

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of **WOCKHARDT LIMITED** on the financial statements for the period ended 31st March, 2010.

- (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 nature of its assets. Accordingly, certain fixed assets have been physically verified by the management during the period and discrepancies noticed on such verification, which were not material, have been properly dealt with in the books of accounts.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the period.
- (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the period. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (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 as informed, no material discrepancies were noticed on such physical verification carried out.
- (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 exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct any major weaknesses in aforesaid internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of ₹ five lakhs have been entered during the period at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business, *except that scope needs to be enlarged in respect of Treasury Operations.*
- (viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (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 end of the period, for 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 (₹ 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
	Penalty for valuation	3.62	December 2001 to January 2004	Additional Commissioner
	Demand and Penalty for classification	21.96	September 1991 to July 1993	CESTAT

Name of the statute	Nature of dues	Amount (₹ in millions)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Demand under Section 143(3)	36.42	April 2001 to March 2002	High Court
	Demand under Section 143(3)	47.90	April 2004 to March 2005	Commissioner of Income Tax (Appeals)
	Demand under Section 143(3)	231.21	April 2005 to March 2006	Commissioner of Income Tax (Appeals)
	Demand under Section 143(3)	128.01	April 2006 to March 2007	Commissioner of Income Tax (Appeals)

- (x) In our opinion and according to the information and explanation given to us, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has incurred cash losses only during the current financial year and not during the preceding financial year. This is without considering the effect of the qualifications in the main report on accumulated losses, net worth, and cash losses, as the resulting financial impact is not quantifiable.
- (xi) (a) In our opinion and according to the information and explanations given to us, considering the loan liabilities being restructured under the aegis of Corporate Debt Restructuring (CDR) Scheme and Master Restructuring Agreement being signed by lenders, as per the terms of CDR Scheme, there has been no default in repayment of principal and interest to CDR lenders.
- (b) With respect to Foreign Currency Convertible Bonds aggregating ₹ 4,464.02 million which were due for repayment in October 2009, no repayment has been made and as informed, CDR Scheme comprehensively covers FCCB liabilities.
- (c) As informed, the Company is in dispute with certain lenders whose liabilities as per books of accounts aggregate ₹ 1,490.70 million. Further, as stated in Note 35(e), the Company has not acknowledged as debt the demand raised on account of unilateral termination of certain derivative contracts. We are unable to comment in respect of such liabilities whether there has been any default in view of the dispute.
- (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) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the period, are not prejudicial to the interest of the Company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (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) According to the information and explanations given to us, the Company has made preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act as required by the Corporate Debt Restructuring Scheme. Accordingly, in our opinion, the prices at which shares have been issued are not prejudicial to the interest of the Company.
- (xix) According to the information and explanations given to us, the Company has created adequate security or charge in respect of debentures outstanding during the period.
- (xx) The Company has not made any public issues during the period covered under our audit.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

For **Haribhakti & Co.**
Chartered Accountants
FRN No. 103523W

Shailesh Haribhakti
Partner
Membership No. 30823

Place : Mumbai
Date : May 20, 2010