WOCKHARDT

DELIVERING ON TRUST

ANNUAL REPORT 2008

DELIVERING ON TRUST

Wockhardt draws its strength from the formidable foundation of trust it has built over the years. Reflected in our reputation of being a dependable partner, is our focus on understanding our customers and their needs. Being responsive to all of these is fundamental to our business practices.

Much as we are close to our customers, we are also well versed with the global trends in medicine. This enables us to bring high quality, global products through our R&D endeavours and also through our strategic in-licensing collaborations. Leveraging our multi-technology manufacturing capabilities and cGMP, we deliver world-class products and contract manufacturing services.

On the healthcare front, our zeal towards saving lives of patients suffering from dreaded diseases has enabled us deliver care that is just not the best, but legendary.

At Wockhardt, delivering on trust is not just business - it is our attitude.

WOCKHARDT VISION

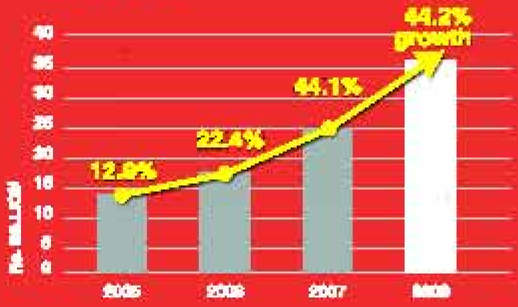
TO BE THE MOST ADMIRED HEALTHCARE GROUP FROM INDIA

CONTENTS

HIGHLIGHTS OF 2008

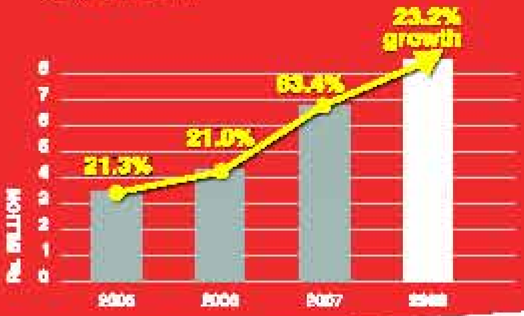
NET SALES

Rs. 36 bn
US$ 736 mn



EBIDTA (Operating Profit)

Rs. 8.4 bn
US$ 173 mn



WOCKHARDT US BUSINESS GROWS 140%

23 ANDAs approved during 2008 - amongst the Top-5 in the world

Over 60 products sold in the US market

WOCKHARDT EUROPE BUSINESS GROWS 30%

Generic & Hospital business key drivers for **Wockhardt UK, recording double the industry growth**

Contract Manufacturing relationship with **16 companies from US and Europe**

Pinewood is the No.1 branded generic company in Ireland, continually outperforming competition in the Irish market. Market share **increases to 29%** from 23%

Market share of Nebilox of Negma **doubles in two years**

INDIA BRANDED BUSINESS GROWS 20% COMPARED TO INDUSTRY GROWTH OF 10% (ORG-IMS 2008)

Market share improves from 1.90 % to **2.08 %**

Rank improves **by 2 levels**

Glaritus (recombinant insulin analogue - glargine), Worlds first after the innovator, launched in India for diabetic patients

11 in-licensed products launched in India

11 brands of Wockhardt feature amongst the Top-300 brands of the industry

LETTER FROM THE CHAIRMAN

MY DEAR SHAREOWNERS

"Trustworthiness is the soil that produces strong roots. From it stem confidence, sturdiness, zeal and ultimately, success."
-Anonymous

At Wockhardt, we have firmed our roots on the right soil. And over 40 glorious years of our existence says it all. Having grown brick-by-brick, from a 40-people team to an organisation of 7,000 professionals, we have left behind us a legacy of developing path-breaking and technologically advanced medicines. Through every single day of this journey, we have delivered on the trust our stakeholders have placed in us. And I must say that we have truly enjoyed this privilege.

During the fiscal 2008, Wockhardt displayed one of its best operational performances, historically. I'm pleased to report a 23.2% surge in EBIDTA to reach Rs. 8.4 billion (US$ 173 million) from consolidated revenues of Rs. 36 billion (US$ 738 million).

Our international business contributing 73% of the total grew by over 40%. Most promising, was the phenomenal growth shown by our US business including Morton Grove Pharmaceuticals. Today with a growth of 140% in the US, Wockhardt demonstrates a clear ability and resolve to develop high technology products and penetrate the intensely competitive US market. Our efficient R&D and Business teams have succeeded in building a demonstrably competent enterprise. Placing quality above quantity, Wockhardt USA abides by the strategy of delivering niche technology driven products. It is a matter of immense pride for all of us to know that Wockhardt is amongst the Top-5 companies globally, to have received 23 Abbreviated New Drug Application (ANDA) approvals from the United States Food and Drug Administration in 2008 (source: Generics Bulletin 2009). This laudable accomplishment highlights the continued, well-directed and strategic efforts of our dedicated and talented teams.

On the other hand, Europe continues to constitute nearly 51% of our overall business. Well-known big pharma companies from the United States and Europe have trusted Wockhardt with their contract manufacturing and new product requirements. The UK and Irish operations have produced excellent results and shown double-digit growth.

ON THE HOME FRONT...

As true pioneers in the field of biotechnology in India, we are at the forefront in bringing innovative medicines to the market. Our R&D effort has resulted in the launch of Glaritus, a recombinant insulin analogue - glargine. In fact, Wockhardt is the 1st company in the world, after the innovator, to launch this long-acting recombinant insulin analogue in India with a world market potential of US$ 2 billion and more. Over the years, we have focussed on building a strong and comprehensive diabetes management portfolio with a range of oral anti-diabetic products, insulins and a blood sugar monitoring device - Sugarchek.

Our India branded business grew briskly by 20% in 2008 as compared to the industry growth of 10% (ORG IMS 2008). Overall, Wockhardt increased its market share to 2.08% vis-à-vis 1.9% in 2007 and in the process also improved its industry ranking by 2 notches. Moreover, 11 Wockhardt brands featured in the list of 'Top 300' brands in the industry.

THE GLOBAL FINANCIAL MAZE

With our international business contributing 73% to the total consolidated revenues, hedging foreign exchange risk is an obvious and a prudent treasury operation at Wockhardt. However, challenging times such as these come uninvited. The prevalent financial downturn and fluctuating exchange rates have resulted in significant losses on our forex exposure. As with the marketplace, we too have been affected by the global financial meltdown and the ensuing credit squeeze. On the back of

Going forward, we will continue to reinvent Wockhardt and with it develop newer footprints for growth, to be even more competitive.

superior operational performance, we have decided to strengthen our gearing ratios and are in the midst of a corporate debt restructuring exercise. We are taking significant management initiatives towards containing such losses henceforth and are confident that as a result of this, we shall be stronger than ever... for the future.

WOCKHARDIANS... OUR FORTE

Managing in such turbulent times would have been very difficult, if not for Wockhardt's priceless asset - its people. As strategies bestow direction, a proficient team gives form to goals. With a unified vision and a firm commitment, Wockhardians across the globe have been integral to the company's success. They have provided inspiring leadership to achieve fantastic operational performances.

EYES ON THE FUTURE

Going forward, we will continue to reinvent Wockhardt and with it develop newer footprints for growth, to be even more competitive. At this juncture, I'm reminded of a popular maxim, 'Circumstances are the best teachers.' As a deft organisation, Wockhardt will be more focussed in managing its cash flows and working capital efficiently and will initiate better inventory and cost management practices.

I am also elated to tell you that Wockhardt's Board of Directors have taken the decision to appoint and induct on the Board, Huzaifa Khorakiwala as Executive Director and Dr. Murtaza Khorakiwala as Managing Director of Wockhardt Limited. This decision was taken to develop a long-term succession plan in the best interest of the company and all its stakeholders. This will also give me an opportunity to mentor and develop the next generation leaders whilst I am fully involved in providing leadership, strategic vision and direction to the company's business operations. I will continue to remain as Chairman of Wockhardt with all executive powers to lead the company in its future course of direction. Please join me in congratulating them on this momentous occasion.

Lastly, but definitely not the least, I'd like to extend my thanks to all our investors, customers, bankers, partners, associates as well as Wockhardians for their continued unstinted support and in participating in our future growth and prosperity.

Habil Khorakiwala
Chairman

CUSTOMERS

THE VERY REASON OF OUR BEING...

Over the years, Wockhardt has forged lasting bonds with its care deliverers comprising of the medical community, the hospital administrators, as well as distributors and pharmacists.
As a perceptive company, we have grown to comprehend and deliver valuable intangibles our customers desire.
We provide contemporary products that are clinically proven for efficacy as well as safety. By discerning the unmet medical needs of the customers, we have developed a highly pertinent basket of products across multiple therapeutic areas for acute and chronic conditions, including life-style diseases.
At Wockhardt, we continually deliver on trust our customers repose on us.

SPEARHEADING INNOVATION FOR A COMPREHENSIVE SOLUTION IN DIABETES MANAGEMENT

With increasing concern for diabetes globally, and India becoming the diabetes capital of the world, Wockhardt realised the damaging impact and other complications this disease has on the vital organs of the body leading to increased morbidity. At the heart of its foray in providing healthcare solutions, was Wockhardt's unwavering belief of providing patients a comprehensive treatment, which is better, more effective and economical.

Wosulin was India's first world-class recombinant insulin. This technological breakthrough gave Indian patients the much-needed contemporary product at affordable prices. The launch of Wosulin triggered a price reduction of nearly 38% across brands, a huge saving for any diabetic patient in India. Wosulin is steadily becoming the insulin of choice backed by its innovative disposable pen delivery device that is painless and convenient.

With laudable biotechnology research, Wockhardt is the first company in the world after the innovator, to have developed and launched a long-acting (24-hours action) insulin analogue - glargine, under the brand name Glaritus, in India.

Besides Wosulin (insulin) and Glaritus (glargine), Wockhardt also introduced cutting-edge oral hypoglycaemic agents, diabetic nutritional products, a

blood sugar monitoring system - Sugarchek and medical services backed by patient education... all this to facilitate a physician's need for a comprehensive solution in managing his patient's diabetes.

TECHNOLOGICALLY INNOVATIVE INJECTABLE DEVICES

We believe innovation is the key in helping the medical profession. Keeping in mind our customers' concern for painless therapy in chronic disorders such as, cancer, kidney failure and diabetes, where injections are to be administered in precise doses, Wockhardt has introduced technologically innovative 'Drug Delivery Systems' like reusable and disposable pen delivery devices for products such as, Wosulin (recombinant insulin), Glaritus (insulin analogue) as well as Wepox (erythropoietin) injectables.

As a perceptive company,
we have grown to comprehend and deliver
valuable intangibles our customers desire.

CUSTOMER FOCUSSED IN-LICENSED PRODUCTS IN NICHE THERAPIES FOR INDIA

In-licensed brands for Indian patients	In-Licensing Company	Country	Indication
B-Lift Active, Rich, Eye Contour, HIM	Sinclair	Italy	Anti-wrinkle
Novophane	ACM Crawford	France	Nutritional Supplement for hair & nail
Miotheck Capsules, Injection, PLUS	Indena	Italy	Muscle relaxant
Sammy	G-Nosis	Italy	Osteo-arthritis
Normagut	G-Nosis	Italy	Pro-biotic
Dephethile	ACM Crawford	France	Depigmentation

EQUIPPING CARE DELIVERERS IN THE US

In the United States, Wockhardt provides technology driven, high-quality bio-equivalent generic products post patent expiry, as approved by the United States Food and Drug Administration (US FDA). These generic products not only provide effective treatment but also cost far less than the innovator products prior to patent expiry. In 2006, Wockhardt was amongst the Top 5 companies in the world with 23 ANDA (Abbreviated New Drug Application) approvals from the US FDA. Currently, Wockhardt USA and Morton Grove Pharmaceuticals market over 60 product families in the US and having sales of over US$ 120 million.

CUSTOMER CONCERN DRIVES WOCKHARDT UK

Wockhardt UK's therapeutic portfolio for hospitals and the medical community is significant in areas like Diabetes, Cancer, Infections, Pain and Blood coagulation, besides others. Very interestingly in the UK, diabetic patients depend solely on animal insulin injections and Wockhardt UK is the only company to meet the medical requirements of these patients through Hypurine Procine and Hypurine Bovine insulins. No wonder, Britain's House of Commons applauded Wockhardt's commitment in meeting their customers need and saving their lives. With revolutionary products like Nicopatch and Nicopass, Wockhardt UK has helped people quit smoking and made the world a healthier place to live-in.

PINEWOOD HEALTHCARE, IRELAND DELIVERS SUPERIOR VALUE TO ITS CUSTOMERS

Much in line with its credo of delivering superior value to its customers, Pinewood Healthcare is the purveyor of a wide range of branded generic Ethical and OTC products for the medical community in Europe and the world markets. It is also the No.1 branded generic company in Ireland and continues to outperform competition in the Irish market. The company's comprehensive basket of products includes dosage forms such as, Oral Liquids & Suspensions, Non-Beta Lactam Powders, Creams and Ointments.

MAKING ITS WAY INTO CUSTOMERS' HEARTS... NEGMA IN FRANCE

Wockhardt's French subsidiary, Negma Laboratories is at the forefront in therapeutic segments such as Osteoarthritis & Rheumatology, Phlebotonic and Arterial Hypertension. With its brand, ART50 as its crowning glory, Negma has bolstered its reputation as a partner of choice within the French pharmaceutical market and has received approval from the French Health Agency for the long-term symptomatic treatment of osteoarthritis. Based on its experience and expertise, Negma is an active ally of physicians, not only in research, but also in their everyday medical practices.

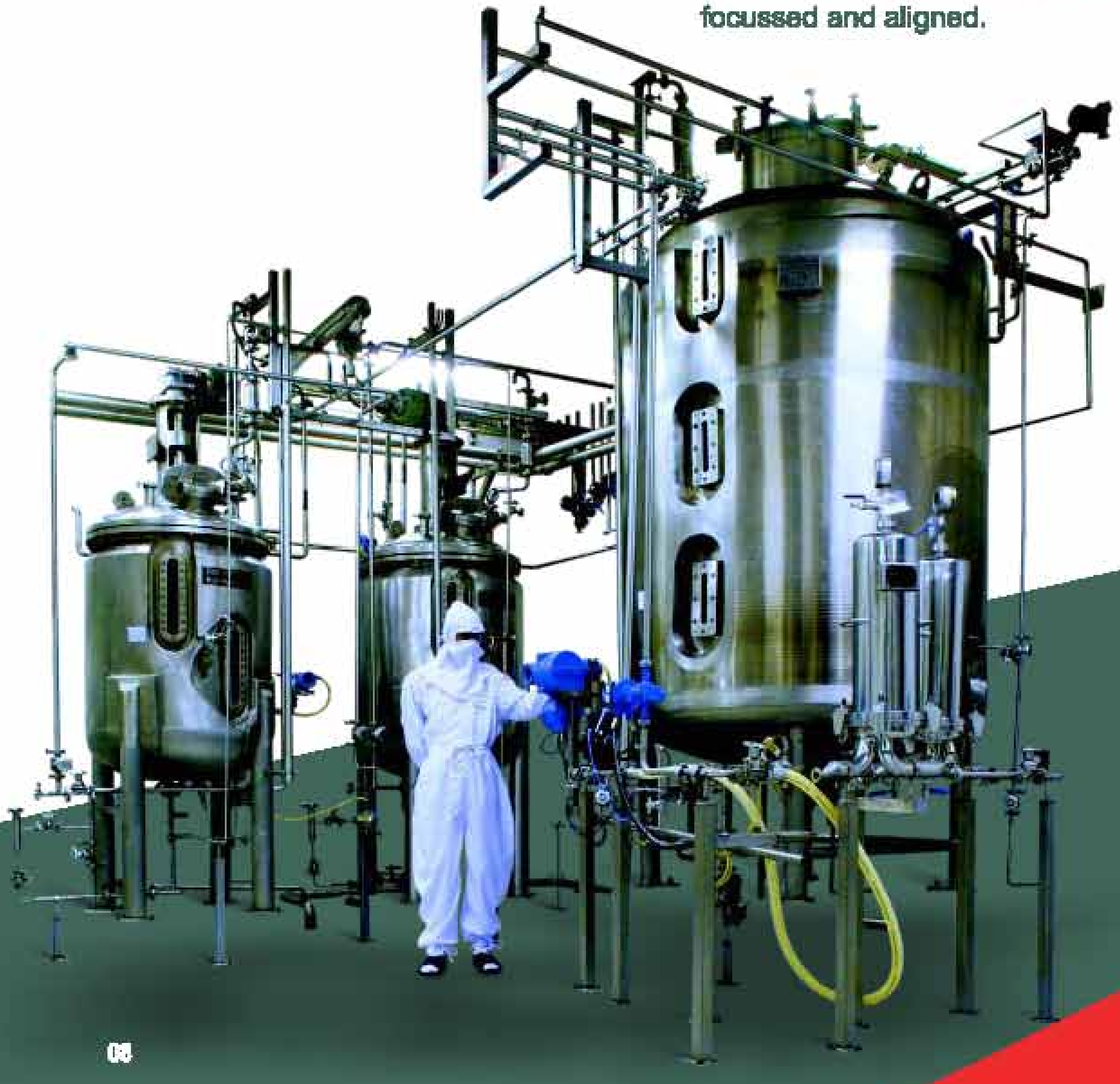
HONOURING THE MEDICAL COMMUNITY IN INDIA

Wockhardt has instituted a platform that recognises India's medical icons through the prestigious Wockhardt Medical Excellence Awards in association with Harvard Medical International, USA. The Company also conducts pertinent conferences and Continuous Medical Education (CME) as a part of knowledge transfer to benefit the Indian medical community.

CONTRACT MANUFACTURING ORGANISATION (CMO)

ADDING VALUE TO OUR CLIENT'S GROWTH

Wockhardt's 15 world-class manufacturing plants are compliant with global regulatory bodies like the United States Food and Drug Administration (US FDA), the United Kingdom Medicines & Healthcare Products Regulatory Agency (UK MHRA) and the European Medicines Agency (EMEA). It also adheres to continuous Good Manufacturing Practice (cGMP) norms, placing Wockhardt amongst the leading global contract manufacturers. Well-known big pharma companies as well as, prime mega retailers, in both, grocery and pharmacy sectors, and some of UK's largest pharmaceutical wholesalers; are Wockhardt's esteemed customers. It is this trust of our customers that keeps us focussed and aligned.



WOCKHARDT'S CMO TEAM SPEAKS…

Success doesn't happen by chance. It's about seamless teamwork.
-Mark

Technology transfer is complex and challenging. To get the best results, we're constantly thinking outside the box.
-Neil

Our operation is global. Contract Manufacturing demands a mix of infrastructure and expertise. Our team offers both.
-Tony

Whether it's arranging your next Business Review meeting, scheduling deliveries or reviewing critical timings, customer satisfaction is the key.
-Heather

Product quality, safety and efficacy always come first. We have a duty of care to protect patients and clients alike.
-Tracy

Our testing regimes are stringent. The integrity of the product is what counts.
-Peter

Anticipating distribution needs helps us deliver the best possible customer experience.
-Tracey

Aligning quality and production timelines is crucial. There is no room for error - the final output has to be perfect.
- Ash

It is this trust of our customers that keeps us focussed and aligned.

> "Wockhardt has proved to be a responsive Contract Manufacturing Organisation that is flexible to the needs of companies whilst keeping quality paramount."
>
> -Gene Merritt, Vice President
> Zelos Therapeutics, UK

THE COMPANY WE KEEP...

Pfizer

Amylin Pharmaceuticals Inc

J&J

Zelos Therapeutics

Astra Zeneca

Cephalon Inc

Mitsubishi Tanabe Pharma Corporation

Fidia Farmacuetici SpA

Teva Parenterals Inc

Laboratoire Aguettant

Shire

Vitabiotics

UCB

Galpharma

WOCKHARDT, A PARTNER OF CHOICE FOR CONTRACT MANUFACTURING

Contract manufacturing is a well-established strategic option for many pharmaceutical companies and Wockhardt, with its dedicated and specialised team, is best suited to fulfil this need. Wockhardt offers a 'Full Turnkey Service' capability and the contract manufacturing team encompasses experts in Development, Technology Transfer, Manufacturing, Quality Assurance, fully supported by specialists in Regulatory Affairs, Logistics, Planning, Engineering and Purchasing.

With an integrated network of 15 manufacturing facilities across locations in India, Europe and USA, Wockhardt spells quality, trust, dependability and cost-effective services to its corporate customers in meeting their global manufacturing needs. These facilities are approved by global regulatory agencies in the USA, Europe, UK, India and many others.

IT'S THE PEOPLE THAT MAKE A DIFFERENCE AT WOCKHARDT

Wockhardt's Business & Project Managers work closely with development and operational groups to ensure that timelines as agreed upon with the client are met and the project is well within the budget. Besides, there is always a speedy response to any query.

Wockhardt's goal for this technology transfer process is to establish production that is repeatable, robust and produces comparable products, meeting all acceptance criteria, cost and timelines. Wockhardt understands the fundamental importance of technical development with regard to scale-up, technology transfer and commercialisation in the pre-formulation, formulation and analytical development stages of the molecule and is focussed in delivering the product with its customers marketing and timeline requirements in mind.

WOCKHARDT CMO DIFFERENTIAL

SERVICES

- Business & Project Management
- Full Turnkey Services
- Technology Transfer
- Logistics
- Planning
- Purchasing
- Engineering

TECHNICAL

- Drug Development
- Analytical Support
- Quality Assurance
- Quality Control
- Regulatory Compliance

MANUFACTURING

Multi-disciplinary	Multi-geographic
Sterile Injectables	India
Lyophilisation	UK
Solid Dose	USA
Liquids, Gels, Ointments, Creams	Ireland
Sachets & Powders	France
Specialised Products	

CHANNELS

BUILDING BRIDGES OF RELATIONSHIP

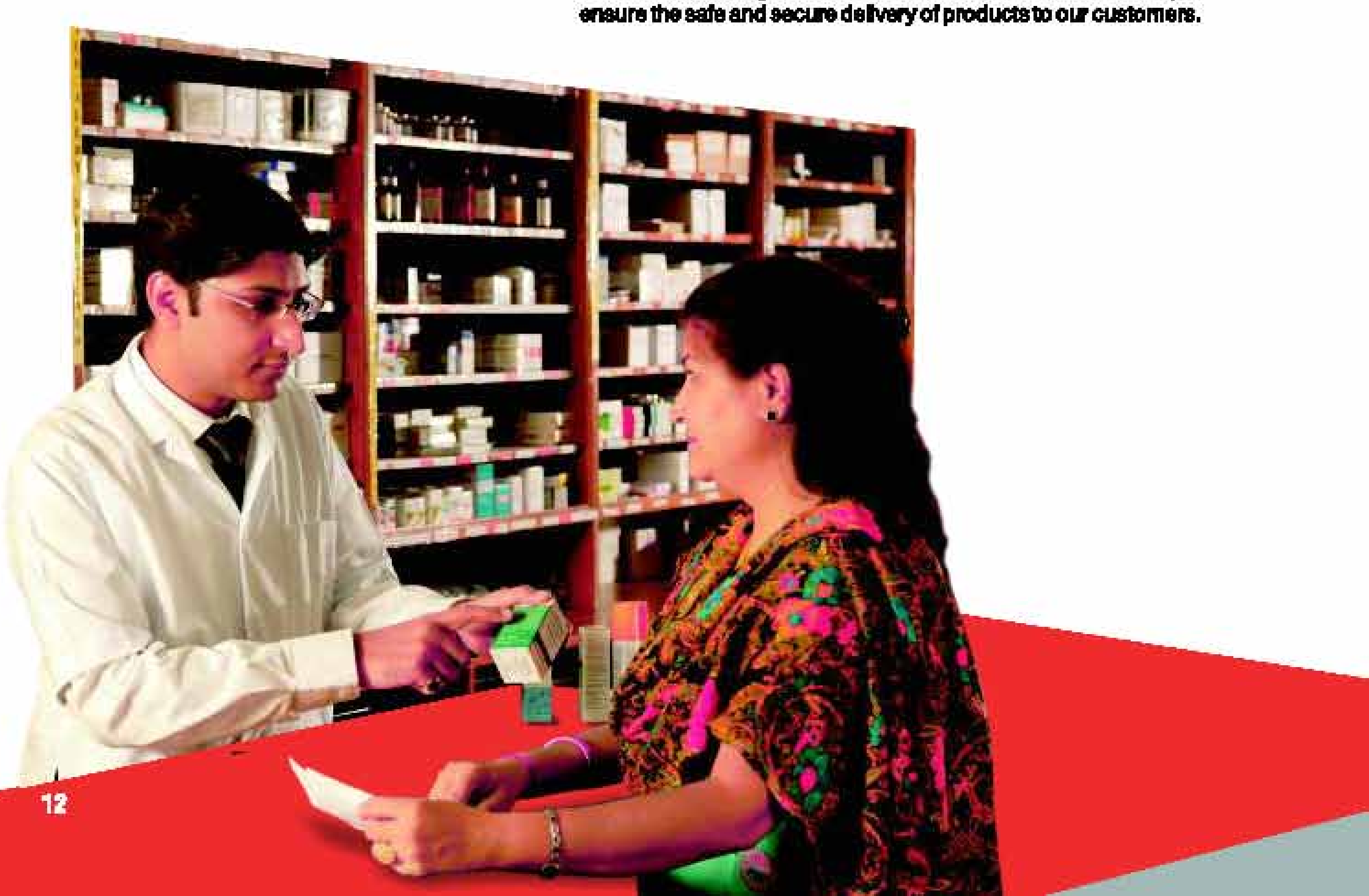
Wockhardt has emerged as a trust-worthy entity that undertakes customer-centric initiatives for enhancing its distribution services. From making available a wide range of multi-technology products, including sensitive cold-chain products across continents to our customers, Wockhardt has mastered the art of building long-term relationships.

WOCKHARDT'S DISTRIBUTION REACH ACROSS INDIA

With as many as 100,000 retailers, 4,000 distributors, 26 stock-points and 1,900 field personnel in India, Wockhardt is well networked with its products in each and every nook and corner of India. Serving pharmacists, retail chains, stockists, distributors as well as government bodies has helped us strengthen bonds with our customers.

WOCKHARDT'S DISTRIBUTION NETWORK IN EUROPE & OTHER COUNTRIES

Facilitated by an international network of distributors and agents, Wockhardt UK exports quality products to over 50 countries in the Middle East, Australasia, Africa and South-East Asia. Wockhardt UK's dedicated Retail Medicine Division is a manifestation of the group's vision to offer superior services to its retailers, distributors as well as agents. With an experienced team of Key Account Managers driven by knowledge, commitment and infrastructure, the division has emerged as a long established supplier to the Retail Pharmacy sector. Wockhardt UK is validated by the Department of Transport as a 'Known Consignor' and the entire packing staff has achieved the 'Aviation Security Awareness' certification. Recognitions of this order underscore our ability to ensure the safe and secure delivery of products to our customers.



HOSPITAL PHARMACEUTICALS SUPPLY IN UK

Wockhardt UK has emerged as a leading supplier of generic hospital pharmaceuticals to the UK market. Our dedicated hospital pharmaceutical team endeavours to consistently expand our range of competitively priced products and focuses on delivering products with comprehensive data stability. It is our incessant effort to deliver products that improve stock management by offering 'singles', instead of multiple packs on high cost lines. With client satisfaction as the nucleus of all our activities, we continuously improve customer service by offering a range of distribution options, including next day or in some cases, same day delivery.

WOCKHARDT'S SATISFIED CUSTOMERS SPEAK...

At present, we have a wonderful business relationship with Wockhardt, who are one of our major generic suppliers. We have seen our business with them grow year-on-year because of increase in the range of products that they now supply, improved stock levels, coupled with excellent Customer Service care.

-Arun Patel, Managing Director
Colorama Pharmaceuticals Limited, UK

Wockhardt USA LLC has been a consistent and valuable partner for the Amerisource Bergen PRxO Generics formulary and we look forward to continuing to work with Wockhardt going forward.

-Terry Pera, Senior Vice President, Supply Chain Management
Amerisource Bergen Corporation, USA

We have achieved purchasing targets with Wockhardt for the last few years. Wockhardt UK is also been active in launching not only new products but also first day off-patent generics. Another reason for Wockhardt's success in the UK with Sigma and other distributors is also due to their products being very competitively priced, good packaging and high quality.

-Bharat Shah, Managing Director
Sigma Pharmaceuticals Plc, UK

We are proud to be associated with Wockhardt for the past 23 years as their channel partner in Mumbai, India. The innovative products introduced by them on an on going basis have helped us to expand our business too. It has been a happy journey together. The customer focussed service from their sales and distribution team has been very satisfying.

-Sunil Parikh, Managing Director
S Parikh Pharma Private Limited, India

We find your representative and the customer services team are always helpful with any issues we may have. Wockhardt's well presented products include injectables, tablets, liquids, which are stocked at all Phoenix's 13 UK depots.

-David Lee, Group Commercial Manager
Phoenix Healthcare, UK

WOCKHARDT'S MEGA DISTRIBUTORS FOR US MARKETS

In a bid to optimise our services, we work in partnership with our export clients through strategic alliances and strong commercialisation agreements. Wockhardt's network is further strengthened through distribution agreements with many customers across the USA such as:

WALGREENS

The largest drugstore chain in the US operating 6,636 stores in 49 states.

CARDINAL HEALTH

One of the largest wholesale distributors that reaches out to customers located across 5 continents.

PSS WORLD MEDICAL

It is the United States largest provider of medical supplies to the physician market through over 750 sales consultants. The company has established 33 'PSS Service Centres' distributing medical supplies to approximately 100,000 doctor offices across the USA.

THE HARVARD DRUG GROUP

The Harvard Drug Group is a leading secondary supplier of generic pharmaceuticals, brand pharmaceuticals, major OTCs and vitamins. It specialises in servicing independent pharmacies, retail pharmacies and buying groups.

