

## **AUDITORS' REPORT**

We have verified the attached Balance Sheet of Fresenius Kabi Oncology Plc., incorporated in UK as at 31<sup>st</sup> December, 2009 and its Profit & Loss Account and the Cash Flow Statement for the year ended on that date, all being made out in accordance with the requirement of Indian Companies Act, 1956, from the audited accounts of the body corporate under the statute of the country of its incorporation and additional certified returns which have been relied upon by us (refer note no. B (1), Schedule J of Notes to Accounts). These financial statements are the responsibility of the Management of body corporate. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform our work 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 statement. 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.

- i. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement of the matters specified therein.
- ii. We hereby report that

- a.) Proper returns necessary for making out the accounts in accordance with the requirement of Indian Companies Act, 1956 were received by us.
- b.) We have obtained the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit.
- c.) Proper books of accounts, have been kept by the body corporate.
- d.) The Balance Sheet and Profit and Loss Account dealt with by this report have been made out from the figures which are in agreement with the books of accounts.
- e.) Balance Sheet and Profit & Loss Account have been prepared in due compliances of accounting standards referred to in sub-section (3C) of section 211 of Companies Act, 1956 except for valuation of finished goods which has been consistently made on the basis of prime cost, not being in agreement with AS-2.
- f.) As has been informed to us by the Management, none of its directors of the body corporate is disqualified for the office of director within the meaning of section 274 (1) (g) of Indian Companies Act, 1956.
- g.) In our opinion and according to the information and explanations given to us, the accounts as made out herein read with other notes appearing in Schedule "J" give the information required by the Companies Act, 1956, in the manner so required to the extent possible and practicable and give a true and fair view in conformity with the accounting principles generally accepted in India;
- i. In the case of Balance Sheet, of the State of Affairs of the body corporate as at 31<sup>st</sup> December, 2009, and

- ii. In the case of Profit and Loss Account, of the loss of the body corporate for the year ended on that date; and
- iii. In the case of cash flow statement, of the cash flows of the body corporate for the year ended on that date.

**For G Basu & Co**  
**Chartered Accountants**  
**Firm Registration Number : 301174E**

Date:28<sup>th</sup> May2010  
Place : New Delhi

**S. Lahiri**  
Partner  
Membership No- 51717

**ANNEXURE TO THE AUDITORS' REPORT AS REFERRED TO IN PARA 2 OF THE SAID REPORT OF EVEN DATE.**

- 1) The body corporate has maintained proper records showing full particulars including quantitative details and situation of tangible fixed assets in respect of all its locations. Fixed asset register for intangible fixed assets is to be up dated.
- 2) The tangible fixed assets are stated to have been physically verified by the management at all locations at reasonable intervals. As stated to us , no material discrepancies between book records and the physical inventories have been noticed on such verification.
- 3) No Fixed asset was disposed of during the year.
- 4) The inventories have been physically verified at reasonable intervals by the management.
- 5) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the body corporate and the nature of its business.
- 6) On the basis of information and explanations given to us, we are of the opinion that the body corporate is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
- 7). The body corporate has not taken any loan, secured or unsecured, from any director or firm or party in which directors are interested in anyway. However, it has taken unsecured loan repayable on demand, from two of it's holding entities each sharing a director in common with the body corporate. There has so far been no default in payment of interest. The repayment of loan has been made when demanded. The terms and conditions of the loan are not prima facie prejudicial to the interest of the body corporate. Year-end due against the loans amount to Rs. 365. Crore. , Maximum balance due during the year was Rs 446 Crore in aggregate at a point of time.
- 8). The body corporate has not given any loan, secured or unsecured, to any director, company, firms and other party in which the directors are interested.
- 9.) According to information and explanation given to us, there is an adequate internal control system commensurate with the size of the body corporate and the nature of its business for purchase of inventory and fixed assets and for the sale of goods. No major weakness has been reported in internal control. There has been no sale of services during the year. However, in our opinion the Body Corporate needs management cum internal audit.

