

## 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" or "the Company") and its Subsidiaries (collectively referred to as "the Group") as at 31st March, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Group'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 net assets of ₹ 27,094.93 million as at 31st March, 2010, total net revenues of ₹ 23,714.89 million and net cash inflow amounting to ₹ 223.29 million for the period then ended. We also did not audit the financial statements of an associate in whose financial statements the Group's share of profit is ₹ 16.40 million for the period ended 31st March, 2010. 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. We report that the consolidated financial statements have been prepared by the Group'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 notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Wockhardt and its subsidiaries. In addition, the values in these consolidated financial statements are also stated in United States Dollars translated at the closing year end rates.
5. We have not reviewed the translations of the amounts mentioned in United States Dollar in the financial statements, and accordingly do not express an opinion on such amounts.
6. Without qualifying our opinion, we draw attention
  - (a) to Note 32 of the consolidated 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 33 of the consolidated 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.
  - (c) to Note 35 of the consolidated financial statement, wherein as explained, with regard to loan of US\$ 250 million obtained by Swiss subsidiary, a part of it was due for repayment. The repayment terms are under negotiation. The Company's liquidity will be severely affected if such negotiations fail.
  - (d) to Note 34 to the consolidated financial statements, wherein as explained, with regard to French subsidiary, significant adverse events including patent challenge have occurred.

The Company and its Swiss and French subsidiaries ability to continue as a going concern is dependent on the successful outcome of above matters.
7. (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.*
8. *As explained in Note 29(e) to the consolidated financial statements, the Company and its subsidiary 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 ₹ 9,607 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.*
9. 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, *subject to the matter included in paragraph 7 and 8 above, the effect of which cannot be currently ascertained*, 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 the Indian Rupees, of the consolidated state of affairs of the Group as at 31st March, 2010;
  - (b) in the case of the consolidated profit and loss account expressed in Indian Rupees, of the consolidated loss of the Group for the period 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 the Group for the period ended on that date.

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

Place : Mumbai  
Date : May 20, 2010

**Shailesh Haribhakti**  
Partner  
Membership No. 30823