WOCKHARDT HOSPITALS

REDEFINING PARADIGMS OF HEALTHCARE

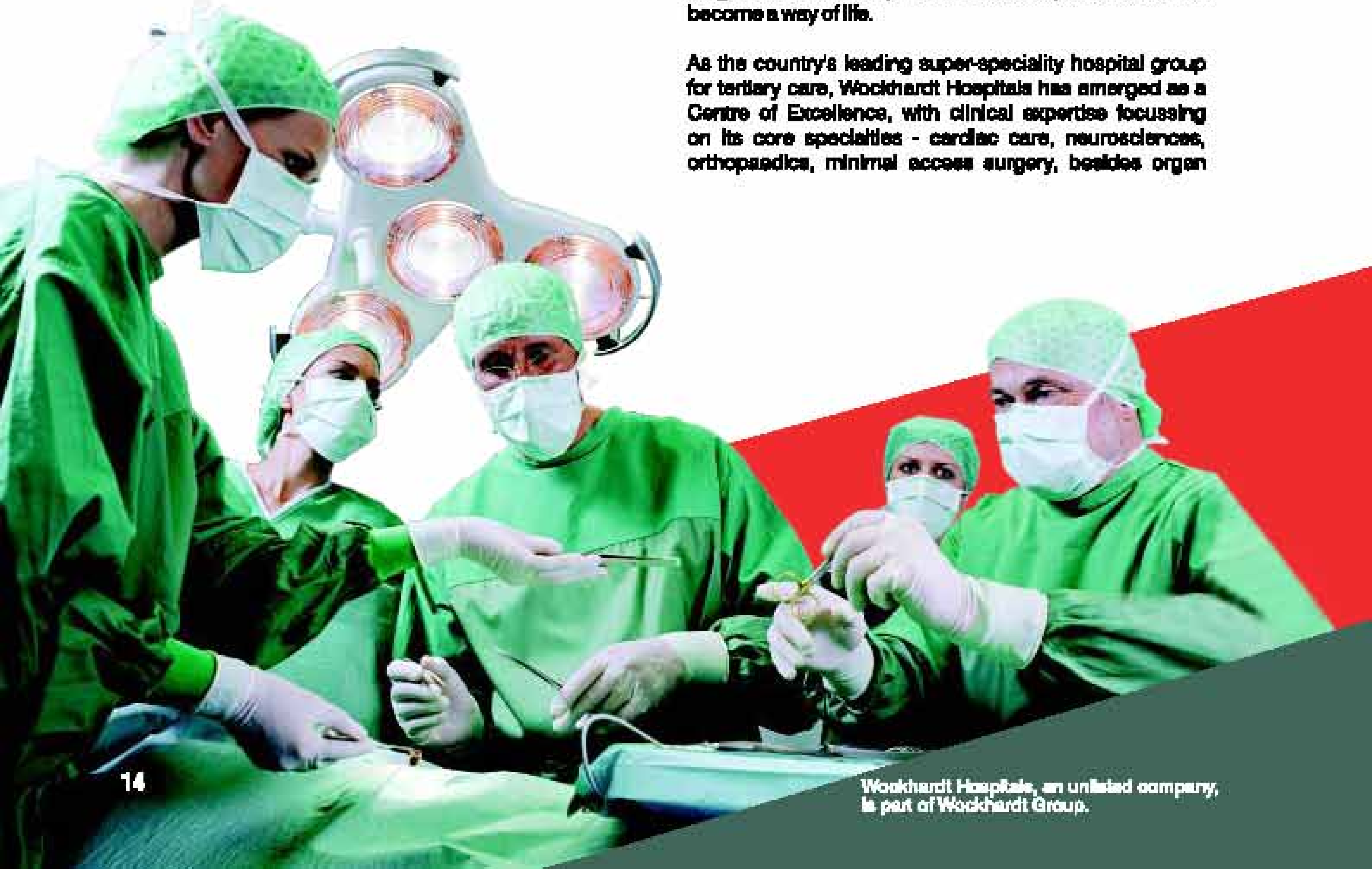
Wockhardt Hospitals has been true to its vision that every citizen of the world should have access to high and contemporary quality healthcare, a vision that is mirrored by our international medical partners Harvard Medical International. The Wockhardt Hospitals motto... 'Towards saving lives' is personified through its strong, committed and talented people and is a manifestation of its value for life.

TOWARDS SAVING LIVES

From saving a 4-hour old baby with congenital heart disease to implanting the world's smallest pacemaker in a 15-hour old baby, the team at Wockhardt Hospitals has always believed in saving a life. Be it performing life saving organ transplants or setting a global benchmark by performing the first coronary bypass surgery along with an aortic valve replacement without using general anaesthesia or removing a brain tumour through the nasal cavity without opening the skull... unimaginable, yet true.

At Wockhardt Hospitals, conducting minimally invasive brain and spine neurosurgeries, Conscious Off Pump Coronary Artery Bypass Surgery, popularly called, 'Awake Bypass Surgery' and advanced orthopaedic surgeries for knee, hip and shoulder replacements, has become a way of life.

As the country's leading super-speciality hospital group for tertiary care, Wockhardt Hospitals has emerged as a Centre of Excellence, with clinical expertise focussing on its core specialities - cardiac care, neurosciences, orthopaedics, minimal access surgery, besides organ



Wockhardt Hospitals, an unlisted company, is part of Wockhardt Group.

transplants, ophthalmology and oncology. Today, Wockhardt Hospitals offer advanced super-speciality care and treatment to patients in 17 hospitals across metros and tier II cities of India.

OUR PARTNERSHIP WITH HARVARD MEDICAL INTERNATIONAL

Wockhardt Hospitals is an associate hospital of Harvard Medical International, a subsidiary of the Harvard Medical School, Boston, USA. With this arrangement, Wockhardt now has access to Harvard's expertise and experience in the field of surgical and medicare services, as well as in setting up and developing hospitals of excellence. With process driven quality systems and adherence to Harvard Medical International standards of clinical care, safe environment, medication safety, respect for rights and privacy as well as infection control standards, we provide our patients the best of treatment and care at an affordable price.

ETCHING A GLOBAL IDENTITY

Today, we have surfaced as a specialist for super speciality treatment for patients from the US, the UK and other European countries besides South-East Asia, Middle-East and Africa.

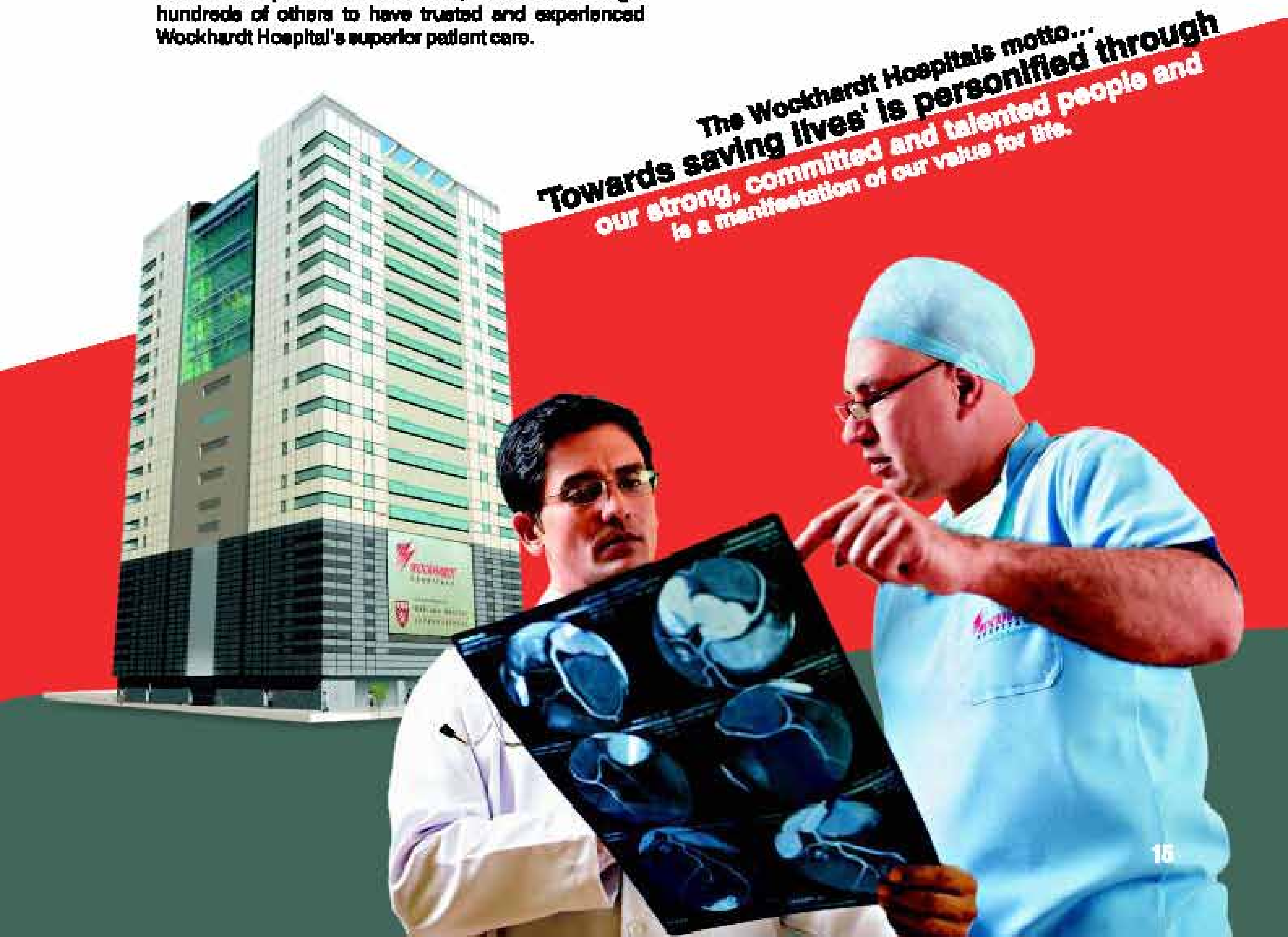
It is patients like George Marshall from Europe and Robin Thompson from Alabama, who are amongst hundreds of others to have trusted and experienced Wockhardt Hospital's superior patient care.

JCI AND OTHER INTERNATIONAL RECOGNITIONS

Wockhardt Hospitals, Mumbai and Bangalore have received the highly coveted accreditation from Joint Commission International (JCI), USA, which is the global benchmark in healthcare accreditation. We are the first super speciality hospital in South Asia to be recognised by the American Blue Cross and Blue Shield Association in its worldwide network of participating hospitals. It is recognised by as many as 17 leading insurance providers across the globe, including CIGNA.

For two years in a row, Wockhardt Hospitals has been recognised with an international award in the category of 'Patient Safety/ Quality Medical Care' at the Asian Hospital Management Awards.

However, there is something that has remained unchanged over these years... our passion for the very gift called - Life.



CORPORATE SOCIAL RESPONSIBILITY

A LIFE OF GIVING IS THE LIFE WORTH LIVING

As a pharmaceutical company, it is our inherent attitude to treat patients and make them cherish life. Our will to serve is the embellishment that enables us to touch lives in a meaningful manner. For us, service is beyond one time donation. It is an ongoing endeavour to bring about a positive and sustainable change in the society.

The Wockhardt Foundation is a manifestation of a serious and committed goal of enriching the community. Our mission - to work towards and fight for the upliftment of the poor, weak and the needy resounds in every activity we undertake.

WOCKHARDT FOUNDATION BELIEVES IN BRINGING ABOUT A CHANGE THROUGH EIGHT PROGRAMMES

RIGHT TO VISION

Through this initiative, we have set up a Mobile Eye Clinic across the slum areas and the rural pockets of the country. We are not only treating as many as 8,000 patients every year, but also preventing thousands of cases of blindness.

"The best way to find yourself is to lose yourself in the service of others."
Mahatma Gandhi

LITTLE HEARTS

Today, over 3 lakh babies are born with heart defects and nearly a lakh require early surgical intervention in order to be alive. With our 'Little Hearts' programme, we save the life of a child and also provide financial assistance as an enabler.

DE-WORM INDIA

De-worm India is a joint initiative undertaken by the Wockhardt Foundation, CII-YI, Rotary and Lions Clubs. Worm infestation results in abdominal pain, nausea, vomiting, diarrhoea, weakness, anaemia, retarded physical growth and development in children, detrimental effects on educational performance and school attendance as well as nutritional deficiencies. As per World Health Organisation, 'Mass De-worming' is a feasible treatment option and should be undertaken in endemic areas. Through this programme, we have de-wormed as many as 130,000 children across the country.

HIV / AIDS (WHARF)

Wockhardt HIV-AIDS Research Foundation (WHARF) is a non-profit entity that is committed to the cause of HIV/AIDS in India. WHARF lends its understanding and expertise to train healthcare professionals and counsellors in India, working in the area of HIV/AIDS. Today, we have trained as many as 14,300 doctors, across the country. WHARF Youth have conducted awareness programmes in colleges and many Indian corporate houses on 'Myths and Misconceptions of HIV & AIDS'.

FREE CONSULTATIONS

Under this programme, we encourage doctors across India to give 2 hours of free consultations per week to the poor and needy sections of the society. Every doctor working under this programme is recognised as an 'Associate Doctor of Wockhardt Foundation' and enjoys certain benefits.

SMILE

Every year, as many as 35,000 children are born with cleft deformities. Wockhardt Foundation, Wockhardt Hospitals and Operation Smile India have initiated this programme to treat cleft deformities among children. Operation Smile India brings in international specialists to conduct this surgery, free of cost at our hospitals. Wockhardt Hospitals, Rajkot, witnessed 45 such surgeries in January 2009 alone. We are now looking forward to treating cleft deformities at other Wockhardt Hospital locations across the country.

VOICE

This initiative is truly a social voice against Smoking, Child Labour and Dowry Exploitation.

MORAL APPRECIATION

Each of these initiatives addresses the needs of the community at economic, social and moral levels.

Apart from these, the weekly Mobile Health Reach programme continues to give free consultations, diagnosis and medicines to poor patients in the slums of Mumbai.

We have already built our competence and capabilities to meet the objectives of each of these programmes. Wockhardians, who have voluntarily come forward to devote some time on these programmes, are called 'Warriors' and they possess a high degree of commitment and devotion towards the various causes of the Foundation.

This is our way of serving the society.

BOARD OF DIRECTORS

Back: **Rajiv Gandhi** Director - Corporate Finance & Information; **Huzaifa Khorakiwala** Executive Director; **Bharat Patel** Director; **R A Shah** Director

Front: **Dr. Murtaza Khorakiwala** Managing Director; **Dr. Abid Hussain** Director; **Habil Khorakiwala** Chairman; **Shekhar Datta** Director; **Aman Mehta** Director

MANAGEMENT TEAM

Habil Khorakiwala
Chairman

Dr. Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

Kurt Orlofski
President
Wockhardt USA & Morton Grove Pharmaceuticals, USA

Sunil Khera
President
Domestic & International (ROW) Business

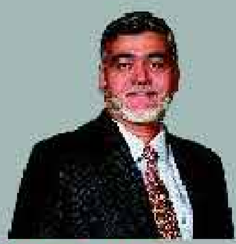
Sirjiwan Singh
Managing Director
Wockhardt UK, Wales

Dr. Yatendra Kumar
President
Pharma Research & Regulatory Affairs

Sanjeev V Mehta
President
Corporate Supply Chain

Manish Gupta
Managing Director
Pinewood Laboratories, Ireland

Rajiv B Gandhi
Director
Corporate Finance & Information



Abbas Master
President
Project

DIRECTORS' REPORT

Dear Members,

Your Directors hereby present the Tenth Annual Report of the Company and audited accounts for the year ended December 31, 2008.

FINANCIAL PERFORMANCE

(Rs. in millions)

	Year 2008	Year 2007
Consolidated		
Income	**36,281**	26,992
Profit before Depreciation, Interest & Tax	**8,438**	6,850
Profit/(Loss) Before Exceptional Items & Tax	**3,300**	4,742
Exceptional Items	**(5,810)**	—
Profit/(Loss) Before Tax and after Exceptional Items	**(2,510)**	4,742
Provision for Taxation (Expense)/Credit	**916**	(917)
Share of Profit/(Loss) from Associates	**205**	33
Net Profit/(Loss)	**(1,389)**	3,858
Standalone		
Income	**15,455**	12,716
Profit Before Depreciation, Interest & Tax	**3,890**	3,122
Profit/(Loss) Before Exceptional Items & Tax	**(132)**	2,731
Exceptional Items	**(4,438)**	—
Profit/(Loss) Before Tax and after Exceptional Items	**(4,571)**	2,731
Provision for Taxation (Expense)/Credit	**1,083**	(592)
Profit/(Loss) After Tax	**(3,488)**	2,139

The sales of the Company on a consolidated basis, for the year 2008 grew by 44% to Rs. 35,926 million and Profit before depreciation, interest and tax recorded a growth of 23% to Rs. 8,438 million. However, due to Mark to Market and derivative losses of Rs. 5,810 million and provision of Rs. 1,295 million towards premium on Foreign Currency Convertible Bonds (FCCB) for the period October 2004 to December 2008, the Company incurred a loss of Rs. 1,389 million.

The FCCB of US$ 108.50 million and certain term loans are due during the year 2009. Since, the Company requires additional time to meet the above obligations, it has approached the Corporate Debt Restructuring (CDR) Cell. The Empowered Group of the CDR Cell has admitted the Company to CDR Scheme.

DIVIDEND AND RESERVES

In view of the losses during the financial year ended December 31, 2008, no amount is transferred to the General Reserve and the directors do not recommend any dividend.

CAPITAL STRUCTURE

The Authorised share capital of the Company was increased from Rs. 1,250 millions to Rs. 1,750 millions by creation of 100 million preference shares of Rs. 5/- each on January 19, 2009. There was no change in the issued, subscribed and paid up capital of the Company.

DIRECTORS

Dr. B. L. Maheshwari expired on March 1, 2009 and hence, ceased to be a Director of the Company. The Board places on record its appreciation for the valuable guidance and contribution to the Board made by him during his tenure as a Director of the Company and extends its deepest condolence to his family.

The Board appointed Mr. Huzaifa H. Khorakiwala as an Additional Director and Whole-time Director designated as "Executive Director" on March 31, 2009 and he holds office upto the ensuing Annual General Meeting. The resolution for his appointment as Director and Whole-time Director is being moved at the ensuing Annual General Meeting. Mr. Huzaifa H. Khorakiwala, aged 38 years, is graduate in the field of commerce and has done his post graduation from the Yale University, USA by completing his MBA in General Management. He is heading the Animal Health Care division and is responsible for the corporate social responsibility of the Company. Earlier, he was leading International Formulation Division of Wockhardt. Mr. Huzaifa Khorakiwala does not hold any other directorships. He holds 2,16,000 equity shares of the Company.

The Board appointed Dr. Murtaza H. Khorakiwala as an Additional Director and Managing Director on March 31, 2009 and he holds office upto the ensuing Annual General Meeting. The resolution for his appointment as Director and Managing Director is being moved at the ensuing Annual General Meeting. Dr. Murtaza H. Khorakiwala, aged 36 years, has done his Doctorate in Medicine from India and Master in Business Administration from the University of Illinois, USA. He has over 10 years experience in the pharmaceuticals and healthcare industry. He has been heading the API and Biotech business and plays an active role in new business developmental initiatives of the Company. Prior to this, he was a Head of Strategic business unit at Wallis Laboratories UK, which was Wockhardt's first trans-national acquisition. He is a member of Executive Council of Indian Pharmaceutical Association and FICCI National Biotech Committee. He is on the Boards of Amadou Estate Development Private Limited, Denarius Estate Development Private Limited, Shravan Constructions Private Limited, Dartmour Holdings Private Limited, Khorakiwala Holdings & Investments Private Limited, Palanpur Holdings & Investments Private Limited, Khorakiwala Foundation, Yurt Estate Development Private Limited and Wockhardt Nigeria Limited. He is also a member of Audit Committee of Khorakiwala Holdings and Investments Private Limited. He holds 2,26,200 equity shares of the Company.

Dr. Abid Hussain and Mr. R. A. Shah retire by rotation as directors at the upcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their appointment at the forthcoming Annual General Meeting. As required under clause 49 of the listing agreement, brief information about them is as under:

Dr. Abid Hussain has been a Director of the Company since February 25, 2000. Dr. Hussain, aged 82 years, is a retired IAS officer and former Indian Ambassador to United States of America. He was also a member of planning commission and Ministry of Industries, Government of India. In 1988, he was awarded Padma Bhushan for meritorious services. He is on the Boards of GVK Power and Infrastructure Limited, GVK Industries Limited, Taj GVK Hotels and Resorts Limited, Hyderabad Flextech Limited, Nagarjuna Oil Corporation Limited, Zodiac Clothing Company Limited, Morgan Stanley Asset Management (India) Limited, Havell's India Limited, Gangavaram Port Limited and Shree Cement Limited. He holds memberships of the Board committees of Shree Cement Limited, Havell's India Limited, GVK Industries Limited and Taj GVK Hotels and Resorts Limited. Dr. Abid Hussain does not hold any equity shares of the Company.

Mr. R. A. Shah, aged 77 years, is an eminent solicitor specializing in a broad spectrum of corporate laws. He is a senior partner of Crowford Bayley & Company, a leading firm of solicitors and advocates in Mumbai. He has rich experience in the field of law & corporate affairs with special focus on foreign investments, joint ventures, technology and license agreements, intellectual property rights, mergers and acquisitions, industrial licensing, anti-trust laws, company law and taxation. He is on the Boards of Godfrey Phillips India Limited, Clariant Chemicals (India) Limited, Pfizer Limited, Roche Scientific Co. (I) Private Limited, Colgate Palmolive India Limited, Abbott India Limited, Asian Paints (India) Limited, ACC Limited, The Bombay Dyeing & Mfg. Co. Limited, BASF India Limited, Deepak Fertilizers & Petrochemicals Corporation Limited, Jumbo World Holdings Limited, Lupin Limited, Piramal Healthcare Limited, Procter & Gamble Hygiene and Healthcare Limited and Century Enka Limited. He is an alternate Director in Atul Limited, BASF Polyurethanes India Limited, Modicare Limited, RPG Life Sciences Limited and Schrader Duncan Limited. He holds memberships of the Board committees of BASF India Limited, Abbott India Limited, The Bombay Dyeing & Mfg. Co. Limited, Century Enka Limited, Lupin Limited and Procter & Gamble Hygiene and Healthcare Limited. He does not hold any equity shares of the Company.

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants are statutory auditors of the Company from last six years. The Board of Directors of the Company have decided that the appointment of statutory auditors should be done on a rotational basis. Further, the Company has received a Special Notice pursuant to Section 225 of the Companies Act, 1956, from a member for moving the Ordinary Resolution for the appointment of M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditors of the Company in place of the Retiring Auditors, M/s S. R. Batliboi & Co.

The Board of Directors of the Company on the recommendation of the Audit Committee, proposes to appoint M/s. Haribhakti & Co., Chartered Accountants, as Auditors of the Company at the ensuing Annual General Meeting.

Haribhakti & Co., is a Mumbai head quartered firm of Chartered Accountants, established since 1951. Haribhakti & Co. is affiliated to BDO International. BDO is the fifth largest accountancy network with a world wide network of public accounting firms, called BDO Member Firms, serving international clients. Each BDO member firm is an independent legal entity in its own country. BDO International is present in 110 countries with more than 1,000 offices, 2,520 partners and 44,000 professional staff.

M/s. Haribhakti & Co. have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956. The Board recommends their appointment.

AUDITORS' REPORT

With regard to the qualifications and emphasis of matter contained in the Auditors' Report, explanations are given below:

(a) Note 5 of the Auditors' Report – Note No. 32 of Notes to Accounts to the financial statements:

The outstanding liabilities of the Company can be restructured under the aegis of Corporate Debt Restructuring (CDR). The Company has approached the CDR Cell through ICICI Bank. The Empowered Group (EG) of CDR Cell has admitted the Company to the CDR Scheme. Since the term loans, FCCB loan of USD 108.50 million are falling due and the Company requires additional time to meet the requirements, the Company has approached the CDR Cell.

(b) Note 6 of the Auditors' Report – Note No. 33(d) of Notes to Accounts to the financial statements:

Subsequent to the year end, certain derivative/hedging contracts have been unilaterally cancelled by the banks. The Company has treated the demand of Rs. 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. As on balance sheet date, Rs. 252.85 million is kept with the banks as deposit against these disputed liabilities. The Company is currently discussing with lawyers for various options.

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 the Company as debts.

(c) Point (vii) in the Annexure to Auditors' Report:

The Company has an internal audit system which it believes to be commensurate to the size of its operations. However, the Company already commenced the process of further strengthening the internal audit system to enlarge its scope in respect of Treasury Operations. The Company also proposes to avail the services of the external consultants so as to ensure that the internal audit system with regard to Treasury Operations is commensurate with the size and nature of such operations.

(d) Point (xi) in the Annexure to Auditors' Report:

The Board is of the view that although the Company had delayed the repayment of the due, it had rescheduled the dues and paid subsequent to the year end. Accordingly, there was no default but only a delay in repayment of the dues.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management, confirm that:

- in the preparation of annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departure;
- in order to provide a true and fair view of the state of affairs of the Company as on December 31, 2008 and the loss for the year ended on that date, reasonable and prudent judgments 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;
- the annual accounts presented to the members have been prepared on going concern basis.

FIXED DEPOSITS

During the year under review, no fixed deposits were accepted by the Company.

PARTICULARS OF EMPLOYEES

Information as prescribed under Section 217(2A) of the Companies Act, 1956 ("the Act"), read with the Companies (Particulars of Employees) Rules, 1975, amended from time to time forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The 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 given in Annexure to this report.

LEGAL COMPLIANCE

The Company has received an exemption from the Central Government under Section 212(8) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of the subsidiaries for the year ended December 31, 2008 to this report. The annual accounts of the subsidiaries will be made available for inspection by any member of the Company at the registered office of the Company and also at the registered office of the concerned subsidiaries. The annual accounts of the subsidiary companies and detailed information will be made available to the members of the Company and subsidiaries upon receipt of request from them. A statement pursuant to the provisions of Section 212 (1) (e) of the Companies Act, 1956 and the summary of the key financials of the company's subsidiaries are included in this Annual Report. Pursuant to Clause 32 of the Listing Agreement, Audited Consolidated Financial statements for the year ended December 31, 2008 forms part of the Annual Report.

SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI), secretarial audit is being carried out at the specified period by the practicing company secretary. The findings of the secretarial audit were entirely satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS AND CORPORATE GOVERNANCE

A detailed report on Corporate Governance along with the certificate on compliance with the conditions of corporate governance under clause 49 of the Listing agreement and Management Discussion and Analysis Report are given separately in this Annual 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 members of medical profession for their continued support to the Company.

For and on behalf of the Board

H. F. KHORAKIWALA
Chairman

Mumbai, May 29, 2009

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 December, 2008 and also the consolidated profit and loss account and the consolidated cash flow statement for the year 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 Rs. 45,491 million as at 31st December 2008, total net revenues of Rs. 25,976 million and net cash outflows of Rs. 2,000 million for the year then ended. We also did not audit the financial statements of an associate in whose financial statements the Group's share of profit is Rs. 204.80 million for the year ended 31st December, 2008. 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 to Note 34 to the consolidated financial statements with regard to the Company's ability to repay its loan and related liabilities falling due up to December 31, 2009 being dependant on the Company being able to successfully implement the actions proposed therein. These liabilities due for repayment in 2009 amounts to approximately Rs. 14,414 million, which is greater than the currently expected cash flows from business and any committed or contracted sources of funds of the Company. As informed by management, the Empowered Group (EG) of Corproate Debt Restructuring (CDR) Cell has admitted the Company to the CDR Scheme. The Company's ability to continue as a going concern is dependent on the successful outcome of its application to CDR Scheme. In view of the above, no adjustments have been made to the accompanying financial statements.
7. *As stated in Note 28(e)* to the Consolidated Financial Statements, *the Company had, on certain derivative contracts with banks, stopped payment of margins called by the banks during the year. Subsequent to the balance sheet date the banks, based on the Early Termination clause in the agreement, terminated these contracts and claimed an amount of Rs. 4,895.24 million, being the loss incurred on termination of such contracts. The Company contends that the derivative transactions were unilaterally cancelled by the banks and the mark to market losses had arisen on account of counter positions advised by the banks. The Company has obtained a legal opinion that these contracts can be disputed. No provision has been made in the accounts for these demands which have been disclosed under contingent liabilities. The Company has not determined the quantum of mark to market losses as of the balance sheet date on the above contracts. Pending final settlement of the matter, we are unable to quantify the extent of provision that may be required to be made in this regard.*
8. 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 the paragraph 7 above, the effect of which can not be 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 December 2008;
   (b) in the case of the consolidated profit and loss account expressed in Indian Rupees of the consolidated loss of Wockhardt Ltd. and its subsidiaries for the year 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 Wockhardt Ltd. and its subsidiaries for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : April 24, 2009

CONSOLIDATED BALANCE SHEET

As at December 31, 2008

	Notes	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share capital	3	**547.18**	**11.23**	547.18	13.88
Reserves and surplus	4	**9,630.10**	**197.71**	12,188.43	309.27
		10,177.28	**208.94**	12,735.61	323.15
LOAN FUNDS					
Secured loans	5	**31,608.59**	**648.91**	23,440.18	594.78
Unsecured loans	6	**10,742.62**	**220.54**	5,559.56	141.07
		42,351.21	**869.45**	28,999.74	735.85
DEFERRED TAX LIABILITY (Net)	2(h) & 7	**–**	**–**	920.95	23.36
TOTAL		**52,528.49**	**1,078.39**	42,656.30	1,082.36
APPLICATION OF FUNDS					
FIXED ASSETS	2(a) & 8				
Gross block		**39,895.62**	**819.04**	34,095.85	865.16
Accumulated depreciation		**(9,881.75)**	**(202.87)**	(8,602.75)	(218.29)
Impairment Provision		**(52.14)**	**(1.07)**	—	—
Net block		**29,961.73**	**615.10**	25,493.10	646.87
Capital work-in-progress, including capital advances		**6,335.02**	**130.06**	5,219.59	132.44
		36,296.75	**745.16**	30,712.69	779.31
INVESTMENTS	2(c) & 9	**931.94**	**19.12**	709.44	18.00
DEFERRED TAX ASSET (Net)	2(h) & 7	**415.15**	**8.55**	–	–
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	2(d) & 10	**8,297.53**	**170.35**	7,687.42	195.07
Sundry debtors	11	**8,534.23**	**175.20**	6,700.65	170.02
Cash and bank balances	12	**6,499.14**	**133.42**	3,801.78	96.46
Loans and advances	13	**6,306.00**	**129.45**	1,918.91	48.69
[A]		**29,636.90**	**608.42**	20,108.76	510.24
***Less:* CURRENT LIABILITIES AND PROVISIONS**	14				
Current liabilities		**8,410.16**	**172.67**	8,264.61	209.71
Provisions		**6,342.09**	**130.19**	609.98	15.48
[B]		**14,752.25**	**302.86**	8,874.59	225.19
NET CURRENT ASSETS [A] – [B]		**14,884.65**	**305.56**	11,234.17	285.05
TOTAL		**52,528.49**	**1,078.39**	42,656.30	1,082.36

The Notes referred to above form an integral part of the Balance Sheet

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

WOCKHARDT

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 2008

	Notes	For the year ended 31.12.2008 Rs. in millions	For the year ended 31.12.2008 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1(b)(d)]
INCOME					
Sales and services	2(f)	36,011.42	739.30	25,060.46	635.89
Add/(Less): Excise Duty		(85.83)	(1.76)	(152.31)	(3.86)
		35,925.59	737.54	24,908.15	632.03
Hedging/derivative income		–	–	1,623.39	41.19
Other income	15	355.85	7.31	460.01	11.67
TOTAL		36,281.44	744.85	26,991.55	684.89
EXPENDITURE					
Materials consumed and purchase of goods	16	13,701.71	281.28	11,359.34	288.22
(Increase)/decrease in inventories	2(d) & 17	(297.36)	(6.10)	(1,431.82)	(36.32)
Operating and other expenses	18	14,438.99	296.42	10,213.85	259.17
TOTAL		27,843.34	571.60	20,141.37	511.07
PROFIT BEFORE DEPRECIATION, FINANCE COST AND TAX		8,438.10	173.25	6,850.18	173.82
Less: Depreciation/Amortisation	2(a) & 8	1,078.33	22.14	784.84	19.92
Less: Impairment losses	2(a) & 8	52.14	1.07	—	—
PROFIT BEFORE EXCHANGE FLUCTUATION, FINANCE COST AND TAX		7,307.63	150.04	6,065.34	153.90
(Add)/Less: Exchange fluctuation, net		9.01	0.18	(314.27)	(7.97)
(Add)/Less: FCCB premium	32	1,294.91	26.58	–	–
(Add)/Less: Financial expenses	19	2,703.40	55.50	1,638.13	41.56
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		3,300.31	67.78	4,741.48	120.31
Less: Exceptional items	31	5,809.91	119.28	–	–
PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS		(2,509.60)	(51.50)	4,741.48	120.31
Provision for tax					
Current tax	2(h)	(237.30)	(4.87)	(526.50)	(13.36)
Deferred tax	2(h) & 7	1,192.08	24.47	(354.01)	(8.98)
Fringe benefit tax		(38.56)	(0.79)	(36.07)	(0.92)
NET PROFIT AFTER TAX		(1,593.38)	(32.69)	3,824.90	97.05
Add: Share in Profit of Associate Companies		204.80	4.21	33.24	0.85
NET PROFIT AFTER TAX FOR THE YEAR		(1,388.58)	(28.48)	3,858.14	97.90
Balance brought forward from previous year		2,881.28	59.12	963.53	24.45
PROFIT AVAILABLE FOR APPROPRIATION		1,492.70	30.64	4,821.67	122.35
APPROPRIATIONS					
Proposed dividend on equity shares		–	–	273.59	6.94
Tax on proposed dividend		–	–	46.50	1.18
Interim dividend on equity shares		–	–	957.56	24.30
Tax on interim dividend		–	–	162.74	4.13
Transfer to general reserve		–	–	500.00	12.69
Surplus carried to balance sheet		1,492.70	30.64	2,881.28	73.11
		1,492.70	30.64	4,821.67	122.35
Earnings per share (Rs.)	22				
– Earnings per share – Basic and diluted		(12.69)	(0.26)	35.25	0.89
Nominal Value of shares Rs. 5 (Previous Year – Rs. 5)		5.00	0.10	5.00	0.13

