NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2010

(All amounts in millions of ₹, 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 period ended March 31, 2010:

	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.	CP Pharma (Schweiz) AG	Switzerland	CP Pharmaceuticals Limited	100%
11.	Wockhardt Farmaceutica Do Brazil Ltd.	Brazil	The Wallis Laboratory Limited	100%
12.	Wockpharma Ireland Limited	Ireland	Wockhardt EU Operations (Swiss) AG	100%
13.	Pinewood Laboratories Limited	Ireland	Wockpharma Ireland Limited	100%
14.	Nonash Limited	Ireland	Pinewood Laboratories Limited	100%
15.	Wockhardt EU Operations (Swiss) AG	Switzerland	Wockhardt Limited	100%
16.	Z & Z Service GmbH (Formerly known as Esparma GmbH)	Germany	Wockhardt EU Operations (Swiss) AG	100%
17.	Wockhardt Europe Limited	British Virgin Islands	Wockhardt Limited	100%
18.	Wockhardt Nigeria Limited	Nigeria	Wockhardt Europe Limited	100%
19.	Wockhardt Holding Corp.	USA	Wockhardt EU Operations (Swiss) AG	100%
20.	Wockhardt Cyprus Limited	Cyprus	Wockhardt EU Operations (Swiss) AG	100%
21.	Atlantis USA, Inc.	USA	Wockhardt Limited	100%
22.	Morton Grove Pharmaceuticals, Inc.	USA	Wockhardt Holding Corp.	100%
23.	MGP Inc.	USA	Morton Grove Pharmaceuticals, Inc	100%
24.	Wockhardt USA, LLC	USA	Morton Grove Pharmaceuticals, Inc	100%
25.	Wockhardt France (Holdings) S.A.S.	France	Wockhardt EU Operations (Swiss) AG	100%
26.	Girex S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
27.	Mazal Pharmaceuticals S.A.R.L.	France	Girex S.A.S.	100%
28.	Niverpharma S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
29.	Cap Dermatology S.A.R.L.	France	Niverpharma S.A.S.	100%
30.	Laboratoires Pharma 2000 S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
31.	Hariphar S.C.	France	Laboratoires Pharma 2000 S.A.S. Laboratoires Negma S.A.S. DMH S.A.S.	80% 10% 10%
32.	Laboratoires Negma S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
33.	DMH S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
34.	Scomedia S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
35.	S.C.I. Salome	France	Laboratoires Negma S.A.S. DMH S.A.S.	99% 1%
36.	Negma Beneulex S.A.	Belgium	Wockhardt France (Holdings) S.A.S. Laboratoires Negma S.A.S.	53.97% 46.03%
37.	Phytex S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
38.	Laboratoires Lerads S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
39.	Esparma AG	Switzerland	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'), Z & Z Service GmbH (Formerly known as 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. Wockhardt Limited and all the subsidiaries have closed books of accounts as at March 31, 2010 as period-end for the purpose of preparing the consolidated financial statements of the group.

(b) Investment of the Company in associates is accounted as per the equity method prescribed under notified Accounting Standard 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" under Company (Accounting Standard) Rules 2006.

(c) 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 fifteen months closing rates and the resulting net translation adjustment aggregating ₹ 138.99 million (USD 3.09 million) [2008 – ₹ 1,169.75 million (USD 24.01 million)] has been adjusted to Reserves.

(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 15 months ended March 31, 2010 have been translated into United States dollars at the closing rate as at March 31, 2010 [USD 1 = ₹ 44.95. (2008 – USD 1 = ₹ 48.71)] 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.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2. Summary of Group's Significant Accounting Policies

The consolidated financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies Accounting Standards Rules, 2006. 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. 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

Tangible assets:

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/amortization:

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 estimated by the management.

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

Intangible assets:

Intangible assets except goodwill are amortised over a period of 3-15 years, which are based on their useful lives.

Goodwill is tested for impairment.

(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 foreign exchange 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.

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 period/year.

Translation of Non-integral foreign operation:

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non integral foreign operation are translated at the closing rate; income and expenses item of the non-integral operation are translated at exchange rates of at the dates of the transaction; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of the non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expense in the same period in which the gain or loss on disposal is recognised.

(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 finished goods.

Inventories of 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, 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. There are no other obligations other than the contribution payable to the respective trusts.

Gratuity liability, which is a defined benefit scheme is provided for on the basis of an actuarial valuation made using Projected Unit Credit Method at the end of each financial year.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made using Projected Unit Credit Method at the end of each financial year.

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

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.

Pinewood Laboratories Limited operates defined contribution pension schemes. Pension rights are secured by contributions to independent insurance schemes. The pension cost charge represents contributions by the Company to the insurance schemes.

The Company maintains 401(k) retirement contribution plans that cover all regular employees on the payroll of Wockhardt USA LLC. (WUSA) and 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 rendering of 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. A deferred income tax reflects the impact of current period/year timing differences between taxable income and accounting income for the period/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 it has timing differences the reversal of which will result in sufficient income. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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) Goodwill/Capital reserve on Acquisitions

On acquisition, the excess cost of acquisition over carrying value of net assets acquired, is treated as goodwill, if otherwise then Capital reserve.

(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.

Premium on Foreign Currency Convertible Bonds (FCCB) is provided over the period of bonds on a pro-rata basis, when likelihood of repayment of bonds is more likely.

(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 each 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/year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period/year. The weighted average numbers of equity shares outstanding during the period/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 attributable to equity shareholders and the weighted average number of shares outstanding during the period/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.

(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.

(o) Cash and Cash equivalents

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

(p) Derivative Financial Instruments

The Company uses derivative financial instruments such as option contracts and interest rate swaps to hedge its risk associated with foreign currency fluctuations and interest rates.

As per the Institute of Chartered Accountants of India (ICAI) Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the loss is charged to the income statement. Net gains are ignored.

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
3. SHARE CAPITAL				
AUTHORISED				
250,000,000 (2008 – 250,000,000) Equity shares of ₹ 5/- each	**1,250.00**	**27.81**	1,250.00	25.66
1,600,000,000 (2008 – Nil) preference shares of ₹ 5/- each	**8,000.00**	**177.99**	–	—
	9,250.00	**205.80**	1,250.00	25.66
ISSUED, SUBSCRIBED AND PAID UP				
109,435,903 (2008 – 109,435,903) Equity shares of ₹ 5/- each fully paid up	**547.18**	**12.18**	547.18	11.23
424,163,605 (2008 – Nil) Optionally Convertible Cumulative Redeemable Preference shares of ₹ 5/- each fully paid up – Refer Note 36	**2,120.82**	**47.18**	–	–
912,994,875 (2008 – Nil) Non Convertible Cumulative Redeemable Preference shares of ₹ 5/- each fully paid up – Refer Note 36	**4,564.97**	**101.56**	–	–
	7,232.97	**160.92**	547.18	11.23

Of the above equity shares:

(a) 70,123,304 (2008 – 70,123,304) fully paid-up equity shares of ₹ 5/- each were allotted pursuant to scheme of arrangement to demerge pharmaceuticals business of Carol Info Services Limited ('CISL').