**Contd.....2**

- 10). According to information and explanation given to us, the transactions of purchases and sales with the companies, firms or parties where the directors are interested, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 11). The body corporate has not accepted deposit within the meaning of "Acceptance of Deposit Rule" under Indian Companies Act, 1956 from any source.
- 12). Internal audit system is yet to be introduced in the body corporate.
- 13). Section 209 (i) (d) of the Companies Act, 1956 is not applicable to the body corporate.
- 14). According to information and explanation given to us, the body corporate is depositing with appropriate authorities undisputed statutory dues to the extent applicable to it.

We have been informed that there is no undisputed statutory due as at the period end which is outstanding for a period of six months from the date the same became payable.

- 15). According to information and explanations given to us, there has been no disputed statutory dues which has not been deposited.
- 16). Accumulated loss of the body corporate is more than fifty percent of its net worth. The body corporate sustained cash loss in current year as well as in immediately preceding financial period.
- 17). Based on information and explanations given to us, the body corporate has not defaulted in repayment of dues to bank. The body corporate has no due to any financial institution. It has no debenture holder.
- 18). The body corporate has not granted any loan or advance on the basis of security by way of pledge of shares, debentures or other securities.
- 19). The body corporate is not dealing or trading in shares, securities, debentures and other securities.
- 20). The body corporate has not given any guarantee for loans taken by others from banks or financial institutions.

**Contd...3**

- 21). No term loan has been taken by the body corporate during the year..
- 22) Rs. 11 Crore has been raised on short-term basis during the year, which has been used for long-term investment.
- 23) The body corporate has not made any preferential allotment of shares to any party.
- 24) The body corporate has not issued any debenture.
- 25.) The body corporate has not made any public issue so far.
- 26.) No fraud on or by the body corporate has been reported in respect of the year under audit.
- 27). Other clauses of the order are not applicable to the body corporate for the year.

**For G. BASU & CO.**  
**Chartered Accountants**  
**FRN : 301174E**

**S. Lahiri**  
Partner  
Membership No -51717

Place:- New Delhi  
Date:- 28<sup>th</sup> May 2010

<b>Fresenius Kabi Oncology Plc</b>	<b>December 2009</b>		<b>December 2008</b>	
	(Rs. 000)		(Rs. 000)	
<b>Statement of cash flow under indirect method (pursuant to AS-3 issued by ICAI)</b>				
Particulars				
<b>A. Cash flow from operating activities</b>				
Net profit (loss )before tax and extraordinary items	-927872			-710325
Adjusted for :				
Interest expenses	155047			129190
Interest income	-63			-240
Provision for Dimuniion of investment				36
Impairment Loss	2058			335524
Depreciation	156912			120720
Operating profit before working capital changes	-613918			-125095
Working capital changes				
(Increase)/Decrease in inventories	-286896		-10954	
(Increase)/Decrease in debtors	-242845		24178	
(Increase)/Decrease in other Current Assets	-218692		7891	
Increase/ (Decrease) in trade payable	<u>684940</u>		<u>-78195</u>	
Increase/ (Decrease) in working capital	-63493		-57079	
Cash used (-)/(+) generated for operating activities ( A)	-230320		-129190	
Interest Paid		<u>-907731</u>		<u>-311364</u>
<b>B. Cash flow from investing activities</b>				
Purchase of fixed assets	-108475		-23765	
Payment for Misc Expenditure				
Cash used (-)/(+) generated for investing activities (B)		<u>-108475</u>		<u>-23765</u>
<b>C. Cash flow from financing activities</b>				
Term Loan Repaid			-637120	
Short Term Loan Repaid	-896295		-484921	
Short Term Loan Received	1978570		1420571	
Interest Income	63	1082338	240	<u>298770</u>
Net increase(+)/decrease(-) in cash and cash equivalents (A+B+C)		66132		-36361
Cash and cash equivalent opening balance		14608		50969
Cash and cash equivalent closing balance		80740		14608