The Notes referred to above form an integral part of the Profit & Loss Account

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	For the year ended 31.12.2008 Rs. in millions	For the year ended 31.12.2008 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1(b)(d)]
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:				
Net Profit Before Tax	**(2,509.60)**	**(51.50)**	4,741.48	120.31
Adjustments for:				
Depreciation/Amortisation	**1,130.47**	**23.21**	784.84	19.92
Product development expenses written off	**76.45**	**1.57**	–	–
Exchange fluctuation, net	**9.01**	**0.18**	(196.67)	(4.99)
Provision for premium payable on Foreign Currency Convertible Bonds	**1,294.91**	**26.58**	–	–
Provision for marked to market losses on derivatives	**4,586.98**	**94.17**	–	–
Amortisation of expenses/Depreciation for Product Development	**62.42**	**1.28**	54.89	1.39
Bad debts/One time charge backs	**154.06**	**3.16**	51.18	1.29
(Profit)/Loss on sale of fixed assets, net	**(9.71)**	**(0.20)**	7.57	0.19
Fixed assets written off	**0.29**	**0.01**	2.36	0.06
Interest expense	**2,703.40**	**55.50**	1,315.47	33.38
Interest income	**(245.35)**	**(5.04)**	(349.57)	(8.87)
Dividend income	**(0.02)**	**—**	(0.08)	–
Operating profit before working capital changes	**7,253.31**	**148.92**	6,411.47	162.68
Movement in working capital				
(Increase)/Decrease in inventories	**(610.12)**	**(12.53)**	(1,114.20)	(28.27)
(Increase)/Decrease in sundry debtors	**(1,987.64)**	**(40.81)**	(459.51)	(11.66)
(Increase)/Decrease in loans and advances	**(3,335.13)**	**(68.47)**	(280.64)	(7.12)
Increase/(Decrease) in current liabilities and provisions	**236.16**	**4.85**	(122.15)	(3.10)
Cash generated from operations	**1,556.58**	**31.96**	4,434.97	112.53
Direct Taxes paid, including fringe benefit tax	**(311.54)**	**(6.40)**	(662.89)	(16.82)
Net cash provided by operating activities	**1,245.04**	**25.56**	3,772.08	95.71
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:				
Purchase of fixed assets including capital work-in-progress	**(6,838.15)**	**(140.38)**	(3,360.65)	(85.27)
Proceeds from sale of fixed assets	**6.27**	**0.13**	10.34	0.26
Purchase of investments	**(17.70)**	**(0.37)**	(773.05)	(19.62)
Proceeds from sale of investments	**–**	**–**	100.00	2.54
Repayment by companies/(loan to companies)	**(965.52)**	**(19.82)**	(42.97)	(1.09)
Margin money and fixed deposits under lien	**(4,348.34)**	**(89.27)**	(29.23)	(0.74)
Interest received	**182.48**	**3.75**	374.35	9.50
Dividend received	**0.02**	**–**	0.08	–
Acquisition of subsidiary companies during the year	**–**	**–**	(12,985.43)	(329.50)
Net cash provided by/(used in) investing activities	**(11,980.94)**	**(245.96)**	(16,706.56)	(423.92)

	For the year ended 31.12.2008 Rs. in millions	For the year ended 31.12.2008 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1(b)(d)]
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:				
Repayment of borrowings	**(4,065.91)**	**(83.47)**	(216.70)	(5.50)
Proceeds from borrowings*	**17,408.41**	**357.39**	10,251.48	260.12
Interest paid	**(2,622.46)**	**(53.84)**	(1,519.68)	(38.56)
Dividend paid (including tax on dividend)	**(321.34)**	**(6.60)**	(1,738.11)	(44.10)
Net cash from/(used in) financing activities	**10,398.70**	**213.48**	6,776.99	171.96
Translation/consolidation adjustment	**(1,313.78)**	**(26.97)**	(341.33)	(8.66)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,650.98)**	**(33.89)**	(6,498.82)	(164.91)
CASH AND CASH EQUIVALENTS, beginning of year	**3,772.55**	**77.45**	9,731.78	246.94
Cash acquired on acquisition of subsidiaries	**–**	**–**	592.96	15.05
Unrealised gain/(loss) on foreign currency cash and cash equivalents	**–**	**–**	(53.37)	(1.35)
CASH AND CASH EQUIVALENTS, at the end of year	**2,121.57**	**43.56**	3,772.55	95.73
Components of cash and cash equivalents, as at December 31, 2008				
Cash	**2.27**	**0.05**	1.67	0.04
With banks				
– on current accounts (excluding unclaimed dividend accounts)	**1,122.27**	**23.04**	575.78	14.61
– on Unpaid Dividend Account**	**13.58**	**0.28**	15.15	0.38
– on margin money accounts	**0.30**	**0.01**	23.92	0.61
– on fixed deposit accounts	**983.15**	**20.18**	3,156.03	80.09
	2,121.57	**43.56**	3,772.55	95.73

* Proceeds from Borrowings includes exchange difference of Rs.4,187.64 million (2007 – Rs.439.02 million) included in Foreign Currency Transalation Reserve.

** These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2008

(All amounts in millions of Rupees, 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 year ended December 31, 2008:

	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	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.	Wockhardt France (Holdings) S.A.S.	France	Wockhardt EU Operations (Swiss) AG	100%
11.	Girex S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
12.	Niverpharma S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
13.	Laboratoires Negma S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
14.	DMH S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
15.	Phytex S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
16.	Scomedia S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
17.	Mazal Pharmaceutique S.A.R.L.	France	Girex S.A.S.	100%
18.	Hariphar S.C.	France	Pharma 2000 S.A.S. Laboratoires Negma S.A.S. DMH S.A.S.	80% 10% 10%
19.	Cap Dermatology S.A.R.L.	France	Niverpharma S.A.S.	100%
20.	S.C.I. Salome	France	Laboratoires Negma S.A.S. DMH S.A.S.	99% 1%
21.	Negma Beneulex S.A.	Belgium	Wockhardt France (Holdings) S.A.S. Negma Lerads S.A.S.	54% 46%
22.	Wockpharma Ireland Limited	Ireland	Wockhardt EU Operations (Swiss) AG	100%
23.	Pinewood Laboratories Limited	Ireland	Wockpharma Ireland Limited	100%
24.	Nonash Limited	Ireland	Pinewood Laboratories Limited	100%
25.	Wockhardt EU Operations (Swiss) AG	Switzerland	Wockhardt Limited	100%
26.	Espharma AG	Switzerland	Wockhardt EU Operations (Swiss) AG	100%
27.	CP Pharma (Schweiz) AG	Switzerland	CP Pharmaceuticals Limited	100%
28.	esparma GmbH	Germany	Wockhardt EU Operations (Swiss) AG	100%
29.	Wockhardt Europe Limited	British Virgin Islands	Wockhardt Limited	100%
30.	Wockhardt Nigeria Limited	Nigeria	Wockhardt Europe Limited	100%
31.	Wockhardt Farmaceutica Do Brazil Ltda	Brazil	Wallis Laboratory Limited Wockhardt Europe Limited	90% 10%
32.	Wockhardt USA, LLC.	USA	Morton Grove Pharmaceuticals, Inc.	100%
33.	Atlantis USA, Inc.	USA	Wockhardt Limited	100%
34.	Wockhardt Holding Corporation	USA	Wockhardt EU Operations (Swiss) AG	100%
35.	MGP Inc.	USA	Morton Grove Pharmaceuticals, Inc.	100%
36.	Morton Grove Pharmaceuticals, Inc.	USA	Wockhardt Holding Corporation	100%
37.	Laboratoires Lerads S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
38.	Laboratoires Pharma 2000 S.A.S.	France	Wockhardt France (Holdings) S.A.S.	100%
39.	Wockhardt Cyprus Limited	Cyprus	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'), 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 except for the changes in accounting policy discussed more fully below. All material inter-company balances and transactions are eliminated on consolidation. Wockhardt Limited and all the subsidiaries have closed books of accounts as at December 31, 2008 as year-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 twelve months closing rates and the resulting net translation adjustment aggregating Rs. 1,169.75 million (USD 24.01 million) [2007 – Rs. 341.33 million (USD 8.66 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 year ended December 31, 2008 have been translated into United States dollars at the closing rate as at December 31, 2008 [USD 1 = Rs. 48.71 (2007 – USD 1 = Rs. 39.41)]. 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.

(d) Change in accounting policy

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under As-11, are marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored. In the previous year, no gains/losses were recognised. Had the previous year policy been followed, the profit after tax would have been higher by Rs. 3,395 million and current liabilities would have been lower by Rs. 4,587 million.

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 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.

Fixed assets whose aggregate cost is Rs. 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 recognised 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 amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised 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 recognised as income or as expense for the year.

Translation of non-integral foreign operations:

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 expense items of the non-integral foreign operation are translated at exchange rates at the dates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a 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 expenses in the same period in which the gain or loss on disposal is recognised.

(c) Investments

Investments that are readily realisable 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 realisable 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 realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(e) 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 recognised 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 recognised 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 recognised in the year of export.

Royalties

Revenue is recognised on an accrual basis in accordance with the terms of the relevant agreement.

Interest

Revenue is recognised 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 year timing differences between taxable income and accounting income for the 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 recognised, 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 recognised 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 recognised 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) **Acquisitions and goodwill**

On acquisition, the excess cost of acquisition over carrying value of net assets acquired, is treated as goodwill.

(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 attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period 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 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) **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 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
3. SHARE CAPITAL				
AUTHORISED				
250,000,000 (2007 – 250,000,000) Equity shares of Rs. 5 each	**1,250.00**	**25.66**	1,250.00	31.72
	1,250.00	**25.66**	1,250.00	31.72
ISSUED, SUBSCRIBED AND PAID UP				
109,435,903 (2007 – 109,435,903) Equity shares of Rs. 5 each fully paid up	**547.18**	**11.23**	547.18	13.88
	547.18	**11.23**	547.18	13.88

1. Of the above shares:
   (a) 70,123,304 (2007 – 70,123,304) fully paid up equity shares of Rs. 5/- each were allotted pursuant to scheme of arrangement to demerge pharmaceuticals business of Carol Info Services Limited (‘CISL’).
   (b) 2,400,000 (2007 – 2,400,000) fully paid up equity shares of Rs. 5/- each were allotted pursuant to amalgamation of Wockhardt Veterinary Limited (‘WVL’) with the Company.
   (c) 69,716,132 (2007 – 69,716,132) equity shares of Rs. 5/- fully paid up are held by Khorakiwala Holdings and Investments Private Limited, the holding company.
2. 439,200 (2007 – 439,200) fully paid equity shares of Rs. 5/- each were allotted pursuant to exercise of stock options.
3. 36,431,502 (2007 – 36,431,502) equity shares of Rs. 5/- each are allotted as Bonus shares out of Capital Redemption Reserve.

	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
4. RESERVES AND SURPLUS				
Capital redemption reserve	**265.34**	**5.45**	265.34	6.73
Securities premium account	**134.14**	**2.75**	134.14	3.40
Capital reserve on consolidation	**720.26**	**14.79**	720.26	18.28
Foreign currency translation reserve				
Balance as per last accounts	**(269.12)**	**(5.52)**	72.21	1.83
Deductions during the year	**(1,169.75)**	**(24.01)**	(341.33)	(8.66)
Balance at the end of the year	**(1,438.87)**	**(29.53)**	(269.12)	(6.83)
General reserve				
Balance as per last accounts	**8,456.53**	**173.61**	7,956.53	201.89
Transfer from profit and loss account	**–**	**–**	500.00	12.69
Balance at the end of the year	**8,456.53**	**173.61**	8,456.53	214.58
Profit and loss account	**1,492.70**	**30.64**	2,881.28	73.11
	9,630.10	**197.71**	12,188.43	309.27
5. SECURED LOANS				
(A) 12.25% Redeemable Non Convertible Debentures	**2,000.00**	**41.06**	–	–
(B) Term loans				
(i) From financial institutions	**1,808.75**	**37.13**	–	–
(ii) From banks	**24,127.38**	**495.33**	22,526.34	571.59
(C) Working Capital Loans from Banks	**3,672.46**	**75.39**	913.84	23.19
	31,608.59	**648.91**	23,440.18	594.78

(A) Debentures are redeemable at par in four annual instalments of Rs. 500 million each starting from August 7, 2012. Debentures are secured by first charge on pari-passu basis, by way of mortgage and hypothecation of movable and immovable assets at Biotech Park H-14/2, MIDC Waluj, Aurangabad.

(B) Term Loans are secured as under:

Out of the loans from financial institutions of Rs. 1,808.75 million above,

(i) (a) Loan of Rs. 530 million is 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 and D-4, M.I.D.C. Chikhalthana (R&D Centre), Aurangabad.

(b) Loan of Rs. 510 million is 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. Further, the Company is in the process of creation of charge by way of mortgage on the immovable assets situated at the said locations.

(c) Loan of Rs. 768.75 million is 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. Further, the Company is in the process of creation of charge by way of mortgage on the immovable assets situated at the said locations.

(ii) Term loan from banks includes Foreign currency denominated loan (External Commercial Borrowings) of Rs. 981.30 million (2007 – Rs. 1,812.86 million) which is 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, MIDC 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 the above assets has been released and the said loan was secured only by hypothecation on term deposit. The loan was repaid in March 2009.

(iii) (a) Rupee denominated loans amounting Rs. 0.56 million (2007 – Rs. 2.66 million) from banks are for purchase of vehicles and are secured by hypothecation of vehicles purchased under the agreement.

(b) Loan amounting to Rs. 256.86 million (2007 – Rs. 592.13 million) is secured against the fixed assets and working capital of Wockhardt UK Holdings Limited.

(iv) Term Loan of Euro 110.81 million (2007 – Euro 110.81 million) availed by Wockhardt France (Holdings) S.A.S. is secured by pledge of shares of Negma Group of companies.

(v) Term Loan of Euro 48.50 million (2007 – Euro 50.00 million) availed by Wockpharma Ireland Limited is secured by pledge of shares of Pinewood Laboratories Limited and Nonash Limited, all moveable and immovable properties of Pinewood Laboratories Limited situated at Unit at M50, Business Park, Ballymount, Dublin 12 and at Deerpark, Ballymacarbry, Co. Waterford by way of first fixed charge.

(vi) Term Loan of US$ 250 million (2007 – US$ 250 million) availed by Wockhardt EU Operations (Swiss) AG is secured by first ranking pari-passu charge on all moveable and immoveable 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.

(vii) Term Loan of GBP 3.63 million (2007 – GBP 7.50 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) Limited and C. P. Pharmaceuticals Limited.

(C) 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.

	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
6. UNSECURED LOANS				
Long term				
(A) Sales tax deferral loan [out of the above Rs. 0.52 million (2007 – Nil) is repayable within one year]	**52.29**	**1.07**	52.29	1.33
Short term				
(B) Zero coupon foreign currency convertible bonds	**5,285.04**	**108.50**	4,275.99	108.50
(C) Other Loans	**5,405.29**	**110.97**	1,231.28	31.24
	10,742.62	**220.54**	5,559.56	141.07

(A) 108,500 (2007 – 108,500) zero coupon foreign currency convertible bonds of USD 1,000 each are:

(a) Convertible by the holders at any time on or after November 24, 2004 but prior to close of business on September 25, 2009. Each bond will be converted into 94.265 fully paid up equity share with par value of Rs. 5 per share at a fixed price of Rs. 486.075 per share.

(b) Redeemable in whole but not in part, at the option of the Company at any time on or after October 25, 2007 but not less than seven business days prior to maturity date i.e. October 25, 2009 as per the terms and conditions of the bonds mentioned in the offering circular.

(c) Redeemable on maturity date at 129.58 percent of its principal amount, if not redeembed or converted earlier.

	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
7. DEFERRED TAX (ASSET)/LIABILITY (Net)				
Deferred tax liabilities				
Difference between depreciation on block of assets	**2,015.02**	**41.36**	1,385.28	35.15
Total (A)	**2,015.02**	**41.36**	1,385.28	35.15
Deferred tax assets				
Provision for gratuity	**38.35**	**0.79**	32.16	0.82
Provision for leave encashment	**28.03**	**0.58**	25.75	0.65
Deferred expenses	**476.28**	**9.78**	139.56	3.54
Provision on marked to market losses on derivative instruments	**1,192.81**	**24.49**	–	–
Premium on FCCB Loan	**440.14**	**9.04**	–	–
Tax losses in Subsidiaries	**112.71**	**2.31**	124.80	3.17
Provision for bonus	**1.68**	**0.03**	1.83	0.05
Provision for doubtful debts	**140.17**	**2.89**	140.23	3.56
Total (B)	**2,430.17**	**49.91**	464.33	11.79
Net deferred tax (asset)/liability as of the year end (A-B)	**(415.15)**	**(8.55)**	920.95	23.36

8. FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION						NET BLOCK			
	As At 01.01.2008	Additions	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.12.2008	As At 01.01.2008	Additions	Impairment Losses	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.12.2008	As at 31.12.2008		As at 31.12.2007	
												Rs. in Millions	USD in Millions See Note 1(b)(d)	Rs. in Millions	USD in Millions See Note 1(b)(d)
Intangibles															
Goodwill on Consolidation	15,805.28	347.48	(83.74)	2,202.80	**18,271.82**	–	–	–	–	–	–	**18,271.82**	**375.11**	15,805.28	401.05
Licenses & Dossiers	1,324.95	17.89	(0.57)	152.64	**1,494.91**	1,150.81	68.80	–	(0.22)	106.08	1,325.47	**169.44**	**3.48**	174.14	4.42
Trade Marks	1,287.81	587.68	–	282.46	**2,157.95**	414.79	223.80	52.14	0.01	81.65	772.39	**1,385.56**	**28.45**	873.02	22.15
Software	250.02	1.65	–	25.08	**276.75**	102.97	27.09	–	–	18.65	148.71	**128.04**	**2.63**	147.05	3.73
Total Intangibles A	**18,668.06**	**954.70**	**(84.31)**	**2,662.98**	**22,201.43**	**1,668.57**	**319.69**	**52.14**	**(0.21)**	**206.38**	**2,246.57**	**19,954.86**	**409.67**	16,999.49	431.35
Tangibles															
Freehold land	171.56	–	–	12.56	**184.12**	–	–	–	–	–	–	**184.12**	**3.78**	171.56	4.35
Leasehold land*	272.02	–	–	11.88	**283.90**	9.07	1.54	–	2.39	0.67	13.67	**270.23**	**5.55**	262.95	6.67
Buildings*	3,095.13	295.12	(0.52)	319.90	**3,709.63**	1,655.40	92.49	–	(0.14)	175.16	1,922.91	**1,786.72**	**36.68**	1,439.73	36.53
Electrical Fittings	1.11	–	–	–	**1.11**	0.38	0.05	–	–	–	0.43	**0.68**	**0.01**	0.73	0.02
Plant and Machinery*	9,872.11	1,608.82	(510.18)	154.21	**11,124.96**	4,119.45	512.31	–	(418.74)	174.18	4,387.20	**6,737.76**	**138.32**	5,752.66	145.97
Furniture and fittings	290.52	23.32	–	6.09	**319.93**	119.64	21.26	–	–	3.98	144.88	**175.05**	**3.59**	170.88	4.34
Office Equipments*	1,228.15	105.28	(47.85)	200.35	**1,485.93**	697.22	60.92	–	(37.41)	109.05	829.78	**656.15**	**13.47**	530.93	13.47
Information Technology Equipments*	425.34	92.66	(7.35)	14.43	**525.08**	285.60	62.28	–	(7.06)	2.12	342.94	**182.14**	**3.74**	139.74	3.55
Vehicles	71.85	1.83	(14.35)	0.20	**59.53**	47.42	7.79	–	(9.48)	(0.22)	45.51	**14.02**	**0.29**	24.43	0.61
Total Tangibles B	**15,427.79**	**2,127.03**	**(580.25)**	**719.62**	**17,694.19**	**6,934.18**	**758.64**	**–**	**(470.44)**	**464.94**	**7,687.32**	**10,006.87**	**205.43**	8,493.61	215.52
Capital Work-in-Progress C (Inclusive of Capital Advances)												**6,335.02**	**130.06**	5,219.59	132.44
Total A+B+C	**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**	30,712.69	779.31
Previous year	18,531.30	16,413.54	628.46	(220.53)	**39,315.44**	4,549.49	4,709.52	–	561.40	(94.86)	8,602.75	**30,712.69**	**779.31**		

The net block of tangible fixed assets includes an amount of Rs. 8.76 million (2007 – Rs. 38.25 million) in respect of assets held under Hire Purchase contracts.

Capital expenditure that has been contracted but not provided for Rs. 290.07 million (2007 – Rs. 833.23 million).

Capital Work-in-progress includes expenditure incurred during construction period pending allocation aggregating Rs. 1,112.82 million (Previous Year – Rs. 773.73 million). These expenses include Material Consumption Rs. 77.74 million (Previous Year – Rs. 80.10 million), Employee cost aggregating Rs. 284.77 million (Previous Year – Rs 198.48 million), Interest expenses Rs. 55.46 million (Previous Year – Rs. 0.21 million), Depreciation Rs. 50.34 million (Previous Year – Rs. 46.47 million) and Operating expenses aggregating Rs. 644.51 million (Previous Year – Rs. 448.47 million) [Stores & spares Rs.54.44 million (Previous Year – Rs. 52.52 million), Power Rs. 33.92 million (Previous Year – Rs. 20.38 million), Travelling Rs. 10.67 million (Previous Year – Rs 11.24 million), Repairs Rs. 8.53 million (Previous Year – Rs. 14.57 million), General Expenses Rs. 536.95 million (Previous Year – Rs. 349.76 million)].

Addiiton to fixed assets and depreciation for the year include the cost of the assets of subsidiaries acquired during the year of Rs. Nil (2007 – Rs. 5,125.20 millions) and accumulated depreciation thereon of Rs. Nil (2007 – Rs 3,924.68 millions) respectively.

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

PARTICULARS	GROSS BLOCK					DEPRECIATION						NET BLOCK			
	As At 01.01.2008	Additions	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.12.2008	As At 01.01.2008	Additions	Impairment Losses	Deductions & Transfers	Exc. Gain/ (Loss)	As At 31.12.2008	As at 31.12.2008		As at 31.12.2007	
												Rs. in Millions	USD in Millions See Note 1(b)(d)	Rs. in Millions	USD in Millions See Note 1(b)(d)
Land	9.63	–	–	1.49	**11.12**	–	–	–	–	–	–	**11.12**	**0.23**	9.63	0.24
Building	629.73	–	–	97.61	**727.34**	470.30	22.17	–	–	73.28	565.75	**161.59**	**3.32**	159.43	4.05
Plant & machinery	414.90	–	(122.59)	64.31	**356.62**	414.87	0.04	–	(122.59)	64.30	356.62	**–**	**–**	0.03	0.00
Office Equipment	21.38	–	–	3.31	**24.69**	11.06	7.63	–	–	1.72	20.41	**4.28**	**0.09**	10.32	0.26
Information Technology Equipment	4.98	–	–	–	**4.98**	4.98	–	–	–	–	4.98	**–**	**–**	–	–
Total	**1,080.62**	**–**	**(122.59)**	**166.72**	**1,124.75**	**901.21**	**29.84**	**–**	**(122.59)**	**139.30**	**947.76**	**176.99**	**3.64**	179.41	4.55

	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
9. INVESTMENTS				
LONG TERM INVESTMENTS (at Cost)				
Other than trade (Unquoted)				
443,482 (2007 – 305,982) Shares of Bharuch Eco-Aqua Infrastructure Limited of Rs. 10 each fully paid up	**4.43**	**0.09**	3.05	0.08
6,300 (2007 – 6,300) Shares of Bharuch Enviro Infrastructure Limited of Rs. 10 each fully paid up	**0.06**	**–**	0.06	–
250 (2007 – 250) Shares of Kanishka Housing Development Company Limited of Rs. 100 each fully paid up	**0.03**	**–**	0.03	–
1,000 (2007 – 1,000) Shares of Saraswat Co-Operative Bank Limited of Rs. 10 each fully paid up	**0.01**	**–**	0.01	–
300 shares of SKR 100 each (2007 – Nil) Shares of Jederstorm, Swiss	**16.14**	**0.33**	–	–
68 shares of 103 R$ each (2007 – Nil) Shares of Banco Real, Brazil	**0.17**	**–**	–	–
Investment in Associates				
19,215,000 (2007 – 19,215,000) Equity shares of Swiss Bio Sciences AG (Refer note 27)	**911.10**	**18.70**	706.29	17.92
	931.94	**19.12**	709.44	18.00

Units of Mutual Funds purchased & sold during the year Rs. Nil (2007 – Rs. 100 million).

10. INVENTORIES				
Raw materials	**2,252.66**	**46.25**	2,086.29	52.94
Packing materials	**513.93**	**10.54**	408.30	10.36
Work-in-progess	**814.83**	**16.73**	763.76	19.38
Finished goods	**4,534.73**	**93.10**	4,297.94	109.06
Stores and spare parts	**181.38**	**3.73**	131.13	3.33
	8,297.53	**170.35**	7,687.42	195.07
11. SUNDRY DEBTORS				
Sundry debtors considered good	**8,534.23**	**175.20**	6,700.65	170.02
Sundry debtors considered doubtful	**491.77**	**10.10**	473.13	12.01
	9,026.00	**185.30**	7,173.78	182.03
Less: Provision for doubtful debts/charge back	**(491.77)**	**(10.10)**	(473.13)	(12.01)
Sundry Debtors, net of provisions/charge back	**8,534.23**	**175.20**	6,700.65	170.02
12. CASH AND BANK BALANCES				
Cash on hand	**2.27**	**0.05**	1.67	0.04
Balances with Scheduled banks (Refer Note 25)				
— on current accounts	**1,135.85**	**23.32**	590.93	14.99
— on margin accounts	**1,921.74**	**39.45**	23.92	0.61
— on deposit accounts [(including unutilised amount of FCCB) FCCB Rs. 129.36 million (2007 – Rs. 382.28 million)]	**3,439.28**	**70.60**	3,185.26	80.82
	6,499.14	**133.42**	3,801.78	96.46

	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
13. LOANS AND ADVANCES				
(Unsecured, considered good unless stated otherwise)				
Loans to employees*	**39.92**	**0.82**	13.55	0.34
Loans to companies	**965.83**	**19.83**	0.31	0.01
Advances recoverable in cash or in kind or for value to be received**	**4,443.47**	**91.22**	1,205.78	30.59
Accrued income	**71.75**	**1.47**	8.88	0.23
Balance with customs and excise authorities	**188.10**	**3.86**	186.73	4.74
Loans to others	**–**	**–**	0.30	0.01
Minimum alternate tax (MAT) credit entitlement	**199.16**	**4.09**	199.16	5.05
Advance taxes (including tax deducted at source) – net of provisions for tax***	**215.51**	**4.42**	179.83	4.56
Other deposits	**182.26**	**3.74**	124.37	3.16
	6,306.00	**129.45**	1,918.91	48.69

* Loans/advances to employees include excess remuneration paid to directors Rs. 23.12 million (2007 – Rs. Nil) subject to approval of Shareholders and Central Government [maximum amount outstanding during the year Rs. 23.12 million (2007 – Rs. Nil)].

** Advances recoverable in cash or in kind includes deposit given to Carol Info Services Limited, the Company under same management Rs. 275 million (2007 – Rs. Nil) [maximum amount outstanding during the year Rs. 275 million (2007 – Rs. 250 million)].

*** Advance Taxes are after netting off provisions for taxes of Rs. 1,550.54 million (2007 – Rs. 235.50 million). Tax assets and liabilities are in accordance with respective countries Tax Legislations.