(b) 2,400,000 (2008 – 2,400,000) fully paid-up equity shares of ₹ 5/- each were allotted pursuant to amalgamation of Wockhardt Veterinary Limited ('WVL') with the Company.

(c) 69,716,132 (2008 – 69,716,132) equity shares of ₹ 5/- fully paid up are held by Khorakiwala Holdings and Investments Private Limited, the holding company.

(d) 439,200 (2008 – 439,200) fully paid equity shares of ₹ 5/- each were allotted pursuant to exercise of stock options.

(e) 36,431,502 (2008 – 36,431,502) equity shares of ₹ 5/- each are allotted as Bonus shares out of Capital Redemption Reserve.

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
4. RESERVES AND SURPLUS				
Capital redemption reserve	**265.34**	**5.90**	265.34	5.45
Securities premium account	**134.14**	**2.98**	134.14	2.75
Capital reserve on consolidation	**720.26**	**16.02**	720.26	14.79
General reserve				
Balance as per last accounts	**8,456.53**	**188.14**	8,456.53	173.61
Transfer to profit and loss account	**(8,456.53)**	**(188.14)**	–	–
Balance at the end of the period	**–**	**–**	8,456.53	173.61
Profit and loss account	**–**	**–**	1,492.70	30.64
	1,119.74	**24.90**	11,068.97	227.24
5. SECURED LOANS				
(A) 10% Redeemable Non Convertible Debentures	**2,000.00**	**44.50**	2,000.00	41.06
(B) Term loans				
(i) From financial institutions	**8,817.55**	**196.17**	1,808.75	37.13
(ii) From banks	**19,792.08**	**440.34**	24,127.38	495.33
(C) Working Capital Loans from Banks	**4,912.51**	**109.29**	3,672.46	75.39
	35,522.14	**790.30**	31,608.59	648.91

(I) Debentures are redeemable at par in four annual installments of ₹ 500 million each starting from August 7, 2012. Debentures are secured by first charge on pari passu basis, by way of mortgage of immovable assets at Biotech Park H-14/2, MIDC Waluj, Aurangabad and hypothecation of movable assets situated at all locations (except Baddi and Daman – Kadaiya).

(II) (a) ₹ 5,952.80 million are secured by way of first charge on movable properties situated at all locations except Baddi and Daman – Kadaiya Unit. In addition to charge on movables, ₹ 500 millions is also secured by way of first pari passu charge on current assets and ₹ 1,647.50 million is secured by way of first pari passu charge on immovable properties of the Company situated at Ankleshwar.

(b) ₹ 1,418.40 million are secured by way of third charge on movable properties situated at all locations except Baddi and Daman – Kadaiya Unit.

(c) Term loans amounting to ₹ 0.24 million (Previous Year – ₹ 2.78 million) are for purchase of vehicles and are secured by hypothecation of vehicles purchased under the agreement.

The Company is in the process of creating charge on movable properties situated at all locations except Baddi and Daman – Kadaiya Unit to secure term loans amounting to ₹ 675 million.

(III) As on March 31, 2010, the Company is in the process of creating charge on movable and immovable properties to secure term loans from others amounting to ₹ 750 million.

(IV) As on March 31, 2010, working capital loan from banks amounting to ₹ 3,312.35 million are secured by way of first charge by hypothecation of inventories and debtors and second charge on movable properties situated at all locations except Baddi and Daman – Kadaiya Unit.

Balance working capital loan of ₹ 1,234.50 million are secured by way of first charge by hypothecation of inventories and debtors.

(V) As per approved CDR package dated July 4, 2009, in order to secure the debentures, rupee denominated term loans and working capital loans of ₹ 14,108.55 million, the Company is in the process of creating charge in favour of security trustee on behalf of all CDR lenders on:

– immovable properties of the Company situated at various locations viz. Plot No. 87/A, Bhimpore, Daman, Plot No. L-1, Chikhalthana, Aurangabad, Plot No. D-4, Chikhalthana, Aurangabad, Plot H-14/2 Biotech Park, Waluj, Plot No. 138, Ankleshwar, Gujarat, and
– current assets of the Company situated at all locations and
– immovable properties of Vinton Healthcare Limited, a wholly owned subsidiary, situated at Jagraon, Punjab and
– immovable properties of Wockhardt Infrastructure Development Limited, a wholly owned subsidiary, situated at Shendra, Aurangabad

(VI) Out of the above, loans of ₹ 14,108.55 million are also secured by irrevocable personal guarantee by Chairman.

(VII) Loan amounting to ₹ Nil (2008 – ₹ 256.86 million) is secured against the fixed assets and working capital of Wockhardt UK Holdings Limited.

(VIII) Term Loan of Euro 100.02 million (2008 – Euro 110.81 million) availed by Wockhardt France (Holdings) SAS is secured by pledge of shares of Negma Group of companies.

(IX) Term Loan of Euro 41.60 million (2008 – Euro 48.50 million) availed by Wockpharma Ireland Limited is secured by pledge of shares of Pinewood Laboratories Ltd. and Nonash Limited, all movable and immovable properties of Pinewood Laboratories Ltd. situated at Unit at M50, Business Park, Ballymount, Dublin 12 and at Deerpark, Ballymacarbry, Co. Waterford by way of first fixed charge.

(X) Term Loan of US$ 250 million (2008 – US$ 250 million) availed by Wockhardt EU Operations (Swiss) AG is secured by first ranking pari passu charge on all movable and immovable properties of Wockhardt Limited Situated at Kadaiya in Daman and Baddi in Himachal Pradesh and second ranking charge by way of hypothecation on all the inventories and book debts of Wockhardt Limited.

(XI) Term Loan of NIL (2008 – GBP 3.63 million) availed by Wockhardt UK (Holdings) Limited is secured by Fixed equitable charge over the freehold and lease hold properties, fixed charge over, among other things, book and other debts, chattels, goodwill, uncalled capital, both present and future, and first floating charge over all assets and undertaking both present and future of Wockhardt UK (Holdings) Ltd. and C. P. Pharmaceuticals Limited.

(XII) 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.

(I) **As at December 31, 2008 term loans of ₹ 1,808.75 million were secured as under:**

(a) Loan of ₹ 530 million was secured by first chage on pari passu basis by way of mortgage and hypothecation of movable and immovable assets at L-1, M.I.D.C. Chikhalthana and D-4, M.I.D.C. Chikhalthana (R&D Centre), Aurangabad.

(b) Loan of ₹ 510 million was secured by subservient charge by way of hypothecation of movable assets situated at L-1, M.I.D.C. Chikhalthana, D-4, M.I.D.C. Chikhalthana (R&D Centre), Aurangabad and 87-A Bhimpore, Daman.

