

AUDITORS' REPORT

To
The Members of Wockhardt Limited

1. We have audited the attached Balance Sheet of Wockhardt Limited ('the Company') as at March 31, 2010 and also the Profit and Loss Account and the cash flow statement for the period 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 by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (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, the Company has kept proper books of account as required by law, so far as it 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) On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. Without qualifying our opinion, we draw attention
 - (a) to Note 32 of the financial statements, wherein as explained, the Company's outstanding liabilities are being restructured under the aegis of Corporate Debt Restructuring Scheme (CDR) with effect from April 15, 2009 and as required by the Scheme, the Master Restructuring Agreement (MRA) and other necessary documents have been executed and are effective.
 - (b) to Note 36 of the financial statements, wherein as explained, certain lenders have filed winding up petitions against the Company in Bombay High Court and the Company has filed affidavit in reply. The matter is sub judice and outcome of which cannot be currently ascertained.

The Company's ability to continue as a going concern is dependent on the Company being able to successfully implement the actions proposed in the CDR Scheme and outcome of winding up petition in favour of the Company.
6.
 - (a) *With regard to outstanding derivative contracts as on March 31, 2010, the premiums aggregating ₹ 1,843.79 million are unconfirmed and we are informed that the relevant documents are being put in place. The consequential effect of subsequent adjustment/s – if any – on relevant assets and liabilities and loss for the period is not ascertainable.*
 - (b) *In respect of crystallized derivative losses of ₹ 11,303.80 million forming part of 'exceptional items', we have relied on appropriate written representations.*
7. *As explained in Note 35(e) to the financial statements, the Company had, on certain derivative contracts with banks, stopped payment of margins called by the banks. The banks, based on the Early Termination clause in the agreement, terminated these contracts and claimed an amount of ₹ 8,483.22 million, being the loss incurred on termination of such contracts, which the Company has disputed and not acknowledged as debt.*

No provision has been made in the accounts for above amount, which has been considered as contingent liability. The consequential impact upon relevant assets and liabilities and loss for the period is not ascertainable.
8. In our opinion, and to the best of our information and according to the explanations given to us, *subject to the matter included in paragraph 6 and 7 above, the effect of which cannot be currently ascertained*, the said accounts give the information required by the Act in the manner so required and also 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 March 31, 2010;
 - (b) in the case of the profit and loss account, of the loss for the period ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the period ended on that date.

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

Shailesh Haribhakti
Partner
Membership No. 30823

Place : Mumbai
Date : May 20, 2010