	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions [see note 1(b)(d)]	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions [see note 1(b)(d)]
14. CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry creditors	**5,234.52**	**107.46**	4,506.08	114.34
Lease finance	**66.09**	**1.36**	99.45	2.52
Security deposits	**165.12**	**3.39**	164.43	4.17
Investor education and protection fund shall be credited as & when due by the following amounts:				
Unclaimed dividends	**13.90**	**0.29**	15.15	0.38
Interest accrued but not due	**221.15**	**4.54**	140.21	3.56
Other liabilities	**2,709.38**	**55.63**	3,339.29	84.74
	8,410.16	**172.67**	8,264.61	209.71
PROVISIONS				
Provision on Marked to Market Losses on Derivative Instruments	**4,586.97**	**94.17**	–	–
Provision for premium payable on Foreign Currency Convertible Bonds	**1,294.91**	**26.58**	–	–
Proposed dividend	**–**	**–**	273.59	6.94
Tax on proposed dividend	**–**	**–**	46.50	1.18
Provision for retirement benefits	**214.04**	**4.39**	178.33	4.53
Other provision (Refer Note 26)	**246.17**	**5.05**	111.56	2.83
	6,342.09	**130.19**	609.98	15.48
	14,752.25	**302.86**	8,874.59	225.19

	For the year ended 31.12.2008 Rs. in millions	For the year ended 31.12.2008 USD in millions [see note 1(b)(d)]	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions [see note 1(b)(d)]
15. OTHER INCOMES				
Dividends received on investments	**0.02**	**–**	0.08	–
Profit/(Loss) on sale of assets	**9.71**	**0.20**	(7.57)	(0.19)
Miscellaneous income	**100.77**	**2.07**	117.93	2.99
Interest Income	**245.35**	**5.04**	349.57	8.87
	355.85	**7.31**	460.01	11.67
16. MATERIAL CONSUMED AND PURCHASE OF GOODS				
Consumption of raw and packing materials	**7,855.19**	**161.26**	7,374.29	187.11
Purchase of finished goods	**5,846.52**	**120.02**	3,985.05	101.11
	13,701.71	**281.28**	11,359.34	288.22
17. (INCREASE)/DECREASE IN INVENTORIES				
Inventories as at December 31, 2007				
Finished goods	**4,297.94**	**88.24**	2,010.72	51.03
Work-in-progress	**763.76**	**15.68**	534.33	13.56
Less: Excise duty on opening stock	**(22.12)**	**(0.45)**	(32.21)	(0.82)
	5,039.58	**103.47**	2,512.84	63.77
Stock acquired on acquisition of Subsidiary Companies				
Finished goods	**–**	**–**	788.07	20.00
Work-in-progress	**–**	**–**	306.85	7.79
	–	**–**	1,094.92	27.79
Inventories as at December 31, 2008				
Finished goods	**(4,534.73)**	**(93.10)**	(4,297.94)	(109.06)
Work-in-progress	**(814.83)**	**(16.73)**	(763.76)	(19.38)
Less: Excise duty on closing stock	**12.62**	**0.26**	22.12	0.56
	(5,336.94)	**(109.57)**	(5,039.58)	(127.88)
	(297.36)	**(6.10)**	(1,431.82)	(36.32)
18. OPERATING AND OTHER EXPENSES				
Employee costs	**6,320.31**	**129.75**	4,678.69	118.72
Travelling expenses	**657.24**	**13.49**	493.33	12.52
Freight and forwarding	**704.52**	**14.46**	530.33	13.46
Selling and distribution	**1,203.26**	**24.70**	707.16	17.94
Commission on sales	**275.48**	**5.66**	220.30	5.59
Power and fuel	**569.90**	**11.70**	476.60	12.09
Rent, Rates and taxes	**445.04**	**9.14**	174.58	4.43
Repairs and maintenance:				
Machinery	**190.35**	**3.91**	169.50	4.30
Buildings	**33.92**	**0.70**	23.51	0.60
Others	**189.14**	**3.88**	123.55	3.13
Stores and spare parts consumed	**404.37**	**8.30**	307.41	7.80
Insurance	**179.75**	**3.69**	152.08	3.86
Manufacturing expenses	**557.32**	**11.44**	328.86	8.34
Consultancy charges	**472.83**	**9.71**	281.15	7.13
Bad debts	**154.06**	**3.16**	51.18	1.30
Miscellaneous expenses	**2,081.50**	**42.73**	1,495.62	37.96
	14,438.99	**296.42**	10,213.85	259.17
19. FINANCIAL EXPENSES				
Interest paid				
On term Loans	**976.30**	**20.04**	1,321.17	33.52
On Debentures	**99.34**	**2.04**	–	–
Others Loans	**1,627.76**	**33.42**	316.96	8.04
	2,703.40	**55.50**	1,638.13	41.56

		For the year ended 31.12.2008 Rs. in millions	For the year ended 31.12.2008 USD in millions	For the year ended 31.12.2007 Rs. in millions	For the year ended 31.12.2007 USD in millions
20.	**(a) Annual commitments under non-cancellable operating leases are:**				
	Less than 1 year	**56.85**	**1.17**	25.78	0.65
	More than 1 year but less than 5 years	**105.45**	**2.16**	69.75	1.77
	More than 5 years	**52.41**	**1.08**	75.13	1.91
		214.71	**4.41**	170.66	4.33
	(b) Annual commitments under finance leases are:				
	In 1 year or less	**10.29**	**0.21**	79.85	2.03
	More than 1 year but less than 5 years	**56.36**	**1.16**	63.63	1.61
	More than 5 years	**8.28**	**0.17**	8.76	0.22
		74.93	**1.54**	152.24	3.86
	Less: Finance charge	**1.30**	**0.03**	2.30	0.06
	Present value of minimum lease payments	**73.63**	**1.51**	149.94	3.80
21.	**EXPENDITURE ON RESEARCH AND DEVELOPMENT**				
	Capital	**887.46**	**18.22**	1,011.09	25.66
	Revenue	**512.66**	**10.52**	504.59	12.80
		1,400.12	**28.74**	1,515.68	38.46

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:

	2008 Rs. in millions	2008 USD in millions	2007 Rs. in millions	2007 USD in millions
Profit after tax for the financial year	**(1,388.58)**	**(28.48)**	3,858.14	97.90
Weighted average number of shares	**Shares**		Shares	
Weighted average number of shares in calculating diluted EPS	**109,435,903**		109,435,903	
Earnings per share (nominal value Rs. 5 each)				
Earnings per share – Basic and diluted	**(12.69)**	**(0.26)**	35.25	0.89

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' the notified Accounting Standard by Companies Accounting Standard 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	2008 Rs. in millions	2008 USD in millions	2007 Rs. in millions	2007 USD in millions
India	**9,659.14**	**198.30**	7,811.82	198.22
USA/Western Europe	**24,820.33**	**509.55**	16,813.47	426.63
Rest of the World	**1,446.12**	**29.69**	1,906.25	48.37
	35,925.59	**737.54**	26,531.54	673.22

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 Rs. in millions	India USD in millions	Others Rs. in millions	Others USD in millions
Carrying amount of segment assets	**27,944.43**	**573.69**	**38,921.16**	**799.04**
	(16,310.96)	(413.88)	(35,219.92)	(893.68)
Additions to tangible and intangible assets	**1,967.79**	**40.40**	**1,113.94**	**22.87**
	(736.45)	(18.69)	(11,752.40)	(298.21)

(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**

Fellow Subsidiary

Carol Info Services Limited

Associates Enterprises

Khorakiwala Foundation

Enterprise over which Key Managerial Personnel exercising significant influence

Palanpur Holdings and Investments Private Limited

Wockhardt Hospitals Limited

Key management personnel

H. F. Khorakiwala, Chairman

Rajiv B. Gandhi, Whole Time Director

(c) Transactions with related parties during the period

	For the year ended 2008 Rs. in millions	For the year ended 2008 USD in millions	For the year ended 2007 Rs. in millions	For the year ended 2007 USD in millions
Holding company				
Dividend Paid	**174.29**	**3.58**	958.60	24.32
Fellow Subsidiary/Associate enterprises				
Loan Licensee paid [Carol Info Services Limited Rs. 89.59 million (2007 – Rs. 75.76 million)]	**89.59**	**1.84**	75.76	1.92
Rent paid [Carol Info Services Limited Rs. 54.31 million (2007 – Rs. 51.93 million)]	**54.31**	**1.11**	51.93	1.32
Expenses recovered/(paid) [Carol Info Services Limited Rs. Nil (2007 – Rs. 15.60 million), Khorakiwala Foundation Rs. Nil (2007 – Rs. 0.81 million)]	**–**	**–**	16.41	0.42
Donation given [Khorakiwala Foundation Rs. Nil (2007 – Rs. 2.70 million)]	**–**	**–**	2.70	0.07

	For the year ended 2008 Rs. in millions	For the year ended 2008 USD in millions	For the year ended 2007 Rs. in millions	For the year ended 2007 USD in millions
Security deposit given [Carol Info Services Limited Rs. 275 million (2007 – Rs. 250 million)]	**275.00**	**5.65**	250.00	6.34
Security deposit recovered [Carol Info Services Limited Rs. Nil (2007 – Rs. 250 million)]	**–**	**–**	250.00	6.34
Enterprise over which Key Managerial Personnel exercising significant influence				
Rent paid [Palanpur Holdings and Investments Private Limited Rs. 1.08 million (2007 – Rs. 0.48 million)]	**1.08**	**0.02**	0.48	0.01
Sale [Wockhardt Hospitals Limited Rs. 1.70 million (2007 – Rs. 2.68 million)]	**1.70**	**0.03**	2.68	0.07
Key management personnel				
Remuneration to Directors:				
Salary	**16.48**	**0.34**	16.87	0.43
Commission	**–**	**–**	70.96	1.80
Contribution to Provident Fund	**1.39**	**0.03**	1.32	0.03
Other Perquisites	**11.44**	**0.23**	0.78	0.02
	29.31	**0.60**	89.93	2.28
Remuneration to Chairman Rs. 18.46 million (2007– Rs. 82.53 million)				
Remuneration to Whole Time Director Rs. 10.85 million (2007– Rs. 7.40 million)				

(d) **Related party balances**	As at 31.12.2008 Rs. in millions	As at 31.12.2008 USD in millions	As at 31.12.2007 Rs. in millions	As at 31.12.2007 USD in millions
Payable to fellow subsidiary/associate enterprises				
[Carol Info Services Limited Rs. 22.01 million (2007 – Rs. 15.15 million)]	**(22.01)**	**(0.45)**	(15.15)	(0.38)
Deposit Receivable from fellow subsidiary				
[Carol Info Services Limited Rs. 275 million (Previous Year – Rs. Nil)]	**275.00**	**5.65**	–	–
Receivable/(Payable) to enterprise over which key managerial personnel exercising significant influence				
[Payable to Palanpur Holdings and Investments Private Limited Rs. 0.08 million (2007 – Rs. Nil),	**(0.08)**	**(0.002)**	–	–
Receivable from Wockhardt Hospitals Limited Rs. 0.19 million (2007 – Rs. 0.05 million)]	**0.19**	**0.004**	0.05	–
Receivable/(Payable) to Key management personnel – Chairman	**23.12**	**0.47**	(70.96)	(1.80)
Receivable from Chairman Rs. 15.20 million (2007 – Rs. Nil),				
Receivable from Whole Time Director Rs. 7.92 million (2007 – Rs. Nil)				
Payable to Chairman Rs. Nil (2007 – Rs. 70.96 million)				

25. Balances with Scheduled banks, on margin accounts includes Rs. 1,921.44 million (2007 – Rs. Nil) and on deposit accounts include Rs. 2,456.13 million (2007 – Rs. 29.23 million) which are under lien.

26. Provision for Sales Return, date expiry and chargebacks – Opening Balance Rs. 318.77 million (2007 – 116.67 million), Additions during the year Rs. 248.10 million (2007 – Rs. 140.65 million), utilised during the year Rs. 363.77 million (2007 – Rs. 139.13 million), Closing Balance Rs. 246.17 million (2007 – Rs. 111.56 million) [Net of exchange loss of Rs. 43.07 million (2007 – Net gain of Rs. 6.63 million)].

27. INVESTMENT IN ASSOCIATE COMPANIES

Investment in associate include goodwill of Rs. 543.21 million (2007 – 543.21 million). The holding interest of Wockhardt group in Swiss Bio Sciences AG is 45% (2007 – 45%).

28. 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 the Company in case of demands which have been confirmed – Rs. 84.97 million (2007 – Rs. 63.01 million).

(b) Demand by Income tax authorities Rs. 661.07 million (2007 – Rs. 535.35 million) disputed by the Company.

(c) A Government grant of Rs. 46.98 million (2007 – Rs. 44.46 million) received by Pinewood Laboratories 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 Limited and its subsidiaries amounts Rs. 27.40 million (2007 – Rs. Nil).

(e) Subsequent to the year end certain derivative/hedging contracts have been unilaterally cancelled by the banks. The Company has treated the demand of Rs. 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. As on balance sheet date Rs. 252.85 million is kept with the banks as deposits against these disputed liabilities. The Company is currently discussing with lawyers for various options.

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.

29. EMPLOYEE BENEFITS

(A) Defined Benefit Plans:

	2008 Rs. in millions	**2007 Rs. in millions**
	Gratuity (Non-funded)	**Gratuity (Non-funded)**
I. Expenses recognised during the year ended December 31, 2008		
1. Current Service Cost	**18.50**	15.07
2. Interest cost	**8.69**	7.81
3. Actuarial Losses/(Gains)	**(0.05)**	(12.14)
Total Expenses	**27.14**	10.74
II. Net Asset/(Liability) recognised in the Balance Sheet as at December 31, 2008		
1. Present value of defined benefit obligation	**112.82**	94.62
2. Net Asset/(Liability)	**(112.82)**	(94.62)
III. Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended December 31, 2008		
1. Net Asset/(Liability) at the beginning of the year	**(94.62)**	(94.20)
2. Expense as per I above	**27.14**	10.74
3. Employer contributions	**8.94**	10.32
4. Net asset/(liability) at the end of the year	**(112.82)**	(94.62)
IV. Actuarial Assumptions:		
1. Discount rate	**7.00%**	8.00%
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%**	7.00%
3. Mortality	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate
4. Attrition rate	**2%**	2%

Note: (a) Amounts recognized as an expense and included in the Schedule 18:
"Retirement benefits" are gratuity Rs. 31.95 million (2007 – Rs. 8.68 million), Leave Encashment Rs. 28.15 million (2007 – Rs. 29.67 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 Rs. 764.11 million (2007 – Rs. 505.45 million).

	2008 Rs. in millions	2007 Rs. in millions	2006 Rs. in millions
(C) Details for the current and previous two years are as follows:			
Defined benefit obligation	**(112.82)**	(94.62)	(94.20)
Surplus/(deficit)	**(112.82)**	(94.62)	(94.20)
Experience adjustment on plan liabilities	**0.09**	5.76	4.90

30. DISCLOSURE REGARDING DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

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

	2008		2007	
No. of contracts	**1**		–	
Notional principal in Foreign Currency	**Amt. in Foreign Currency (in millions)**	**Rs. in millions**	**Amt. in Foreign Currency (in millions)**	**Rs. in millions**
USD	**20.00**	**981.30**	–	–

(b) Outstanding currency swaps and interest rate swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate and interest rate changes:

	2008		2007	
No. of contracts	**136**		**2**	
Notional principal in Foreign Currency	**Amt. in Foreign Currency (in millions), net**	**Rs. in millions, net**	**Amt. in Foreign Currency (in millions), net**	**Rs. in millions, net**
Interest rate options:				
USD	**232.50**	**11,325.08**	–	–
EUR	**56.00**	**3,764.82**	–	–
Currency options:				
USD	**988.05**	**48,127.92**	–	–
JPY	**4,130.00**	**2,207.07**	100.00	3,941.00
CHF	**10.00**	**452.13**	–	–
AUD	**10.00**	**333.63**	–	–
GBP	**106.00**	**7,487.84**	–	–
EUR	**345.80**	**23,247.79**	–	–

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

	2008			2007	
Particulars	**Currency**	**Amt. in Foreign Currency (in millions)**	**Rs. in millions**	**Amt. in Foreign Currency (in millions)**	**Rs. in millions**
Loan Availed	**USD**	**263.60**	**12,839.89**	300.00	11,823.00
Interest Payable	**USD**	**0.47**	**22.80**	1.25	49.16
Sundry Debtors	**ACU**	**0.05**	**2.47**	0.16	6.42
	AUD	**0.01**	**0.46**	0.01	0.48
	CHF	**0.43**	**19.54**	0.04	1.54
	EUR	**1.69**	**113.62**	55.89	3,239.78
	GBP	**26.24**	**1,853.59**	31.68	2,500.75
	USD	**26.70**	**1,300.60**	71.66	2,823.99
Loans and Advances	**EUR**	**44.51**	**2,992.25**	59.81	3,467.26
	USD	**0.72**	**35.07**	22.11	871.19
	CHF	**0.05**	**2.25**	0.04	1.29
	GBP	**0.02**	**1.75**	–	–
	JPY	**6.41**	**3.42**	–	–
	SEK	**0.23**	**1.45**	–	–
Sundry Creditors	**ACU**	**0.001**	**0.03**	0.001	0.05
	AUD	**–**	**–**	0.0002	0.01
	CAD	**0.01**	**0.27**	0.01	0.22
	CHF	**0.02**	**0.69**	0.08	2.68
	EUR	**5.19**	**348.92**	3.49	202.17
	GBP	**9.16**	**647.10**	10.21	805.86
	JPY	**3.05**	**1.63**	15.83	5.56
	SEK	**0.23**	**1.45**	0.23	1.44
	USD	**2.51**	**122.26**	10.10	397.88
	ZAR	**–**	**–**	0.001	–
Foreign Currency Convertible Bonds	**USD**	**108.50**	**5,285.04**	108.50	4,275.99
Time Deposit	**USD**	**16.63**	**809.84**	45.64	1,798.67

31. (a) During the year 2008 due to global meltdown, there has been significant volatility in currencies and interest rates. Major currencies like EURO, GBP, CHF have significantly depreciated against US Dollar. Besides in line with the interest rate cuts carried out by the US Federal, EURO and UK zones, the LIBOR of all major currencies collapsed, resulting in increase in mark-to-market losses from October and November, 2008 onwards.

Pursuant to the announcement on 'Accounting for Derivatives' issued by the Institute of Chartered Accountants of India in March, 2008, the Company has accounted Mark-to-Market (MTM) losses aggregating Rs. 4,587 million (2007 – Rs. Nil) for the year ended December 31, 2008. The same has been treated as an exceptional item. The Company has entered into Hedging Instruments, which are long term in nature to reduce interest cost/Currency risk for the loans, which the Company has taken in past and is outstanding as of December 31, 2008. As per the Risk Management Policy, the Company is hedging the interest/ currency risk for the long term loans. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

(b) The exceptional item also includes realised derivative loss of Rs. 1,223 million (2007 – Rs. Nil).

32. In the month of October, 2004, the Company had issued 110,000 Zero Coupon foreign currency convertible bonds of USD 1,000 each. The Bonds are considered as monetary liability. The Bonds are redeemable on maturity date at 129.578 percent of its principal amount, only if there is no conversion of bonds on or before September 25,2009. The Company is evaluating various options for restructuring the debts of the Company as explained in Note 34. The FCCB including the premium payable will be part of the restructuring exercise. The Company is proposing to negotiate with the FCCB holders towards discount and/ or extension of the due date of payment. During the year, Company has provided for FCCB premium from October, 2004 till December 31, 2008.

33. The step down subsidiary of the Company, Wockhardt France (Holdings) S.A.S. had availed Leverage Buyout Finance (LBO) of EURO 110 million, towards the acquisition of Negma group.

As per the Facility Agreement for the said loan, certain covenants need to be complied for the year 2008. Wockhardt France Holdings S.A.S. has not complied with the covenants. The Company has received consent from 61% of the lenders to relax the covenants for the year 2008.

34. The outstanding liabilities of the Company can be restructured under the aegis of Corporate Debt Restructuring (CDR). The Company has approached CDR Cell through ICICI Bank. The Empowered Group (EG) of CDR Cell has admitted the Company to the CDR Scheme. Since the term loans, FCCB loan of USD 108.50 million, foreign currency loans of USD 250 million are falling due and the Company requires additional time to meet the requirements, the Company has approached CDR Cell.

35. PREVIOUS YEAR COMPARATIVES

Previous year's figures have been re-grouped where necessary to conform to this year's classification.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

AUDITORS' REPORT

To
The Members of Wockhardt Limited

1. We have audited the attached Balance Sheet of Wockhardt Limited ('the Company') as at December 31, 2008 and also the Profit and Loss account and the cash flow statement for the year 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) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose 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, proper books of account as required by law have been kept by the Company, 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 December 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2008 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 to Note 32 to the Financial Statements with regards to the Company's ability to repay its loan and related liabilities falling due upto December 31, 2009 being dependant on the Company being able to successfully implement the actions proposed therein. These liabilities due for repayment in 2009 amount to approximately Rs. 14,144 million, which is greater than the currently expected cash flows from business and any committed or contracted sources of funds of the Company. As informed by management, the Empowered Group (EG) of Corporate Debt Restructuring (CDR) Cell has admitted the Company to the CDR Scheme. The Company's ability to continue as a going concern is dependent on the successful outcome of its application under the CDR Scheme. In view of the above, no adjustments have been made to the accompanying financial statements.

6. *As stated in Note 33(d) to the Financial Statements, the Company had, on certain derivative contracts with banks, stopped payment of margins called by the banks during the year. Subsequent to the balance sheet date the banks, based on the Early Termination clause in the agreement, terminated these contracts and claimed an amount of Rs 4,895.24 million, being the loss incurred on termination of such contracts. The Company contends that the derivative transactions were unilaterally cancelled by the banks and the mark to market losses had arisen on account of counter positions advised by the banks. The Company has obtained a legal opinion that these contracts can be disputed. No provision has been made in the accounts for these demands which have been disclosed under contingent liabilities. The Company has not determined the quantum of mark to market losses as of the balance sheet date on the above contracts. Pending final settlement of the matter, we are unable to quantify the extent of provision that may be required to be made in this regard*.

7. In our opinion, and to the best of our information and according to the explanations given to us, *subject to the matter included in the paragraph 6 above, the effect of which can not be currently ascertained*, the said accounts give the information required by the Companies Act, 1956, in the manner so required and 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 December 31, 2008;
   (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
   (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S.R. BATLIBOI & CO.**
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Mumbai
April 24, 2009

ANNEXURE REFERRED TO IN PARAGRAPH [3] OF OUR REPORT OF EVEN DATE

Re: Wockhardt Limited

(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 of 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 the management during the year and discrepancies noticed on such verification, which were not material, have been properly dealt with in the books of account.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(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 discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of account.

(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. Therefore, the provisions of clause 4(iii) (f) and 4(iii) (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act 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 Rupees five lakhs have been entered into during the financial year 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.

(vii) The Company has an internal audit system, which commensurates with the size and nature of its business *except that the scope needs to be enlarged in respect of its Treasury Operations.*

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.

(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 year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, other than as follows:

Name of the statute	Nature of dues	Amount (Rs. 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
	Differential Duty	3.62	December 2001 to January 2004	Additional Commissioner
	Cenvat Credit wrongly availed	33.17	August 2001 to January 2003	Commissioner
	Demand and Penalty for classification	21.96	September 1991 to July 1993	CESTAT

Name of the statute	Nature of dues	Amount (Rs. 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)

(x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management*, we report that the Company had defaulted in repayment of loans to two banks to the extent of Rs.50 million and Rs.130 million which were due in December, 2008.* Subsequent to the year end, loan of Rs. 50 million has been rescheduled and loan of Rs. 130 million has been repaid in March 2009.

(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) According to the information and explanations given to us, the Company has given guarantees for loans taken by subsidiaries from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) The Company had raised funds through unsecured Foreign Currency Convertible Bonds and through foreign currency borrowing, which pending/part utilization, have been gainfully deployed in Bank Deposits. Based on information and explanations given to us by the management, all other term loans were applied for the purpose for which the loans were obtained.

(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) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has issued debentures amounting to Rs.2,000 million. The Company has created security or charge in respect of debentures issued subsequent to the year end.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No.:42650

Mumbai
April 24, 2009

BALANCE SHEET

As at December 31, 2008

(All amounts in millions of Indian Rupees)

		Notes	As at 31.12.2008	As at 31.12.2007
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share capital		2	**547.18**	547.18
Reserves and surplus		3	**9,193.07**	9,713.06
			9,740.25	10,260.24
LOAN FUNDS				
Secured loans		4	**7,491.47**	2,539.76
Unsecured loans		5	**10,714.93**	5,548.28
			18,206.40	8,088.04
DEFERRED TAX LIABILITY (Net)		1(h) & 6	**–**	1,121.21
TOTAL			**27,946.65**	19,469.49
APPLICATION OF FUNDS				
FIXED ASSETS		1(a) & 7		
Gross block			**9,589.53**	7,644.18
Accumulated depreciation			**(2,441.73)**	(1,946.68)
Net block			**7,147.80**	5,697.50
Capital work-in-progress including capital advances			**3,991.46**	3,409.21
			11,139.26	9,106.71
INVESTMENTS		1(c) & 8	**3,026.04**	3,024.66
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories		1(d) & 9	**2,570.82**	2,624.23
Sundry debtors		10	**4,594.50**	3,469.84
Cash and bank balances		11	**4,740.79**	1,771.49
Loans and advances to subsidiaries		20 (j)	**3,292.25**	1,368.47
Other Loans and advances		12	**5,625.27**	1,244.15
	[A]		**20,823.63**	10,478.18
Less: **CURRENT LIABILITIES AND PROVISIONS**		13		
Current Liabilities			**4,171.12**	2,574.60
Provisions			**5,838.75**	565.46
	[B]		**10,009.87**	3,140.06
NET CURRENT ASSETS	[A] - [B]		**10,813.76**	7,338.12
PROFIT AND LOSS ACCOUNT			**2,967.59**	–
TOTAL			**27,946.65**	19,469.49

The notes referred to above form an integral part of the Balance Sheet.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 2008

(All amounts in millions of Indian Rupees)

	Notes	For the year ended 31.12.2008	For the year ended 31.12.2007
INCOME			
Sales and services	1(f) & 20(e)(iv)	**15,124.74**	11,676.28
Add/(Less): Excise Duty		**(85.83)**	(152.31)
		15,038.91	11,523.97
Hedging/derivative income		**–**	843.96
Other income	14	**415.98**	347.78
TOTAL		**15,454.89**	12,715.71
EXPENDITURE			
Materials consumed and purchase of goods	15	**6,723.13**	6,060.28
(Increase)/decrease in inventories	1(d) & 16	**140.19**	(518.05)
Operating and other expenses	17	**4,401.70**	3,696.67
Research and development expenses	18	**299.68**	354.54
		11,564.70	9,593.44
PROFIT BEFORE DEPRECIATION, FINANCE COST AND TAX		**3,890.19**	3,122.27
Less: Depreciation/Amortisation	1(a) & 7	**460.28**	345.41
PROFIT BEFORE EXCHANGE FLUCTUATION, FINANCE COST AND TAX		**3,429.91**	2,776.86
(Add)/Less: Exchange fluctuation, net		**1,050.74**	(322.66)
(Add)/Less: FCCB premium	23	**1,294.91**	–
(Add)/Less: Interest expenses	19	**1,216.71**	368.45
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX		**(132.45)**	2,731.07
Less: Exceptional Items	22	**4,438.33**	–
PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS		**(4,570.78)**	2,731.07
Provision for tax			
– Current tax	1 (h)	**–**	(251.77)
– Deferred tax	1 (h)	**1,121.21**	(304.47)
– Fringe Benefit Tax		**(38.01)**	(36.07)
NET PROFIT AFTER TAX		**(3,487.58)**	2,138.76
Balance brought forward from previous year		**519.99**	321.62
PROFIT AVAILABLE FOR APPROPRIATION		**(2,967.59)**	2,460.38
APPROPRIATIONS			
Interim dividend on equity shares		**–**	957.56
Tax on interim dividend		**–**	162.74
Proposed dividend on equity shares		**–**	273.59
Tax on proposed dividend		**–**	46.50
Transfer to general reserve		**–**	500.00
Surplus/(deficit) carried to Balance Sheet		**(2,967.59)**	519.99
		(2,967.59)	2,460.38
Earnings per share	21		
– Earnings per share before exceptional item (Rs.) – Basic and Diluted		**(2.21)**	19.54
– Earnings per share after exceptional item (Rs.) – Basic and diluted		**(31.87)**	19.54
Nominal Value of shares (Rs.)		**5.00**	5.00

The notes referred to above form an integral part of the Profit and Loss Account.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

CASH FLOW STATEMENT

for the year ended December 31, 2008

(All amounts in millions of Indian Rupees)

		For the year ended 31.12.2008	For the year ended 31.12.2007
A.	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:**		
	Net Profit before tax	**(4,570.78)**	2,731.07
	Adjustments for:		
	Depreciation/Amortisation	**460.28**	345.41
	Amortisation of expenses	**12.09**	8.42
	Provision for doubtful debts and bad debts written off	**27.86**	59.24
	(Profit)/loss on sale of fixed assets, net	**1.07**	1.61
	Interest expense	**1,216.71**	368.45
	Interest income	**(313.11)**	(237.68)
	Dividend income	**(0.02)**	(0.84)
	Fixed assets write off	**0.29**	2.36
	Provision for Marked to market losses on derivatives	**4,256.32**	–
	Exchange fluctuation, net	**739.32**	(984.40)
	Product development expenses written off	**76.45**	7.69
	Provision for premium on FCCB	**1,294.91**	–
	Depreciation considered for product development expenses	**50.33**	46.47
	Operating profit before working capital changes	**3,251.72**	2,347.80
	Movement in working capital		
	(Increase)/decrease in inventories	**53.40**	(474.41)
	(Increase)/decrease in sundry debtors	**(741.08)**	(354.67)
	(Increase)/decrease in loans and advances	**(3,222.07)**	(125.36)
	Increase/(decrease) in current liabilities and provisions	**1,394.14**	298.73
	Cash generated from operations	**736.11**	1,692.09
	Direct taxes paid, including fringe benefit tax	**(174.84)**	(399.43)
	Net cash from operating activities	**561.27**	1,292.66
B.	**CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:**		
	Purchase of fixed assets including capital work-in-progress	**(2,626.48)**	(2,506.31)
	Proceeds from sale of fixed assets	**5.52**	8.68
	Investments in Subsidiaries	**(1.38)**	(1,425.74)
	Purchase of investments	**–**	(100.00)
	Proceeds from sale of investments	**–**	100.00
	Repayment by subsidiaries/companies	**102.43**	905.67
	Long term loans/advances to subsidiaries/companies	**(2,749.04)**	(1,254.46)
	Margin money and fixed deposits under lien	**(4,348.34)**	(29.23)
	Interest received	**262.25**	280.84
	Dividend received	**0.02**	0.84
	Net cash from/(used in) investing activities	**(9,355.02)**	(4,019.71)

WOCKHARDT

		For the year ended 31.12.2008	For the year ended 31.12.2007
C. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Proceeds from borrowings		**11,095.15**	1,402.37
Repayment of borrowings		**(2,317.58)**	(7.12)
Interest paid		**(1,029.81)**	(362.10)
Dividend paid (Including tax on dividend)		**(321.66)**	(1,738.11)
Net cash from/(used in) financing activities		**7,426.10**	(704.96)
Net Decrease In Cash And Cash Equivalents	(A+B+C)	**(1,367.65)**	(3,432.01)
Cash and Cash Equivalents, at the beginning of year		**1,742.26**	5,192.16
Unrealised gain/(loss) on Foreign Currency Cash and Cash Equivalents		**(11.39)**	(17.89)
Cash and Cash Equivalents, at the end of year		**363.22**	1,742.26
Components of Cash and Cash Equivalents, as at December 31, 2008			
Cash		**1.32**	0.94
With Banks:			
– on Current Account		**247.64**	49.16
– on Unpaid Dividend Account*		**13.58**	15.15
– on Margin Money Account		**0.30**	23.92
– on Fixed Deposits Account		**100.38**	1,653.09
		363.22	1,742.26

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

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

NOTES TO ACCOUNTS

for the year ended December 31, 2008

(All amounts in millions of Rupees, unless otherwise stated)

1. SIGNIFICANT ACCOUNTING POLICIES

(i) *Basis of preparation*

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. 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 except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(ii) *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.

(iii) *Change in accounting policy*

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 net loss is charged to the income statement. Net gains are ignored. In the previous year, no gains/losses were recognised. Had the previous year policy been followed, the profit after tax would have been higher by Rs. 3,063.51 million and current liabilities and provisions would have been lower by Rs. 4,256.32 million.

(a) Fixed assets, depreciation/amortisation and impairment

Tangible assets:

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

The carrying amounts of fixed assets and intangible assets 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 the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value 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, at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the useful lives of the assets estimated by the management, whichever is higher. The rates used by the Company are as follows:

Assets	Rates
Leasehold land	Over the period of lease
Buildings	1.63 - 3.34%
Plant & Machinery	4.75 - 6.67%
Furniture & Fixtures	6.33%
Office Equipments	25%
Information Technology Equipments	20 - 33.33%
Vehicles	20 - 33.33%

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

Intangible assets:

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.
The cost relating to Intangible assets, which are acquired, are capitalized and amortised on a straight line basis upto the period of ten years, which is based on their estimated useful life.

(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 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 year.

(c) Investments

Investments that are readily realisable 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 and Superannuation Schemes, 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.

(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, 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

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 Income Tax Act, 1961 as applicable to the financial year. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the 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.

(i) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased 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.

(j) Financing/Borrowing cost

Financing/Borrowing costs attributable to acquisition and/or construction of qualifying assets 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 likelyhood of repayment of bonds is more likely.

(k) 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.

(l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the 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 for the period attributable to equity shareholders and the weighted average number of shares outstanding during the 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.

(m) Cash and Cash equivalents

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

(n) Derivative Financial Instruments

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

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

	As at 31.12.2008	As at 31.12.2007
2. SHARE CAPITAL		
AUTHORISED		
250,000,000 (Previous Year – 250,000,000) Equity shares of Rs. 5/- each	**1,250.00**	1,250.00
	1,250.00	1,250.00
ISSUED, SUBSCRIBED AND PAID UP		
109,435,903 (Previous Year – 109,435,903) Equity shares of Rs. 5/- each fully paid	**547.18**	547.18
	547.18	547.18

Of the above :

a) 70,123,304 (Previous Year – 70,123,304) fully paid-up equity shares of Rs. 5/- each were allotted pursuant to scheme of arrangement to demerge pharmaceuticals business of Carol Info Services Limited ('CISL') (formerly Wockhardt Life Sciences Limited).