As per our report  
of even date attached

RAINER BAULE  
DIRECTOR

DR. SATISH B KULKARNI      PETER F NILSSON  
DIRECTOR                              CHIEF FINANCE OFFICER

For G. BASU & CO.  
Chartered Accountants

New Delhi:  
28-05-2010

S. Lahiri  
Partner

**FRESENIUS KABI ONCOLOGY PLC**  
**BALANCE SHEET AS AT 31 ST DECEMBER 2009**

Schedule	As at 31st December 2009 (Rs. '000 )	As at 31st December 2008 (Rs. '000 )
<b>Sources of Funds :</b>		
<b>Shareholders' Funds:</b>		
A) Share Capital	A 1,262,520	1,262,520
<b>Secured Loans</b>	B 178,100	178,100
<b>Unsecured Loans</b>	B(1) 3,850,641	2,590,266
<b>Total</b>	<b>5,113,161</b>	<b>4,030,886</b>
<b>Application of Funds :</b>		
<b>Fixed Assets :</b>		
(A) Gross Block	D 3,693,694	3,249,695
(B) Less : Depreciation	893,401	398,907
(C) Net Block	2,800,293	2,850,788
<b>Investments</b>		
<b>Current assets, loans and advances:</b>		
A) Inventories	F 343,993	57,097
B) Sundry debtors	505,788	262,943
C) Cash & bank balances	80,740	14,608
D) Loans & advances	220,729	2,037
	<u>1,151,250</u>	<u>336,685</u>
<b>Less: Current liabilities and provisions</b>		
A) Liabilities	C 941,044	331,378
B) Provisions	<u>941,044</u>	<u>331,378</u>
<b>Net current assets</b>	210,206	5,307
<b>Misc Expenditure (Not written off)</b>		
<b>Profit and Loss Account</b>	2,102,662	1,174,791
<b>Notes to accounts</b>	J	
<b>Total</b>	<b>5,113,161</b>	<b>4,030,886</b>

RAINER BAULE  
**DIRECTOR**

DR. SATISH B KULKARNI  
**DIRECTOR**

PETER F NILSSON  
**CHIEF FINANCE OFFICER**

As per our report  
of even date attached

For G. BASU & CO.  
Chartered Accountants

New Delhi:  
28-05-2010

S. Lahiri  
Partner

**FRESENIUS KABI ONCOLOGY PLC**

**Profit and loss account for the year ended 31st December, 2009**

Schedule	For the year ended 31st December 2009 (Rs. '000 )	For the period ended 31st December 2008 (Rs. '000 )
<b>Income :</b>		
Sales	2,037,624	469,188
Other income <span style="float: right;">G</span>	27,855	261,318
<b>Total income</b>	<b>2,065,479</b>	<b>730,506</b>
<b>Expenditure :</b>		
Cost of Materials <span style="float: right;">H</span>	1,991,761	401,549
Manufacturing and Operating Expenses <span style="float: right;">I</span>	126,839	39,726
Payments to and provisions for employees <span style="float: right;">K</span>	155,743	134,270
Selling and administrative expenses <span style="float: right;">L</span>	404,990	274,097
Financial Expenses <span style="float: right;">M</span>	155,047	134,946
Depreciation (Includes impairment loss 2,057, previous year Rs. 335524)	158,970	456,244
<b>Total expenditure</b>	<b>2,993,350</b>	<b>1,440,832</b>
<b>Balance being net profit/(loss)</b>	(927,872)	(710,326)
Balance brought forward	(1,174,790)	(464,465)
<b>Balance carried over to balance sheet</b>	<b>(2,102,662)</b>	<b>(1,174,791)</b>
<b>Earning per share (in Rs.) including Extra-ordinary items</b>		
Basic & Diluted	-5.41	-4.14
<b>Earning per share (in Rs.) excluding Extra-ordinary items</b>		
Basic & Diluted	-5.40	-1.22
Notes to accounts <span style="float: right;">J</span>		