(c) Loan of ₹ 768.75 million was secured by first charge by way of hypothecation of movable assets situated at Plot No. 138, G.I.D.C. Ankleshwar, S.E.Z., Shendra, Aurangabad and Village Kunjhal, Baddi, Solan.

(II) As at December 31, 2008 Foreign currency denominated loan (External Commercial Borrowings) was secured by first charge on pari passu basis by way of mortgage and hypothecation of movable and immovable assets at L-1, M.I.D.C. Chikhalthana, D-4, M.I.D.C. Chikhalthana (R&D Centre), Biotech Park H-14/2, M.I.D.C. Waluj, B-15/2, M.I.D.C.Waluj (Plant & Machinery), Aurangabad, 138, G.I.D.C. Ankleshwar, Bhimpore and Kadiaya, Daman. Subsequently, the charge on above assets has been released and the said loan was secured only by hypothecation on term deposit. The loan was repaid in March, 2009.

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
6. UNSECURED LOANS				
Long term				
(A) Sales tax deferral loan [Out of the above ₹ 2.17 million (2008 – ₹ 0.52 million) is repayable within one year]	**51.77**	**1.15**	52.29	1.07
Short term				
(B) Zero coupon foreign currency convertible bonds (Refer note below)	**4,464.02**	**99.32**	5,285.04	108.50
(C) Other Loans	**137.40**	**3.06**	5,405.29	110.97
	4,653.19	**103.53**	10,742.62	220.54

Note: Zero coupon Foreign Currency Convertible Bonds (FCCBs) along with premium were due for repayment in October 2009. CDR scheme comprehensively covers FCCB liability and pursuant to it, one of the FCCB holders have been issued preference shares of ₹ 2,085.55 million. Additionally, certain FCCB holders are in negotiation with the Company.

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
7. DEFERRED TAX (ASSET)/LIABILITY (Net)				
Deferred tax liabilities				
Difference between depreciation on block of assets	**2,260.56**	**50.29**	2,015.02	41.36
Total (A)	**2,260.56**	**50.29**	2,015.02	41.36
Deferred tax assets				
Provision for gratuity	**49.93**	**1.11**	38.35	0.79
Provision for leave encashment	**34.27**	**0.76**	28.03	0.58
Deferred expenses	**418.59**	**9.31**	476.28	9.78
Provision on marked to market losses on derivative instruments	**100.74**	**2.24**	1,192.81	24.49
Premium on FCCB Loan	**495.74**	**11.03**	440.14	9.04
Tax losses in Subsidiaries	**1,526.16**	**33.95**	112.71	2.31
Provision for bonus	**2.09**	**0.05**	1.68	0.03
Provision for doubtful debts	**109.49**	**2.45**	140.17	2.89
Total (B)	**2,737.01**	**60.90**	2,430.17	49.91
Net deferred tax (asset)/liability as of the period end (A-B)	**(476.45)**	**(10.61)**	(415.15)	(8.55)

8. FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION						NET BLOCK			
	As At 01.01.2009	Additions	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.03.2010	As At 01.01.2009	Additions	Impairment Losses	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.03.2010	As at 31.03.2010		As at 31.12.2008	
												₹ in millions	USD in millions See Note 1(b)(d)	₹ in millions	USD in millions See Note 1(b)(d)
Intangibles															
Goodwill on Consolidation	18,271.82	68.72	(20.62)	(1,189.22)	**17,130.70**	–	–	2,661.74	–	(5.63)	2,656.11	**14,474.59**	**322.03**	18,271.82	375.11
Licenses & Dossiers	1,494.91	36.33	–	(88.11)	**1,443.13**	1,325.47	102.50	–	–	(77.23)	1,350.74	**92.39**	**2.06**	169.44	3.48
Trade Marks	2,157.95	180.60	(94.56)	(142.47)	**2,101.52**	772.39	354.52	–	(46.43)	(62.92)	1,017.56	**1,083.96**	**24.12**	1,385.56	28.45
Software	276.75	14.17	–	(10.91)	**280.01**	148.71	35.64	–	–	(9.14)	175.21	**104.80**	**2.33**	128.04	2.63
Total Intangibles A	**22,201.43**	**299.82**	**(115.18)**	**(1,430.71)**	**20,955.36**	**2,246.57**	**492.66**	**2,661.74**	**(46.43)**	**(154.92)**	**5,199.62**	**15,755.74**	**350.54**	19,954.86	409.67
Tangibles															
Freehold land	184.12	–	–	(5.80)	**178.32**	–	–	–	–	–	–	**178.32**	**3.97**	184.12	3.78
Leasehold land*	283.90	–	(26.51)	(5.55)	**251.84**	13.67	2.28	–	1.53	(0.31)	17.17	**234.67**	**5.22**	270.23	5.55
Buildings*	3,709.62	148.51	(388.85)	(214.48)	**3,254.80**	1,922.91	114.26	–	(383.16)	(129.29)	1,524.72	**1,730.08**	**38.49**	1,786.71	36.68
Electrical Fittings	1.11	–	–	–	**1.11**	0.43	0.07	–	–	–	0.50	**0.61**	**0.01**	0.68	0.01
Plant and Machinery*	11,124.96	606.04	(28.51)	(248.88)	**11,453.61**	4,387.20	609.11	–	43.08	(193.46)	4,845.93	**6,607.68**	**147.01**	6,737.76	138.32
Furniture and fittings	319.93	9.12	(6.69)	(5.59)	**316.77**	144.88	24.09	–	(6.39)	(4.68)	157.90	**158.87**	**3.53**	175.05	3.59
Office Equipments*	1,485.93	43.87	(39.63)	(140.97)	**1,349.20**	829.78	159.11	–	(31.06)	(94.50)	863.33	**485.87**	**10.81**	656.15	13.47
Information Technology Equipments*	525.06	36.35	(1.37)	(17.16)	**542.88**	342.94	74.85	–	(0.77)	(9.95)	407.07	**135.81**	**3.02**	182.12	3.74
Vehicles	59.56	1.05	(9.17)	(0.58)	**50.86**	45.51	4.96	–	(5.97)	(0.30)	44.20	**6.66**	**0.15**	14.05	0.29
Assets on Finance Lease	–	–	(–)	(11.39)	**(11.39)**	–	–	–	(–)	(11.37)	(11.37)	**(0.02)**	**(–)**	–	–
Total Tangibles B	**17,694.19**	**844.94**	**(500.73)**	**(650.40)**	**17,388.00**	**7,687.32**	**988.73**	**–**	**(382.74)**	**(443.86)**	**7,849.45**	**9,538.55**	**212.21**	10,006.87	205.43
Capital Work-in-Progress (Inclusive of Capital Advances) C												**7,075.72**	**157.42**	6,335.02	130.06
Total A+B+C	**39,895.62**	**1,144.76**	**(615.91)**	**(2,081.11)**	**38,343.36**	**9,933.89**	**1,481.39**	**2,661.74**	**(429.17)**	**(598.78)**	**13,049.07**	**32,370.01**	**720.17**	36,296.75	745.16
Previous year	34,095.85	3,081.73	(664.56)	3,382.60	**39,895.62**	8,602.75	1,078.33	52.14	(470.65)	671.32	9,933.89	**36,296.75**	**745.16**		

The net block of tangible fixed assets includes an amount of ₹ 3.20 million (2008 – ₹ 8.76 million) in respect of assets held under Hire Purchase contracts.