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

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

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

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

	As at 31.12.2008	As at 31.12.2007
3. RESERVES AND SURPLUS		
Capital redemption reserve		
Balance as per last account	**265.34**	265.34
	265.34	265.34
Securities premium account		
Balance as per last account	**134.14**	134.14
	134.14	134.14
General reserve		
Balance as per last account	**8,793.59**	8,293.59
Add: Transferred from profit and loss account	**–**	500.00
	8,793.59	8,793.59
Profit and loss account	**–**	519.99
	9,193.07	9,713.06
4. SECURED LOANS		
(A) 12.25% Redeemable Non-convertible Debentures	**2,000.00**	–
(B) TERM LOANS		
(i) From financial institutions	**1,808.75**	–
(ii) From banks:		
(a) Foreign currency denominated loans	**981.30**	1,812.86
(b) Rupee denominated loans	**2.22**	5.10
(iii) From others :		
Rupee denominated loans	**0.56**	2.66
(C) Working capital loan from Banks	**2,698.64**	719.14
	7,491.47	2,539.76

(A) Debentures are redeemable at par in four annual instalments of Rs. 500 million each starting from August 7, 2012. Debentures are secured by first charge on pari-passu basis, by way of mortgage and hypothecation of movable and immovable assets at Biotech Park H-14/2, M.I.D.C. Waluj, Aurangabad.

(B) Term Loans are secured as under :

(i) Out of the loans from financial institutions of Rs. 1,808.75 million above,

(a) loan of Rs. 530 million is 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 and D-4, M.I.D.C. Chikhalthana (R&D Centre), Aurangabad.

(b) loan of Rs. 510 million is 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. Further, the Company is in the process of creation of charge by way of mortgage on the immovable assets situated at the said locations.

(c) loan of Rs. 768.75 million is 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. Further, the Company is in the process of creation of charge by way of mortgage on the immovable assets situated at the said locations.

(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.

(iii) Rupee denominated loans from banks and others are for purchase of vehicles and are secured by hypothecation of vehicles purchased under the agreement.

(C) Working capital loans from banks are secured by hypothecation of inventories and debtors.

	As at 31.12.2008	As at 31.12.2007
5. UNSECURED LOANS		
Long term		
Sales tax deferral loan	**52.29**	52.29
[Of the above Rs. 0.52 million (Previous Year – Rs. Nil) is repayable within one year]		
Short term		
Zero Coupon Foreign Currency Convertible Bonds (Refer note below)	**5,285.04**	4,275.99
From Banks	**4,515.57**	1,220.00
From Others	**862.03**	–
	10,714.93	5,548.28

Note: 108,500 (Previous Year – 108,500) Zero Coupon Foreign Currency Convertible Bonds of USD 1000 each are:

(a) Convertible by the holders at any time on or after November 24, 2004 but prior to close of business on September 25, 2009. Each bond will be converted into 94.265 fully paid up equity shares with par value of Rs. 5 per share at a fixed price of Rs. 486.075 per share.

(b) Redeemable, in whole but not in part, at the option of the Company at any time on or after October 25, 2007 but not less than seven business days prior to maturity date i.e. October 25, 2009 as per the terms and conditions of the bonds mentioned in the offering circular.

(c) Redeemable on maturity date at 129.578 percent of its principal amount, if not redeemed or converted earlier.

	As at 31.12.2008	As at 31.12.2007
6. DEFERRED TAX(ASSET)/LIABILITY (net)		
Deferred tax liabilities		
Difference between depreciation on block of assets	**1,837.73**	1,313.64
Deferred Expenses	**3.43**	7.54
Gross deferred tax liabilities	**1,841.16**	1,321.18
Deferred tax assets		
Provision for Gratuity	**38.35**	32.16
Provision for Leave Encashment	**28.03**	25.75
Provision for Bonus	**1.68**	1.83
Premium on FCCB Loan	**440.14**	–
Provision on marked to market losses on derivative instruments	**1,192.81**	–
Provision for doubtful debts	**140.15**	140.23
Gross deferred tax assets	**1,841.16**	199.97
	–	1,121.21

During the year, the Company has recognised deferred tax asset to the extent of deferred tax liability.

7. FIXED ASSETS (At cost)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.01.2008	Additions	Deductions	As at 31.12.2008	As at 01.01.2008	For the year	Deductions/ Adjustments	As at 31.12.2008	As at 31.12.2008	As at 31.12.2007
Intangibles										
Trademarks/Technical knowhow	167.77	169.71	–	**337.48**	37.27	76.36	–	**113.63**	**223.85**	130.50
Software	64.49	–	–	**64.49**	12.96	6.45	–	**19.41**	**45.08**	51.53
Tangibles										
Freehold land	28.55	–	–	**28.55**	–	–	–	**–**	**28.55**	28.55
Leasehold land	83.41	–	–	**83.41**	5.82	1.05	–	**6.87**	**76.54**	77.59
Buildings	737.71	282.73	–	**1,020.44**	141.31	29.19	–	**170.50**	**849.94**	596.40
Plant and Machinery	6,064.62	1,438.30	2.74	**7,500.18**	1,477.69	290.80	(49.83)	**1,818.32**	**5,681.86**	4,586.93
Furniture and fittings	198.63	20.65	0.24	**219.04**	49.77	14.05	0.08	**63.74**	**155.30**	148.86
Office Equipments	51.16	4.83	0.20	**55.79**	40.97	6.38	0.19	**47.16**	**8.63**	10.19
Information Technology Equipments	189.92	51.32	6.68	**234.56**	141.37	30.58	6.40	**165.55**	**69.01**	48.55
Vehicles	57.92	0.25	12.58	**45.59**	39.52	5.42	8.39	**36.55**	**9.04**	18.40
Total	7,644.18	1,967.79	22.44	**9,589.53**	1,946.68	460.28	(34.77)	**2,441.73**	**7,147.80**	5,697.50
Capital Work-in-Progress (including Capital advances)									**3,991.46**	3,409.21
Total	7,644.18	1,967.79	22.44	**9,589.53**	1,946.68	460.28	(34.77)	**2,441.73**	**11,139.26**	9,106.71
Previous Year	7,061.29	619.52	36.63	**7,644.18**	1,578.79	345.41	(22.48)	**1,946.68**	**9,106.71**	

(a) Estimated amount of Contracts remaining to be executed on capital account not provided for Rs. 242.77 million (Previous Year – Rs. 742.95 million) after deducting advance on capital account of Rs. 62.82 million (Previous Year – Rs. 196.77 million).

(b) Capital Work-in-progress includes expenditure incurred during construction period pending allocation aggregating Rs. 1,112.82 million (Previous Year – Rs. 773.73 million). These expenses include Material Consumption Rs. 77.74 million (Previous Year – Rs. 80.10 million), Employee cost aggregating Rs. 284.77 million (Previous Year – Rs. 198.48 million), Interest expenses Rs. 55.46 million (Previous Year – Rs. 0.21 million), Depreciation Rs. 50.34 million (Previous Year – Rs. 46.47 million) and Operating expenses aggregating Rs. 644.51 million (Previous Year – Rs. 448.47 million) [Stores & spares Rs. 54.44 million (Previous Year – Rs. 52.52 million), Power Rs. 33.92 million (Previous Year – Rs. 20.38 million), Travelling Rs. 10.67 million (Previous Year – Rs. 11.24 million), Repairs Rs. 8.53 million (Previous Year – Rs. 14.57 million), General Expenses Rs. 536.95 million (Previous Year – Rs. 349.76 million)].

	As at 31.12.2008	As at 31.12.2007
8. INVESTMENTS		
LONG TERM INVESTMENTS (at cost)		
A. In subsidiary companies (unquoted)		
Investment in esparma GmbH Euro Nil (Previous Year – Euro 25,000) in Share Capital Rs. Nil (Previous Year – Rs. 1.36 million), Euro Nil (Previous Year – Euro 3.6 million) in capital reserve Rs. Nil (Previous Year – Rs. 196.02 million)	**–**	197.38
1,307,368 (Previous Year – 1,307,368) Equity Shares of Wockhardt Europe Limited of par value £1 each fully paid up (including two fully paid up shares held in the name of nominees of the Company)	**83.80**	83.80
27,504,823 (Previous Year – 27,504,823) Equity Shares of Wockhardt UK Holdings Limited [formerly Wockhardt UK Limited] of 1p each fully paid up	**752.66**	752.66
18,000,000 (Previous Year – 18,000,000) Equity Shares of Wockhardt Biopharm Limited of Rs. 10 each fully paid up	**90.00**	90.00
41,500 (Previous Year – 35,700) shares of Wockhardt EU Operations Swiss (AG) of CHF 1000 each fully paid up	**1,965.89**	1,768.51
2,000,000 (Previous Year – 2,000,000) Equity Shares of Rs. 10 each fully paid up in Wockhardt Infrastructure Development Limited (including one fully paid up share of par value held in the name of the nominee of the Company)	**35.00**	35.00
12,800,000 (Previous Year – 12,800,000) 7% Non-cumulative Redeemable Preference Shares of Rs. 100 each fully paid up of Vinton Healthcare Limited	**83.24**	83.24
10,000,000 (Previous Year – 10,000,000) Equity Shares of Rs. 10 each fully paid up of Vinton Healthcare Limited	**10.88**	10.88
1,000 (Previous Year – 1,000) Stocks of USD 1 each fully paid up of Atlantis USA Inc.	**0.04**	0.04
B. Other than trade (unquoted)		
443,482 (Previous Year – 305,982) Shares of Bharuch Eco-Aqua Infrastructure Limited of Rs. 10 each fully paid up	**4.43**	3.05
6,300 (Previous Year – 6,300) Shares of Bharuch Enviro Infrastructure Limited of Rs. 10 each fully paid up	**0.06**	0.06
250 (Previous Year – 250) Shares of Kanishka Housing Development Company Limited of Rs. 100 each fully paid up	**0.03**	0.03
1,000 (Previous Year – 1,000) Shares of Saraswat Co-operative Bank Limited of Rs. 10 each fully paid up	**0.01**	0.01
	3,026.04	3,024.66
Following investments were purchased and sold during the year:		
Units of Deutsche (DWS Investments)	**–**	100.00
9. INVENTORIES		
Raw materials	**685.43**	673.50
Packing materials	**282.41**	254.18
Work-in-progress	**364.73**	459.98
Finished goods	**1,109.25**	1,163.69
Stores and spares	**129.00**	72.88
	2,570.82	2,624.23
10. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, Considered good	**1,690.90**	1,070.86
Unsecured, Considered doubtful	**412.32**	412.57
	2,103.22	1,483.43
Provision for doubtful debts	**(412.32)**	(412.57)
	1,690.90	1,070.86
Other debts		
Unsecured, Considered good	**2,903.60**	2,398.98
	4,594.50	3,469.84

	As at 31.12.2008	As at 31.12.2007
11. CASH AND BANK BALANCES		
Cash on hand	**1.32**	0.94
Balances with scheduled banks		
– on current accounts	**261.22**	64.31
– on margin accounts*	**1,921.74**	23.92
– on deposit accounts** [(including unutilised amount of FCCB) Rs. 129.36 million (Previous Year – Rs. 382.28 million)]	**2,556.51**	1,682.32
	4,740.79	1,771.49

* Out of the above, Rs. 1,921.44 million (Previous Year – Rs. Nil) are under lien.

** Out of the above, Rs. 2,456.13 million (Previous Year – Rs. 29.23 million) are under lien.

	As at 31.12.2008	As at 31.12.2007
12. OTHER LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
Loans/Advances to employees*	**33.65**	10.74
Loans to companies	**983.76**	0.31
Advances recoverable in cash or in kind or for value to be received**	**3,787.80**	568.53
Balance with customs and excise authorities	**171.75**	175.95
Other deposits	**98.53**	75.66
Minimum Alternative Tax (MAT) credit entitlement	**199.16**	199.16
Advance tax, net of provision for tax	**350.62**	213.80
	5,625.27	1,244.15

* Loans/advances to employees include excess remuneration paid to directors Rs. 23.12 million (Previous Year – Rs. Nil) subject to approval of shareholders and Central Government [Maximum amount outstanding during the year Rs. 23.12 million (Previous Year – Rs. Nil)].

** Advances recoverable in cash or in kind includes deposit given to Carol Info Services Limited, the Company under same management Rs. 275 million (Previous Year – Rs. Nil) [Maximum amount outstanding during the year Rs. 275 million (Previous Year – Rs. 250 million)].

	As at 31.12.2008	As at 31.12.2007
13. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances	**45.90**	142.83
Sundry creditors – Micro and Small enterprises [see Note 20(k)]	**152.71**	23.09
– Subsidiary companies	**143.96**	56.96
– Others	**2,677.57**	1,700.65
Security deposits	**164.17**	160.28
Investor Education and Protection Fund shall be credited as and when due by the following amounts:		
– Unclaimed dividends	**13.58**	15.15
Interest accrued but not due	**174.46**	28.25
Other liabilities	**798.77**	447.39
	4,171.12	2,574.60
PROVISIONS		
Provision on Marked to Market Losses on Derivative Instruments	**4,256.32**	–
Provision for premium payable on Foreign Currency Convertible Bonds	**1,294.91**	–
Provision for Retirement benefits	**195.28**	170.37
Proposed dividend	**–**	273.59
Tax on proposed dividend	**–**	46.50
Other Provision (Refer Note 31)	**92.24**	75.00
	5,838.75	565.46
	10,009.87	3,140.06

	For the year ended 31.12.2008	For the year ended 31.12.2007
14. OTHER INCOME		
Dividend income on investments in subsidiaries	–	0.78
Dividend on other investments	**0.02**	0.06
Interest [TDS Rs. 57.19 million (Previous Year – Rs. 18.84 million)	**313.11**	237.71
Miscellaneous income	**102.85**	109.23
	415.98	347.78
15. MATERIAL CONSUMED AND PURCHASE OF GOODS		
Consumption of raw and packing materials	**4,768.29**	4,159.38
Purchase of finished goods	**1,954.84**	1,900.90
	6,723.13	6,060.28
16. (INCREASE)/DECREASE IN INVENTORIES		
Inventories as at December 31, 2007		
Finished goods	**1,163.69**	703.74
Work-in-progress	**459.98**	410.68
Less: Excise Duty on opening stock	**(22.12)**	(30.92)
Inventories as at December 31, 2008		
Finished goods	**(1,109.25)**	(1,163.69)
Work-in-progress	**(364.73)**	(459.98)
Less: Excise Duty on closing stock	**12.62**	22.12
	140.19	(518.05)
17. OPERATING AND OTHER EXPENSES		
Salaries, wages and bonus	**1,169.49**	984.81
Retirement benefits	**52.31**	32.11
Contribution to provident and other funds	**78.57**	71.67
Staff welfare expenses	**120.93**	122.37
Travelling and conveyance	**386.36**	339.35
Freight and forwarding charges	**393.72**	302.53
Selling and distribution	**393.25**	342.02
Commission on sales	**180.66**	161.21
Power and fuel	**364.14**	297.25
Rent	**85.30**	73.43
Rates and taxes	**22.89**	18.03
Repairs and maintenance		
Plant & Machinery	**62.40**	50.84
Buildings	**24.08**	18.15
Others	**45.63**	50.16
Stores and spare parts consumed	**140.93**	113.69
Insurance	**44.94**	44.74
Bad debts	**27.86**	49.61
Provision for doubtful debts	–	9.63
Product development expenses written off	**76.45**	7.69
Miscellaneous expenses	**731.79**	607.38
	4,401.70	3,696.67

	For the year ended 31.12.2008	For the year ended 31.12.2007
18. RESEARCH AND DEVELOPMENT EXPENSES		
Chemicals and consumables	**42.72**	61.45
Employee cost	**132.45**	142.61
Travelling expenses	**26.75**	29.45
Power and fuel	**8.64**	15.33
Repair and maintenance	**4.88**	12.06
Printing and stationery	**7.01**	9.64
Communication expenses	**7.72**	7.02
Clinical trial expenses	**11.02**	10.28
Analysis expenses	**1.86**	8.63
Legal and professional expenses	**8.43**	11.64
Other Research and Development expenses	**48.20**	46.43
	299.68	354.54
19. INTEREST		
On Term Loans	**165.61**	98.02
On Debentures	**99.34**	–
Others	**951.76**	270.43
	1,216.71	368.45
20. SUPPLEMENTARY STATUTORY INFORMATION		
(a) Remuneration to Directors :		
(i) Salary	**16.48**	16.87
Commission	**–**	76.96
Contribution to Provident Fund	**1.39**	1.32
Other Perquisites	**11.44**	0.78
	29.31	95.93

As the future liability for gratuity and leave encashment is provided on the actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included in above.

Based on profits of first nine months of the year, the Company had paid remuneration to the whole time directors as per the approval accorded by the shareholders. Since, the Company has incurred losses during the year, remuneration of Rs. 23.12 million paid to the directors in excess of permissible limits has been shown as recoverable. The Company is in the process of obtaining approval of shareholders and Central Government for such excess payment.

(ii) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to

	For the year ended 31.12.2008	For the year ended 31.12.2007
Net profit before tax	**(4,570.78)**	2,731.07
Add : Depreciation	**460.28**	345.41
Add : Directors' fees	**0.56**	0.16
Add : Directors' remuneration	**29.31**	95.93
Add : (Profit)/Loss on sale of Fixed Assets	**1.07**	1.61
Add : Bad debts written off against provision for doubtful debts	**(27.86)**	(49.61)
Add : Provision for doubtful debts	**27.62**	59.24
Less : Depreciation under Section 350	**(460.28)**	(345.41)
Adjusted net profit as per Section 349 of the Companies Act, 1956	**(4,540.08)**	2,838.40
Computation of commission payable to :		
(i) Chairman @ 2.5% of adjusted net profit	**–**	70.96
(ii) Other Directors @ Rs. Nil (Previous Year – Rs. 1.00 million)	**–**	6.00
Total Commission Payable	**–**	76.96

WOCKHARDT

	For the year ended 31.12.2008	For the year ended 31.12.2007
(b) Capital Expenditure on Research and Development	**784.31**	912.93

(c) Break-up of Raw Materials, Packing Materials and Stores and Spare Parts consumed

	For the year ended 31.12.2008		For the year ended 31.12.2007	
	Value	**%**	Value	%
(i) Materials				
Imported	**869.21**	**18.23**	979.08	23.54
Indigenously Procured	**3,899.08**	**81.77**	3,180.30	76.46
	4,768.29	**100.00**	4,159.38	100.00
(ii) Stores and Spare Parts				
Imported	**33.03**	**21.25**	39.53	27.10
Indigenously Procured	**122.38**	**78.75**	106.35	72.90
	155.41	**100.00**	145.88	100.00

Materials and Stores & Spares consumed includes foreign exchange loss of Rs. 100.01 million (Previous Year – exchange gain Rs. 31.11 million).

(d) Raw Material and Packing Material Consumed

Material Description	Unit of Measurement	For the year ended 31.12.2008 Quantity	For the year ended 31.12.2008 Value (Rs. in Mn.)	For the year ended 31.12.2007 Quantity	For the year ended 31.12.2007 Value (Rs. in Mn.)
1. Cyclohexenylethylamine	Kgs.	**90,965**	**66.16**	111,305	77.54
2. Gentamicin sulphat IP	Kgs.	**7,100**	**38.62**	5,280	19.89
3. Ranitidine Base	Kgs.	**45,600**	**50.43**	41,400	43.23
4. Lisnopril	Kgs.	**398**	**8.89**	3,086	70.16
5. Cefprozil	Kgs.	**896**	**33.13**	747	33.70
6. P-Methoxy Phenyl Acetic Acid	Kgs.	**120,750**	**86.78**	147,750	72.07
7. Fosphenytoin sodium	Kgs.	**29**	**5.22**	135	30.28
8. 7-Amino Cephalosporanic Acid	Kgs.	**17,575**	**81.09**	22,340	93.14
9. Povidone Iodine	Kgs.	**43,172**	**27.10**	38,719	26.76
10. Paracetamol	Kgs.	**590,234**	**114.59**	492,457	78.88
11. D-Mandelic Acid	Kgs.	**38,075**	**32.20**	50,700	41.91
12. Dexamethasone	Gms.	**454,784**	**23.93**	366,728	15.45
13. Azithromycin	Kgs.	**3,933**	**32.73**	4,555	32.74
14. Product B	Gms.	**166,400**	**62.59**	200,000	74.75
15. ECPP alanine	Kgs.	**6,400**	**39.18**	8,000	49.48
16. Isoproplyl alcohol	Tons.	**567,454**	**39.23**	572,051	31.23
17. Others			**4,026.42**		3,368.17
			4,768.29		4,159.38

(e) Installed capacity, actual production, closing stock and sales in respect of each class of goods and services.

Particulars	Unit of Measurement	Installed Capacity Per Annum Quantity	Production Quantity	Purchase Quantity	Stock at Commencement		Stock at close		Turnover	
					Quantity	Rs. in million Value	Quantity	Rs. in million Value	Quantity	Rs. in million Value
1. Injections	Ltrs.	**262,000**	**407,431**	**1,443,441**	**270,465**	**229.64**	**131,185**	**181.02**	**1,990,152**	**2,266.19**
		(262,000)	(245,563)	(1,469,802)	(182,816)	(176.41)	(270,465)	(229.64)	(1,627,716)	(1,638.57)
2. Liquids & Solutions	Ltrs.	**3,000,000**	**2,151,487**	**4,099,292**	**903,786**	**94.72**	**807,241**	**91.70**	**6,347,324**	**1,497.49**
		(2,100,000)	(2,211,993)	(3,874,247)	(856,743)	(79.52)	(903,786)	(94.72)	(6,039,197)	(1,374.07)
3. Tablets & Capsules	Nos. in Lacs	**54,475**	**48,575**	**9,556**	**5,411**	**274.50**	**2,916**	**212.42**	**60,626**	**7,210.97**
		(53,878)	(41,841)	(12,032)	(4,579)	(231.56)	(5,411)	(274.50)	(53,041)	(5,178.24)
4. Ointments	Kgs.	**160,000**	**82,151**	**83,971**	**36,322**	**38.83**	**31,247**	**21.74**	**171,197**	**243.31**
		(160,000)	(92,425)	(102,818)	(42,872)	(14.84)	(36,322)	(38.83)	(201,793)	(247.71)
5. Powder	Kgs.	**–**	**5,088,057**	**1,096,631**	**1,101,255**	**130.68**	**695,196**	**106.31**	**6,590,747**	**1,898.48**
		–	(4,847,329)	(1,008,524)	(624,085)	(85.67)	(1,101,255)	(130.68)	(5,378,683)	(1,603.23)
6. Bulk Drugs	Kgs.	**460,400**	**420,074**	**1,385**	**62,019**	**391.24**	**51,137**	**480.37**	**432,341**	**1,369.47**
		(420,200)	(450,918)	(4,923)	(42,700)	(115.38)	(62,019)	(391.24)	(436,522)	(1,286.87)
7. Other goods	Nos. in Lacs					**4.08**		**15.69**		**341.40**
						(0.36)		(4.08)		(130.49)
8. Processing charges										**2.74**
										(2.38)
9. Distribution income										**3.39**
										(4.31)
10. Management fees										**145.87**
										(52.08)
11. Export Incentive										**145.43**
										(158.33)
						1,163.69		**1,109.25**		**15,124.74**
						(703.74)		(1,163.69)		(11,676.28)

(i) Production and Sale figures include trade incentives.

(ii) Turnover includes sale of traded goods Rs. 3,454.26 million (Previous Year – Rs. 3,397.30 million).

(iii) Installed capacity is on a single shift basis, and is as certified by the management and not verified by the auditors.

(iv) Turnover includes exchange fluctuation gain of Rs. 593.45 million (Previous Year – Loss of Rs. 213.34 million).

(v) Production includes quantities manufactured by loan licensees.

(vi) Figures in brackets represent prior year comparatives.

	For the year ended 31.12.2008	For the year ended 31.12.2007
(f) Auditor's Remuneration :		
Audit Fees	**4.65**	4.51
Tax Audit Fees	**1.83**	1.62
Other services	**0.50**	0.35
Out of pocket expenses	**0.15**	0.10
	7.13	6.58
(g) Value of Imports on C.I.F. Basis		
Raw Materials, Packing Materials, components & spares	**1,217.62**	1,370.10
Capital Goods	**783.92**	524.56
	2,001.54	1,894.66

	For the year ended 31.12.2008	For the year ended 31.12.2007
(h) Expenditure in Foreign Currency (Accrual Basis)		
Travelling	**13.01**	7.26
Professional fees	**131.73**	66.50
Royalty	**46.18**	23.64
Interest	**108.57**	97.28
Others	**428.43**	303.87
	727.92	498.55
(i) Earnings in Foreign Exchange (Accrual Basis)		
Exports of goods on F.O.B. basis	**5,233.10**	3,631.97
Management fees	**145.86**	52.08
Royalty	**85.05**	86.35
Dividend	**–**	0.76
Interest	**172.67**	214.44
	5,636.68	3,985.60

(j) **Loans and advances to subsidiaries:**

Loans and advances to subsidiaries in the nature of loans comprises of amounts recoverable from CP Pharmaceutical Limited amounting to Rs. Nil (Previous Year – Rs. Nil) [maximum amount outstanding during the year Rs. Nil (Previous Year – Rs. 452.89 million)], Wockhardt USA LLC amounting to Rs. Nil (Previous Year – Rs. 71.88 million) [maximum amount outstanding during the year Rs. 85.66 million (Previous Year – Rs. 125.76 million)], esparma GmbH amounting to Rs. 202.97 million (Previous Year – Rs. 175.03 million) [maximum amount outstanding during the year Rs. 204.21 million (Previous Year – Rs. 177.08 million], Wockhardt Infrastructure Development Limited Rs. 383.25 million (Previous Year – Rs. 38.99 million) [maximum amount outstanding during the year Rs. 383.25 million (Previous Year – Rs. 147.99 million)], Vinton Healthcare Limited Rs. 786.54 million (Previous Year – Rs. 293.05 million) [maximum outstanding during the year Rs. 786.54 million (Previous Year – Rs. 639.17 million)], Wockhardt EU Operations (Swiss) AG Rs. 1,042.70 million (Previous Year – Rs. 80.11 million) [maximum outstanding during the year Rs. 1,068.13 million (Previous Year – Rs. 80.16 million)], Atlantis USA Inc. Rs. Nil (Previous Year – Rs. 0.03 million) [maximum outstanding during the year Rs. 0.03 million (Previous Year – Rs. 3.13 million)], Morton Grove Pharmaceuticals, Inc. Rs. 97.42 million (Previous Year – Rs. 78.82 million) [maximum outstanding during the year Rs. 100.14 million (Previous Year – Rs. 79.34 million)], Wockhardt Holding Corporation Rs. 779.37 million (Previous Year – Rs. 630.56 million) [maximum outstanding during the year Rs. 801.12 million (Previous Year – Rs. 635.24 million)].

(k) Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006:

	For the year ended 31.12.2008	For the year ended 31.12.2007
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	**152.71**	23.09
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	**–**	–
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	**–**	–
The above information is given to the extent available with the Company and relied upon by the auditor.		

21. EARNINGS PER SHARE

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

	For the year ended 31.12.2008	For the year ended 31.12.2007
Reconciliation of earnings		
Profit/(Loss) after tax for the year	**(3,487.58)**	2,138.76
Add:		
Exceptional item net of tax	**3,245.52**	–
Net profit/(Loss) before exceptional item (net of tax) for calculation of basic/ diluted EPS	**(242.06)**	2,138.76
	Shares	Shares
Weighted average number of shares in calculating diluted EPS	**109,435,903**	109,435,903
Earnings per share (nominal value Rs. 5/- each)	**Rs.**	Rs.
Earnings per share before exceptional item – Basic and diluted	**(2.21)**	19.54
Earnings per share after exceptional item – Basic and diluted	**(31.87)**	19.54

22. (a) During the year 2008 due to global meltdown, there has been significant volatility in currencies and interest rates. Major currencies like EURO, GBP, CHF have significantly depreciated against US Dollar. Besides in line with the interest rate cuts carried out by the US Federal, EURO and UK zones, the LIBOR of all major currencies collapsed, resulting in increase in mark-to-market losses from October and November 2008 onwards.

Pursuant to the announcement on "Accounting for Derivatives" issued by the Institute of Chartered Accountants of India in March 2008, the Company has accounted Mark-to-Market (MTM) losses aggregating Rs. 4,256.32 million (Previous Year – Rs. Nil) for the year ended December 31, 2008. The same has been treated as an exceptional item. The Company has entered into Hedging Instruments, which are long term in nature to reduce interest cost/Currency risk for the loans, which the Company has taken in past and is outstanding as of December 31, 2008. As per the Risk Management Policy, the Company is hedging the interest/ currency risk for the long term loans. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

(b) The exceptional item also includes, realised derivative loss of Rs. 182.01 million (Previous Year – Rs. Nil).

23. In the month of October 2004, the Company had issued 110,000 Zero Coupon foreign currency convertible bonds of USD 1,000 each. The Bonds are considered as monetary liability. The Bonds are redeemable on maturity date at 129.578 percent of its principal amount, only if there is no conversion of bonds on or before September 25,2009. The Company is evaluating various options for restructuring the debts of the Company as explained in Note 32. The FCCB including the premium payable will be part of the restructuring exercise. The Company is proposing to negotiate with the FCCB holders towards discount and/or extension of the due date of payment. During the year, Company has provided for FCCB premium from October 2004 till December 31, 2008.

24. The step down subsidiary of the Company, Wockhardt France (Holdings) S.A.S. had availed Leverage Buyout Finance (LBO) of EURO 110 million, towards the acquisition of Negma group.

As per the Facility Agreement for the said loan, certain covenants need to be complied for the year 2008. Wockhardt France Holdings S.A.S. has not complied with the covenants. The Company has received consent from 61% of the lenders to relax the covenants for the year 2008.

Hence, the Company's investment in subsidiary Wockhardt EU Operations (Swiss) AG and the subsidiary's investment in Wockhardt France (Holdings) S.A.S. will not be impaired.

25. SEGMENTAL REPORTING

As the Company's annual report contains both Consolidated Financial Statement and this financial statement, Segmental information is presented only on the basis of consolidated Financial Statement. (Refer Note 23 of Consolidated Financial statement).

26. Product Development Expenses of Rs. 1,002.56 million (Previous Year – Rs. 743.85 million) incurred during the year are considered as capital expenditure to be capitalized as intangible assets.

27. The Company has taken office premises on operating lease. These leave and licence agreements are for a period not exceeding five years and are in most cases renewable by mutual consent, on mutually agreeable terms. There are no restrictions imposed by lease arrangements. There are no subleases.

WOCKHARDT

28. RELATED PARTY DISCLOSURES

(a) **Parties where control exists**

Wholly owned subsidiary companies

1. Wockhardt UK Holdings Limited (formerly, Wockhardt UK Limited)
2. CP Pharmaceuticals Limited
3. CP Pharma (Schweiz) AG
4. Wallis Group Limited
5. The Wallis Laboratory Limited
6. Wockhardt Farmaceutica Do Brazil Ltda
7. Wallis Licensing Limited
8. Wockhardt Biopharm Limited
9. Vinton Healthcare Limited
10. Wockhardt Infrastructure Development Limited
11. esparma GmbH
12. Wockhardt Europe Limited
13. Wockhardt Nigeria Limited
14. Wockhardt USA LLC w.e.f. October 3, 2008 (formerly Wockhardt USA Inc.,)
15. Wockhardt EU Operations (Swiss) AG
16. Wockhardt UK Limited
17. Wockhardt Cyprus Limited
18. Wockpharma Ireland Limited
19. Pinewood Laboratories Limited
20. Nonash Limited
21. Atlantis USA Inc.,
22. Laboratoires Negma S.A.S. (formerly Negma Lerads S.A.S.)
23. Wockhardt France (Holdings) S.A.S.
24. esparma AG
25. Wockhardt Holding Corp
26. MGP Holding Corporation (merged with Wockhardt Holding Corp w.e.f. October 3, 2008)
27. Morton Grove Pharmaceuticals, Inc.
28. MGP Inc.
29. Girex S.A.S.
30. Mazal Pharmaceutique S.A.R.L.
31. Laboratoires Pharma 2000 S.A.S. (formerly Pharma 2000 S.A.S.)
32. Hariphar S.C.
33. Niverpharma S.A.S.
34. Cap Dermatology S.A.R.L.
35. Negma Beneulex S.A.
36. S.C.I. Salome
37. DMH S.A.S.
38. Phytex S.A.S.
39. Scomedia S.A.S.
40. Laboratoires Lerads S.A.S.