**As per our report  
of even date attached**

**RAINER BAULE  
DIRECTOR**

**DR. SATISH B KULKARNI  
DIRECTOR**

**PETER F NILSSON  
CHIEF FINANCE OFFICER**

**For G. BASU & CO.  
Chartered Accountants**

Place: New Delhi  
Date: 28-05-2010

**S. Lahiri  
Partner**

**SCHEDULE-A-Share Capital**

	<b>As at 31st December 2009 (Rs. '000 )</b>	<b>As at 31st December 2008 (Rs. '000 )</b>
<b>Authorised:</b> (200,000,000 equity shares of GBP 0.10P each)	1,624,800	1,624,800
<b>a) Issued , Subscribed &amp; Paid up capital</b> 171,400,000 (171,400,000 previous year) equity shares of GBP 0.10P each fully paid in cash (Entirely held by Fresenius Oncology Ltd (formerly Dabur Pharma ltd), the immediate holding Company incorporated in India)	1,262,520	1,262,520
<b>Total</b>	<b>1,262,520</b>	<b>1,262,520</b>

**SCHEDULE B - Secured Loan**

	As at 31st December 2009 (Rs. '000 )	As at 31st December 2008 (Rs. '000 )
<b>From Bank</b>		
- Short Term Loan (Secured by first legal charge on fixed and current assets)	0	178,100
<b>Total</b>	0	178,100

**SCHEDULE-B(1)- Unsecured Loans**

	As at 31st December 2009 (Rs. '000 )	As at 31st December 2008 (Rs. '000 )
<b>Short Term Loan from Bank</b>	199,105	0
<b>Short Term Loans (Other than Bank)</b>		
- From Holding Companies:		
Fresenius Kabi GmbH ,Germany	3,200,036	1,420,571
Fresenius Kabi Oncology Ltd India	451,500	1,169,695
<b>Total</b>	3,850,641	2,590,266

**SCHEDULE E-Investment**

	<b>As at 31st Dec-09 (Rs. '000 )</b>	<b>As at 31st Dec-08 (Rs. '000 )</b>
<b>Long-Term :</b>		
1,000 (Previous year - 1000) unquoted Equity Shares in Fresenius Kabi Oncology US Inc, a wholly owned subsidiary	36	36
less : Provision for Dimunition in Value	-36	-36
<b>Carrying Cost</b>	<b>0</b>	<b>0</b>

**SCHEDULE C-Current liabilities and provisions**

	<b>As at 31st Dec-09 (Rs. '000 )</b>	<b>As at 31st Dec-08 (Rs. '000 )</b>
<b>A. Current Liabilities :</b>		
Creditors for goods (Includes due to Holding Company Rs.592,147, previous period 120,045)	837,991	132,773
Creditors for expenses and other liabilities	81,130	47,992
Interest accrued but not due (Includes due to Holding Companies Rs.21109, previous period 63,285)	21,923	150,613
<b>Total</b>	<b>941,044</b>	<b>331,378</b>



SCHEDULE-D - Fixed Asset

Name of the Asset	Gross Block			Depreciation			Net Block	Net Block
	Opening Bal.	Additions	Closing Bal.	Opening Bal.	For the year	Closing Bal.	as on 31/12/09	as on 31/12/08
Tangible								
Freehold Land	59,593		59,593	0	0	0	59,593	59,593
Building, Road & Culverts	1,330,586		1,330,586	273,020	14,185	287,205	1,043,381	1,040,287
Plant & Machinery	1,527,240	5,340	1,532,580	322,721	63,260	385,981	1,146,599	1,204,519
Vehicles	2,137	359	2,496	2,055	122	2,177	319	132
Furniture & Fixtures	16,950	241	17,191	9,352	922	10,274	6,917	7,598
Computers	71,978		71,978	66,703	2,321	69,024	2,954	8,086
Intangible								
Product Development	559,535	102,535	662,070	60,580	78,160	138,740	523,330	513,372
Product Development in Progress	17,200		17,200				17,200	17,200
Total	3,585,219	108,475	3,693,694	734,431	158,970	893,401	2,800,293	2,850,787
Previous Year	3,561,453	23,766	3,585,219	278,187	485,014	763,201	2,822,018	

Note:

Impairment loss forming part of

	Opening Depreciation	Depreciation for the year	Total Depreciation
Building, Road & Culverts	154,002	944	154,946
Plant & Machinery	177,894	1,091	178,985
Vehicles	41	0	41
Furniture & Fixtures	1,177	7	1,184
Computers	2,410	15	2,425
Total	335,524	2,058	337,582

