

# **ANNUAL REPORT**

## **2006-07**



**Carol Info Services Limited**

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# Carol Info Services Limited

## BOARD OF DIRECTORS

**DR. G. B. PARULKAR**

*Chairman & Managing Director*

**D. G. MODI**

*Director*

**R. B. GANDHI**

*Director*

**ANIL KAMATH**

*Director*

**V. R. KHETAN**

*Company Secretary*

**BANKERS**

State Bank of India (CAG Branch)

Citibank, N.A.

ICICI Bank Ltd.

HDFC Bank Ltd.

**AUDITORS**

Haribhakti & Co.

**REGISTERED OFFICE**

City Survey No. 681,

Village Nahur,

Mulund-Goregaon Link Road,

Bhandup (West),

Mumbai-400 078.

## CONTENTS

Directors' Report.....	1
Annexure to Directors' Report .....	3
Report on Corporate Governance .....	4
Auditors' Report.....	10
Balance Sheet as at March 31, 2007 .....	12
Profit & Loss Account for the year ended March 31, 2007 .....	13
Notes to Financial Statements.....	15

## DIRECTORS' REPORT

The Directors take pleasure in presenting the 27th Annual Report of the Company and audited accounts for the year ended March 31, 2007.

### FINANCIAL PERFORMANCE

(Rs. in thousands)

	<b>Year ended 31.03.2007</b>	Year ended 31.03.2006
Operating Income	<b>202,835</b>	184,389
Operating Profit	<b>97,289</b>	91,468
Other Income	<b>17,574</b>	4,594
Interest Income	<b>182,728</b>	107,235
Depreciation	<b>55,548</b>	57,773
Profit Before Tax	<b>242,043</b>	145,524
Provision for Tax	<b>(27,157)</b>	(5,260)
Deferred Tax (Liability)/Asset	<b>80,373</b>	(11,911)
Fringe Benefit Tax	<b>(294)</b>	(569)
Net Profit for the Year/Period	<b>294,965</b>	127,784

### SUBSIDIARIES AND OPERATIONS

Wockhardt International Limited, a wholly owned subsidiary of the Company, having no business since last few years, has been disposed off at book value, during the year.

Presently, there are no subsidiaries of the Company.

### DIVIDEND AND RESERVES

Your board has recommended a dividend of 20% on equity shares for the year ended March 31, 2007. It is recommended that an amount of Rs. 200,000 thousand be transferred to General Reserve and the Balance of Rs 36,448 thousand be retained in Profit and Loss Account.

### BOARD OF DIRECTORS

Mr. Anil Kamath, retires by rotation as director at the upcoming Annual General Meeting and being eligible, offers himself for reappointment. Mr. Kamath is Chartered Accountant by profession and has been associated with the Company as director since the year 2002.

During the year, the Board has in its meeting dated January 8, 2007, subject to the approval of the shareholders in the ensuing Annual General Meeting, appointed Dr. G. B. Parulkar as Managing Director of the Company, effective January 1, 2007. His terms of appointment and remuneration details are mentioned in the notice of the ensuing Annual General Meeting attached alongwith this Report.

The Board recommends their appointment.

### APPOINTMENT OF AUDITORS AND LEGAL COMPLIANCE

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

# Carol Info Services Limited

- In order to provide a true and fair view of the state of affairs of the Company as on March 31, 2007 and the profits for the period ended on that date reasonable and prudent judgements and estimates have been made and generally accepted accounting policies have been selected and consistently applied.
- For safeguarding the assets of the Company and for preventing and detecting any material fraud and irregularities, proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956.

## LEGAL COMPLIANCES

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

Information pursuant to section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, relating to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are annexed herewith.

## SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI) secretarial audit is being carried out at the specified periodicity by a practising Company Secretary. The findings of the secretarial audit were entirely satisfactory.

## CORPORATE GOVERNANCE

The report on Corporate Governance and the Certificate on compliance with the conditions of corporate governance under Clause 49 of the Listing agreement is 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 all others for their continued support to the Company.

For and on behalf of the  
Board of Directors

**G. B. PARULKAR**  
*Chairman*

Place : Mumbai  
Date : June 29, 2007

## 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 March 31, 2007.

### I. CONSERVATION OF ENERGY

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

Variable Frequency drives incorporated in Boiler Supply Air Fan and Homogeniser of Dryer.

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

NOT APPLICABLE

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

Saving of Rs. 82,950/- due to power saving of 16479 kWh

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

	Year Ended 31.03.2007	Year Ended 31.03.2006
<b>(A) Power &amp; Fuel Consumption:</b>		
1. Electricity		
a. Purchased		
Units (in million)	1.314	1.174
Total Amount (in millions)	5.303	4.784
Rate/Unit (Rs.)	4.036	4.070
b. Own Generation Through Diesel Generator		
Units (in million)	0.355	0.245
Units per litre of Diesel oil	3.34	3.34
Cost/Unit (Rs.)	8.70	7.68
2. Coal		
Quantity	—	—
Total Cost	—	—
Average Rate	—	—
3. Furnace Oil & LSHS		
Quantity (Kilo-litres)	690.10	542.10
Total Amount (in million)	13.983	10.097
Average Rate	20.26	18.63
4. Natural Gas		
Quantity (unit NM <sup>3</sup> )	—	—
Total Amount (in million)	—	—
Average Rate (Rs./100 NM <sup>3</sup> )	—	—

**(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, ADAPTATION AND INNOVATION

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

N.A.

2. **Foreign Exchange Earnings & Outgoing**

N.A.

**Total Foreign Exchange Used and Earned**

	Year Ended 31.03.2007	Year Ended 31.03.2006
(Rs. in millions)		
<b>(A) Total Foreign Exchange used</b>		
(i) On input of raw materials, spare parts & capital goods	NIL	NIL
(ii) Expenditure in foreign currency for business travels, books & periodicals membership subscription, commission on sales and R & D expenses	NIL	NIL
(iii) Others	1.13	NIL
<b>(B) Total Foreign Exchange Earned</b>		
	NIL	NIL

# Carol Info Services Limited

## REPORT ON CORPORATE GOVERNANCE

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

### 1. Board of Directors

The Board of Directors of the Company consists of a majority of non-executive/independent directors. The constitution of the Board is given below:

Director	Designation	Executive/ Independent	Number of outside directorship held <sup>1</sup>	Number of membership on Board committees <sup>2</sup>	Number of Chairmanship on Board committees <sup>2</sup>
Dr. G. B. Parulkar	Chairman & Managing Director	Executive	2	2	2
Mr. R. B. Gandhi	Director	Independent Non-Executive	6	3	1
Mr. Anil Kamath	Director	Independent Non-Executive	7	3	0
Mr. D. G. Modi	Director	Independent Non-Executive	0	2	0

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

2. This includes the Chairmanship/Membership only in the Audit Committee and Shareholders' Grievance Committee and includes Carol's Committees also.