Holding company
Khorakiwala Holdings and Investments Private Limited

(b) **Other related party relationships where transactions have taken place during the year**

Enterprises over which Key Managerial Personnel exercising significant influence
Palanpur Holdings and Investments Private Limited
Wockhardt Hospitals Limited

Fellow Subsidiary
Carol Info Services Limited

Associate Enterprises
Khorakiwala Foundation

Key management Personnel
H. F. Khorakiwala, Chairman
Rajiv B. Gandhi, Whole Time Director

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

	For the year ended 31.12.2008	For the year ended 31.12.2007
Holding Company		
Dividend Paid	**174.29**	958.60
Subsidiary Companies		
Purchase of Raw material [CP Pharmaceuticals Limited Rs. 31.61 million (Previous Year – Rs. 27.05 million), Vinton Healthcare Limited Rs. Nil (Previous Year – Rs. 8.35 million), Girex S.A.S. Rs. 0.27 million (Previous Year – Rs. Nil), Pinewood Laboratories Limited Rs. 4.72 million (Previous Year – Rs. Nil)]	**36.60**	35.40
Purchase of finished goods [Vinton Healthcare Limited Rs. Nil (Previous Year Rs. 21.04 million)]	**–**	21.04
Sale of Raw Material [Vinton Healthcare Limited Rs. Nil (Previous Year – Rs. 0.84 million)]	**–**	0.84
Sale of scrap [Vinton Healthcare Limited Rs. Nil (Previous Year – Rs. 0.06 million)]	**–**	0.06

(c) **Transactions with related parties during the year (Contd.)**

	For the year ended 31.12.2008	For the year ended 31.12.2007
Purchase of fixed assets [CP Pharmaceuticals Limited Rs. 23.45 million (Previous Year – Rs. Nil), Morton Grove Pharmaceuticals, Inc. Rs. 3.60 million (Previous Year – Rs. Nil)]	**27.05**	–
Management fees [CP Pharmaceuticals Limited Rs. 13.55 million (Previous Year – Rs. 15.45 million), Wockhardt USA LLC Rs. 40.63 million (Previous Year – Rs. 3.85 million), esparma GmbH Rs. 6.73 million (Previous Year – Rs. 5.48 million), Wockhardt EU Operations (Swiss) AG Rs. 21.29 million (Previous Year – Rs. 4.93 million), Pinewood Laboratories Limited Rs. 36.03 million (Previous Year – Rs. 14.89 million), Wockhardt France S.A.S. Rs. 10.79 million (Previous Year – Rs. 7.48 million), Morton Grove Pharmaceuticals, Inc. Rs. 16.84 million (Previous Year – Rs. Nil)]	**145.86**	52.08
Royalty expense [Wockhardt Biopharm Limited Rs. 14.46 million (Previous Year – Rs. 8.90 million), Wockhardt EU Operations (Swiss) AG Rs. 25.19 million (Previous Year – Rs. 18.81 million)	**39.65**	27.71
Sales [Wockhardt USA LLC Rs. 2,224.58 million (Previous Year – Rs. 1,162.78 million), CP Pharmaceuticals Limited Rs. 15.01 million (Previous Year – Rs. 9.05 million), esparma GmbH Rs. 50.37 million (Previous Year – Rs. 34.83 million), Wockhardt EU Operations (Swiss) AG Rs. 1,237.54 million (Previous Year – Rs. 862.57 million), Pinewood Laboratories Limited Rs. 4.87 million (Previous Year – Rs. Nil)]	**3,532.37**	2,069.23
Interest Income [CP Pharmaceuticals Limited Rs. Nil (Previous Year – Rs. 24.90 million), esparma GmbH Rs. 24.76 million (Previous Year – Rs. 13.85 million), Vinton Healthcare Limited Rs. 40.61 million (Previous Year – Rs. 32.60 million), Wockhardt Holding Corp Rs. 53.36 million (Previous Year – Rs.11.80 million), Morton Grove Pharmaceuticals, Inc. Rs. 6.67 million (Previous Year – Rs. 0.75 million), Wockhardt EU Operations (Swiss) AG Rs. 18.05 million (Previous Year – Rs. Nil), Wockhardt Infrastructure Development Limited Rs. 16.78 million (Previous Year – Rs. Nil)]	**160.23**	83.90
Dividend Income [Wockhardt UK Holdings Limited Rs. Nil (Previous Year – Rs. 0.76 million)]	**–**	0.76
Royalty received [esparma GmbH Rs. 60.07 million (Previous Year – Rs. 62.77 million), CP Pharmaceuticals Limited Rs. Nil (Previous Year – Rs. 18.57 million), Wockhardt UK Limited Rs. Nil (Previous Year – Rs. 5.01 million)]	**60.07**	86.35
Commission received on Sales [Vinton Healthcare Limited Rs. Nil (Previous Year – Rs. 1.63 million)]	**–**	1.63
Lease Rent Paid [Wockhardt Infrastructure Development Limited Rs. 1.25 million (Previous Year – Rs. Nil)]	**1.25**	–
Maintenance expenses paid [Wockhardt Infrastructure Development Limited Rs. 0.11 million (Previous Year – Rs. Nil)]	**0.11**	–
Capital expenditure recovered [Pinewood Laboratories Limited Rs. Nil (Previous Year – Rs. 22.10 million), Wockhardt France (Holdings) S.A.S. Rs. 6.52 million (Previous Year – Rs. Nil)]	**6.52**	22.10
Expenses recovered [esparma GmbH Rs. Nil (Previous Year – Rs. 0.24 million), Pinewood Laboratories Limited Rs. 4.18 million (Previous Year – Rs. 15.44 million), Wockhardt USA LLC Rs. 0.62 million (Previous Year – Rs. 0.11 million), Wockhardt EU Operations (Swiss) AG Rs. 1.99 million (Previous Year – Rs. 0.56 million), Wockhardt France (Holding) S.A.S. Rs. 9.06 million (Previous Year – Rs. 11.32 million), Wockhardt Holding Corporation Rs. Nil (Previous Year – Rs. 13.44 million), CP Pharmaceuticals Limited Rs. 1.99 million (Previous Year – Rs. Nil), Wockhardt UK Limited Rs. 0.17 million (Previous Year – Rs. Nil), Morton Grove Pharmaceuticals, Inc. Rs. 0.52 million (Previous Year – Rs. Nil)]	**18.53**	41.11
Reimbursement of expenses [CP Pharmaceuticals Limited Rs. Nil (Previous Year – Rs. 0.05 million), Pinewood Laboratories Limited Rs. 3.93 million (Previous Year – Rs. Nil)]	**3.93**	0.05
Service charges paid [Atlantis USA Inc., Rs. 25.43 million (Previous Year – Rs. 13.79 million)]	**25.43**	13.79
Increase in investments [Wockhardt EU Operations (Swiss) AG Rs. Nil (Previous Year – Rs. 1,425.70 million)]	**–**	1,425.70
Swapping of investments against shares of Wockhardt EU Operations (Swiss) AG [Wockhardt Switzerland Holdings AG Rs. Nil (Previous Year – Rs. 342.81 million), esparma GmbH Rs. 197.38 million (Previous Year – Rs. Nil)]	**197.38**	342.81

(c) **Transactions with related parties during the year (Contd.)**

	For the year ended 31.12.2008	For the year ended 31.12.2007
Loans/Advances given [Wockhardt USA LLC Rs. Nil (Previous Year – Rs. 50.91 million), Wockhardt Infrastructure Development Limited Rs. 348.89 million (Previous Year – Rs. 69.57 million), Vinton Healthcare Limited Rs. 502.31 million (Previous Year – Rs. 331.88 million), Wockhardt EU Operations (Swiss) AG Rs. 783.65 million (Previous Year – Rs. Nil), Morton Grove Pharmaceuticals, Inc. Rs. Nil (Previous Year – Rs. 78.82 million), Wockhardt Holding Corp Rs. Nil (Previous Year – Rs. 630.56 million), Atlantis USA Inc., Rs. Nil (Previous Year – Rs. 13.90 million)]	**1,634.85**	1,175.64
Loans/Advances recovered [CP Pharmaceuticals Limited Rs. Nil (Previous Year – Rs. 419.98 million), Wockhardt USA LLC Rs. 88.65 million (Previous Year – Rs. 50.91 million), Wockhardt Infrastructure Development Limited Rs. 4.62 million (Previous Year – Rs. 109 million), Vinton Healthcare Limited Rs. 8.82 million (Previous Year – Rs. 311 million), Atlantis USA Inc. Rs. 0.03 million (Previous Year – Rs. 13.79 million)]	**102.12**	904.68
Commission recovered on Corporate Guarantee [CP Pharmaceuticals Limited Rs. 6.18 million (Previous Year – Rs. 7.89 million)]	**6.18**	7.89
Corporate guarantee given [Wockhardt UK Limited Rs. 282.56 million (Previous Year – Rs. Nil)]	**282.56**	–
Advance against investment/Share Application money given [Wockhardt EU Operations (Swiss) AG Rs. 130.43 million (Previous Year – Rs. 78.82 million)]	**130.43**	78.82
Advance taken [Laboratoires Negma S.A.S. Rs. 269.99 million (Previous Year – Rs. Nil)]	**269.99**	–
Security deposit given [Wockhardt Infrastructure Development Limited Rs. 4.70 million (Previous Year – Rs. Nil)]	**4.70**	–
Fellow Subsidiary/Associate enterprises		
Loan Licensee Charges paid [Carol Info Services Limited Rs. 89.59 million (Previous Year – Rs. 75.76 million)]	**89.59**	75.76
Rent paid [Carol Info Services Limited Rs. 54.31 million (Previous Year – Rs. 51.93 million)]	**54.31**	51.93
Expenses recovered/(paid) [Carol Info Services Limited Rs. Nil (Previous Year – Rs. 15.60 million), Khorakiwala Foundation Rs. Nil (Previous Year – Rs. 0.81 million)]	**–**	16.41
Donation given [Khorakiwala Foundation Rs. Nil (Previous Year – Rs. 2.70 million)]	**–**	2.70
Security deposit given [Carol Info Services Limited Rs. 275 million (Previous Year – Rs. 250 million)]	**275.00**	250.00
Security deposit recovered [Carol Info Services Limited Rs. Nil (Previous Year – Rs. 250 million)]	**–**	250.00
Key management personnel		
Remuneration paid [Remuneration to Chairman Rs. 18.46 million (Previous Year – Rs. 82.53 million), Remuneration to Whole Time Director Rs. 10.85 million (Previous Year – Rs. 7.40 million)]	**29.31**	89.93
Enterprise over which Key Managerial Personnel exercising significant influence		
Rent paid [Palanpur Holdings and Investments Private Limited Rs. 1.08 million (Previous Year – Rs. 0.48 million)]	**1.08**	0.48
Sale [Wockhardt Hospitals Limited Rs. 1.70 million (Previous Year – Rs. 2.68 million)]	**1.70**	2.68

	As at 31.12.2008	As at 31.12.2007
(d) **Related party balances**		
Receivable from wholly owned subsidiary companies [esparma GmbH Rs. 602.23 million (Previous Year – Rs. 412.50 million), Wockhardt USA LLC Rs. 2,378.33 million (Previous Year – Rs. 1,359.04 million), Vinton Healthcare Limited Rs. 786.54 million (Previous Year – Rs. 293.05 million), Wockhardt EU Operations (Swiss) AG Rs. 1,004.10 million (Previous Year – Rs. 337.44 million), Wockhardt Infrastructure Development Limited Rs. 387.95 million (Previous Year – Rs. 38.99 million), Pinewood Laboratories Limited Rs. 12.29 million (Previous Year – Rs. 54.28 million), Wockhardt France (Holdings) S.A.S. Rs. 16.43 million (Previous Year – Rs. 7.43 million), Morton Grove Pharmaceuticals, Inc. Rs. 102.19 million (Previous Year – Rs. 79.46 million), Wockhardt Holding Corp Rs. 793.02 million (Previous Year – Rs. 654.03 million), Atlantis USA Inc., Rs. Nil (Previous Year – Rs. 0.03 million)]	**6,083.08**	3,236.25

	As at 31.12.2008	As at 31.12.2007
Payable to wholly owned subsidiary companies [Wockhardt Biopharm Limited Rs. 39.54 million (Previous Year – Rs. 28.35 million), CP Pharmaceuticals Limited Rs. 55.49 million (Previous Year – Rs. 6.44 million), Wockhardt UK Limited Rs. 20.17 million (Previous Year – Rs. 19.39 million), Atlantis USA Inc., Rs. 10.47 million (Previous Year – Rs. Nil), Laboratoires Negma S.A.S. Rs. 269.99 million (Previous Year – Rs. Nil), Girex S.A.S. Rs. 0.27 million (Previous Year – Rs. Nil)]	**(395.93)**	(54.18)
Payable to fellow subsidiary/associate enterprises [Carol Info Services Limited Rs. 22.01 million (Previous Year – Rs. 15.15 million)]	**(22.01)**	(15.15)
Deposit Receivable from fellow subsidiary [Carol Info Services Limited Rs. 275 milllion (Previous Year – Rs. Nil)]	**275.00**	–
Receivable/(Payable) to enterprise over which key managerial personnel exercising significant influence [Payable to Palanpur Holdings and Investments Private Limited Rs. 0.08 million (Previous Year – Rs. Nil)]	**(0.08)**	–
Receivable from Wockhardt Hospitals Limited Rs. 0.19 million (Previous Year – Rs. 0.05 million)]	**0.19**	0.05
Receivable/(Payable) to Key management personnel Receivable from Chairman Rs. 15.20 million (Previous Year – Rs. Nil), Receivable from Whole Time Director Rs. 7.92 million (Previous Year – Rs. Nil) Payable to Chairman Rs. Nil (Previous Year – Rs. 70.96 million)	**23.12**	(70.96)

29. EMPLOYEE BENEFITS

(A) Defined benefit plans:

		2008 Gratuity (Non-funded)	2007 Gratuity (Non-funded)
I.	**Expenses recognised during the year ended December 31, 2008**		
	1. Current Service Cost	**18.50**	15.07
	2. Interest cost	**8.69**	7.81
	3. Actuarial Losses/(Gains)	**(0.05)**	(12.14)
	Total Expenses	**27.14**	10.74
II.	**Net Asset/(Liability) recognised in the Balance Sheet as at December 31, 2008**		
	1. Present value of defined benefit obligation	**112.82**	94.62
	2. Net Asset/(Liability)	**(112.82)**	(94.62)
III.	**Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet for the year ended December 31, 2008**		
	1. Net Asset/(Liability) at the beginning of year	**(94.62)**	(94.20)
	2. Expense as per I above	**27.14**	10.74
	3. Employer contributions	**8.94**	10.32
	4. Net asset/(liability) at the end of the year	**(112.82)**	(94.62)
IV.	**Actuarial Assumptions:**		
	1. Discount rate	**7.00%**	8.00%
	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%**	7.00%
	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 17 and 18:

“Retirement benefits” are gratuity Rs. 26.50 million (Previous Year – Rs. 5.68 million), Leave Encashment Rs. 28.15 million (Previous Year – Rs. 29.67 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 17 and 18 – "Contribution to provident and other funds" of Profit and Loss Account Rs. 55.72 million (Previous Year - Rs. 48.10 million).

(C) Details for the current and previous two years are as follows:

	2008	2007	2006
Defined benefit obligation	**(112.82)**	(94.62)	(94.20)
Surplus/(defecit)	**(112.82)**	(94.62)	(94.20)
Experience adjustment on plan liabilities	**0.09**	5.76	4.90

30. DISCLOSURE REGARDING DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

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

	2008		2007	
No. of contracts	1		—	
Notional principal in Foreign Currency	Amt. in Foreign Currency (in millions)	Rs. in millions	Amt. in Foreign Currency (in millions)	Rs. in millions
USD	**20.00**	**981.30**	–	–

(b) Outstanding currency swaps and interest rate swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate and interest rate changes:

	2008		2007	
No. of contracts	135		2	
Notional principal in Foreign Currency	Amt. in Foreign Currency (in millions), net	Rs. in millions	Amt. in Foreign Currency (in millions), net	Rs. in millions
Interest rate options:				
USD	**222.50**	**10,837.98**		
EUR	**56.00**	**3,764.82**	–	–
Currency options:				
USD	**988.05**	**48,127.92**		
JPY	**4,130.00**	**2,207.07**	100.00	3,941.00
CHF	**10.00**	**452.13**	–	–
AUD	**10.00**	**333.63**	–	–
GBP	**106.00**	**7,487.84**	–	–
EUR	**345.80**	**23,247.79**	–	–

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

	2008			2007	
Particulars	**Currency**	Amt. in Foreign Currency (in millions)	Rs. in millions	Amt. in Foreign Currency (in millions)	Rs. in millions
Loan Availed	**USD**	**13.60**	**662.39**	50.00	1,970.50
Interest Payable	**USD**	**0.07**	**3.32**	0.72	28.28
Sundry Debtors	**ACU**	**0.05**	**2.47**	0.16	6.42
	AUD	**0.01**	**0.46**	0.01	0.48
	CHF	**0.43**	**19.54**	0.04	1.54
	EUR	**–**	**–**	5.45	315.66
	GBP	**–**	**–**	3.41	268.83
	USD	**24.85**	**1,210.48**	59.31	2,337.28
Loans and Advances	**EUR**	**3.21**	**215.70**	3.02	175.03
	USD	**–**	**–**	21.83	860.16
	CHF	**0.05**	**2.25**	0.04	1.29
	GBP	**0.02**	**1.75**	–	–

Particulars	2008 Currency	2008 Amt. in Foreign Currency (in millions)	2008 Rs. in millions	2007 Amt. in Foreign Currency (in millions)	2007 Rs. in millions
	JPY	6.41	3.42	–	–
	SEK	0.23	1.45	–	–
Sundry Creditors	ACU	0.001	0.03	0.001	0.05
	AUD	–	–	0.0002	0.01
	CAD	0.01	0.27	0.01	0.22
	CHF	0.02	0.69	0.08	2.68
	EUR	–	–	1.10	63.62
	GBP	1.77	125.07	0.46	36.09
	JPY	3.05	1.63	15.83	5.56
	SEK	0.23	1.45	0.23	1.44
	USD	–	–	8.48	334.04
	ZAR	–	–	0.001	–
Foreign Currency Convertible Bonds	USD	108.50	5,285.04	108.50	4,275.99
Time Deposit	USD	2.66	129.36	9.70	382.28
Investment in Foreign Subsidiaries	EUR	–	–	3.63	197.38
	GBP	11.04	836.46	11.04	836.46
	CHF	58.11	1,965.89	52.31	1,768.51
	USD	0.001	0.04	0.001	0.04

31. Provision for Sales Return on date Expiry – Opening Balance Rs. 75 million (Previous Year – Rs. 45 million), Additions during the Year Rs. 109.26 million (Previous Year – Rs. 102.45 million), Utilised during the year Rs. 92.02 million (Previous Year – Rs. 72.45 million), Closing balance Rs. 92.24 million (Previous Year – Rs. 75 million).

    Provision has been recognised for expected sales return on date expiry of products sold during last two years. It is expected that all of this would be incurred within two years of the balance sheet date.

32. The outstanding liabilities of the Company can be restructured under the aegis of Corporate Debt Restructuring (CDR). The Company has approached CDR Cell through ICICI Bank. The Empowered Group (EG) of CDR Cell has admitted the Company to the CDR Scheme. Since the term loans, FCCB loan of USD 108.50 million are falling due and the Company requires additional time to meet the requirements, the Company has approached CDR Cell.

33. **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 the Company in case of demands which have been confirmed Rs.84.97 million (Previous Year – Rs. 63.01 million).

    (b) Demand by Income tax authorities Rs. 661.07 million (Previous Year – Rs. 535.35 million) disputed by the Company.

    (c) Corporate Guarantee given on behalf of various subsidiaries in respect of bank loans amounts to Rs. 13,739.04 million (Previous Year – Rs. 11,599.73 million).

    (d) Subsequent to the year end certain derivative/hedging contracts have been unilaterally cancelled by the banks. The Company has treated the demand of Rs. 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. As on balance sheet date Rs. 252.85 million is kept with the banks as deposits against these disputed liabilites. The Company is currently discussing with lawyers for various options.

        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.

34. **PREVIOUS YEAR COMPARATIVES**

    Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership No: 42650

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

WOCKHARDT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rupees in millions)

(a)	**Registration details:**		
	Registration No.	:	L24230 MH1999PLC120720
	State Code	:	11
	Balance Sheet Date	:	December 31, 2008
(b)	**Capital raised during the year:**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	–
	Private Placement	:	Nil
	Employment stock option	:	–
(c)	**Position of mobilisation and deployment of funds:**		
	Total liabilities and shareholders funds	:	27,946.65
	Total assets	:	27,946.65
	Sources of funds		
	Paid-up capital	:	547.18
	Reserves and surplus	:	9,193.07
	Secured loans	:	7,491.47
	Unsecured loans	:	10,714.93
	Deferred tax liability	:	–
	Application of funds		
	Net fixed assets	:	7,147.80
	Capital work in progress including advances	:	3,991.46
	Investments	:	3,026.04
	Net current assets	:	10,813.76
	Accumulated losses	:	2,967.59
(d)	**Performance of company:**		
	Turnover	:	15,454.89
	Total expenditure	:	20,025.67
	Profit/(Loss) before tax	:	(4,570.78)
	Profit/(Loss) after tax	:	(3,487.58)
	Earnings per share	:	(2.21)
	Dividend rate%	:	–
(e)	**Generic names of three principal products/services of the company:**		
	Product Description	:	Spasmoproxyvon
	Product Description	:	Proxyvon
	Product Description	:	Methycobal

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at the close of financial year of subsidiary company		Currency	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's accounts		Net Aggregate amount of the Profits/ (Losses) of the Subsidiary so far as dealt with or provision is made for those losses in Holding Company's Accounts	
			(i) Shareholding	(ii) Extent of Holding (% age)		For the current financial year (in Millions)	For the previous financial year/ period since it became a subsidiary (in Millions)	For the subsidiary's fianancial year end December 31, 2007 (in Millions)	For the previous financial years till it became the subsidiary (in Millions)
1.	Wockhardt Biopharm Limited	31-Dec-08	18,000,000 Equity shares of Rs. 10/- each fully paid up	100%	Rs.	10.59	5.14	0.00	0.00
2.	Vinton Healthcare Limited	31-Dec-08	10,000,000 Equity shares of Rs. 10/- each fully paid up 12,800,000 7% Non- Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up	100%	Rs.	(48.89)	18.72	0.00	0.00
3.	Wockhardt Infrastructure Development Limited	31-Dec-08	2,000,000 Equity shares of Rs.10/- each fully paid up	100%	Rs.	(0.02)	(1.22)	0.00	0.00
4.	Esparma GmbH @	31-Dec-08	Euro 3,625,000*	100%	Euro (€)	(3.35)	0.37	0.00	0.00
5.	Wockhardt Europe Limited	31-Dec-08	1,307,368 Ordinary shares of £1 each	100%	STG (£)	(0.01)	0.01	0.00	0.00
6.	Wockhardt Nigeria Limited @	31-Dec-08	1,500,000 Ordinary Shares of Naira 10 each fully paid up	100%	USD	0.00	(0.02)	0.00	0.00
7.	Wockhardt UK Holdings Limited	31-Dec-08	27,504,823 Ordinary shares of 1p each fully paid up	100%	STG (£)	0.00	0.00	0.00	0.00
8.	CP Pharmaceuticals Limited @	31-Dec-08	570,000 Ordinary Shares of £1 each 1,862,549 'A' Ordinary Shares of £1 each	100%	STG (£)	0.17	2.59	0.00	0.00
9.	CP Pharmaceuticals (Schweiz) AG @	31-Dec-08	250 shares of CHF 1000 each	100%	GBP	0.25	(0.04)	0.00	0.00
10.	Wallis Group Limited @	31-Dec-08	1,408,667 Ordinary shares of £1 each	100%	STG (£)	0.00	0.00	0.00	0.00
11.	The Wallis Laboratory Limited @	31-Dec-08	4,040 Ordinary Shares of £1each	100%	STG (£)	0.00	0.00	0.00	0.00
12.	Wockhardt Farmaceutica do Brazil Ltda @	31-Dec-08	748,466.20 quotas of Brazilian Ria 1 each	100%	USD	(0.01)	(0.01)	0.00	0.00
13.	Wallis Licensing Limited @	31-Dec-08	1 Ordinary shares of £ 1 each	100%	STG (£)	0.00	0.09	0.00	0.00
14.	Wockhardt USA LLC @	31-Dec-08	2,000,000 Equity shares of $ 1 each	100%	USD	0.83	(5.86)	0.00	0.00

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES (CONTD.)

Sr. No.	Name of subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at the close of financial year of subsidiary company		Currency	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's accounts		Net Aggregate amount of the Profits/ (Losses) of the Subsidiary so far as dealt with or provision is made for those losses in Holding Company's Accounts	
			(i) Shareholding	(ii) Extent of Holding (% age)		For the current financial year (in Millions)	For the previous financial year/ period since it became a subsidiary (in Millions)	For the subsidiary's fianancial year end December 31, 2007 (in Millions)	For the previous financial years till it became the subsidiary (in Millions)
15.	Wockhardt EU Operations (Swiss) AG	31-Dec-08	41,500 shares of CHF 1,000 each	100%	CHF	12.25	23.37	0.00	0.00
16.	Wockhardt UK Limited@	31-Dec-08	50,000 Ordinary Shares of £ 1 each	100%	STG (£)	1.37	0.97	0.00	0.00
17.	Wockhardt Cyprus Limited @	31-Dec-08	1000 Ordinary shares of CY£1 each	100%	USD	(0.01)	(0.01)	0.00	0.00
18.	Wockpharma Ireland Limited @	31-Dec-08	10,001,000 Ordinary shares of € 1 each	100%	Euro (€)	0.43	(4.16)	0.00	0.00
19.	Nonash Limited @	31-Dec-08	(1) 30,100 Ordinary Shares of Euro 1.27 each (2) 100 A Ordinary Shares of Euro 1.27 each (3) 100 B Ordinary Shares of Euro 1.27 each (4) 500 C Ordinary shares of Euro 1.27 each (5) 1000 D Ordinary Shares of Euro 0.63 each (6) 250 E Ordinary Shares of Euro 2.54 each (7) 100 F Ordinary Shares of Euro 6.35 each (8) 2000 G ordinary Shares of Euro 0.32 each (9) 2500 H Ordinary Shares of Euro 0.25 each (10) 50 I Ordinary Sharees of Euro 12.69 each (11) 10 J Ordinary Shares of Euro 63.49 each (12) 25 K Ordinary Shares of Euro 25.39 each (13) 20 L Ordinary Shares of Euro 31.74 each (14) 125 M Ordinary Shares of Euro 5.08 each.	100%	Euro (€)	0.78	0.73	0.00	0.00
20.	Pinewood Laboratories Limited @	31-Dec-08	2,985,128 Ordinary shares of € 0.125 each 120"A" Ordinary shares of € 1.25 each	100%	Euro (€)	5.80	9.08	0.00	0.00
21.	Atlantis USA Inc.	31-Dec-08	1,000 Ordinary shares of $ 1 each	100%	USD	0.02	0.01	0.00	0.00
22.	Esparma AG @	31-Dec-08	100,000 Shares of CHF 1 each	100%	CHF	0.02	(0.01)	0.00	0.00
23.	Wockhardt Holding Corp. @	31-Dec-08	1,100 Ordinary Shares of US$ 1 each	100%	USD	0.00	0.01	0.00	0.00
24.	Morton Grove Pharmaceuticals Inc. @	31-Dec-08	100 Ordinary Shares of US$ 0.01 each	100%	USD	9.54	(1.09)	0.00	0.00
25.	MGP Inc. @	31-Dec-08	100 Ordinary Shares of US$ 0.01 each	100%	USD	0.00	0.00	0.00	0.00
26.	Wockhardt France (Holdings) S.A.S. @	31-Dec-08	601,000 Shares of € 100 each	100%	Euro (€)	(12.03)	0.00	0.00	0.00
27.	Girex S.A.S.@	31-Dec-08	78,820 Shares of € 16 each	100%	Euro (€)	2.69	(3.58)	0.00	0.00
28.	Laboratoires Pharma 2000 S.A.S. @	31-Dec-08	11,400 Shares of € 16 each	100%	Euro (€)	(2.03)	0.31	0.00	0.00
29.	Laboratoires Negma S.A.S. @	31-Dec-08	275,409 Shares of € 153 each	100%	Euro (€)	8.09	12.85	0.00	0.00
30.	DMH S.A.S. @	31-Dec-08	6,000 Shares of € 16 each	100%	Euro (€)	0.21	1.21	0.00	0.00
31.	Scomedia S.A.S. @	31-Dec-08	2,500 Shares of € 16 each	100%	Euro (€)	(0.10)	(0.13)	0.00	0.00
32.	Niverpharma S.A.S. @	31-Dec-08	10,000 Shares of € 16 each	100%	Euro (€)	(0.15)	0.80	0.00	0.00
33.	Negma Benulex S.A.S. @	31-Dec-08	2,976 Shares of € 25 each	100%	Euro (€)	0.14	0.01	0.00	0.00
34.	Phytex S.A.S. @	31-Dec-08	7,000 Shares of € 153 each	100%	Euro (€)	0.29	0.36	0.00	0.00
35.	Mazal Pharmaceutique S.A.R.L. @	31-Dec-08	1,000 Shares of € 16 each	100%	Euro (€)	(3.07)	(1.07)	0.00	0.00
36.	Cap Dermatology S.A.R.L. @	31-Dec-08	313 Shares of € 16 each	100%	Euro (€)	(0.31)	(0.19)	0.00	0.00
37.	Hariphar S.C. @	31-Dec-08	100 shares of € 152.45 each	100%	Euro (€)	0.17	0.10	0.00	0.00
38.	S.C.I. Salome @	31-Dec-08	100 shares of € 15.24 each	100%	Euro (€)	0.07	0.04	0.00	0.00
39.	Laboratoires Lerads S.A.S. @	31-Dec-08	740 shares of € 50 each	100%	Euro (€)	(0.02)	0.00	0.00	0.00

* As per German law, there are no shares issued. Only capital is subscribed to, which is 25,000 euros and subscription to capital reserve is 3,600,000 euros.

@ Inclusive of shares held through wholly owned subsidiaries.