**SCHEDULE - G- Other Income**

	<b>FOR THE YEAR ENDED 31ST DECEMBER 2009 (Rs. '000 )</b>	<b>FOR THE YEAR ENDED 31ST DECEMBER 2008 (Rs. '000 )</b>
A Other income :		
Misc. Income	9,618	0
Interest Received	63	240
Exchange Gain (Trading)	18,174	0
Exchange Gain (relates to period end transalation of financial statements)	0	261,078
	<u>27,855</u>	<u>261,318</u>

**Schedule H - Cost of Materials**

		31ST DECEMBER 2009		31ST DECEMBER 2008	
		(Rs. '000 )		(Rs. '000 )	
<u>Raw Materials Consumed</u>					
Opening stock	19,102		15,646		
Add : Purchase	245,251		303,612		
	264,353		319,258		
Less : Closing Stock	97,134		19,102		
		167,219			300,156
<u>Packing Material Consumed</u>					
Opening stock	7,963		7,148		
Add : Purchase	71,363		31,368		
	79,326		38,516		
Less : Closing Stock	7,701		7,963		
		71,625			30,553
Purchase of finished goods		1,962,043			77,523
Adjustment of finished goods					
Opening Stock					
Work in Progress	0		23,349		
Finished Goods	30,032		23,349		
	30,032		23,349		
Closing Stock					
Finished Goods	239,158		30,032		
	239,158	-209,126	30,032		-6,683
		1,991,761			401,549

**Schedule I - Manufacturing and Operating Expenses**

	<b>For the Year Ended 31ST DECEMBER 2009 (Rs. '000 )</b>	<b>For the Year Ended 31ST DECEMBER 2008 (Rs. '000 )</b>
Power and Fuel	15,306	3,470
Stores and Spares Consumed	9,343	2,928
Repairs and Maintenance (Others)	27,044	12,168
Other Manufacturing Expenses	32,455	12,370
Discounts & Rebates	42,691	8,790
	126,839	39,726

**SCHEDULE - K-Payments to and provisions for employees**

	<b>FOR THE YEAR ENDED 31ST DECEMBER 2009 (Rs. '000 )</b>	<b>FOR THE YEAR ENDED 31ST DECEMBER 2008 (Rs. '000 )</b>
Salaries, wages and bonus	146,820	121,269
Contribution To Pension fund	8,923	9,736
Directors Remuneration	0	3,265
	<b>155,743</b>	<b>134,270</b>

**Schedule L - Selling and Administrative Expenses**

		<b>31ST DECEMBER 2009</b> <b>(Rs. '000 )</b>		<b>31ST DECEMBER 2008</b> <b>(Rs. '000 )</b>
Rent, Rates & Taxes		4,962		3,100
Insurance		4,104		7,350
Heat light and power		2,461		8,938
Freight & Forwarding Charges				
Printing and Stationery		3,319		2,053
Travel & Conveyance		10,149		10,938
Legal & Professional		150,179		69,639
Termination of Agreement				165,050
Telephone, Postage and Fax Expenses		3,488		2,475
Security Expenses		2,565		1,120
General Expenses		32,396		
Exchange loss (relates to year end translation of financial statement)		185,303		
- Audit Fee	3,778		1,612	
- Reimbursement of Expenses	454			
- Other matters	1,832		1,786	
		6,064		3,398
Provision for Diminution in Value of US Subsidiary Investment		0		36
		404,990		274,097

**SCHEDULE -M-Financial Expenses**

	<b>FOR THE YEAR ENDED 31ST DECEMBER 2009 (Rs. '000 )</b>	<b>FOR THE YEAR ENDED 31ST DECEMBER 2008 (Rs. '000 )</b>
Interest Paid On		
- Fixed Period Loan	143,062	33,046
- Other Loan		96,144
Bank Charges	11,985	5,756
	155,047	134,946

**Annexed to and forming part of the Accounts for the year ended 31<sup>st</sup> December 2009.**

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**SCHEDULE - J ACCOUNTING POLICIES & NOTES TO ACCOUNTS**  
(Figures in Rupees thousands)

**A. ACCOUNTING POLICIES**

**Significant Accounting Policies are summarized below**

a. **Accounting Convention:**

The accounts have been prepared in accordance with the historical cost convention.

b. **Fixed Assets and Depreciation:**

- Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly & indirectly attributable expense of bringing the asset to its working condition for its intended use including expenses on start-up, commissioning, trial run and experimental production.