### 2. Audit Committee

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

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

During the year, four meetings were held, one of which was before finalisation of accounts. The three meetings were held on June 26, 2006, July 31, 2006 and October 27, 2006.

The constitution of the Committee for the above three meetings and the attendance of each member of the Committee is given below:

Name	Designation	Executive/Independent	Committee Meetings Attended
Dr. G. B. Parulkar	Chairman	Independent*	3
Mr. R. B. Gandhi	Director	Independent Non-Executive	3
Mr. D. G. Modi	Director	Independent Non-Executive	3

\* Dr. Parulkar acted as Chairman of the committee till January 8, 2007, i.e. up till he was appointed as Managing Director.

The Board of Directors in its meeting dated January 8, 2007, re-constituted the Audit Committee with the following three members:

1. Mr. Anil Kamath (Chairman), 2. Mr. D. G. Modi; and 3. Mr. R. B. Gandhi.

Mr. Anil Kamath, an independent director, was appointed as Chairman of the Audit Committee. The Fourth meeting held on January 31, 2007, after the re-constitution of the committee, was attended by all the members.

The Secretary of the Company acts as a Secretary to the Committee.

### 3. Investors Grievance Committee

The Investors Grievance Committee which 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 March 31, 2007, four meetings of the Committee were held.

The three meetings were held on June 26, 2006, July 31, 2006 and October 27, 2006.

The constitution of the Committee for these three meetings and the attendance of each member of the Committee members is given below:

Name	Committee Meetings Attended
Dr. G. B. Parulkar*	3
Mr. R. B. Gandhi	3
Mr. Anil Kamath	3
Mr. D. G. Modi	3

\* Dr. Parulkar acted as a Chairman of the committee till January 8, 2007.

The Board of Directors in its meeting dated January 8, 2007, re-constituted the Investors Grievance Committee with the following three members:

1. Mr. Anil Kamath (Chairman),
2. Mr. D. G. Modi; and
3. Mr. R. B. Gandhi.

Mr. Anil Kamath, an independent director, was appointed as Chairman of the Audit Committee. The Fourth meeting held on January 31, 2007, after the re-constitution of the committee, was attended by all the members.

**Name & Designation of compliance officer**

Mr. V. R. Khetan – Company Secretary

During the year the Company received 49 communications pertaining to non-receipt of shares sent for transfer, non-receipt of dividend warrants and non-receipt of credit or documents sent for demat. All the communications were satisfactorily replied. There are no shares pending for transfer for a period of more than 21 days from the day of receipt, so long as the documents are clear in all respects.

**4. Remuneration of Directors**

During the year, the directors were neither paid any remuneration nor granted any loans or advances.

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

The Board of the company met six times during the current financial year, i.e. April 25, 2006, June 26, 2006, July 31, 2006, October 27, 2006, January 8, 2007 and January 31, 2007. The Company places before the Board the annual operating plans, budgets, 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.

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

Director	Attendance	
	Board meeting	AGM
Dr. G. B. Parulkar	6	✓
Mr. R. B. Gandhi	6	✓
Mr. Anil Kamath	6	—
Mr. D. G. Modi	3	✓

**Details of previous AGMs & Postal Ballot**

For the financial year 2005-06 AGM was held on September 29, 2006 at 3.00 pm at Merind Limited, Mulund-Goregaon Link Road, Bhandup (W), Mumbai 400 078.

For the financial year 2004-05 AGM was held on September 12, 2005 at 3.00 pm at Merind Limited, Mulund-Goregaon Link Road, Bhandup (W), Mumbai 400 078.

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

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

**6. Management Discussion & Analysis Report**

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

**7. Disclosures**

- a. The Independent directors on the Company’s Board, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, their relatives or the company’s subsidiaries, which in the judgement of the Board affect the independence of judgement of the Directors or which may have a potential conflict with interests of the Company. The register of contracts containing the transactions in which the Directors are interested, if any, is placed before the Board regularly. Transactions with related parties 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 are 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 ended March 31, 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, which not only assesses the risks but also helps in timely rectification and minimization of these risks associated with strategic, operational, financial and compliance operations 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 matter relating to capital markets during the last three years; no penalties, strictures have been imposed on the Company either by SEBI or stock exchanges or other statutory authorities relating to the above.
- g. The non-mandatory requirements of the 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. Means of Communication

The quarterly and annual results of the Company are generally published in The Free Press Journal and Navshakti. 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 on the Compliance of Conditions of Corporate Governance is enclosed alongwith this report.

### SHAREHOLDER INFORMATION

#### 1. Annual General Meeting

- Date and time : Friday, September 28, 2007
- Venue : Merind Limited, Goregaon-Mulund Link Road, Bhandup (West), Mumbai 400 078.

#### 2. Financial Calendar

Financial reporting for

Quarter ending June 30, 2007	End of July 2007
Quarter ending September 30, 2007	End of October 2007
Quarter ending December 31, 2007	End of January 2008
Year ending March 31, 2008	End of June 2008
Annual General Meeting for the year ending March 31, 2008	End of September 2008

3. **Dates of book closure for Annual General Meeting and Final Dividend for the year Ended March 2007** : September 21, 2007 to September 28, 2007  
(both days inclusive)

4. **Dividend payment date** : Mid of October '2007

5. **Registered Office** : City Survey No. 681, Village Nahur, Mulund-Goregaon Link Road, Bhandup (W), Mumbai 400 078

#### 6. Listing on stock exchanges at

<b>(A) Equity Share</b>	Bombay Stock Exchange Limited National Stock Exchange of India Limited
<b>(B) GDRS</b>	Luxembourg Stock Exchange