Addition to Capital Work-in-progress includes expenditure incurred during construction period pending allocation aggregating ₹ 1,151.47 million (2008 – ₹ 1,112.82 million). These expenses include Material Consumption ₹ 27.67 million (2008 – ₹ 77.74 million), Employee cost aggregating ₹ 342.19 million (2008 – ₹ 284.77 million), Interest expenses ₹ 114.19 million (2008 – ₹ 55.46 million), Depreciation ₹ 66.81 million (2008 – ₹ 50.34 million) and Operating expenses aggregating ₹ 442.04 million (2008 – ₹ 644.51 million) [Stores & spares ₹ 30.35 million (2008 – ₹ 54.44 million), Power ₹ 45.84 million (2008 – ₹ 33.92 million), Travelling ₹ 9.20 million (2008 – ₹ 10.67 million), Repairs ₹ 11.56 million (2008 – ₹ 8.53 million), General Expenses ₹ 345.09 million (2008 – ₹ 536.95 million) at Wockhardt Limited and ART GT development ₹ 158.57 million (2008 – ₹ Nil) at Wockhardt France (Holdings) S.A.S.].

* Gross Block, Depreciation & Net Block Includes Assets on Finance Lease as per table given under –

PARTICULARS	GROSS BLOCK					DEPRECIATION						NET BLOCK			
	As At 01.01.2009	Additions	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.03.2010	As At 01.01.2009	Additions	Impairment Losses	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.03.2010	As at 31.03.2010		As at 31.12.2008	
												₹ in millions	USD in millions See Note 1(b)(d)	₹ in millions	USD in millions See Note 1(b)(d)
Land	11.12	–	(10.66)	0.05	**0.51**	–	–	–	–	–	–	**0.51**	**0.01**	11.12	0.23
Building	727.34	–	(231.91)	(48.21)	**447.22**	565.75	25.47	–	(237.15)	(35.23)	318.84	**128.38**	**2.86**	161.59	3.32
Plant & machinery	356.62	–	–	(28.16)	**328.46**	356.62	–	–	–	(27.29)	329.33	**(0.87)**	**(0.02)**	–	–
Office Equipment	24.69	–	(0.24)	(1.63)	**22.82**	20.41	3.76	–	–	(1.03)	23.14	**(0.32)**	**(0.01)**	4.28	0.09
Information Technology Equipment	4.98	–	–	–	**4.98**	4.98	–	–	–	–	4.98	**–**	**–**	–	–
Total	**1,124.75**	**–**	**(242.81)**	**(77.95)**	**803.99**	**947.76**	**29.23**	**–**	**(237.15)**	**(63.55)**	**676.29**	**127.70**	**2.84**	176.99	3.64

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
9. INVESTMENTS				
LONG TERM INVESTMENTS (at Cost)				
Other than trade (Unquoted)				
443,482 (2008 – 443,482) Shares of Bharuch Eco-Aqua Infrastructure Limited of ₹ 10/- each fully paid up	**4.43**	**0.10**	4.43	0.09
6,300 (2008 – 6,300) Shares of Bharuch Enviro Infrastructure Limited of ₹ 10/- each fully paid up	**0.06**	**–**	0.06	–
Nil (2008 – 250) Shares of Kanishka Housing Development Company Limited of ₹ 100/- each fully paid up	**–**	**–**	0.03	–
1,000 (2008 – 1,000) Shares of Saraswat Co-Operative Bank Limited of ₹ 10/- each fully paid up	**0.01**	**–**	0.01	–
300 shares of SKR 100 each (2008 – 300) Shares of Jederstorm, Swiss	**16.14**	**0.36**	16.14	0.33
68 shares of 103 R$ each (2008 – 68) Shares of Banco Real, Brazil	**0.17**	**–**	0.17	–
Investment in Associates				
19,215,000 (2008 – 19,215,000) Equity shares of Swiss Bio Sciences AG (Refer note 28)	**927.49**	**20.63**	911.10	18.70
	948.30	**21.09**	931.94	19.12
10. INVENTORIES				
Raw materials	**2,002.03**	**44.54**	2,252.66	46.25
Packing materials	**465.38**	**10.35**	513.93	10.54
Work-in-progress	**886.22**	**19.72**	814.83	16.73
Finished goods	**4,145.40**	**92.23**	4,534.73	93.10
Stores and spare parts	**155.45**	**3.46**	181.38	3.73
	7,654.48	**170.30**	8,297.53	170.35
11. SUNDRY DEBTORS (Unsecured)				
Sundry debtors considered good	**5,848.07**	**130.11**	8,534.23	175.20
Sundry debtors considered doubtful	**433.40**	**9.64**	491.77	10.10
	6,281.47	**139.75**	9,026.00	185.30
Less: Provision for doubtful debts/charge back	**(433.40)**	**(9.64)**	(491.77)	(10.10)
Sundry Debtors, net of provisions/charge back	**5,848.07**	**130.11**	8,534.23	175.20
12. CASH AND BANK BALANCES				
Cash on hand	**2.06**	**0.05**	2.27	0.05
Balances with Scheduled banks				
— on current accounts	**3,039.36**	**67.62**	1,135.85	23.32
— on margin accounts*	**328.90**	**7.32**	1,921.74	39.45
— on deposit accounts** [including unutilised amount of FCCB ₹ Nil (2008 – ₹ 129.36 million)]	**99.48**	**2.21**	3,439.28	70.60
	3,469.80	**77.20**	6,499.14	133.42

* Out of the above, ₹ 328.80 million (2008 – ₹ 1,921.44 million) are under lien.

** Out of the above, ₹ Nil (2008 – ₹ 2,456.13 million) are under lien.

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
13. LOANS AND ADVANCES				
(Unsecured, considered good unless stated otherwise)				
Loans to employees*	**77.11**	**1.71**	39.92	0.82
Loans to companies	**184.58**	**4.11**	965.83	19.83
Advances recoverable in cash or in kind or for value to be received**	**3,622.77**	**80.60**	4,443.47	91.21
Accrued income	**78.09**	**1.74**	71.75	1.47
Balance with customs and excise authorities	**136.06**	**3.03**	188.10	3.86
Minimum alternate tax (MAT) credit entitlement	**199.16**	**4.43**	199.16	4.09
Advance taxes (including tax deducted at source) – net of provisions for tax***	**397.47**	**8.84**	215.51	4.42
Other deposits	**159.20**	**3.54**	182.26	3.74
	4,854.44	**108.00**	6,306.00	129.44

* Loans/advances to employees include excess remuneration paid to directors ₹ 50.69 million (2008 – ₹ 23.12 million) [maximum amount outstanding during the period ₹ 50.69 million (2008 – ₹ 23.12 million)].