For and on behalf of the Board of Directors

H. F. Khorakiwala
Chairman

Murtaza Khorakiwala
Managing Director

Huzaifa Khorakiwala
Executive Director

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

Place : Mumbai
Date : April 24, 2009

R. B. Gandhi
Company Secretary

FINANCIAL DETAILS OF THE SUBSIDIARY COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 2008

Name of the Subsidiary	Currency	Closing Exchange rate against Indian Rupee as on December 31, 2008	Rs. In Million								
			Paid Up Capital	Reserves	Total Assets including investments	Total Liablilities	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
Wockhardt Biopharm Limited	Rs.	–	180.00	(111.76)	70.08	1.84	14.46	12.56	1.97	10.59	–
Vinton Healthcare Limited	Rs.	–	1,380.00	(579.95)	1,648.70	848.65	–	(48.34)	0.55	(48.89)	–
Wockhardt Infrastructure Development Limited	Rs.	–	20.00	13.97	444.73	410.76	–	(0.02)	–	(0.02)	–
Esparma GmbH @	Euro (€)	67.23	1.68	209.56	1,019.63	808.39	1,079.61	(239.16)	14.17	(224.99)	–
Wockhardt Europe Limited	STG (£)	70.64	92.35	(18.35)	74.20	0.20	–	(1.01)	–	(1.01)	–
Wockhardt Nigeria Limited @	USD	48.71	3.90	(3.33)	0.57	–	–	–	–	–	–
Wockhardt UK Holdings Limited #	STG (£)	70.64	19.43	992.28	1,267.78	256.07	–	–	–	–	–
CP Pharmaceuticals Limited @	STG (£)	70.64	171.87	816.88	1,676.64	687.89	2,169.07	39.08	27.41	11.67	–
CP Pharmaceuticals (Schweiz) AG @	STG (£)	70.64	17.66	(25.06)	21.87	29.27	25.15	17.57	–	17.57	–
Wallis Group Limited @	STG (£)	70.64	99.51	118.01	217.59	0.07	–	–	–	–	–
The Wallis Laboratory Limited @	STG (£)	70.64	0.29	(0.29)	11.50	11.50	–	–	–	–	–
Wockhardt Farmaceutica do Brazil Ltda @#	USD	48.71	14.91	(14.62)	0.33	0.04	–	(0.33)	–	(0.33)	–
Wallis Licensing Limited @	STG (£)	70.64	–	(65.89)	218.35	284.24	–	–	–	–	–
Wockhardt USA LLC @	USD	48.71	97.42	(395.61)	2,190.60	2,488.79	2,768.14	40.55	–	40.55	–
Wockhardt EU Operations (Swiss) AG #	CHF	45.21	2,627.11	1,962.45	18,451.05	13,861.49	5,606.09	589.99	36.17	553.82	–
Wockhardt UK Limited @	STG (£)	70.64	3.53	183.38	1,856.35	1,669.44	3,872.56	134.57	38.07	96.49	–
Wockhardt Cyprus Limited @	USD	48.71	0.10	(1.04)	–	0.94	–	(0.29)	–	(0.29)	–
Wockpharma Ireland Limited @	Euro (€)	67.23	672.36	(192.99)	7,453.56	6,974.19	–	29.07	–	29.07	–
Nonash Limited @	Euro (€)	67.23	3.06	100.74	104.26	0.47	–	52.27	–	52.27	–
Pinewood Laboratories Limited@	Euro (€)	67.23	25.10	1,943.31	3,226.18	1,257.77	4,023.18	388.00	(1.96)	389.96	–
Atlantis USA Inc.	USD	48.71	0.05	1.67	(5.91)	(7.63)	–	1.31	0.32	0.99	–
Esparma AG @	CHF	45.21	4.52	(0.91)	3.74	0.13	–	(0.34)	–	(0.34)	–
Wockhardt Holding Corp @	USD	48.71	0.05	1,266.75	2,021.95	755.15	–	(0.10)	–	(0.10)	–
Morton Grove Pharmaceuticals Inc @	USD	48.71	–	(513.50)	3,394.75	3,908.25	3,254.56	533.23	68.53	464.69	–
MGP Inc @	USD	48.71	–	–	–	–	–	–	–	–	–
Wockhardt France Holdings S.A.S.@	Euro (€)	67.23	4,040.46	(1,169.28)	13,778.50	10,907.31	279.68	(1,179.53)	(370.73)	(808.80)	–
Girex S. A.S. @	Euro (€)	67.23	84.78	877.25	1,929.57	967.53	2,215.46	199.73	18.64	181.09	–
Laboratoires Pharma 2000 S.A.S. @	Euro (€)	67.23	12.26	(134.39)	742.82	864.95	491.03	(136.36)	–	(136.36)	–
Laboratoires Negma S.A.S. @	Euro (€)	67.23	2,832.87	775.60	6,099.89	2,491.43	6,953.76	845.63	302.02	543.61	–
DMH S.A.S. @	Euro (€)	67.23	6.45	13.64	545.49	525.39	1,294.30	35.35	20.86	14.49	–
Scomedia S.A.S. @	Euro (€)	67.23	2.69	(24.26)	632.18	653.75	490.71	(3.51)	3.18	(6.69)	–
Niverpharna S.A.S. @	Euro (€)	67.23	10.76	(83.21)	441.74	514.19	1,048.43	(10.20)	–	(10.20)	–
Negma Beneulex S.A.S. @	Euro (€)	67.23	5.00	19.80	29.54	4.73	10.45	13.45	4.02	9.44	–
Phytex S.A.S. @	Euro (€)	67.23	72.00	26.60	119.61	21.01	–	28.98	9.64	19.35	–
Mazal Pharmaceuticals S.A.R.L. @	Euro (€)	67.23	6.10	(4.82)	393.89	392.60	443.99	(210.18)	(3.57)	(206.61)	–
Cap Dermatology S.A.R.L. @	Euro (€)	67.23	0.39	(43.87)	10.75	54.23	2.11	(20.72)	–	(20.72)	–
Hariphar S.C. @	Euro (€)	67.23	1.02	11.41	12.74	0.30	15.26	11.41	–	11.41	–
S.C.I. Salome @	Euro (€)	67.23	0.10	4.50	5.58	0.98	7.08	4.50	–	4.50	–
Laboratoires Lerads S.A.S. @	Euro (€)	67.23	2.49	(1.36)	71.75	70.62	49.82	(1.36)	–	(1.36)	–

Notes:

The investments made by Wockhardt EU Operations (Swiss) AG is Rs. 927.24 millions (Rs. 16.14 millions - 300 shares of SKR 100 each of Jederstorm Swiss and Rs. 911.10 millions - 19,215,000 equity shares of Swiss Biosciences AG.)

The investments made by Wockhardt Farmaceutica Do Brazil Ltda and Wockhardt UK Holdings Limited is Rs. 0.15 milions and Rs. 0.02 millions respectively. (68 shares of 103R$ each of Banco Real, Brazil.)

The investments made by all other subsidiary companies is only in their step-down subsidiaries, no other investments are made by these companies.

@ Inclusive of shares held through wholly owned subsidiaries.

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 December 31, 2008.

I. CONSERVATION OF ENERGY:

(1) Energy conservation measures taken:

The Company has for many years now been laying great emphasis on the Conservation of energy and has taken several measures including regular monitoring of consumption, reduction of transmission losses and improved maintenance of systems. Some of the more significant projects implemented on a continuous basis are:

- Ejector system to generate vacuum for separation of capsules in Capsule filing machine instead of compressed air.
- Cooling tower fan operation with thermostatic control.
- Commissioning of Condensate Recovery System.
- Effimax system installed for boiler resulting into fuel savings.
- Frequency drive installed at air compressor.
- CT Ensaver installed on process & utility tower fan.
- Motors taking less than 50% load and having low factor are switched from delta to star connection.
- PLC based Automation system for Chilling plant implemented.
- Installed separate cooling tower for utility with low head pumps.
- Energy Saving Device and temperature controllers installed for optimizing the running time of the cooling towers.
- Installation and commissioning of variable frequency drive for equipments like Reactors etc.
- Installation of energy saving lights & Street light auto control on timers.
- Replaced cooling tower (conventional casting) blades with ABS (Acrylo Nitrile Butyl Styrene) blades.
- Installation of Pressure Reducing Valve (PRV) Station for Low pressure Steam Headers.
- Automation of Vacuum System with Solenoid Operated Valves and Steam Lines with Ph Meters.
- Maintained power factor at 0.99.

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

- Express Feeder Project (continuous water supply) being implemented at the Company's manufacturing unit at Waluj. This will reduce consumption of HSD 700 DG set and there would be uninterrupted water supply.

(3) Impact of measures taken at (1) and (2) above:

The adoption of Energy Conservation measures of the type indicated above have resulted in significant savings, which have been reflected in the cost of production over the years.

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

	Year Ended 31-12-2008	Year Ended 31-12-2007
A. Power & Fuel Consumption		
1. Electricity		
a. Purchased		
Units (in million)	**44.59**	33.17
Total Amount (in millions)	**196.40**	145.37
Rate/Unit (Rs.)	**4.40**	4.38
b. Own Generation		
(i) Through Diesel Generator		
Units (in million)	**2.34**	2.60
Units per litre of Diesel oil	**3.26**	3.21
Cost/unit (Rs.)	**11.77**	10.51
(ii) Through Gas Generator		
Units (in million)	**8.52**	9.62
Units per M^3 of Gas	**2.92**	3.03
Cost/unit (Rs.)	**3.94**	3.91
2. Furnace Oil, LSHS, LDO & HSD		
Quantity (Kilo-litres)	**2,891.00**	1,914.34
Total Amount (in millions)	**89.83**	47.92
Average Rate (in litres)	**31.07**	25.03
3. Natural Gas		
Quantity (unit NM3)(in million)	**2.91**	3.59
Total Amount (in millions)	**59.42**	73.91
Average Rate (Rs./100NM^3)	**1,152.00**	1,093.00

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:

Research & Development (R&D)

1. **Specific areas in which R&D is carried out by the Company:**

Spearheading Research & Development

Innovation is a hallmark at Wockhardt. Today the company has a multi-disciplinary, multi-location R&D programme of global dimension with more than 500 scientists, including 100 doctorates applying their technical expertise in a variety of research endeavour.

Biotechnology & Genomics Research

- First mover in India in Biotechnology & Genomics Research. Its growth in the field of biotechnology has been unrivalled in pace and dimension.
- With increasing concern for diabetes in India Wockhardt is first in Asia and also first outside US and Europe to manufacture and market its own recombinant Human Insulin – Wosulin. The launch of Wosulin brought tremendous price benefit of nearly 38% to the Indian diabetic population. Also, the company has launched innovative disposable pen delivery devices as well as sugar monitoring system – Sugarchek, for the convenience of diabetic patients.
- Yet another breakthrough in the field of biotechnology for the company is the development and launch in India of the long acting insulin analogue glargine, under the brand name Glaritus. The company is first in the world after innovator, to have developed and launched this product.

New Drug Discovery Programme

The New Drug Discovery programme of anti-infectives is progressing well as WCK-771 is under Phase II human clinical trial and WCK-2349 is under Phase I human clinical trial. Besides, the company also has in the pipeline new lead molecules for pre-clinical studies.

Novel Drug Delivery Systems

Wockhardt has developed and introduced in India several products based on Novel Drug Delivery Systems [NDDS]. The technology ensures better release pattern, greater effectiveness and better patient compliance.

Research Efforts for Unique ANDAs Pipeline

Wockhardt invests heavily in its R&D, particularly for the US market, the potential of which is very significant. The company actively pursues its research activities in filing Abbreviated New Drug Applications (ANDAs) for US FDA approvals. Differentiation is one of the rudiments that success thrives on and the company strategically selects difficult to develop, high technology products, in niche markets to get ANDA approvals. This becomes one of the important growth drivers for the company in the United States. Moreover, this facilitates in gaining significant market shares in the specialised therapy and has relatively less competition. Wockhardt is amongst Top-5 companies globally to have received highest number of ANDA approvals in a single year – during the year 2008, we have received 23 ANDA approvals from the US FDA. Currently the company markets over 60 products in the US.

Patents

The company's efforts in innovative research globally is well reflected in the number of patents filed so far, which is 1,154. In the year 2008 it filed 153 Patents. As of now, 68 Patents have been granted.

Technology Improvement in Fermentation, Chemical and Pharmaceuticals: Major technology improvement on a continuous basis is undertaken, which has resulted in cost saving.

2. **Benefits derived as a result of above R & D:**

Manufacturing process developed in in-house R&D have commercialised at various manufacturing factories of the Company. R&D efforts have resulted in import substitution of various high value bulk drugs as well as formulations.

3. **Future plan of action:**

(a) Development of formulations on new molecules belonging to various categories.

(b) Research in the field of herbal medicines will enable the Company to introduce herbal Ayurvedic drugs in the treatment of diseases for which allopathic treatments are not available or side effects are too many.

4. **Expenditure on R & D:**

(Rs. in Million)

	Year Ended 31-12-2008	Year Ended 31-12-2007
a. Wockhardt Limited – Standalone		
(a) Capital	**784.31**	912.93
(b) Revenue	**299.68**	354.54
(c) Total	**1,083.99**	1,267.47
(d) Total R&D expenditure as a percentage of total turnover	**7.21%**	10.99%
b. Wockhardt Limited – Consolidated (including subsidiaries)		
(a) Capital	**887.46**	1,011.09
(b) Revenue	**512.66**	504.59
(c) Total	**1,400.12**	1,515.68
(d) Total R&D expenditure as a percentage of total turnover	**3.89%**	6.09%

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. **Efforts in brief, made towards technology absorption, adaptation and innovation:**

The Company sets target for technology improvement based on global competition criteria. Wockhardt scientists undertake specific time-bound programmes to improve technology, which has upscaled gradually until desired results are achieved at the manufacturing level. The Research Scientists work in close relation with the manufacturing team to ensure smooth transfer of technology. Appropriate documents are created for quality control and this is monitored both by Wockhardt Quality control department and the Corporate Quality Assurance team.

2. **Benefits derived as a result of above efforts:**

— Cost reduction in an inflationary environment.

— The development of several new products and line developments.

— Substitution of imported raw materials and finished products.

— Product quality improvement and better stability.

— Export of intermediates and finished products.

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

The Company has not imported any technology.

IV. FOREIGN EXCHANGE EARNINGS & OUTGOING:

The export income for the current year amounted to Rs. 5,233 million (previous year – Rs. 3,632 million). The major export markets in which the Company is represented is America and Western European countries.

(Rs. in Million)

	Year Ended 31-12-2008	Year Ended 31-12-2007
(A) Total Foreign Exchange Used		
(i) On input of raw materials, spare parts & capital goods	**2001.54**	1,894.66
(ii) Expenditure in foreign currency for business travels, books & periodicals membership subscription, commission on sales and R&D expenses	**619.35**	401.27
(B) Total Foreign Exchange Earned	**5,636.68**	3,985.60

For and on behalf of the Board

Mumbai, May 29, 2009

H. F. KHORAKIWALA
Chairman

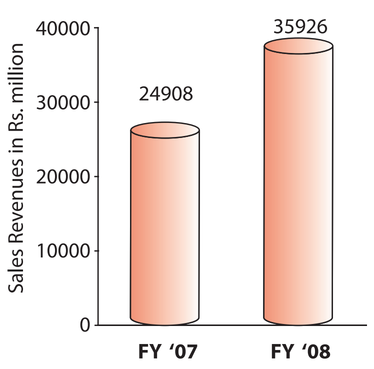
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

2008 was a year of Integration and growth for Wockhardt, which continued to power ahead by investing for the future. Acquisitions of the last two years started adding to the top line and profitability in 2008. This, along with the organic growth, and continuous investment in R&D, manufacturing, marketing and human resources saw the Company posting an impressive 44.2% increase in its revenues.

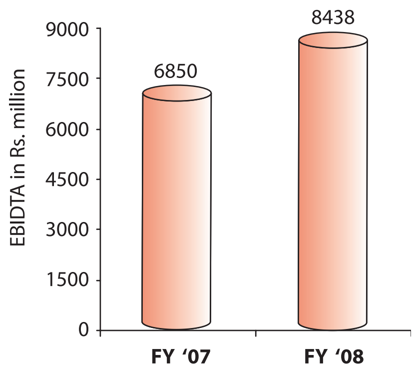
Strengthening Wockhardt's business in existing markets, developing new geographies, leveraging new acquisitions, creating wider technical capabilities, building infrastructure to drive greater production and optimizing efforts across the entire Company through proactive and seamless information technology networks helped the Company acquire momentum across all its businesses and markets.

The predominant theme was integration & gains from synergy. On a consolidated basis, Sales grew by 44.2% to achieve consolidated topline of Rs. 35,926 million (US$ 738 million); EBITDA grew 23.2% to Rs. 8,438 million (US$ 173 million); however the Company registered a net loss of Rs. 1,389 million (US$ 28 million) in 2008 due to high interest cost and MTM losses.

Sales Revenues

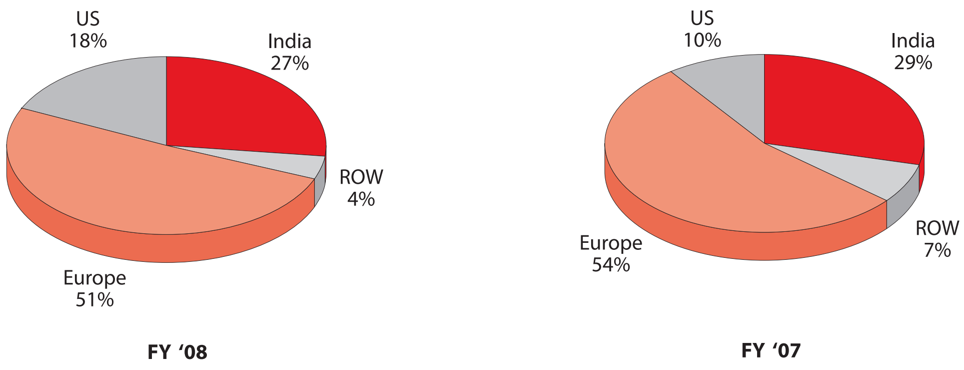


EBIDTA



Wockhardt's core businesses recorded consistent growth – and the acquisition of Negma Lerads in France and Morton Grove Pharmaceuticals in US widened the Company's market presence and customer portfolio. Displaying innovative deal making capabilities, the Company's strategic focus ensured that Europe business contributed 51% of the revenues in 2008, growing by 30%.

Global Sales Distribution



Key business highlights:

- The European business at Rs. 18,287 million grew 30%. The year captured the effect of annual consolidation of Negma, the Company's acquisition in France in May' 07.
- The Indian business at Rs. 9,659 million grew 24%; largely on account of new product launches and in-licensing arrangements in fast-growing areas of dermatology, nutraceuticals and osteoarthritis and API business.
- The US business at Rs. 6,534 million, grew 140% due to new product launches and the acquisition of Morton Grove Pharmaceuticals in October'07.
- The ROW business at Rs. 1,446 million showed de-growth of 24% due to slow off take in CIS, and African countries.

Synergies from Integration

Last year the Company focused on integrating its acquired businesses and restructuring operations across the globe. This led to synergies in Sourcing of raw material, cross selling opportunities in EU & USA, reduction in manufacturing and R&D costs due to rationalization of capacities. Today Wockhardt has emerged truly as a global entity with leading positions in Europe and is steadily growing its market presence in the US. With this we have supplemented our organic growth plans in upcoming markets, such as Brazil, Mexico and CIS countries to create an avenue in the high potential therapy segments of Anti-diabetic, Dermatology, Oncology and Bio-generics.

Corporate Debt Restructuring

In early 2000, IDBI in consultation with RBI and other banks and financial institutions designed a financial restructuring scheme called as Corporate Debt Restructuring (CDR), whereby corporate can restructure the debts availed by them. The scheme is generally applicable to the corporate which, in 3 to 5 years can repay the existing debts from the cash flows generated through its business operations. For smooth operations of the corporate as well as safety of the money lent by the banks, timely support through restructuring of debts in genuine cases is done through Corporate Debt Restructuring (CDR).

The CDR mechanism is a voluntary non-statutory system based on the principle of approvals by Super-majority of 75% lenders (by value) which makes it binding on the remaining 25% to fall in line with the majority decision.

A preliminary report (Flash Report) prepared by the CDR Cell in consultation with the Company is submitted to the CDR Empowered Group. After the Empowered Group decides that restructuring is prima-facie feasible, the detailed restructuring package is worked out.

The Company has approached the CDR Cell through ICICI Bank. The Empowered Group (EG) of CDR Cell has admitted the Company to the CDR Scheme. Since the term loans, FCCB loan of USD 108.50 million are falling due and the Company requires additional time to meet these requirements, the Company has approached the CDR Cell.

US business – Branded Generics the new driver

The US business continued to keep track with its fast growth of about 140%. This has been a result of the continued focus on the region through the established business of Wockhardt USA LLC, the acquired entity of Morton Grove and due to new product launches and increased market share of products.

Building on the "branded generic" Lindane business, the Company has formed a Pediatric division with 30 sales representatives to successfully launch Bromfed DM for cough & cold treatment. In 2009, the Company has plan to launch another 5-6 branded generic products.

The Company received 23 ANDA approvals this year from the US FDA. Wockhardt is one of the only three companies to have received approval for Ceftazidime. Both the API and the formulation were developed in-house and are manufactured in the US FDA approved facilities of the Company at Ankleshwar, Gujarat and at Waluj, Maharashtra, respectively. The product required significant R&D activity in both API and injections. This achievement is a reflection of the multi-faceted capabilities of the Company to meet the challenges of the US markets.

Wockhardt today markets over 60 products in the US and expects the healthy growth to continue. This along with other initiatives like building the private-level OTC business will drive the growth in the future.

Biotechnology

We believe India is at the helm of grabbing opportunities thrown by the global biopharmaceutical industry, particularly of contract research & manufacturing. The Company has been one of the earliest movers in the biosimilar space from India and has world class R&D and manufacturing capabilities. We already have 3 products in the Indian market and a strong pipeline is under development. Recently we launched, Glaritus, a recombinant long acting human insulin analogue, glargine and became the 1st Company in the world after the innovator (Sanofi Aventis) to launch this new insulin that works slowly for over 24 hours. The product has a worldwide market of over US$2 billion; the Indian market size is Rs. 120 crores growing at 37% per annum.

In the near term biosimilar exports to RoW markets (US$ 750 million potential) will gain traction and the more regulated markets of US & EU (US$ 5.2 billion) are already under the radar. US FDA has cleared IND for Wosulin (recombinant human insulin) filed by Wockhardt and Clinical trial have been initiated in US. With these achievements the Company is uniquely positioned to exploit the biotechnology opportunity. *(Source: IMS data)*

In-licensing Strategy

In-licensing has been one of the key growth drivers of our business. These in-licensing deals fulfill our aim to develop breakthrough products in India and also strengthen our existing portfolios. We have in-licensing agreements with number of US and Europe based companies through which we will market 19 products 11 of these have already been introduced during 2008. These belong to therapeutics like dermatology, osteoarthritis and derma-cosmetology, the sectors on which Wockhardt is focusing.

Opportunities

India is one of the few markets in the world where most of the medicines consumed are manufactured locally, mostly by Indian companies. Last year, Indian companies received/filed more ANDAs in the US than companies based in US. The industry (US$ 800 billion) grew by 6% and out of this new business, 85% came from emerging markets. Presently emerging markets contribute 20-25%, however by 2025 it is estimated that they will account for more that 50% of global pharmaceutical sales and India can become a major player in emerging markets given its scientific manpower and established credentials.

Wockhardt has been a part of the growing process of the Indian pharmaceutical industry and has been a source of several innovations. We wish to play a significant role in making “Made-in-India” products world-renowned. Going ahead, Wockhardt intends to capitalize its global synergies and accelerate the growth momentum both on revenue as well as profit front. The Indian IT story can happen to pharmaceutical in the next 10-15 years.

CRAMS

Wockhardt entered the contract manufacturing space recently. This move will allow optimum utilization of our manufacturing capacity and enable us to position ourself across the entire drug process to MNC pharmaceutical companies. Most of our plants are USFDA-approved and hence we can offer contract manufacturing service for pharmaceutical companies. The global market for contract manufacturing was estimated to be US$ 19 billion and is likely to expand to US$ 31 billion by 2010. Our UK operation is already undertaking significant work in CRAMS. Currently the focus is on sterile manufacturing and in the next few years it will be an integral part of our business. Sterile injectibles represent the fastest growing product segment of the pharmaceutical contract manufacturing industry. This segment was valued at US$ 3 billion. It is anticipated that there will be massive demand for manufacturing sterile syringes, cartridges and vials as biopharmaceutical companies continue to make R&D investments. Asia-Pacific is expected to emerge as the fastest growing region. Market in this region was estimated to be US$ 2 billion and projected to reach US$ 3 billion by 2010 (CAGR of 16%). *(Source: Pharmaceutical Contract Manufacturing GIA Report)*

Research

In drug discovery, we are focusing on anti-infective mainly due to the fact that very few anti-infective have come into the market in the past few years. Also some antibiotics are developing resistance and in next five to six years, this resistance will grow. Even though anti-infective is third largest market in developed countries, in emerging markets it is one of the largest segments. In India & China, it accounts for more than 25%. If the future of global pharmaceutical industry is in emerging markets, then anti-infectives will provide huge growth opportunity for us. We have a number of lead molecules that are currently in various stage of development. WCK 771, a broad spectrum antibiotic for difficult to treat MRSA, has entered phase II human clinical trials stage. Similarly, WCK 2349, a promising lead molecule to treat respiratory tract infection, is undergoing phase I clinical trials. Besides this, there are three molecules in advanced stages of pre-clinical trials.

Challenges

A conducive environment for enhancing the industry's capabilities is imperative. Supporting R&D is one of the driver's for adding value to the business, relaxing price control regime will be the other driver. A price-control mechanism which is cost-plus method was introduced 50 years ago and has now outlived its relevance. To determine the prices of new drugs, Europe uses a value-based system, which is based on the value that medicine provides patient with. We have to do away with price control, especially when there is immense competition in the market and the prices of drugs in India are the most affordable in the world. Today Indian companies are applying for patents and there is need for value-based pricing model in patented products so that it encourages research and innovation. By price control, the government will severely impact the sector's ability to invest in R&D, hurt its competitiveness and retard its expansion in the global generics market.

Global trends and Indian Scenario

Even in these difficult times, there have already been three large M&As in the global pharma industry. Pfizer acquired Wyeth in a $68-billion deal, Merck bought out Schering-Plough for $41.1 billion and Roche got hold of Genentech in a protracted takeover saga. The key driver is the search for future growth engines. Big pharmaceutical companies are set to lose nearly $100 billion in sales as many blockbuster drugs will lose patent protection over the next five years. And the pipeline of drugs to replace them looks very thin. Through M & As, companies are aiming to acquire potential drugs of the future and also to cut costs, particularly in research. Drug trails have in general become more extensive with regulators becoming more demanding. In such a situation, size increases the chances of success.

The large number of drugs going off patents in the coming years is a big opportunity for Indian generic players. Through their low-cost but quality manufacturing they can corner a sizeable portion of the market. But beyond these few years, this business model is likely to face stress. Indian drug companies have to invest in R&D, more so given the competitive edge the country has in carrying out research at a fraction of the cost incurred in the developed world. Indeed, clinical research for third parties is rapidly gaining ground. But the idea should be to leverage this expertise to develop new drugs, particularly for tropical or third world diseases. That requires size and balance-sheet strength, which most Indian companies' lack. Indian pharmaceutical companies would do well to explore the opportunities for inorganic growth or to acquire niche skills. The attractive valuations and somewhat easier availability of capital for the largely recession-proof sector provides the right backdrop.

Segment-Wise Performance

The Company is exclusively into pharmaceutical and biopharmaceutical business segment.

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.

Human Resources

The context in which Wockhardt operates today thus demands new and dynamic leadership and management responses. Leadership development is therefore a strategic priority for Wockhardt. Alongside our other initiatives to build a learning organization and leverage people potential, we have embarked on a systematic process of developing global leadership capabilities. There is no greater joy for us at Wockhardt than to nurture our more than 7,000 people at the threshold of the opportunities that lie ahead.

At Wockhardt, employee initiatives are constantly updated and modified to mark newer beginnings. Our professional development programs are designed to cover every spectrum of individual development. A competency-based model has been adopted which defines the required competencies and employee development initiatives at various levels and functions.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Wockhardt's philosophy on corporate governance envisages attainment of the highest levels of transparency, integrity, honesty, accountability and equity in all facets of its operations and in all interactions with its stakeholders including shareholders, employees, consumers and community at large. Wockhardt is committed to adopt the best practices in Corporate Governance in letter and spirit endeavoring to enhance shareholders value and interest of all other stakeholders.

2. BOARD OF DIRECTORS

(a) Composition and other related matters

The Board of Directors of the Company has optimum combination of Executive and Non-Executive Directors. As on December 31, 2008, the strength of the Board was eight Directors, of which, two were Executive Directors and six were Non-Executive Independent Directors.

The composition of the Board of Directors as on December 31, 2008, attendance of Directors at the Board meetings and at the Annual General Meeting held during the year under review along with the number of outside directorships and committee positions are given in the table below:

Name of the Director	Category of Directorship	Number of directorships held in other companies[2]	Number of committee positions held in other companies[3]		Attendance at	
			Chairman	Member	Board Meetings	Last Annual General Meeting (April 28, 2008)
Mr. H. F. Khorakiwala Chairman	Executive	2	None	None	6	Yes
Dr. Abid Hussain	Non-Executive Independent	10	None	4	4	No
Mr. R. A. Shah	Non-Executive Independent	15	4	5	5	Yes
Dr. B. L. Maheshwari[1]	Non-Executive Independent	None	None	None	5	Yes
Mr. Shekhar Datta	Non-Executive Independent	2	1	2	4	Yes
Mr. Aman Mehta	Non-Executive Independent	6	3	2	5	Yes
Mr. Bharat Patel	Non-Executive Independent	4	2	2	5	No
Mr. Rajiv Gandhi	Executive	6	4	None	6	Yes

(1) *Dr. B. L. Maheshwari expired on March 1, 2009 and accordingly ceased to be a Director.*

(2) *The number of other directorships are calculated as per Section 275 of the Companies Act, 1956. It excludes Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956 and Alternate directorships.*

(3) *This includes the Chairmanships/Memberships only in the Audit Committee and Shareholders' Grievance Committee of all listed and unlisted public limited companies.*

The Board of Directors of the Company has appointed Dr. Murtaza H. Khorakiwala and Mr. Huzaifa H. Khorakiwala as Managing Director and Whole-Time Director designated as "Executive Director" of the Company respectively w.e.f. March 31, 2009. The present strength of the Board is therefore Nine consisting of four Executive Directors and five Non-Executive Independent Directors.

None of the Directors are related *inter-se* except Dr. Murtaza Khorakiwala and Mr. Huzaifa Khorakiwala who are sons of Mr. H. F. Khorakiwala.

(b) Board Meetings

Board meetings are held at least once in every quarter and the time gap between two meetings was not more than four months. During the Financial Year under review, six board meetings were held viz on January 18, 2008, February 20, 2008, April 28, 2008, July 28, 2008, October 21, 2008 and December 19, 2008.

The Board is regularly apprised and informed of important business-related information. The agenda papers are circulated in advance to all the Board members. The quarterly results of the Company, the annual operating plans and budgets, capital budgets, performance of various operating divisions are placed before the Board meetings. Further, 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 etc. are placed before the Board as and when the same takes place. The compliance reports of applicable laws and the minutes of the meetings of the Audit Committee, Investors Grievance Committee and other board committees are placed before the Board at regular intervals.

(c) Details of Directors seeking appointment/re-appointment

The details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting as required under Clause 49(IV)(G) of the Listing Agreement are given in the Directors Report.

3. AUDIT COMMITTEE

The terms of Reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the provisions of Clause 49(II) of the listing agreements with the Stock Exchanges which inter alia includes oversight of financial reporting process, reviewing the quarterly results and annual financial statements and auditors' report (before submission to the board), recommending appointment/re-appointment of auditors, fixation of audit fees, approval of payment to auditors for any other services, discussion of audit plan, reviewing accounting policies and practices, adequacy of internal controls and internal audit systems, discussions with internal auditors on any significant findings and follow up action, reviewing related party transactions, risk management policies and practices, investments made by subsidiaries and internal audit reports.