#### 7. Listing fees

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

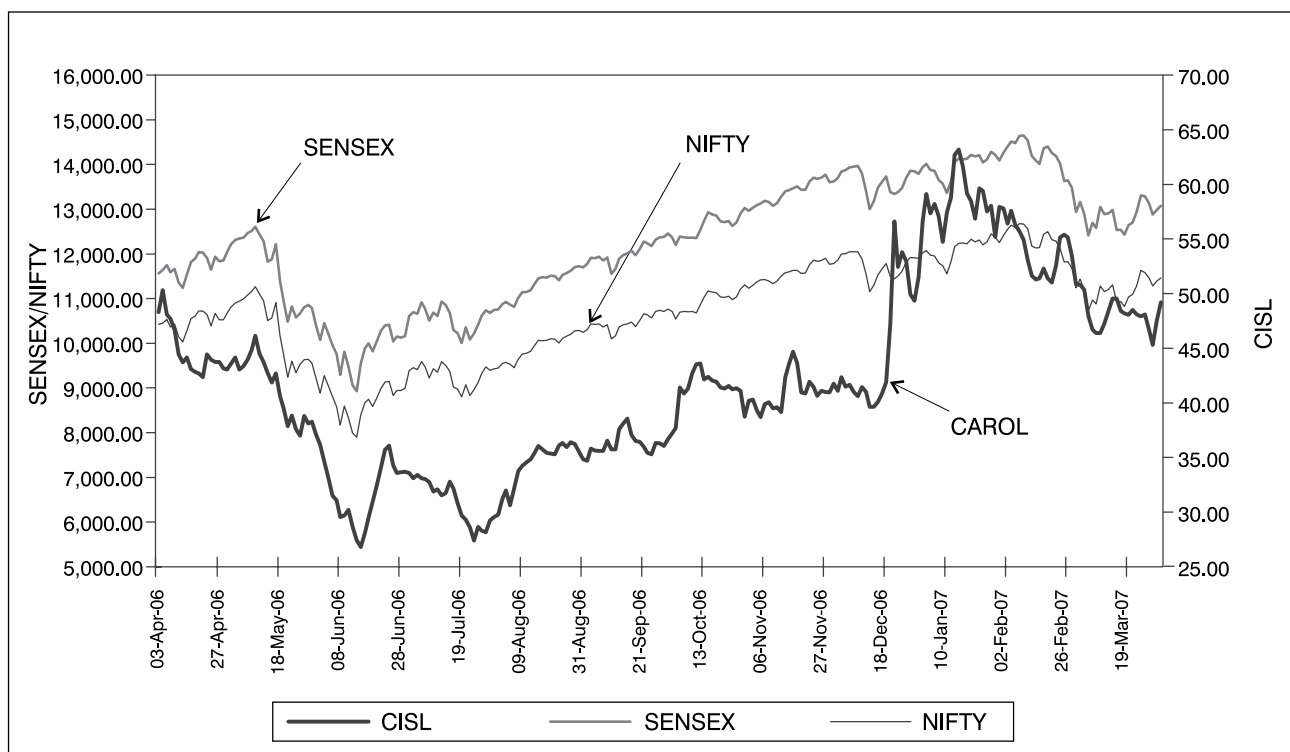
#### 8. Stock Market Data

- (a) Stock code — Bombay Stock Exchange Limited : 500446  
— National Stock Exchange : CAROLINFO

(b) Stock price data

Month	BSE			NSE		
	High	Low	Monthly Volume	High	Low	Monthly Volume
April 2006	51.00	41.00	960,583	50.20	41.70	493,868
May 2006	46.50	36.00	709,541	46.65	36.00	491,924
June 2006	38.15	26.10	470,337	38.00	26.15	417,798
July 2006	34.00	27.35	194,307	34.45	27.05	140,542
August 2006	37.90	29.25	715,316	38.50	29.40	585,639
September 2006	39.00	34.20	683,408	39.25	34.30	532,033
October 2006	44.95	36.25	1,123,742	45.20	36.60	839,509
November 2006	46.95	38.55	1,126,656	47.00	38.50	705,733
December 2006	60.40	39.05	4,128,519	66.00	39.30	3,300,155
January 2007	66.20	52.00	3,819,051	66.50	51.55	2,710,243
February 2007	60.00	49.05	956,010	60.70	48.60	413,546
March 2007	51.95	44.40	496,538	52.40	44.10	241,201

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 25963838 / 25946970-78 Fax: 022 25946969

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 to Mr. Vijay Khetan, the 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.

12. Investor Relations

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

**13. Distribution of shareholding as at March 31, 2007**

Slab of Shareholdings No of Shares	No. of Shareholders	%	Amount in Rs.	%
1 – 500	25,895	91.44	37,810,960	10.67
501 – 1000	1,316	4.65	11,042,010	3.12
1001 – 2000	533	1.88	8,465,710	2.39
2001 – 3000	177	0.63	4,571,560	1.29
3001 – 4000	82	0.29	3,006,220	0.85
4001 – 5000	73	0.26	3,518,960	0.99
5001 – 10000	128	0.45	9,876,170	2.79
Above 10000	114	0.40	276,073,130	77.90
<b>Total</b>	<b>28,318</b>	<b>100.00</b>	<b>354,364,720</b>	<b>100.00</b>

According to categories of shareholders as at March 31, 2007

Categories	Number of shares	Amount in Rs.	%
Promoters, directors & relatives	22,584,758	225,847,580	63.73
Financial Institutions & Banks	5,631	56,310	0.02
Mutual Funds	1,300	13,000	0.00
Insurance Companies	168,600	1,686,000	0.48
Foreign Institutional Investors/OCB's	2,700	27,000	0.01
Bodies Corporate	2,963,611	29,636,110	8.36
Non-resident Indians	566,528	5,665,280	1.60
Shares Representing GDRs	342,946	3,429,460	0.97
Public	8,800,398	88,003,980	24.83
<b>Total</b>	<b>35,436,472</b>	<b>354,364,720</b>	<b>100.00</b>

**14. Dematerialisation of shares**

As on March 31, 2007, out of the public holding of 8,800,398 equity shares, 7,822,553 equity shares representing 88.89% of public holding, is in dematerialised form. The Company's shares are compulsorily tradable in dematerialised form. Number of outstanding GDRs as on March 31, 2007 is 342,946.

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

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

**17. Declaration under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct:**

The Board of Directors of the Company has adopted the Code of Conduct for Directors and Senior Management of the Company.

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

**Certificate of Corporate Governance under Clause 49 of the Listing Agreement**

To,

The Members of **Carol Info Services Limited**

We have examined the compliance of Corporate Governance by Carol Info Services Limited for the year ended March 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the company's management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the Compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

In our opinion and to the best of our information and according to the explanation given to us and based on the representations, made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing Agreements.