An application was made to Central Government for approval for payment of managerial remuneration to Mr. H. F. Khorakiwala, Chairman aggregating to ₹ 15.20 million and Mr. Rajiv Gandhi, Director – Corporate Finance and Information aggregating ₹ 7.92 million for the financial year ended 31st December 2008. The Ministry of Corporate Affairs ("the Central Government") vide their letter in March 2010, approved managerial remuneration upto the permissible limit under Schedule XIII of the Companies Act, 1956 and directed that remuneration received by them in excess of Schedule XIII was required to be refunded to the Company. An application has been made to the Central Government for review and reconsideration of that decision, which is currently pending.

The applications for approval of payment of managerial remuneration to Mr. H. F. Khorakiwala, Chairman, Dr. Murtaza Khorakiwala, Managing Director, Mr. Huzaifa Khorakiwala, Executive Director and Mr. Rajiv Gandhi, Director – Corporate Finance and Information for the financial year 2009-10 were submitted to Central Government. The Ministry of Corporate Affairs ("the Central Government") vide their letter in March 2010, approved managerial remuneration upto the permissible limit under Schedule XIII of the Companies Act, 1956. An application has been made to the Central Government for review and reconsideration, which is currently pending.

** Advances recoverable in cash or in kind includes deposit/advance given to Carol Info Services Limited, the Company under same management ₹ 475.52 million (2008 – ₹ 275 million) [maximum outstanding during the period ₹ 475.52 million (2008 – ₹ 275 million)].

*** Advance Taxes are after netting off provisions for taxes of ₹ 1,691.86 million (2008 – ₹ 1,550.54 million). Tax assets and liabilities are in accordance with respective countries Tax Legislations.

	As at 31.03.2010 ₹ in millions	As at 31.03.2010 USD in millions [see note 1(b)(d)]	As at 31.12.2008 ₹ in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]
14. CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry creditors	**4,354.45**	**96.88**	5,234.52	107.46
Lease finance	**42.03**	**0.94**	66.09	1.36
Security deposits	**142.85**	**3.17**	165.12	3.39
Investor education and protection fund shall be credited as & when due by the following amounts:				
Unclaimed dividends	**12.60**	**0.28**	13.90	0.29
Interest accrued but not due	**102.99**	**2.29**	221.15	4.54
Other liabilities	**3,445.24**	**76.65**	2,863.31	58.78
	8,100.16	**180.21**	8,564.09	175.82
PROVISIONS				
Provision on Marked to Market Losses on Derivative Instruments	**303.26**	**6.75**	4,586.97	94.17
Provision for premium payable on Foreign Currency Convertible Bonds	**–**	**–**	1,294.91	26.58
Provision for retirement benefits	**219.94**	**4.89**	214.04	4.39
Other provision (Refer Note 26)	**105.41**	**2.35**	92.24	1.89
	628.61	**13.99**	6,188.16	127.03
	8,728.77	**194.20**	14,752.25	302.85

	For the period ended 31.03.2010 ₹ in millions	For the period ended 31.03.2010 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2008 ₹ in millions	For the year ended 31.12.2008 USD in millions [see note 1(b)(d)]
15. OTHER INCOMES				
Dividends received on investments	0.01	–	0.02	–
Profit/(Loss) on sale of assets	36.09	0.80	9.71	0.20
Miscellaneous income	157.43	3.50	100.77	2.07
Interest Income	101.71	2.26	245.35	5.04
	295.24	6.56	355.85	7.31
16. MATERIAL CONSUMED AND PURCHASE OF GOODS				
Consumption of raw and packing materials	11,840.69	263.43	8,054.39	165.35
Purchase of finished goods	7,569.10	168.40	5,846.52	120.02
	19,409.79	431.83	13,900.91	285.37
17. (INCREASE)/DECREASE IN INVENTORIES				
Inventories as at December 31, 2008				
Finished goods	4,534.73	100.89	4,297.94	88.24
Work-in-progress	814.83	18.13	763.76	15.68
Less: Excise duty on opening stock	(12.62)	(0.28)	(22.12)	(0.45)
	5,336.94	118.74	5,039.58	103.47
Inventories as at March 31, 2010				
Finished goods	(4,145.40)	(92.23)	(4,534.73)	(93.10)
Work-in-progress	(886.22)	(19.72)	(814.83)	(16.73)
Less: Excise duty on closing stock	10.26	0.23	12.62	0.26
	(5,021.36)	(111.72)	(5,336.94)	(109.57)
	315.58	7.02	(297.36)	(6.10)
18. OPERATING AND OTHER EXPENSES				
Employee costs	7,352.67	163.58	6,320.31	129.75
Travelling expenses	642.70	14.30	657.24	13.49
Freight and forwarding	559.71	12.45	704.52	14.46
Selling and distribution	1,299.16	28.90	1,203.26	24.70
Commission on sales	339.22	7.55	275.48	5.66
Power and fuel	583.62	12.98	569.90	11.70
Rent, Rates and taxes	523.17	11.64	445.04	9.14
Repairs and maintenance:				
Machinery	169.19	3.76	190.35	3.91
Buildings	45.83	1.02	33.92	0.70
Others	200.51	4.46	189.14	3.88
Stores and spare parts consumed	430.89	9.59	404.37	8.30
Insurance	233.61	5.20	179.75	3.69
Manufacturing expenses	504.62	11.23	557.32	11.44
Consultancy charges	885.24	19.69	472.83	9.71
Bad debts	105.79	2.35	154.06	3.16
Miscellaneous expenses	3,181.49	70.78	2,081.50	42.74
	17,057.42	379.48	14,438.99	296.43
19. FINANCIAL EXPENSES				
Interest paid				
On Term Loans	1,138.70	25.33	976.30	20.04
On Debentures	272.95	6.07	99.34	2.04
Other Loans	2,013.18	44.79	1,515.06	31.10
	3,424.83	76.19	2,590.70	53.18

		For the period ended 31.03.2010 ₹ in millions	For the period ended 31.03.2010 USD in millions	For the year ended 31.12.2008 ₹ in millions	For the year ended 31.12.2008 USD in millions
20.	**(a) Annual commitments under non-cancellable operating leases are:**				
	Less than 1 year	**34.83**	**0.77**	66.21	1.36
	More than 1 year but less than 5 years	**42.39**	**0.94**	142.80	2.93
	More than 5 years	**1.45**	**0.04**	55.13	1.13
		78.67	**1.75**	264.14	5.42
	(b) Annual commitments under finance leases are:				
	In 1 year or less	**1.02**	**0.02**	10.29	0.21
	More than 1 year but less than 5 years	**0.95**	**0.02**	56.36	1.16
	More than 5 years	**0.48**	**0.01**	8.28	0.17
		2.45	**0.05**	74.93	1.54
	Less: Finance charge	**0.23**	**–**	1.30	0.03
	Present value of minimum lease payments	**2.22**	**0.05**	73.63	1.51
21.	**EXPENDITURE ON RESEARCH AND DEVELOPMENT**				
	Capital	**954.75**	**21.24**	908.10	18.64
	Revenue	**667.63**	**14.85**	512.66	10.52
		1,622.38	**36.09**	1,420.76	29.16