Any Income generated during project implementation is reduced from project Cost.

- Depreciation on tangible Fixed Assets at factory locations have been provided for on straight line method at rates specified in Schedule XIV of the Indian Companies Act 1956, and the same at non factory locations have been provided on written down value method at the rates specified in the aforesaid Schedule.
- No depreciation has been provided on leasehold land, which are either for a period of 999 years or of perpetual nature. Relevant assets will be amortised in the year of termination of lease-deed, if occurs.
- The date of commencement of commercial production is identified with the date of attainment of ability of the plant to operate commercially ignoring delay in commencement of actual production, if any, caused by statutory / regulatory hindrances including delay in approval of sample.
- Development and stability test expenses account for Product development cost shown as intangible assets. Relevant assets are amortised over a period of 10 years on straight-line basis commencing from the year of completion of development including stability test of each item. In addition to amortization, product development costs are subjected to periodic review for test of impairment as required under "AS-26" issued by ICAI.

No amortization is made for product development under progress.

c. **Impairment of Assets:**

The company undertakes test of impairment of tangible fixed assets at the year-end in term of cash generating unit concept based on AS -28 for the purpose of arriving at impairment loss being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.

d. **Investments:**

Investments, being long-term in nature, are held at cost less diminution, if any in it's carrying cost of permanent nature. Loss in subsidiary is not accounted for in the accounts of the body corporate.

**7. Particulars in respect of goods Manufactured:**

Particulars in respect of Goods manufactured

<b>(Rs.`000)</b>										
Class of Goods	Unit	Licenced Capacity	Installed Capacity	Production Qty.	Opening Stock		Closing Stock		S a l e	
					Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Specials	Pcs. bag/syryn.	NA	NA	63,522 (47,178)	1,961 (220)	2,781 (722)	2,175 (1961)	1,116 (2781)	63308 (47427)	144,477 (135390)
Other	No. of vials	NA	NA	93,626 (51,799)	3989 (2464)	13,356 (8,904)	1,094 (3989)	27,700 (13,356)	96521 (50274)	115,730 (113,592)

(Figures in brackets relate to previous period).

**8. Particulars of traded goods:**

Class of Goods	Unit	Purchases		Opening Stock		Closing Stock		S a l e	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Injections	pieces	832056 (197,542)	1,962043 (77523)	3,775 (4,734)	13,895 (13,723)	7779 (3,775)	210,342 (13,895)	828052 (201,495)	1,777,417 (220,206)

(Figures in brackets relate to previous period).

**9 Particulars of Balances with non-scheduled bank**

	Bal. As on 31/12/2009	Max. Bal Year 2009	Bal. As on 31/03/2008	Max. Bal During Period ended 31/12/2008
a) In Current Account				
i. Barclays Bank US \$ current a/c	30,302	172,855	2,854	117,378
ii. Barclays Bank GBP a/c	403	215,497	-46	9,845
iii. ABN Amro Bank	Nil	1,645	1,645	647,166
iv Step Saver High Interest Account	24,222	30,759	10,154	199,887
v Barclays Bank Euro current a/c	25812	159,099	Nil	Nil

## 10. Related party disclosure

- (i) Name of the related party where control exists: Fresenius Kabi Germany (Holding Company) Fresenius Kabi Oncology Limited, India (Holding Company) and Dabur Pharma US Inc (Wholly owned subsidiary) and APP, USA (fellow subsidiary). Considering too long a list of related parties where control exists, only companies/ body corporates in transaction are named therein.