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

Sd/-

**VIRENDRA BHATT**  
Practising Company Secretary  
ACS No.: 1157 CP No.: 124

Place : Mumbai

Date : June 29, 2007

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### **Industry Structure and Development**

The company is primarily engaged in contract manufacturing in the nutrition industry. Contract manufacturing in India is growing rapidly catering to both domestic and international pharmaceutical companies. The company's plant in Lalru, Punjab is well placed, and is operating near to capacity, and will continue to do so in the foreseeable future.

The Company also has a property portfolio, although a non-core activity, generates substantial income. This activity is like to continue for a foreseeable future.

### **Outlook on opportunities**

The company is confident that it is well positioned to capture the opportunities that come to the table in the contract manufacturing of nutrition products and continue to grow the business in a prudent manner.

### **Outlook on Threats, Risks and Concerns**

The company does not foresee any commercial or other threats, which could disrupt the operations of its business and or its manufacturing facility.

### **Segment-Wise Performance**

The Company is in contract manufacturing segment and also derives income from the properties owned by it. Income from contract manufacturing amounted to Rs. 69,477 thousand and rent income amounted to Rs. 66,346 thousand.

### **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 optimum 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.

### **Financial Performance**

Your companies income from sales and services grew by 10% for the year ended March' 2007 to Rs. 202,835 thousands compared with Rs. 184,389 thousands for the year ended March' 2006. The profit after tax for the year was Rs. 294,965 thousands as compared to 127,784 thousand for the previous year.

### **Human Resources**

The Company has 83 employees. Through various interventions like training and development, self learning initiatives, communication channels, cross-functional interventions for nurturing creativity and multi-rate feedback there has been a continuous effort to build and enhance competencies of employees at every level of the organization.

# Carol Info Services Limited

## AUDITORS' REPORT

To

### The Members of Carol Info Services Limited

1. We have audited the attached Balance Sheet of **Carol Info Services Limited** ("the Company") as at March 31, 2007 and also the annexed Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together "the order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ('the Act') and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act, to the extent they are applicable to the Company;
  - (e) on the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors of the Company is prima facie disqualified as on March 31, 2007, from being appointed as a director in terms of section 274(1)(g) of the Act;
  - (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give a true and fair view in conformity with the accounting policies generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
    - (ii) in the case of the Profit & Loss Account, of the profits for the year ended on that date; and
    - (iii) in the case of Cash Flow Statements, of the cash flows for the year ended on that date.

For **Haribhakti & Co.**  
*Chartered Accountants*

**CHETAN DESAI**  
*Partner*  
Membership No. 17000

Place : Mumbai  
Date : June 29, 2007

## ANNEXURE TO AUDITORS' REPORT — MARCH 31, 2007

Annexure referred to in paragraph 3 of Auditors' Report of even date to the members of **Carol Info Services Limited** on the accounts for the year ended March 31, 2007.

### I. Fixed Assets:

The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. 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 management during the year. As informed, no material discrepancies were noticed on such verification.

During the year, the Company has not disposed off substantial part of its fixed assets.

### II. Inventory:

As explained to us, the inventory of the Company has been physically verified by the management. In our opinion, the frequency of verification is reasonable.

In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

The Company has maintained proper records of inventory and the discrepancies between the physical stocks and the book stocks noticed on physical verification as mentioned in paragraph 3 above were not material and have been properly dealt with in the books of accounts.

### III. Loans taken from/granted to 301 Parties:

The Company has neither granted nor taken any loans to parties covered in the register maintained under section 301 of the Act.

### IV. Internal Control:

In our opinion and according to information and explanations given to us, the existing internal control procedures for the purchase of inventory and fixed assets and for the sale of goods and services are commensurate with the size of the company and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.

**V. Transaction with parties covered under section 301 of the Act:**

According to the information and explanations given to us by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Act have been so entered.

In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act, and exceeding the value of Rs.5 lacs in respect of any party during the year have been made at prices which are reasonable having regard to nature and terms of contract.

**VI. Acceptance of Deposits from public:**

According to the information and explanations given to us by the management, and as represented to us the Company has not accepted deposits from public and therefore the provisions of section 58A and 58AA of the Act are not applicable to the Company.

**VII. Internal Audit:**

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

**VIII. Cost Audit:**

On the basis of records produced to us, we are of the opinion that, prima facie, the cost records prescribed by the Central Government of India under section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.

**IX. Statutory dues:**

According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, the Company has been generally regular in depositing undisputed statutory dues, if any, in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance dues, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and any other material statutory dues during the year with the appropriate authorities in India.

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 dues, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess were in arrears, as at March 31, 2007 for a period of more than six months from the date they became payable.

As at March 31, 2007, there have been no disputed dues which have not been deposited with the respective authorities in respect of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess, except as under:

Name of the Statute	Nature of the dues	Amount (Rs. in thousands)	Period to which the amount relates	Forum where dispute is pending
Bombay Sales Tax Act, 1959	Sales Tax Dues	1,219.43	A.Y. 93-94	Appellate Tribunal
		3,794.05	A.Y. 94-95	Appellate Tribunal
		3,404.56	A.Y. 95-96	Appellate Tribunal
		2,714.41	A.Y. 96-97	Appellate Tribunal
		2,773.14	A.Y. 97-98	Appellate Tribunal
Kerala General Sales Tax Act, 1963	Sales Tax Dues	410.00	A.Y. 94-95	Appellate Tribunal

**X. Others:**

The Company does not have accumulated losses. Also, it has neither incurred any cash loss during the financial year ended on that date nor in the immediately preceding financial year.

In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.

The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

According to the information and explanations given to us by the management and based on our overall examination of the books of accounts, during the year, the Company has not taken any term loans.

On the basis of review of utilisation of funds, which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, funds raised on short-term basis have not been used for long-term purpose.

The Company has not made preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.

The Company has not issued any debentures during the year.

As per the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

The following Clauses of paragraph 4 and 5 of Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 are not applicable to the Company and hence are not reported upon:

Clause (xiii); Clause (xiv); and Clause (xx).

