	373.00	853,436
May 2007	447.00	381.20	1,665,949	446.50	397.10	539,301
June 2007	433.90	380.00	1,175,142	433.00	380.00	716,542
July 2007	409.00	355.20	1,663,807	409.00	374.95	672,475
August 2007	388.10	348.35	1,725,612	389.70	348.60	908,602
September 2007	429.00	380.20	1,394,495	429.50	385.00	753,631
October 2007	440.00	381.10	2,156,945	444.00	394.95	1,004,458
November 2007	424.50	375.25	1,036,696	427.00	386.00	487,787
December 2007	448.00	383.20	2,651,337	448.00	382.00	1,196,663

9. STOCK PERFORMANCE INDEX



10. REGISTRARS & TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (West), Mumbai 400 078.
Tel : 022 2596 3838/2594 6970-78
Fax : 022 2594 6969

11. SHARE TRANSFER SYSTEM

The trading of equity shares of the Company is mandatory in the dematerialised form. All the powers concerning Share Transfer is delegated severally to Mr. H. F. Khorakiwala, Chairman & Managing Director and Mr. R. B. Gandhi, Company Secretary to expedite the process of share transfer. 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, accordingly no shares are pending transfer for more than 21 days as at the end of the year.

12. DISTRIBUTION OF SHAREHOLDING AS AT DECEMBER 31, 2007

Slab of shareholdings No. of shares	No. of shareholders	%	Amount in Rs.	%
1 – 500	37,127	84.47	20,741,735	3.79
501 – 1000	5,480	12.47	17,519,710	3.20
1001 – 2000	790	1.80	5,631,785	1.03
2001 – 3000	185	0.42	2,387,285	0.44
3001 – 4000	85	0.19	1,521,135	0.28
4001 – 5000	48	0.11	1,106,865	0.20
5001 – 10000	75	0.17	2,726,360	0.50
Above 10000	161	0.37	495,544,640	90.56
Total	**43,951**	**100.00**	**547,179,515**	**100.00**

According to categories of shareholders as at December 31, 2007

Categories	Number of shares	Amount in Rs.	% to total Paid up Capital
Promoters	80,585,382	402,926,910	73.64
Financial Institutions	85,000	425,000	0.08
Banks	262,733	1,313,665	0.24
Mutual Funds	2,428,493	12,142,465	2.22
Insurance Companies	8,625,555	43,127,775	7.88
Foreign Institutional Investors/Foreign Banks/OCBs	3,851,983	19,259,915	3.52
Bodies Corporate	1,674,757	8,373,785	1.53
Non Resident Indians	215,858	1,079,290	0.19
Shares Representing GDRs	774,718	3,873,590	0.71
Public	10,931,424	54,657,120	9.99
TOTAL	**109,435,903**	**547,179,515**	**100.00**

13. DEMATERIALISATION OF SHARES

As on 31st December, 2007, out of the public holding of 28,850,521 equity shares, 27,156,018 equity shares representing 94.13% of public holding, is in dematerialised form. The Company's shares are compulsorily tradable in dematerialised form since listing. Number of outstanding GDRs as on December 31, 2007 are 774,718.

14. INVESTORS CORRESPONDENCE

Rajiv B. Gandhi
Wockhardt Limited
Wockhardt Towers, Bandra Kurla Complex, Bandra (East), Mumbai 400 051

E-MAIL FOR INVESTORS CORRESPONDENCE

investorrelations@wockhardt.com

15. ADDRESS OF FACTORIES

Formulation Plants

- L-1, MIDC Area Chikalthana, Aurangabad 431 210 Maharashtra
- B-15/2, MIDC Area, Waluj, Aurangabad Maharashtra
- Plot No. 87-A, Silver Industrial Estate Patiala Road, Bhimpore Nani Daman 396 210.
- Survey No. 106/4, 5, 7 Daman Industrial Estate Kadaiya, Nani Daman 396 210
- Plot No. H-14/2 Waluj Industrial Area MIDC, Waluj, Aurangabad Maharashtra
- 57, Kunjhal, Barotiwala, Nalagarh, District Solan, Himachal Pradesh-174 103

Bulk Drugs

- Plot No. 138, GIDC Industrial Estate, Ankleshwar 393 002 Dist. Bharuch, Gujarat, India (including Chepalosporin Bulk)

16. Declaration under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct by Chairman & Managing Director:

The Board of Directors of the Company has adopted the Code of Conduct for Directors and Senior Management of the Company and the same has been posted on the Company's website.