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:

	31.03.2010 ₹ in millions	31.03.2010 USD in millions	31.12.2008 ₹ in millions	31.12.2008 USD in millions
Reconciliation of earnings				
Profit/(Loss) after tax for the period	**(10,006.63)**	**(222.62)**	(1,388.58)	(28.48)
Less: Preference dividends	**(0.12)**	**(–)**	–	–
Net profit attributable to equity shareholders	**(10,006.75)**	**(222.62)**	(1,388.58)	(28.48)
Weighted average number of shares	**Shares**		Shares	
Weighted average number of shares for calculating EPS	**109,435,903**		109,435,903	
	109,435,903		109,435,903	
Earnings per share (nominal value ₹ 5/- each)				
Earning per share – Basic and diluted	**(91.44)**	**(2.03)**	(12.69)	(0.26)

Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) are not considered for calculating diluted earnings per share since conversion of shares is contingent in nature and number of shares currently cannot be ascertained as conversion price would be determined as per the SEBI formula on conversion date.

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' notified by Companies (Accounting Standards) Rules, 2006.

(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	For the period ended 31.03.2010 ₹ in millions	For the period ended 31.03.2010 USD in millions	For the year ended 31.12.2008 ₹ in millions	For the year ended 31.12.2008 USD in millions
India	**11,411.68**	**253.88**	9,659.14	198.30
USA/Western Europe	**31,021.60**	**690.18**	24,820.33	509.55
Rest of the World	**2,580.94**	**57.42**	1,418.32	29.12
Total	**45,014.22**	**1,001.48**	35,897.79	736.97

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 ₹ in millions	India USD in millions	Others ₹ in millions	Others USD in millions
Carrying amount of segment assets	**23,832.35**	**530.23**	**31,312.75**	**696.65**
	(27,944.43)	(573.69)	(38,921.16)	(799.04)
Additions to tangible and intangible assets	**831.78**	**18.51**	**312.98**	**6.96**
	(1,967.79)	(40.40)	(1,113.94)	(22.87)

(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**

Enterprises over which Key Managerial Personnel exercising significant influence

Palanpur Holdings and Investments Private Limited
Wockhardt Hospitals Limited
Merind Limited

Fellow Subsidiary

Carol Info Services Limited

Key management personnel

H. F. Khorakiwala, Chairman
Huzaifa Khorakiwala, Executive Director w.e.f. March 31, 2009
Murtaza Khorakiwala, Managing Director w.e.f. March 31, 2009
Rajiv B. Gandhi, Whole Time Director (upto March 31, 2010)

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

	31.03.2010 ₹ in millions	31.03.2010 USD in millions	31.12.2008 ₹ in millions	31.12.2008 USD in millions
Holding company				
Dividend Paid	**–**	**–**	174.29	3.58
Fellow Subsidiary				
Loan Licensee paid [Carol Info Services Ltd. ₹ 174.78 million (2008 – ₹ 89.59 million)]	**174.78**	**3.89**	89.59	1.84
Rent paid [Carol Info Services Ltd. ₹ 66.78 million (2008 – ₹ 54.31 million)]	**66.78**	**1.49**	54.31	1.11
Security deposit given [Carol Info Services Ltd. ₹ Nil (2008 – ₹ 275 million)]	**–**	**–**	275.00	5.65
Advance given [Carol Info Services Ltd. ₹ 200.52 million (2008 – ₹ Nil)]	**200.52**	**4.46**	–	–
Key management personnel				
Remuneration paid	**49.64**	**1.10**	29.31	0.60
Remuneration to Chairman ₹ 27.53 million (2008 – ₹ 18.46 million), Remuneration to Whole Time Director ₹ 13.79 million (2008 – ₹ 10.85 million), Remuneration paid to Managing Director ₹ 4.16 million (2008 – ₹ Nil), Remuneration paid to Executive Director ₹ 4.16 million (2008 – ₹ Nil)]				
Irrevocable personal guarantee given by Chairman ₹ 14,108.55 million (2008 – ₹ Nil)	**14,108.55**	**313.89**	–	–

		31.03.2010 ₹ in millions	31.03.2010 USD in millions	31.12.2008 ₹ in millions	31.12.2008 USD in millions
	Enterprise over which Key Managerial Personnel exercising significant influence				
	Rent paid [Palanpur Holdings and Investments Private Limited ₹ 0.98 million (2008 – ₹ 1.08 million), Merind Limited ₹ 1.77 million (2008 – ₹ 1.42 million)]	**2.75**	**0.06**	2.50	0.05
	Sale [Wockhardt Hospitals Limited ₹ 2.02 million (2008 – ₹ 1.70 million)]	**2.02**	**0.04**	1.70	0.03
	Reimbursement of Expenses [Merind Limited ₹ 31.48 million (2008 – ₹ 33.28 million)]	**31.48**	**0.70**	33.28	0.68
	Purchase of Fixed Assets [Merind Limited ₹ 4.62 million (2008 – ₹ 7.03 million)]	**4.62**	**0.10**	7.03	0.14
	Security Deposit Given [Merind Limited ₹ Nil (2008 – ₹ 280 million)]	**–**	**–**	280.00	5.75
	Security Deposit received back [Merind Limited ₹ Nil (2008 – ₹ 280 million)]	**–**	**–**	280.00	5.75
	Corporate guarantee given by Palanpur Holdings and Investments Private Limited ₹ 14,108.55 million (2008 – ₹ Nil)	**14,108.55**	**313.89**	–	–
(d)	**Related party balances**				
	Receivable from fellow subsidiary [Carol Info Services Ltd. ₹ 475.52 milllion (2008 – ₹ 252.99 million)]	**475.52**	**10.58**	252.99	5.19
	Payable to enterprise over which key managerial personnel exercising significant influence [Palanpur Holdings and Investments Private Limited ₹ Nil (2008 – ₹ 0.08 million), Merind Limited ₹ 4.89 million (2008 – ₹ 0.62 million)]	**(4.89)**	**(0.11)**	(0.70)	(0.01)
	Receivable from enterprise over which key managerial personnel exercising significant influence [Wockhardt Hospitals Limited ₹ 0.40 million (2008 – ₹ 0.19 million)]	**0.40**	**0.01**	0.19	–
	Enterprises over which Key Managerial Personnel exercising significant influence Security Deposit receivable [Palanpur Holdings and Investments Private Limited ₹ 27.50 million (2008 – ₹ 27.50 million)]	**27.50**	**0.61**	27.50	0.56
	Receivable from Key management personnel – Chairman – ₹ 35.65 million (2008 – ₹ 15.20 million) Whole Time Director – ₹ 15.04 million (2008 – ₹ 7.92 million)	**50.69**	**1.13**	23.12	0.47

25. Exceptional items mainly comprises of Marked to Market/Realised loss of ₹ 11,570.97 million (2008 – ₹ 5,809.91 million), profit on sale of animal health division ₹ 1,570.97 million, profit on sale of business of esparma GmbH, Germany ₹ 98.66 million, Impairment of Goodwill of Wockhardt France (Holdings) S.A.S. ₹ 2,661.74 million.