For **Haribhakti & Co.**  
Chartered Accountants

**CHETAN DESAI**  
Partner  
Membership No. 17000

Place : Mumbai  
Date : June 29, 2007

# Carol Info Services Limited

## BALANCE SHEET AS AT MARCH 31, 2007

(All amounts in thousands of Indian Rupees)

	Notes	As at 31.03.2007	As at 31.03.2006 (Note 27)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	3	354,365	354,365
Reserves and surplus	4	3,375,170	3,163,123
		<u>3,729,535</u>	<u>3,517,488</u>
<b>LOAN FUNDS</b>			
Secured loans	5	—	195
Unsecured loans	6	58,329	213,613
		<u>58,329</u>	<u>213,808</u>
<b>DEFERRED TAX LIABILITY (Net)</b>	2(g) & 7	5,427	85,800
		<u>3,793,291</u>	<u>3,817,096</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
2(a) & 8			
Gross block		2,140,079	2,129,493
Accumulated depreciation		(612,249)	(559,359)
Net block		<u>1,527,830</u>	<u>1,570,134</u>
Capital work-in-progress and advances		28,777	28,055
		<u>1,556,607</u>	<u>1,598,189</u>
<b>INVESTMENTS</b>	2(c) & 9	219,063	369,063
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	2(d) & 10	6,066	5,261
Sundry debtors	11	28,746	71,865
Cash and bank balances	12	582,314	16,786
Loans and advances	13	1,824,141	2,101,552
		<u>2,441,267</u>	<u>2,195,464</u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	14	(423,646)	(345,620)
<b>NET CURRENT ASSETS</b>		<u>2,017,621</u>	<u>1,849,844</u>
		<u>3,793,291</u>	<u>3,817,096</u>

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

As per our report of even date

**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner  
Membership No.: 17000

Place : Mumbai  
Date : June 29, 2007

**V. R. Khetan**  
Company Secretary

For and on behalf of the Board of Directors

**G. B. Parulkar**  
Chairman

**R. B. Gandhi**  
**A. V. Kamath** } Directors

# Carol Info Services Limited

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Indian Rupees)

	Notes	For the year ended 31.03.2007	For the year ended 31.03.2006 (Note 27)
<b>INCOME</b>			
Sales and services	2(f) & 15	202,835	184,389
Other income	16	17,574	4,594
Interest income	17	182,728	107,235
		<u>403,137</u>	<u>296,218</u>
<b>EXPENDITURE</b>			
Purchase of finished goods		834	1,981
Operating and other expenses	18	104,712	90,940
Depreciation	2(a) & 8	55,548	57,773
		<u>161,094</u>	<u>150,694</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>242,043</b>	145,524
Provision for tax		(27,157)	(5,260)
— Deferred tax	2(g) & 7	80,373	(11,911)
— FBT		(294)	(569)
<b>NET PROFIT FOR THE YEAR</b>		<b>294,965</b>	127,784
Profit and Loss Account, beginning of the year		24,401	(3,383)
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>319,366</b>	<u>124,401</u>
<b>APPROPRIATIONS</b>			
Proposed dividend on equity shares		70,873	—
Tax on proposed dividend on equity shares		12,045	—
Transferred to general reserve		200,000	100,000
<b>PROFIT AND LOSS ACCOUNT, end of the year</b>		<b>36,448</b>	24,401
		<u>319,366</u>	<u>124,401</u>
<b>Earnings per share</b>			
	20		
Basic & Diluted Rs.		8.32	3.61
Nominal value of share Rs.		10.00	10.00

The accompanying notes 1 to 27 are an integral part of this Profit and Loss Account.

As per our report of even date

**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner  
Membership No.: 17000

Place : Mumbai  
Date : June 29, 2007

**V. R. Khetan**  
Company Secretary

For and on behalf of the Board of Directors

**G. B. Parulkar**  
Chairman

**R. B. Gandhi**  
**A. V. Kamath** } Directors

# Carol Info Services Limited

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Indian Rupees)

	2007	2006 (Note 27)
<b>A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:</b>		
Profit before tax	242,043	145,524
Adjustments to reconcile profit before tax to cash provided by operations:		
Depreciation	55,548	57,773
Advance no more recoverable	—	2,163
Foreign exchange gain	30	—
(Profit)/loss on sale of fixed assets, net	(674)	(871)
(Profit)/Loss on sale of Investments, net	(15,000)	—
Interest expense	3,572	10,910
Interest income	(186,300)	(118,145)
Dividend income	(247)	(941)
Operating profit before working capital changes	98,972	96,413
(Increase)/decrease in current assets, loans and advances		
Inventories	(805)	(2,056)
Sundry debtors	43,120	(45,527)
Loans and advances	4,284	(1,855)
Increase/(Decrease) in current liabilities and provisions	(3,624)	21,355
Cash provided by operations	141,947	68,330
Tax paid	148,383	(17,293)
Net cash provided by operating activities	290,330	51,037
<b>B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:</b>		
Purchase of fixed assets including capital work-in-progress	(14,091)	(3,840)
Proceeds from sale of fixed assets	800	2,251
Proceeds from sale of investments	35,000	32,527
Loan (to)/from Companies, net	227,292	(175,650)
Interest received	186,300	118,145
Dividend received	247	941
Net cash provided by investing activities	435,548	(25,626)
<b>C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:</b>		
(Repayment)/Proceeds from long-term borrowings, net	(155,479)	(4,391)
Interest paid	(3,572)	(15,046)
Dividend paid	(1,299)	(1,705)
Net cash used in financing activities	(160,350)	(21,142)
NET INCREASE IN CASH AND BANK BALANCES	565,528	4,269
CASH AND BANK BALANCES, beginning of the year	16,786	12,517
CASH AND BANK BALANCES, end of the year	582,314	16,786

The accompanying notes 1 to 27 are an integral part of this Cash Flow Statement.

As per our report of even date

**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner  
Membership No.: 17000

Place : Mumbai  
Date : June 29, 2007

**V. R. Khetan**  
Company Secretary

For and on behalf of the Board of Directors

**G. B. Parulkar**  
Chairman

**R. B. Gandhi**  
**A. V. Kamath** } Directors

# Carol Info Services Limited

## NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Indian Rupees unless otherwise stated)

### 1. Background

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

### 2. Summary of significant accounting policies

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

#### (a) Fixed assets and depreciation

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

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

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

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

#### (b) Foreign currency transactions

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

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

#### (c) Investments

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

#### (d) Inventories

Inventories of stores and spare parts are valued at cost.