During the year under review, five meetings were held on February 20, 2008, April 28, 2008, July 28, 2008, October 21, 2008 and December 19, 2008.

The constitution of the Committee and the particulars of attendance at the committee meetings as on December 31, 2008 are given below:

Name of Director/ Member	Designation	Category	Profession	No. of Meetings Attended
Dr. B. L. Maheshwari*	Chairman	Non-Executive Independent	Management Consultant	4
Mr. Shekhar Datta	Member	Non-Executive Independent	Business Professional	4
Mr. R. A. Shah	Member	Non-Executive Independent	Solicitor	5
Dr. Abid Hussain	Member	Non-Executive Independent	Consultant	3
Mr. Aman Mehta	Member	Non-Executive Independent	Business Professional	4
Mr. Bharat Patel	Member	Non-Executive Independent	Business Professional	4

** Dr. B. L. Maheshwari expired on March 1, 2009 and accordingly ceased to be Chairman of the committee.*

The present members of the Audit Committee are Mr. Shekhar Datta (Chairman), Mr. R. A. Shah, Dr. Abid Hussain, Mr. Aman Mehta and Mr. Bharat Patel. Mr. Shekhar Datta has been appointed as Chairman of the Committee w.e.f. March 31, 2009.

Mr. Rajiv B. Gandhi, Company Secretary acts as Secretary to the Committee.

The statutory auditors, head of internal audit and finance are invited to attend and participate at the meetings from time to time.

4. INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance Committee specifically looks into redressing of shareholders and investors complaints such as transfer of shares, non-receipt of shares, non-receipt of dividends etc. During the year under review, four meetings of the Committee were held on February 20, 2008, April 28, 2008, July 28, 2008 and October 21, 2008.

The constitution of the Committee and the particulars of attendance at the committee meetings as on December 31, 2008 are given below:

Name of the Director/ Member	Designation	Category	No. of meetings attended
Dr. B. L. Maheshwari*	Chairman	Non-Executive Independent	4
Mr. Shekhar Datta	Member	Non-Executive Independent	4
Mr. R. A. Shah	Member	Non-Executive Independent	4
Dr. Abid Hussain	Member	Non-Executive Independent	3
Mr. Aman Mehta	Member	Non-Executive Independent	4
Mr. Bharat Patel	Member	Non-Executive Independent	3

** Dr. B. L. Maheshwari expired on March 1, 2009 and accordingly ceased to be Chairman of the committee.*

The present members of the Investors Grievance Committee are Mr. Shekhar Datta (Chairman), Mr. R. A. Shah, Dr. Abid Hussain, Mr. Aman Mehta and Mr. Bharat Patel. Mr. Shekhar Datta has been appointed as Chairman of the Committee w.e.f. March 31, 2009.

During the year under review, the Company received and resolved 84 communications from the shareholders as per the summary given below:

Nature of communication	Received	Resolved
Non-receipt of demat credit/remat credit	10	10
Non-receipt of dividend warrants	39	39
Non-receipt of share certificates	20	20
Non-receipt of rejected DRF	4	4
Non-receipt of annual report	6	6
Non-receipt of split/consolidated & duplicate certificates	2	2
Non-receipt of exchange certificates	3	3

As on December 31, 2008, no complaint was pending.

Mr. R. B. Gandhi, Company Secretary is responsible for monitoring the share transfer process. The Board has designated Mr. Vijay Khetan, Associate Vice President – Finance as Compliance Officer of the Company.

5. REMUNERATION COMMITEE

The Board of Directors at their meeting held on March 31, 2009 constituted a Remuneration Committee consisting of all Non-Executive Independent Directors viz. Mr. Shekhar Datta, Mr. Bharat Patel and Mr. R. A. Shah. Mr. Bharat Patel was appointed as Chairman of the Committee. Since the Committee was constituted on March 31, 2009, no meeting was held during the year 2008. The terms of reference of Remuneration Committee includes recommendation for fixation and revision of remuneration packages of Managing Director and Executive Directors to the Board for approval and review.

Remuneration Policy

The Company's remuneration policy is structured in line with the trend in the Indian Pharmaceutical industry. The remuneration policy of the Company for managerial personnel is primarily based on the criteria like performance of the Company, potential and experience and performance of individual managerial personnel and external environment.

Remuneration of Directors

The remuneration of the Executive Directors is decided by the Board based on the recommendations of the Remuneration Committee as per the Remuneration Policy of the Company, within the limits fixed and approved by the shareholders in the general meeting. The remuneration to Non-Executive Directors comprises of sitting fees and commission. The Non-Executive Directors are paid sitting fees of Rs. 20,000/- for each meeting of the Board and board committees attended by them. The table below gives the details of the remuneration paid to each director for the financial year ended December 31, 2008. During the year ended December 31, 2008, the Company did not advance any loans to the Directors.

Director	Material Pecuniary relationship with the Company if any	Tenure	No. of equity shares held by non-executive director	Remuneration for the year 2008 (Rs. in Millions)			
				Sitting fees	Salary & Perquisites	Commission	Total
Mr. H. F. Khorakiwala	Promoter	Upto February 28, 2010	N.A.	—	17.60	0.00	17.60
Dr. Abid Hussain	None	N.A	Nil	0.08	—	0.00	0.08
Mr. R. A. Shah	None	N.A	Nil	0.10	—	0.00	0.10
Dr. B. L. Maheshwari	None	N.A	5,000	0.10	—	0.00	0.10
Mr. Shekhar Datta	None	N.A	600	0.08	—	0.00	0.08
Mr. Aman Mehta	None	N.A	Nil	0.10	—	0.00	0.10
Mr. Bharat Patel	None	N.A	Nil	0.10	—	0.00	0.10
Mr. Rajiv Gandhi	Executive	Upto February 21, 2012	N.A.	—	10.32	0.00	10.32

Notes:

1. In view of loss incurred by the Company for the Financial Year ended December 31, 2008, the Company is in the process of making an application to the Central Government for waiver of recovery of the remuneration paid to the Executive Directors in excess of ceiling limits specified in Schedule XIII of the Companies Act, 1956 and also for the payment of minimum remuneration.
2. In view of loss incurred by the Company for the Financial Year ended December 31, 2008, no commission has been paid to Mr. H. F. Khorakiwala, Executive Chairman and all other Non-Executive Directors.
3. There is no provision for payment of severance fees and no performance linked incentives are paid to any director. The notice period is governed by service rules of the Company.
4. The remuneration of Mr. H. F. Khorakiwala and Mr. Rajiv Gandhi is exclusive of Provident Fund Contribution.
5. No Stock Options have been granted during the year to any of the above directors.

6. GENERAL BODY MEETINGS

Details of last three Annual General Meetings are as under:

Financial Year	Day, Date and Time of AGM	Location	Special Resolutions passed
2007	Monday, April 28, 2008 at 3.15 p.m.	Y.B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021	None
2006	Friday, May 18, 2007 at 3.00 p.m.	Y.B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021	One special resolution was passed unanimously by show of hands for approval of payment of remuneration to Mr. Rajiv Gandhi, a Whole-time director of the Company
2005	Friday, June 30, 2006 at 3.00 p.m.	Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020	None

During the year under review, one Extraordinary General Meeting of the members of the Company was held on February 20, 2008 and a special resolution was passed for issue of equity & equity linked securities on preferential basis.

None of the aforesaid special resolutions were transacted through postal ballot. The Company is in the process of passing an ordinary resolution through postal ballot for sale/transfer/disposal of animal healthcare business of the Company.

7. MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management discussion and Analysis Report for the year ended December 31, 2008 is published separately in this Annual Report.

8. DISCLOSURES

a. Related party disclosures

During the year under review, there were no materially significant related party transactions i.e. transactions of material nature with its promoters, directors, management or their subsidiaries or relatives etc that may have potential conflict with the interest of the Company at large. The independent Directors on the Company's Board, apart from receiving Directors' remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgment of the Board affect the independence of judgment of the Directors. The register of contracts/arrangements containing the transactions in which the Directors are interested is placed before the Board regularly for its approval and is signed by the Directors present at the meeting. Statement in summary form of transactions with related parties is placed before the audit committee for review. In compliance with Accounting Standard-18, details of transactions with related party are disclosed in the notes to the Accounts.

b. Compliance

The Company has established procedures to enable its Board to periodically review compliance of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances. The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years except non-compliance of clause 41 of the listing agreement relating to submission of audited results for the year ended December 31, 2008. No penalties or strictures have been imposed on the Company by the stock exchanges or SEBI or any other statutory authorities relating to the above.

c. Code of Business Conduct and Ethics

The Company has laid down a "Code of Business Conduct and Ethics" for the Directors and the senior management personnel. 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 2008. A declaration to this effect signed by Dr. Murtaza Khorakiwala, Managing Director forms part of this report as Annexure I.

d. CEO/CFO Certification

In terms of requirements of clause 49(V) of the listing agreement, Dr. Murtaza H. Khorakiwala, Managing Director and Mr. Rajiv Gandhi, Director – Corporate Finance & Information have made certification to the Board in the prescribed format for the year under reveiw, which has been reviewed by the Audit Committee and taken on record by the Board.

e. Risk management policy

The Company has defined and adopted a Risk Management Policy, and the Head of Internal Audit assesses the risks and lays down the procedure for minimization of the risks. The above facilitates not only in risk assessment and timely rectification but also helps in minimization of risk associated with any strategic, operational, financial and compliance risk across all business operations. These control procedures and systems ensure that the Board and the audit committee are periodically informed on the material risks faced by the Company and the steps taken by the Company to eliminate those risks.

f. Compliance with mandatory and non-mandatory requirements

The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement relating to corporate governance. The Company has adopted the non-mandatory requirements of the clause 49 of the listing agreement pertaining to the constitution of remuneration committee as per the details given in point 5 above and shareholders' rights as per the details given in point 9 below.

9. MEANS OF COMMUNICATION

The Company regularly intimates unaudited as well as audited financial results to the stock exchanges immediately after being approved by the Board. The quarterly, half yearly and annual results of the Company are generally published in one English daily newspaper (The Free Press Journal) and one Marathi newspaper (Navshakti). In addition to this, the quarterly, half-yearly and annual results are sent to all the shareholders by way of Chairman's Letter to the shareholders. The quarterly, half-yearly as well as annual results and official news releases, the presentations, if any, made to institutional investors or to the analysts are also posted on Company's website, www.wockhardt.com

10. CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

The Certificate from Mr. Virendra Bhatt, Practicing Company Secretary regarding compliance of conditions of corporate governance for the year ended December 31, 2008 forms part of this report.

GENERAL SHAREHOLDER INFORMATION

1. ANNUAL GENERAL MEETING

— Date and time : Monday, June 29, 2009 at 3.00 p.m.

— Venue : Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai - 400 021.

2. FINANCIAL YEAR AND TENTATIVE FINANCIAL CALENDAR

The Financial Year of the Company is January 1 to December 31.

Tentative Financial reporting for the Financial Year 2009 is as under:

Quarter ending March 31, 2009	April 2009
Quarter year ending June 30, 2009	July 2009
Quarter ending September 30, 2009	October 2009
Year ending December 31, 2009	Upto February/March 2010
Annual General Meeting for the year ended December 31, 2009	April – June 2010

3. DATE OF BOOK CLOSURE FOR ANNUAL GENERAL MEETING

: Tuesday, June 23, 2009 to Monday, June 29, 2009 (both days inclusive)

4. DIVIDEND PAYMENT DATE

: No dividend has been declared for the year ended December 31, 2008.

5. LISTING ON STOCK EXCHANGES AT

(A) Equity Shares	1. Bombay Stock Exchange Limited (BSE) 2. National Stock Exchange of India Limited (NSE)
(B) Global Depository Receipts (GDRs)	Luxembourg Stock Exchange
(C) Foreign Currency Convertible Bonds (FCCBs)	The Stock Exchange of Hong Kong Limited

6. LISTING FEES

The Company has paid listing fees to all the above stock exchanges for the year 2008-2009.

7. STOCK MARKET DATA

(a) **Stock code**

Bombay Stock Exchange Limited (BSE) : **532300**

National Stock Exchange of India Limited (NSE) : **WOCKPHARMA**

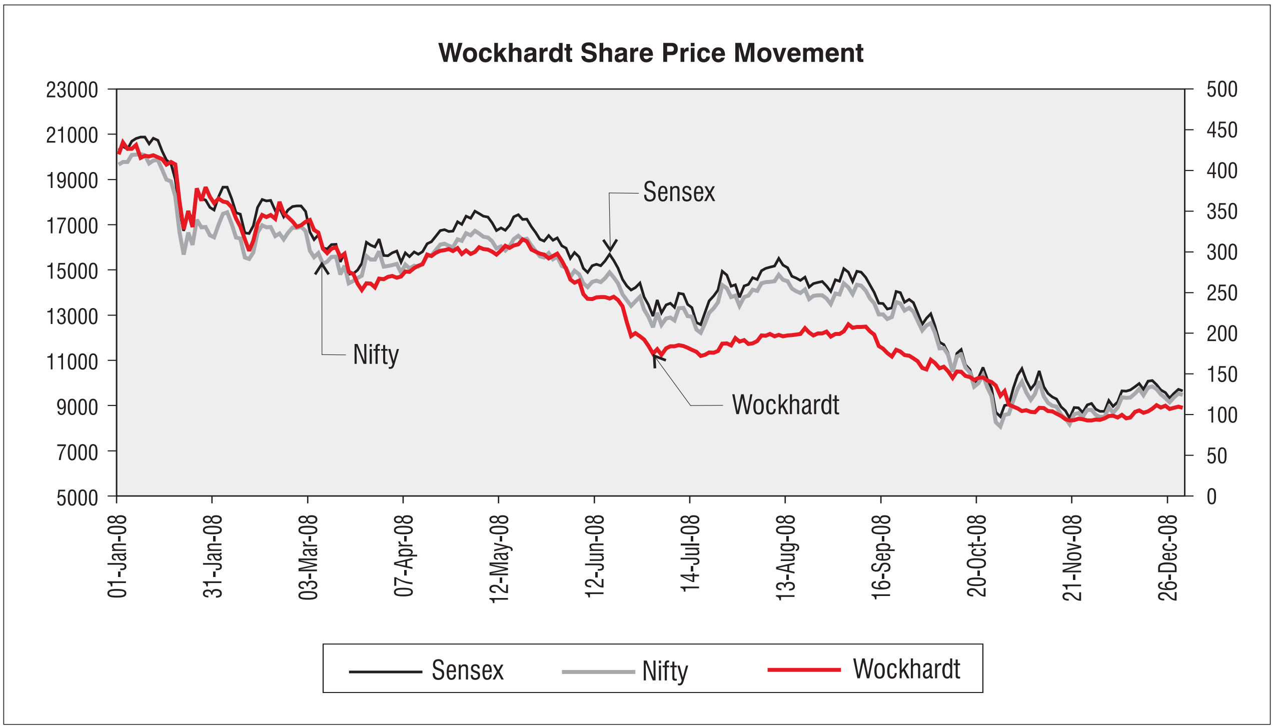
(b) **Corporate Identity Number (CIN):** L24230MH1999PLC120720

8. MARKET PRICE DATA FOR THE FINANCIAL YEAR 2008

Month	N S E			B S E		
	High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume
January 2008	440.00	270.10	2,587,651	439.10	295.05	1,081,770
February 2008	379.85	298.00	1,083,814	371.90	299.55	546,023
March 2008	348.00	245.00	1,158,912	346.00	245.20	668,728
April 2008	314.70	265.30	1,017,259	311.00	265.00	439,662
May 2008	349.95	280.50	1,375,649	323.00	285.10	391,743
June 2008	301.50	180.00	3,085,505	303.80	180.00	1,617,625
July 2008	195.80	169.80	1,550,205	196.00	169.85	842,513
August 2008	209.55	183.50	1,264,838	212.00	185.00	681,055
September 2008	214.50	148.15	997,637	214.00	148.10	457,981
October 2008	168.85	103.45	1,676,505	168.00	103.50	814,211
November 2008	115.00	88.20	1,951,045	114.95	89.00	1,579,579
December 2008	120.00	90.00	1,943,948	118.00	88.80	1,006,912

Source: Website of BSE and NSE

9. STOCK PERFORMANCE INDEX



Source: Website of BSE and NSE

10. REGISTRARS & TRANSFER AGENT:

Link Intime India Private Limited
(Formerly known as Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (West),
Mumbai-400 078
Tel : 022 2594 6970-78
Fax : 022 2594 6969
Email: rtn.helpdesk@linkintime.co.in

11. SHARE TRANSFER SYSTEM

The shares in dematerialized mode are transferable through depositories. The shares in physical mode lodged for transfer are processed by Registrars & Transfer Agent. Mr. Rajiv Gandhi, Company Secretary looks after the process of share transfers. The Share transfer requests received at the Registrars & Transfer Agent are normally processed and delivered within 21 days from the date of lodgement if the documents are complete in all respects. Requests for dematerialization of shares are processed and the confirmation is given to depositories within 15 days from receipt if the documents are in order.

12. DISTRIBUTION OF SHAREHOLDING AS AT DECEMBER 31, 2008

Slab of shareholding No. of shares	No. of Shareholders	% of total shareholders	Amount in Rs.	% of total amount
1 – 5000	52,071	96.82	44,964,145	8.22
5001 – 10000	1,000	1.86	7,112,655	1.30
10001 – 20000	370	0.69	5,364,955	0.98
20001 – 30000	98	0.18	2,443,720	0.45
30001 – 40000	43	0.08	1,476,130	0.27
40001 – 50000	23	0.04	1,092,105	0.20
50001 – 100000	70	0.13	4,806,330	0.88
Above 100000	106	0.20	479,919,475	87.70
TOTAL	**53,781**	**100.00**	**547,179,515**	**100.00**

SHAREHOLDING PATTERN AS ON DECEMBER 31, 2008

Categories	**Number of shares**	**Amount in Rs.**	**% to total paid-up capital**
Promoters	80,585,382	402,926,910	73.64
Directors/relatives of Directors	226,375	1,131,875	0.21
Financial Institutions	7,230,392	36,151,960	6.61
Banks	360,243	1,801,215	0.33
Mutual Funds	979,958	4,899,790	0.90
Insurance Companies	1,706,014	8,530,070	1.56
Foreign Institutional Investors	1,688,533	8,442,665	1.54
Bodies Corporates	2,501,925	12,509,625	2.29
Non Resident Indians	425,199	2,125,995	0.39
Shares Representing GDRs	747,718	3,738,590	0.68
Public	12,984,164	64,920,820	11.85
TOTAL	**109,435,903**	**547,179,515**	**100.00**

13. DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company's shares are compulsorily tradable in dematerialised form since listing and are available for trading with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on December 31, 2008, 107,017,437 equity shares representing 97.80% of the Company's total paid-up capital were held in dematerialized mode. Out of public holding of 28,102,803 equity shares, 26,528,777 equity shares representing 94.40% of public holding is in dematerialized mode. The International Securities Identification Number (ISIN) assigned to company's equity shares is INE049B01025.

14. OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

Number of outstanding GDRs as on December 31, 2008 are 747,718 representing 747,718 equity shares of Rs. 5/- each constituting 0.68% of paid-up capital of the Company.

The Company had issued 110,000 Zero Coupon Foreign Currency Convertible Bonds due 2009 of USD 1,000/- each aggregating to USD 110 Million, at par, on October 25, 2004. These Bonds are convertible at the option of bondholders at any time on or after November 24, 2004 up to the close of business on September 25, 2009 into equity shares of Rs. 5/- each fully paid, at the initial conversion price of Rs. 486.075 per share, subject to the terms of issue, with a fixed rate of exchange of Rs. 45.82 equal to USD 1.00. Unless previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed on October 25, 2009 (maturity date) at 129.578 per cent of their principal amount. The bonds may also be redeemed in whole or part at the option of the Company at any time on or after October 25, 2007 but not less than seven business days prior to maturity date subject to the terms and conditions of the issue.

As on December 31, 2008, 108,500 Zero Coupon Foreign Currency Convertible Bonds of USD 1,000/- each are outstanding.

15. REGISTERED OFFICE AND ADDRESS FOR CORRESPONDENCE

Rajiv B. Gandhi, Company Secretary
Wockhardt Limited
Wockhardt Towers,
Bandra Kurla Complex,
Bandra (East), Mumbai-400 051
Tel: 022-2653 4444
Fax: 022- 2653 4242
Email: investorrelations@wockhardt.com

16. PLANT LOCATIONS

Formulation Plants

- L-1, MIDC Area
  Chikalthana,
  Aurangabad-431 210
  Maharashtra
- B-15/2, MIDC Area,
  Waluj, Aurangabad,
  Maharashtra
- Plot No. 87-A, Silver
  Industrial Estate
  Patiala Road,
  Bhimpore,
  Nani Daman-396 210
- Survey No. 106/4,5,7
  Daman Industrial Estate
  Kadaiya,
  Nani Daman-396 210
- Plot No. H-14/2 Waluj
  Industrial Area MIDC,
  Waluj, Aurangabad,
  Maharashtra
- 57, Kunjhal, Barotiwala,
  Nalagarh,
  District Solan,
  Himachal Pradesh-174 103

Bulk Drugs

- Plot No. 138,
  GIDC Industrial Estate
  Ankleshwar-393 002
  Dist. Bharuch, Gujarat, India
  (including Chepalosporin Bulk)

For and on behalf of Board of Directors

H.F. Khorakiwala
Chairman

Mumbai, April 24, 2009

ANNEXURE I TO CORPORATE GOVERNANCE REPORT

AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT AND BUSINESS ETHICS

Pursuant to the requirements of clause 49(I)(D) of the listing agreement, I hereby affirm that all the Board Members and the Senior Management Personnel have affirmed compliance with code of conduct and business ethics for the financial year ended December 31, 2008.

Dr. Murtaza Khorakiwala
Managing Director

Mumbai, April 24, 2009

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Wockhardt Limited

We have examined the compliance of Corporate Governance by Wockhardt Limited for the year ended December 31, 2008, as stipulated in clause 49 of the Listing Agreement of the Company with 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 further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

VIRENDRA BHATT
Practicing Company Secretary
ACS No.: 1157; CP No.: 124

Place : Mumbai
Date : April 24, 2009

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Rs. in Millions)

YEAR-END FINANCIAL POSITION	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net Fixed Assets (incl. CWIP)	36,297	30,713	17,068	7,881	6,618	5,364	2,692	2,038	1,727
Deferred Tax Assets/(Liabilities)	415	(921)	(921)	(618)	(600)	(450)	(360)	–	–
Investments	932	709	3	3	3	–	–	90	811
TOTAL	37,644	30,501	16,150	7,266	6,020	4,914	2,332	2,128	2,538
Current Assets	29,637	20,109	20,024	13,605	12,568	5,765	3,088	3,049	2,694
Current Liabilities	14,752	8,875	5,808	3,645	3,508	2,751	1,454	1,510	988
Net Current Assets	14,885	11,234	14,216	9,960	9,060	3,014	1,634	1,539	1,706
TOTAL CAPITAL EMPLOYED	**52,529**	**41,735**	**30,366**	**17,226**	**15,080**	**7,928**	**3,966**	**3,667**	**4,244**
Capital									
– Preference	–	–	–	–	–	–	–	150	200
– Equity	547	547	547	547	545	363	363	363	363
TOTAL	547	547	547	547	545	363	363	513	563
Reserves	9,630	12,188	10,116	7,614	5,621	4,263	3,104	2,609	2,052
Net Worth	10,177	12,735	10,663	8,161	6,166	4,626	3,467	3,122	2,615
Borrowings									
– Secured	31,609	23,440	14,751	4,124	4,082	3,254	459	513	917
– Unsecured	10,743	5,560	4,952	4,941	4,832	48	40	32	712
TOTAL	42,352	29,000	19,703	9,065	8,914	3,302	499	545	1,629
TOTAL SOURCES	**52,529**	**41,735**	**30,366**	**17,226**	**15,080**	**7,928**	**3,966**	**3,667**	**4,244**
Summary of Operations									
Sales (Excluding Excise)	35,926	24,908	17,290	14,130	12,516	9,421	8,091	7,338	5,583
Other Income	355	2,084	190	180	158	74	15	58	31
TOTAL INCOME	**36,281**	**26,992**	**17,480**	**14,310**	**12,674**	**9,495**	**8,106**	**7,396**	**5,614**
Material Consumed	13,404	9,928	6,678	5,771	5,218	4,132	3,517	3,194	2,659
Personnel Cost	6,320	4,679	2,692	2,097	1,893	1,341	785	676	390
Other expenses	8,119	5,535	3,917	2,976	2,706	2,153	2,387	2,051	1,562
EBIDTA	**8,438**	**6,850**	**4,193**	**3,466**	**2,857**	**1,869**	**1,417**	**1,475**	**1,003**
Interest Expense/(Income)	4,007	1,323	27	95	(17)	4	76	142	135
Depreciation	1,130	785	621	426	368	268	182	166	97
Profit Before Tax & Exceptional Items	3,301	4,742	3,545	2,945	2,506	1,597	1,159	1,167	771
Exceptional Items	(5,810)	–	(604)	–	–	–	–	–	–
PBT	(2,509)	4,742	2,941	2,945	2,506	1,597	1,159	1,167	771
Tax (Expense)/Credit	916	(917)	(529)	(374)	(371)	(171)	(108)	(104)	(54)
PAT	**(1,593)**	**3,825**	**2,412**	**2,571**	**2,135**	**1,426**	**1,051**	**1,063**	**717**
Share in Profit of Associate Companies	204.8	33.24	–	–	–	–	–	–	–
IMPORTANT RATIOS									
Current Assets : Liabilities	2.01	2.27	3.45	3.73	3.58	2.10	2.12	2.02	2.73
Debt:Equity	4.16	2.28	1.85	1.11	1.45	0.71	0.14	0.17	0.62
PBT/Turnover %	-7.0%	19.0%	17.0%	20.8%	20.0%	17.0%	14.3%	15.9%	13.8%
Return (PBIT) on Capital Employed %	2.9%	14.5%	9.8%	17.6%	16.5%	20.2%	31.1%	35.7%	21.3%
No. of Equity Shares (in million)	109.44	109.44	109.44	109.44	109.00	36.29	36.26	36.26	36.26
Dividend (per share)	0	11.25	5.00	5.00	5.00	7.50	6.50	6.50	6.00
Earning (per share)	(12.7)	35.3	22.1	23.5	19.6	39.3	28.8	28.9	19.2
Net Worth (per share)	93.0	116.4	97.4	74.6	56.3	127.5	95.6	86.1	72.1

Note: In the year 2004 each equity share of Rs. 10/- each was sub-divided into 2 equity shares of Rs. 5/- each and bonus shares in the ratio of 1 share for every two shares held were issued.

WOCKHARDT MOMENTS

Habil Khorakiwala, Chairman, Wockhardt Group, was honoured and bestowed with the title of 'Entrepreneur of the Year' by the UK Trade & Investment at the India Business Awards 2008. The award was presented by Sir Richard Stagg, British High Commissioner to India (on left) and Andrew Cahn, Chief Executive, UK Trade & Investment (on right)

Dr. Murtaza Khorakiwala, Managing Director, Wockhardt Limited, addressing the delegates at the 'Global Manufacturing Summit 2008'

Huzaifa Khorakiwala, Executive Director, Wockhardt Limited, receiving the Business Superbrand Award 2008 from Shri L K Advani, BJP Leader. Seen in the center is Anmol Dar, MD, Business Superbrands, India

WOCKHARDT

A Picture of Health

WOCKHARDT WORLDWIDE

RESEARCH CENTRES

Wockhardt Limited
D-4, M.I.D.C., Chikalthana
Aurangabad - 431 210
Maharashtra, India.
Tel: +91 240 663222, 2482590, 2483854, 2485498
Fax: +91 240 2485242

Wockhardt UK Limited
Ash Road North
Wrexham Industrial Estate
Wrexham, LL13 9UF, Wales, UK
Tel: +44 1978 661261
Fax: +44 1978 660130

Pinewood Laboratories Limited
Ballymacarbry, Clonmel
Co. Tipperary, Ireland
Tel. +353 52 6186000
Fax: +353 52 6136311

Laboratoire Negma SAS
Girex, 11 rue Rontgen
Z.I de Kernevez
29335 Quimper
Cedex, France
Tel: +33 2 98535455
Fax: +33 2 98539277

Morton Grove Pharmaceuticals Inc.
6451 West Main Street
Morton Grove, Illinois 60053, USA
Tel: +1 847 9675600
Fax: +1 847 9672211

INTERNATIONAL OFFICES

Wockhardt USA LLC.
20 Waterview Boulevard
3rd Floor, Parsippany
NJ - 07054, USA
Tel: +1 973 2574960
Fax: +1 973 2574961

Wockhardt UK Limited
Ash Road North
Wrexham Industrial Estate
Wrexham, LL13 9UF Wales, UK
Tel: +44 1978 661261
Fax: +44 1978 660130

Esparma GmbH
Seepark 7
39116 Magdeburg, Germany
Tel: +49 391 63609831
Fax: +49 391 63609876

Pinewood Laboratories Limited
Ballymacarbry, Clonmel
Co. Tipperary, Ireland
Tel. +353 52 6186000
Fax: +353 52 6136311

Laboratoire Negma SAS
10 rue Paul Dautier
78141 Velizy
Cedex, France
Tel: +33 1 39258080
Fax: +33 1 39258070

Morton Grove Pharmaceuticals Inc.
6451 West Main Street
Morton Grove, Illinois 60053, USA
Tel: +1 847 9675600
Fax: +1 847 9672211

MANUFACTURING PLANTS

Wockhardt Limited
Wockhardt Biotech Park
H-14/2, M.I.D.C., Area Waluj
Aurangabad - 431 136
Maharashtra, India
Tel: +91 240 6626444
Fax: +91 240 6626333

Wockhardt Limited
L-1, M.I.D.C., Chikalthana
Aurangabad - 431 210
Maharashtra, India
Tel: +91 240 6637444
Fax: +91 240 6637333

Wockhardt Limited
87-A, Bhimpore,
Nani Daman - 396 210, India
Tel: +91 260 6610300
Fax: +91 260 2220940

Wockhardt Limited
106/4,5,7, Kadaiya,
Nani Daman - 396 210, India
Tel: +91 260 6531306
Telefax: +91 260 2220695, 2220111, 2221518

Wockhardt Limited
138/2B, G.I.D.C. Estate,
Ankleshwar - 393 002,
District Bharuch, Gujarat, India
Tel: +91 2646 661444
Fax: +91 2646 661555

Wockhardt Limited
57, Kunjhal, Barotiwala
Nalagarh, District Solan
Himachal Pradesh - 174 103, India
Tel: +91 1795 664490
Fax: +91 1795 664242

Wockhardt UK Ltd.
Ash Road North
Wrexham Industrial Estate
Wrexham, LL13 9UF Wales, UK
Tel: +44 1978 661261
Fax: +44 1978 660130

Pinewood Laboratories Limited
Ballymacarbry, Clonmel
Co. Tipperary, Ireland
Tel. +353 52 6186000
Fax: +353 52 6136311

Laboratoire Negma SAS
Girex, 11 rue Rontgen
Z.I de Kernevez
29335 Quimper
Cedex, France
Tel: +33 2 98535455
Fax: +33 2 98539277

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6451 West Main Street
Morton Grove, Illinois 60053, USA
Tel: +1 847 9675600
Fax: +1 847 9672211

CORPORATE OFFICE

Registered Office :
Wockhardt Limited
Wockhardt Towers, Bandra Kurla Complex
Bandra (East) Mumbai - 400 051, Maharashtra, India
Tel: +91 22 2653 4444 Fax: +91 22 2653 4242

www.wockhardt.com

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