26. Provision for Sales Return on date Expiry – Opening Balance ₹ 92.24 million (2008 – ₹ 75 million), Additions during the period ₹ 120.29 million (2008 – ₹ 109.26 million), Utilised during the period ₹ 107.12 million (2008 – ₹ 92.02 million), Closing balance ₹ 105.41 million (2008 – ₹ 92.24 million).

27. CAPITAL COMMITMENTS

Estimated amount of Contracts remaining to be executed on Capital account not provided for ₹ 66.56 million (2008 – ₹ 306.59 million).

28. INVESTMENT IN ASSOCIATE COMPANIES

Investment in associate include goodwill of ₹ 543.21 million (2008 – ₹ 543.21 million). The holding interest of Wockhardt group in Swiss Bio Sciences AG is 45% (2008 – 45%).

29. 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 Wockhardt Limited in case of demands which have been confirmed – ₹ 51.80 million (2008 – ₹ 84.97 million).

(b) Demand by Income tax authorities ₹ 815.90 million (2008 – ₹ 661.07 million) disputed by Wockhardt Limited.

(c) A Government grant of ₹ 37.18 million (2008 – ₹ 46.98 million) received by Pinewood Limited, which pertains to periods prior to acquisition, is repayable only if certain conditions are not fulfilled.

(d) Contingent liability in respect of VAT for Wockhardt UK Holding Limited and its subsidiaries amounts ₹ Nil (2008 – ₹ 27.40 million).

(e) Certain derivative/hedging contracts have been unilaterally cancelled by the banks. The Company and its subsidiary has treated the demand of ₹ 9,607.00 million (2008 – ₹ 4,895.24 million) as a contingent liability and has not acknowledged as debt, since the liability cannot be currently ascertained even on a best effort basis till the final outcome of the matter.

The Company is of the view that these are contingent liabilities as these arise from past events and existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Company and therefore, has not acknowledged these claims against Company as debts.

(f) In view of the losses incurred by the Company, no provision for dividend on preference share has been made by the Company. Following are the details of preference dividend:

Type of Preference Shares	Series	₹ in millions
Non Convertible Cumulative Redeemable Preference Shares (NCRPS)	NCRPS-1 to NCRPS-5	**0.07**
Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS)	OCCRPS-1 to OCCRPS-2	**0.05**
TOTAL		**0.12**

30. EMPLOYEE BENEFITS

(A) Defined Benefit Plans:

		2010 ₹ in millions Gratuity (Non-funded)	2008 ₹ in millions Gratuity (Non-funded)
I.	**Expenses recognised during the period ended March 31, 2010**		
1.	Current Service Cost	**27.75**	18.50
2.	Interest cost	**11.60**	8.69
3.	Actuarial Losses/(Gains)	**(26.19)**	(0.05)
	Total Expenses	**13.16**	27.14
II.	**Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2010**		
1.	Present value of defined benefit obligation	**110.04**	112.82
2.	Net Asset/(Liability)	**(110.04)**	(112.82)
III.	**Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet for the period ended March 31, 2010**		
1.	Net Asset/(Liability) at the beginning of the period	**(112.82)**	(94.62)
2.	Expense as per I above	**13.16**	27.14
3.	Employer contributions	**15.94**	8.94
4.	Net asset/(liability) at the end of the period	**(110.04)**	(112.82)
IV.	**Actuarial Assumptions:**		
1.	Discount rate	**7.50%**	7.00%
2.	Expected rate of salary increase which has been determined taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market	**6.00%**	6.00%
3.	Mortality	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate
4.	Attrition rate	**2%**	2%

Notes: (a) Amounts recognized as an expense and included in the Schedule 18: "Retirement benefits" are gratuity ₹ 13.44 million (2008 – ₹ 26.50 million), Leave Encashment ₹ 69.22 million (2008 – ₹ 28.15 million).

(b) The estimates of future salary increases considered in the actuarial valuation take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(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 ₹ 93.95 million (2008 – ₹ 83.63 million).

	2010 ₹ in millions	2008 ₹ in millions	2007 ₹ in millions
(C) Details for the current and previous two years are as follows:			
Defined benefit obligation	**(110.04)**	(112.82)	(94.62)
Surplus/(deficit)	**(110.04)**	(112.82)	(94.62)
Experience adjustment on plan liabilities (gain)/loss	**(6.89)**	0.09	5.76

(D) The actuarial valuation of liability with respect to gratuity as on March 31, 2010, is carried out considering the existing upper limit of ₹ 3.50 lakhs. Gratuity limit has been enhanced to ₹ 10 lakhs w.e.f. May 24, 2010 vide amendment to Payment of Gratuity Act, 1972. The impact on profit & loss during the period due to such change is not quantifiable.

31. DISCLOSURE REGARDING DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

The details of outstanding derivative contracts as on March 31, 2010 has been stated as per information available with the Company. Premium paid in respect of such contracts aggregating to ₹ 1,843.79 million included under Advances recoverable in cash or kind is unconfirmed and relevant documents in respect of such contracts are being put in place.

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

	31.03.2010		31.12.2008	
No. of contracts	–		1	
Notional principal in Foreign Currency	**Amt. in Foreign Currency (in millions)**	**₹ in millions**	**Amt. in Foreign Currency (in millions)**	**₹ in millions**
USD	–	–	20.00	981.30

(b) Outstanding Derivative contract details (other than forward exchange contracts stated above)

	31.03.2010		31.12.2008	
No. of contracts	32		136	
Notional principal in Foreign Currency	**Amt. in Foreign Currency (in millions), net**	**₹ in millions**	**Amt. in Foreign Currency (in millions), net**	**₹ in millions**
USD	**390.25**	**17,540.72**	1,220.55	59,453.00
EUR	**143.00**	**8,658.94**	401.80	27,012.61
GBP	**60.00**	**4,082.94**	106.00	7,487.84
JPY			4,130.00	2,207.07
CHF			10.00	452.13
AUD			10.00	333.63