#### (e) Retirement benefits

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

#### (f) Revenue recognition

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

Revenue from services are recognized on completion of such services.

#### (g) Income-tax

Provision for current income-taxes is made on the assessable income at the tax rate applicable to the relevant assessment year.

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

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

**(h) Leases**

**Operating leases**

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

**(i) Research and Development (R&D)**

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

	As at <b>31.03.2007</b>	As at 31.03.2006
<b>3. SHARE CAPITAL</b>		
AUTHORISED		
100,000,000 (2006 – 100,000,000) Unclassified shares of Rs. 10 each	<u><b>1,000,000</b></u>	<u>1,000,000</u>
ISSUED		
35,519,797 (2006 – 35,519,797) Equity Shares of Rs. 10 each fully paid up	<u><b>355,198</b></u>	<u>355,198</u>
	<u><b>355,198</b></u>	<u>355,198</u>
SUBSCRIBED & PAID UP		
35,436,472 (2006 – 35,436,472) Equity Shares of Rs. 10 each fully paid up	<u><b>354,365</b></u>	<u>354,365</u>
	<u><b>354,365</b></u>	<u>354,365</u>
Of the above equity shares:		
(a) 21,210,400 (2006 – 21,210,400) fully paid up equity shares are held by Khorakiwala Holdings & Investments Private Limited, the Holding Company.		
(b) 25,900,976 (2006 – 25,900,976) Equity shares are allotted as fully paid by way of bonus shares by capitalisation of General Reserve, Capital Redemption Reserve and Share Premium.		
(c) 374,820 (2006 – 374,820) equity shares are allotted as fully paid up pursuant to amalgamation of Wockhardt Health Care Limited with the Company.		
<b>4. RESERVES AND SURPLUS</b>		
Central/State cash subsidy	<b>8,084</b>	8,084
Less: Transferred to General Reserve	<u><b>(8,084)</b></u>	<u>—</u>
	<u>—</u>	<u>8,084</u>
Capital redemption reserve	<b>297,500</b>	297,500
Securities premium account	<b>2,716,000</b>	2,716,000
General reserve		
Opening balance	<b>117,138</b>	17,138
Transferred (to)/from Profit and Loss Account	<b>200,000</b>	100,000
Transferred from Central/State cash subsidy	<u><b>8,084</b></u>	<u>—</u>
Balance at the end of the year	<u><b>325,222</b></u>	<u>117,138</u>
Profit & Loss Account	<u><b>36,448</b></u>	<u>24,401</u>
	<u><b>3,375,170</b></u>	<u>3,163,123</u>

	As at 31.03.2007	As at 31.03.2006
<b>5. SECURED LOANS</b>		
Term Loan from Banks	—	195
	<u>—</u>	<u>195</u>
Term loans from banks are secured by hypothecation of respective vehicles against which loan is taken.		
<b>6. UNSECURED LOANS</b>		
Long term		
Sales Tax Deferral Loan [out of the above Rs. 6,552 thousand (2006 – Rs. 5,284 thousand) is repayable within one year]	54,829	60,113
Short term (repayable within one year)		
Loan from banks	—	150,000
Loan from companies	3,500	3,500
	<u>58,329</u>	<u>213,613</u>
<b>7. DEFERRED TAX LIABILITY</b>		
<b>Deferred tax liabilities</b>		
Depreciation on fixed assets	76,441	205,291
Total (A)	<u>76,441</u>	<u>205,291</u>
<b>Deferred tax assets</b>		
Unabsorbed depreciation and business losses	71,014	119,491
Total (B)	<u>71,014</u>	<u>119,491</u>
Deferred tax liability (A-B)	5,427	85,800
Net deferred tax liability as of the year end	5,427	85,800
Less: Opening Deferred Tax Liability	85,800	73,889
Deferred tax (credit)/Charge for the year	<u>(80,373)</u>	<u>11,911</u>

## 8. FIXED ASSETS

BLOCK OF ASSET	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions during the year	Deletions/ Adjustments during the year	As at 31.03.2007	As at 01.04.2006	Charge for the year	Deletions/ Adjustments during the year	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Freehold land	30,993	—	—	30,993	—	—	—	—	30,993	30,993
Leasehold land	195,141	—	—	195,141	16,435	2,634	—	19,069	176,072	178,706
Buildings	1,146,979	4,047	—	1,151,026	129,590	21,516	—	151,106	999,920	1,017,389
Plant and machinery	497,374	5,499	—	502,873	210,849	24,828	(98)	235,775	267,098	286,525
Furniture and fixtures	99,100	3,787	—	102,887	44,256	6,201	—	50,457	52,430	54,844
Office equipments	48,235	36	—	48,271	47,696	326	98	47,924	347	539
Information Technology equipments	95,201	—	—	95,201	95,132	38	—	95,170	31	69
Vehicles	16,470	—	2,783	13,687	15,401	5	2,657	12,748	939	1,069
Total	2,129,493	13,369	2,783	2,140,079	559,359	55,548	2,657	612,249	1,527,830	1,570,134
Capital Work-In-Progress (inclusive of Capital advances)									28,777	28,055
<b>Grand Total</b>	<b>2,129,493</b>	<b>13,369</b>	<b>2,783</b>	<b>2,140,079</b>	<b>559,359</b>	<b>55,548</b>	<b>2,657</b>	<b>612,249</b>	<b>1,556,607</b>	<b>1,598,189</b>
As at 31.03.2006	2,160,638	1,786	32,931	2,129,493	533,137	57,773	31,552	559,359	1,570,134	

Out of the above assets, following are the details of assets given on lease:

Assets given on lease	2007			2006		
	Gross Block	Accumulated Depreciation	Net Block	Gross Block	Accumulated Depreciation	Net Block
Buildings	883,789	91,822	791,967	883,789	77,003	806,786
Furniture and fixtures	66,740	30,457	36,283	66,740	26,235	40,505
Office equipments	27,841	27,841	—	27,841	27,785	56
Plant and machinery	154,565	82,460	72,105	154,565	73,944	80,621
<b>Total</b>	<b>1,132,935</b>	<b>232,580</b>	<b>900,355</b>	<b>1,132,935</b>	<b>204,967</b>	<b>927,968</b>