All the Board Members and the Senior Management Personnel have affirmed their Compliance with the respective Code.

HABIL KHORAKIWALA WITH...

Nicolas Sarkozy,
President of France

Angela Merkel,
German Chancellor

Vladimir Putin,
President of the Russian Federation

His Royal Highness
The Duke of York, Prince Andrew of UK

The World of Wockhardt

RESEARCH CENTRES

Wockhardt Limited
D-4, M.I.D.C., Chikalthana,
Aurangabad - 431 210,
Maharashtra, India.
Tel: +91 240 663222, 2482590,
2483854, 2485498
Fax: +91 240 2485242

Wockhardt UK Limited
Ash Road North
Wrexham Industrial Estate
Wrexham, LL13 9UF, Wales, UK
Tel: +44 1978 661261
Fax: +44 1978 660130

Pinewood Laboratories Limited
Ballymacarbry, Clonmel
Co. Tipperary, Ireland
Tel. +353 52 86000
Fax: +353 52 36311

Negma Laboratories
10 Rue Paul Dautier
CS 10520
78141 Velizy Villacoublay
Cedex, France
Tel: +33 1 39258080
Fax: +33 1 39258070

Morton Grove Pharmaceuticals Inc.
6451 West Main Street
Morton Grove, Illinois 60053, USA
Tel: +1 800 346 6854
Fax: +1 847 967 5607

INTERNATIONAL OFFICES

Wockhardt USA Inc.
135 US Route 202-206
Bedminster, NJ - 07921, USA
Tel: +1 908 7194350
Fax: +1 908 7194351

Wockhardt UK Limited
Ash Road North
Wrexham Industrial Estate
Wrexham, LL13 9UF Wales, UK
Tel: +44 1978 661261
Fax: +44 1978 660130

Esparma GmbH
Lange Goehren 3, D- 39171
Osterweddingen Germany
Tel: +49 39205 422110, 422000
Fax: +49 39205 422115

Pinewood Laboratories Limited
Ballymacarbry, Clonmel
Co. Tipperary, Ireland
Tel. +353 52 86000
Fax: +353 52 36311

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10 Rue Paul Dautier
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Cedex, France
Tel: +33 1 39258080
Fax: +33 1 39258070

MANUFACTURING PLANTS

Wockhardt Limited
Wockhardt Biotech Park
H-14/2, M.I.D.C., Area Waluj,
Aurangabad - 431 136,
Maharashtra, India
Tel: +91 240 6626444,
2563361/65
Fax: +91 240 6626333

Wockhardt Limited
L-1, M.I.D.C., Chikalthana
Aurangabad - 431 210,
Maharashtra, India
Tel: +91 240 6637444
Fax: +91 240 6637333

Wockhardt Limited
87-A, Bhimpore,
Nani Daman - 396 210, India
Tel: +91 260 2220941,
2220842
Fax: +91 260 2220940

Wockhardt Limited
106/4,5,7, Kadaiya,
Nani Daman - 396 210, India
Telefax: +91 260 2220695,
2220111

Wockhardt Limited
138, G.I.D.C. Estate,
Ankleshwar - 393 002,
District Bharuch, Gujarat, India
Tel: +91 2646 661444
Fax: +91 2646 661555

Wockhardt Limited
57, Kunjhal, Barotiwala
Nalagarh, District Solan,
Himachal Pradesh - 174 103, India
Tel: +91 92 18543244, 18643244
Fax: +91 1795 271252

Wockhardt UK Ltd.
Ash Road North
Wrexham Industrial Estate
Wrexham, LL13 9UF Wales, UK
Tel: +44 1978 661261
Fax: +44 1978 660130

Pinewood Laboratories Limited
Ballymacarbry, Clonmel
Co. Tipperary, Ireland
Tel. +353 52 86000
Fax: +353 52 36311

Negma Laboratories
2, I De Kernevez
11 Rue Rontgen
29337 Quimper Cedex, France
Tel: +33 2 98555455
Fax: +33 2 98539272

Morton Grove Pharmaceuticals
6451 West Main Street
Morton Grove, Illinois 60053, USA
Tel: +1 800 346 6854
Fax: +1 847 967 5607

CORPORATE OFFICE

Wockhardt Limited
Wockhardt Towers, Bandra Kurla Complex,
Bandra (East) Mumbai - 400 051, Maharashtra, India
Tel: +91 22 2653 4444 Fax: +91 22 2653 4242
www.wockhardt.com

WOCKHARDT
A Picture of Health