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

	As at 31.03.2010			As at 31.12.2008	
Particulars	**Currency**	**Amt. in Foreign Currency (in millions)**	**₹ in millions**	**Amt. in Foreign Currency (in millions)**	**₹ in millions**
Loan Availed	**USD**	**252.30**	**11,340.23**	263.60	12,839.89
Interest Payable	**USD**	**1.00**	**44.79**	0.47	22.80
Sundry Debtors	**ACU**	**0.07**	**3.16**	0.05	2.47
	AUD	**0.01**	**0.57**	0.01	0.46
	CHF	**–**	**–**	0.43	19.54
	EUR	**1.53**	**92.62**	1.69	113.62
	GBP	**6.10**	**415.11**	26.24	1,853.59
	USD	**18.94**	**851.39**	26.70	1,300.60
Loans and Advances	**EUR**	**1.09**	**66.00**	44.51	2,992.25
	USD	**1.35**	**60.62**	0.72	35.07
	CHF	**0.004**	**0.18**	0.05	2.25
	GBP	**0.39**	**26.60**	0.02	1.75
	JPY	**1.49**	**0.72**	6.41	3.42
	SEK	**–**	**–**	0.23	1.45
Sundry Creditors	**ACU**	**0.001**	**0.07**	0.001	0.03
	SGD	**0.001**	**0.04**	–	–
	CAD	**–**	**–**	0.01	0.27
	CHF	**0.01**	**0.60**	0.02	0.69
	EUR	**4.92**	**298.07**	5.19	348.92
	GBP	**1.72**	**116.70**	9.16	647.10
	JPY	**13.35**	**6.43**	3.05	1.63
	SEK	**–**	**–**	0.23	1.45
	USD	**13.55**	**609.04**	2.51	122.26
Foreign Currency Convertible Bonds	**USD**	–	–	108.50	5,285.04
Bank Balance	**USD**	**1.49**	**66.75**	0.71	34.34
	EUR	**0.10**	**5.81**	0.30	20.03
	GBP	**5.31**	**361.27**	5.08	359.15
Time Deposit	**USD**	**2.05**	**92.10**	16.63	809.84

32. Corporate Debt Restructuring (CDR) Scheme is effective from April 15, 2009. The outstanding liabilities of the Company are being restructured under the aegis of Corporate Debt Restructuring (CDR) Scheme. As required under the Scheme the Master Restructuring Agreement (MRA) and other necessary documents have been executed and effective. The CDR scheme comprehensively covers the FCCB liabilities and crystallized derivatives/ hedging liabilities.

33. Winding up petitions are filed by certain lenders/banks in Bombay High Court and the Company has filed affidavit in reply. ICICI Bank, as empowered by CDR and Employee Union have filed intervention application against the winding up. The matter is sub judice and outcome of which cannot be currently ascertained.

34. (i) Pursuant to adverse market developments, the Company tested it's carrying value of goodwill at Wockhardt France (Holdings) S.A.S. cash generating unit (CGU) for impairment. The impairment testing indicated that the carrying value of goodwill was higher than it's recoverable value and accordingly, the Company has recorded an impairment loss with respect to goodwill amounting to ₹ 2,661.74 million as at March 31, 2010. Against the patent challenge to one of our products, Wockhardt France (Holdings) S.A.S., has appealed and the outcome of the hearing is awaited. The management is ready with contingency and restructuring plans combined with immediate and long term strategy.

(ii) Regarding the change in the refund rate by the French social security, it would not have any material impact on sales since the difference is covered by medical insurance company.

(iii) With respect to financial covenants, one ratio is met, but both ratios have shown strong improvement from year 2008, and the Company maintains a positive cash flow.

35. Wockhardt EU Operations (Swiss) AG has a bank loan of USD 250 million, a part of which was due for repayment on February 15, 2010. Presently, the Company is renegotiating the terms & conditions and the management is confident about successful conclusion of such negotiations.

36. Issue of Preference Shares as per Corporate Debt Restructuring (CDR) Scheme:

(a) During the period, Company has increased authorised share capital to ₹ 9,250 million from ₹ 1,250 million in the nature of Preference Share Capital.

(b) During the period under review, 1,337,158,480 preference shares of ₹ 5/- each fully paid up were issued pursuant to approved CDR package against various liabilities of the Company as per the details given below:

(i) 208,555,274 0.01% Optionally Convertible Cumulative Redeemable Preference shares (OCCRPS Series I), on the following terms and conditions:

The Preference Share holders shall have the right to convert OCCRPS Series 1, along with accumulated dividend, into fully paid equity shares of the Company, in one or more tranches. commencing October 25, 2015 till December 31, 2018, at conversion price as per the then applicable SEBI formula on the date of conversion. The said shares, in case not converted, shall get redeemed along with accumulated dividend on December 31, 2018 without any redemption premium.

The Deemed Date of allotment is 25th October, 2009.

(ii) 215,608,331 0.01% Optionally Convertible Cumulative Redeemable Preference shares (OCCRPS Series 2), on the following terms and conditions:

The Preference Share holders shall have the right to convert OCCRPS Series 2, along with accumulated dividend, into fully paid equity shares of the Company, in one or more tranches, commencing July 4, 2016 till December 31, 2018, at conversion price as per the then applicable SEBI formula on the date of conversion. The said shares, in case not converted, shall get redeemed along with accumulated dividend on December 31, 2018 without any redemption premium.

(iii) 208,555,274 0.01% Non-Convertible Cumulative Redeemable Preference shares (NCRPS Series 1), which shall be redeemed at a premium of 38% of the face value along with cumulative dividend on December 31, 2018.

(iv) 19,507,036 0.01%, Non-Convertible Cumulative Redeemable Preference shares (NCRPS Series 2), which shall be redeemed at a premium of 20% of the face value along with cumulative dividend on December 31, 2018.

(v) 503,086,106 0.01% Non-Convertible Cumulative Redeemable Preference shares (NCRPS Series 3), which shall be redeemed at a redemption premium calculated at 4% p.a. on simple basis along with cumulative dividend on December 31, 2018.

(vi) 41,846,459 0.01% Non-Convertible Cumulative Redeemable Preference shares (NCRPS Series 4), which shall be redeemed along with cumulative dividend on September 30, 2018. However, in case the Company exits CDR, the Preference Shares shall be redeemed at the point of exit.

(vii) 140,000,000 0.01% Non-Convertible Cumulative Redeemable Preference shares (NCRPS Series 5), which shall be redeemed at a premium of 20% of the face value along with cumulative dividend on March 31, 2019.

37. PREVIOUS YEAR COMPARATIVES

The Board of Directors had approved a change in accounting year of the Company to commence from 1st April every year and to end on 31st March of the following year. Consequently, as a transitional arrangement, the current year annual accounts and reports of the Company are for a period of 15 months commencing from January 1, 2009 and ending on March 31, 2010. The figures in respect of the previous year, however, relate to 12 months ended December 31, 2008 and hence are not comparable.

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Huzaifa Khorakiwala
Executive Director

Murtaza Khorakiwala
Managing Director

Shekhar Datta
Abid Hussain
Aman Mehta
Bharat Patel
R. A. Shah
Directors

J. B. Manmadkar
Company Secretary

Place : Mumbai
Date : May 20, 2010