	As at 31.03.2007	As at 31.03.2006
<b>9. INVESTMENTS (AT COST)</b>		
LONG TERM INVESTMENTS		
TRADE:		
UNQUOTED:		
In subsidiary company		
Nil (2006 – 2,000,000) equity shares of Rs. 10 each fully paid up in Wockhardt International Limited (including one fully paid up share of par value held in the name of the nominee of the Company).	—	20,000
Others		
(a) 50,000,000 (2006 – 50,000,000) Equity shares of Re. 1 each fully paid-up in Wockhardt Hospitals Limited.	50,000	50,000
(b) Nil (2006 – 1,300,000) 6% Non-cumulative Secured Non-Convertible Debentures (NCDs) of Rs. 100 each in Wockhardt Hospitals Limited.	—	130,000
(c) 1,510,000 (2006 – 1,510,000) 7.5% Unsecured Non-Convertible Debentures (NCDs) of Rs. 100 each in Merind Limited.	151,000	151,000
NON-TRADE:		
QUOTED:		
In Government securities		
2,200 (2006 – 2,200) 6.75% taxfree US-64 Bonds of Rs. 100 each guaranteed by Government of India, issued by the administrator of the specified undertaking of the Unit Trust of India.	220	220
UNQUOTED:		
In Government securities		
National Savings Certificate having face value of Rs. 260 thousand (2006 – Rs. 260 thousand)	260	260
Others		
780,000 (2006 – 780,000) Equity shares of Rs. 10 each fully paid up in Al Barr Finance House Limited.	17,583	17,583
	<u>219,063</u>	<u>369,063</u>
<b>10. INVENTORIES</b>		
(As Taken, Valued and Certified by the Management)		
Stores and spare parts	6,066	5,261
	<u>6,066</u>	<u>5,261</u>
<b>11. SUNDRY DEBTORS (Unsecured)</b>		
Outstanding for more than six months		
Considered good	853	25
Considered doubtful	—	—
	<u>853</u>	<u>25</u>
<i>Less:</i> Provision for doubtful debts	—	—
	<u>853</u>	<u>25</u>
Other debts		
Unsecured, considered good	27,893	71,840
	<u>28,746</u>	<u>71,865</u>
Sundry Debtors include Rs. 20,642 thousand (2006 – Rs. 65,654 thousand) receivable from Wockhardt Limited, the Company under the same management. Maximum amount outstanding during the year Rs. 77,827 thousand (2006 – Rs. 66,933 thousand).		
<b>12. CASH AND BANK BALANCES</b>		
Cash on hand	151	125
Balances with scheduled banks		
— in current accounts	31,983	16,581
— in margin accounts	180	80
Fixed Deposits	550,000	—
	<u>582,314</u>	<u>16,786</u>

	As at 31.03.2007	As at 31.03.2006
<b>13. LOANS AND ADVANCES (Unsecured, considered good)</b>		
Loans to employees	48	150
Loans to Companies		
Considered good	1,630,341	1,727,634
Considered doubtful	118,314	118,314
	<u>1,748,655</u>	<u>1,845,948</u>
<i>Less: Provision for doubtful advances</i>	<u>(118,314)</u>	<u>(118,314)</u>
	<u>1,630,341</u>	<u>1,727,634</u>
Loans to others	5,428	5,478
Share application money	255	255
Advances recoverable in cash or in kind or for value to be received	4,481	6,794
Balance with customs, excise and sales tax authorities	163	539
Other Deposits	8,147	9,589
Advance tax, net of provision for tax	175,278	351,113
	<u>1,824,141</u>	<u>2,101,552</u>
Loans to companies include amount due from companies under the same management, Wockhardt Maharashtra Hospitals Limited Rs. 3,283 thousand (2006 – Rs. 3,114 thousand) [maximum amount outstanding during the year Rs. 3,283 thousand (2006 – Rs. 3,114 thousand)].		
<b>14. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors – Micro, Small and Medium Enterprises [see note 19 (e)]	—	—
– Others	30,323	33,870
Security deposits	289,609	289,697
Unclaimed dividends	—	1,299
Other liabilities	17,810	18,585
	<u>337,742</u>	<u>343,451</u>
<b>PROVISIONS</b>		
Proposed dividend	70,873	—
Tax on proposed dividend	12,045	—
Provision for retirement benefits	2,986	2,169
	<u>85,904</u>	<u>2,169</u>
	<u>423,646</u>	<u>345,620</u>
	<b>For the year ended 31.03.2007</b>	<b>For the year ended 31.03.2006</b>
<b>15. SALES AND SERVICES</b>		
Sale of goods	2,242	2,399
Business centre operations	60,861	60,166
Processing charges received	69,477	67,488
Services	3,909	5,132
Rent Income	66,346	49,204
	<u>202,835</u>	<u>184,389</u>

	<b>For the year ended 31.03.2007</b>	For the year ended 31.03.2006
<b>16. OTHER INCOME</b>		
Dividend on other investments	247	941
Profit on sale of assets	674	871
Profit on sale of investments	15,000	—
Miscellaneous income	1,653	2,782
	<u>17,574</u>	<u>4,594</u>

#### 17. INTEREST

Interest received [TDS Rs. 36,440 thousand  
(2006 – Rs. 3,830 thousand)]

Investments	15,491		16,860	
Others	<u>170,809</u>	<u>186,300</u>	<u>101,285</u>	118,145
<i>Less:</i> Interest paid				
Fixed	—		—	
Others	<u>(3,572)</u>	<u>(3,572)</u>	<u>(10,910)</u>	<u>(10,910)</u>
		<u>(3,572)</u>		<u>(10,910)</u>
		<u>182,728</u>		<u>107,235</u>

	<b>For the year ended 31.03.2007</b>	For the year ended 31.03.2006
<b>18. OPERATING AND OTHER EXPENSES</b>		
Salaries, wages and bonus	30,293	29,318
Retirement benefits	1,181	704
Company's contribution to provident and other funds	1,156	1,451
Staff welfare expenses	2,680	2,791
Travelling expenses	624	913
Power and fuel	24,651	17,701
Rent	6,556	6,253
Rates and taxes	10,484	1,670
Maintenance and repairs		
Machinery	817	1,297
Buildings	7,689	3,714
Stores and spare parts consumed	2,823	2,317
Insurance	1,585	1,305
Advance no more recoverable	—	2,163
General expenses	14,173	19,343
	<u>104,712</u>	<u>90,940</u>

## 19. SUPPLEMENTARY PROFIT AND LOSS ACCOUNT DATA

### (a) Break-up of Stores and Spare Parts consumed

	For the year ended 31.03.2007		For the year ended 31.03.2006	
	Value Rs. in thousands	%	Value Rs. in thousands	%
Stores and Spare Parts				
Imported	—	—	—	—
Indigenously Procured	2,823	100.00	2,317	100.00
	<u>2,823</u>	<u>100.00</u>	<u>2,317</u>	<u>100.00</u>

### (b) Auditor's Remuneration:

	Apr. 06- Mar. 07	Apr. 05- Mar. 06
Audit Fees	135	134
Tax Audit Fees	34	34
Other services	5	344
Out of pocket expenses	5	—
	<u>179</u>	<u>512</u>

### (c) Value of Imports on C.I.F. Basis

Raw Materials & Packing Materials	—	—
	<u>—</u>	<u>—</u>

### (d) Expenditure in Foreign Currency

Others	1,134	—
	<u>1,134</u>	<u>—</u>

(e) There are no balances due to Micro, Small and Medium Enterprises. Also, there are no balances due for more than thirty days as at March 31, 2007 to Small Scale Industrial undertakings. This is determined to the extent such parties have been identified on the basis of information available.

## 20. EARNINGS PER SHARE

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

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

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

	31.03.2007 Rs. in thousands	31.03.2006 Rs. in thousands
<b>Net profit attributable to equity shareholders</b>		
Profit/(Loss) after tax for the financial year	<u>294,965</u>	<u>127,784</u>
<b>Weighted average number of equity shares</b>		
	Shares	Shares
For basic/diluted earnings per share	<u>35,436</u>	<u>35,436</u>
	<u>35,436</u>	<u>35,436</u>
<b>Earnings per share (nominal value Rs. 10 each)</b>	Rs.	Rs.
Basic/Diluted	<b>8.32</b>	3.61

## 21. Segment Information

### Primary Segments

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

## 22. Leases

### (a) Where the Company is lessor:

The Company has given on operating lease various office and residential premises. These leave and license agreements are for a period not exceeding five years and are in most cases renewable by mutual consent, on mutually agreeable terms. The company has taken refundable interest free security deposits in accordance with the agreed terms. The aggregate of rentals receivable are recognised as revenue under Schedule 15 – Sales and services. Future lease rentals receivable are as follows:

	Year	For the year	Not later than one year	Later than One Year and not later than five years	Later than five years
<b>Lease Rent Receivable</b>	<b>2007</b>	<b>111,903</b>	<b>92,036</b>	<b>122,843</b>	<b>—</b>
	2006	94,946	108,502	206,707	—

### (b) Where the Company is lessee:

The Company has taken on operating lease various office premises. These leave and license agreements are usually renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms. The aggregate rentals payable are charged as rent under Schedule 18 – Operating and other expenses. Future lease rentals payable are as follows:

	Year	For the year	Not later than one year	Later than One Year and not later than five years	Later than five years
<b>Lease Rent Payable</b>	<b>2007</b>	<b>6,556</b>	<b>5,542</b>	<b>3,340</b>	<b>—</b>
	2006	6,253	6,084	8,882	—

## 23. RELATED PARTY DISCLOSURES

### (a) Parties where control exists

*Fellow Subsidiary enterprise*

Wockhardt Limited

*Holding company*

Khorakiwala Holdings and Investments Private Limited

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

*Holding company*

Khorakiwala Holdings and Investments Private Limited

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

	<u>Apr. 06- Mar. 07</u>	<u>Apr. 05- Mar. 06</u>
<i>Holding company</i>		
Rent paid	<b>100</b>	100
Interest received	<b>59,735</b>	39,671
Loan given	<b>356,901</b>	208,845
Loan repaid	<b>673,290</b>	54,695

Note: Maximum loans given to holding company at any point of time during the year was Rs. 995,227 thousand (2006 – Rs. 741,616 thousand)

	<u>Apr. 06- Mar. 07</u>	<u>Apr. 05- Mar. 06</u>
<i>Fellow Subsidiary company</i>		
Rent received	<b>51,849</b>	52,191
Processing charges received	<b>69,477</b>	67,488
Reimbursement of Support Function Cost	<b>12,000</b>	7,200
<i>(d) Related party balances outstanding</i>		
Receivable from/(payable to) holding company	<b>471,074</b>	741,616
Receivable from/(payable to) fellow subsidiary	<b>20,642</b>	65,654
Security deposit payable to fellow subsidiary company	<b>250,000</b>	250,000
<i>(e) Key Management Personnel</i>		
G. B. Parulkar (with effect from January 1, 2007)		

**24.** The Company had sold its wholly owned subsidiary, Wockhardt International Limited to Wockhardt Limited on April 1, 2006.

**25.** In respect of unsecured loan of Rs. 3,500 thousands obtained in earlier year by the Company, interest has not been provided for and written confirmation from the party as on March 31, 2007 has not been received.

**26. Contingent Liability**

Demands for Rs. 14,316 thousand (2006 – Rs. 14,316 thousand) have been raised by Sales Tax Authorities. The Company has filed appeals against the said demand.

**27. Prior year comparatives**

Prior year figures have been re-classified wherever necessary to conform with current years' presentation.

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

<b>(a) Registration details:</b>		<b>Application of funds</b>	
Registration No.	: L74999MH1979PLCO21942	Net fixed assets	: 1,527,830
Status Code	: 11	Capital work-in-progress including advances	: 28,777
Balance Sheet Date	: 31.03.2007	Investments	: 219,063
<b>(b) Capital raised during the year:</b>		Net current assets	: 2,017,621
Public Issue	: Nil	Accumulated losses	: —
Rights Issue	: Nil	<b>(d) Performance of company:</b>	
Bonus Issue	: Nil	Turnover	: 403,137
Private Placement	: Nil	Total expenditure	: 161,094
<b>(c) Position of mobilisation and deployment of funds:</b>		Profit/(Loss) before tax	: 242,043
Total liabilities and shareholders funds	: 3,793,291	Profit/(Loss) after tax	: 294,965
Total assets	: 3,793,291	Earnings per share	: 8.32
<b>Sources of funds</b>		Dividend rate%	: 20%
Paid-up capital	: 354,365	<b>(e) Generic names of three principal products/services of the company:</b>	
Reserves and surplus	: 3,375,170	Product Description	: —
Secured loans	: —	Product Description	: —
Unsecured loans	: 58,329	Product Description	: —
Deferred tax liability	: 5,427		