### Transaction with Fresenius Kabi Oncology Limited, India

Nature	Amount	Outstanding
Purchase	1,693,379 (408,263)	588,408 (-6,292)
Loan Taken	NIL (1,652,300)	451,500 (1,169,695)
Loan Repaid	784,035 ( 328,922 )	
Interest on Loan	54,322 (75,817)	529 (75,817)

### Transaction with Dabur Pharma US Inc:

Nature	Amount	Outstanding
Sale	Nil (325,062)	Nil (207,126)

**e. Inventories:**

Stocks are valued at lower of cost and net realizable value. Basis of determination of cost remain as follows:

- |  |                           |
|--|---------------------------|
| • Raw materials, Packing materials & Consumables | On weighted average Basis |
| Work-in-process                                  | At prime cost             |
| And  |                           |
| • Finished goods                                 | At prime cost             |

**g. Retirement Benefits:**

Pension liability is provided for on the basis of payment made to investment companies in terms of contractual obligations. This benefit is of the nature of defined contribution plan.

**h. Recognition of Income and expenses:**

- Sales and purchases are accounted for on the basis of passing of title to the goods.
- Sales comprise of sale price of goods excluding trade discount and VAT.
- All items of incomes and expenses have been accounted for on accrual basis.

**i. Contingent Liabilities:**

Disputed liabilities and claims against the company including claims raised by fiscal authorities are provided in accounts unless no reliable estimate can be made of the amount of obligation or possibility of future cash flow is remote.

**j. Deferred Taxation:**

The liability of the body corporate in respect of current tax is estimated considering the provisions of the Income Tax Act in U.K. Deferred tax is recognized subject to the consideration of prudence, on time differences being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods.

**j. Translation of accounts of the Body Corporate from the currency of country of its incorporation (£) to reporting currency (INR):**

- Fixed Assets are translated in terms of the exchange rate ruling at the point of capitalization /acquisition of the asset.
- Capitals work-in-progress are translated as per exchange rate ruling at the year-end.
- Current assets have been recognized in accounts at exchange rate ruling at the year end.
- All outside liabilities have been recognized in accounts at exchange rate ruling at the year end.
- Equity share capital has been recognized in accounts at exchange rate ruling at the time of their original issue.
- Income and expenses have been recognized in accounts in simple average of monthly exchange rates during the year.
- Exchange loss or gain arising during the course of translation of accounts are debited or credited to profit and loss account.

## **B. NOTES TO ACCOUNTS**

1. Accounts of the body corporate (a wholly owned subsidiary of Fresenius Kabi Oncology Ltd., a company incorporated in India), incorporated in U.K., originally audited by overseas auditors pursuant to law of the country of its incorporation, have been made out as per requirement of Indian Companies Act in due adherences of sub section 2(a) and 2(b) of section 212 of Companies Act, 1956. This entailed drawing up the balance sheet, profit & loss account (including auditor's report thereon) of the subsidiary in a manner so as to make it appear conforming to requirements of

Indian Companies Act, 1956, for the purpose of annexing the particulars of the company with its holding company under section 212 (1) of the Companies Act, 1956.

Modification of accounts warranted under the exercise predominantly related to

- (a) Translation of treatment of various heads of accounts in terms of accounting standards referred to in section 211(3c) of the Companies Act, 1956 read with the accounting policies of the parent company, the later being embarked upon to facilitate the cause of consolidation with the holding company as required under AS 21 issued by ICAI.
- (b) Presentation of accounts in terms of schedule VI of Indian Companies Act, 1956, including disclosure of necessary information as laid down under section 211(1) and 211(2) of Companies Act 1956.

2. Incomes and Expenditure in Foreign Currency

This being a body corporate incorporated in U.K., information relating to import, export, and expenditure in foreign currency & CIF value of import are superfluous herein.

3 Managerial Remuneration (paid or payable during the year, to the Directors):

	Year ended on 31 <sup>st</sup> Dec 2009	Period ended 31 <sup>st</sup> Dec 2008
Salary	Nil	3,265
Contribution to Pension Fund	Nil	327

4. Dues to micro and small enterprises under MSMED Act, 2006 of India – NIL (previous year – NIL).

5. Segment Report – not required as the company is dealing only in oncology formulation.

6. a) **Particulars of consumption of important raw materials:**

<b>Class of Goods</b>	<b>Value (In `000)</b>
Bulk Drugs	Rs.110,573 (Rs 257285)
Registered vials	Rs.56,647 (Rs42,871)
Others	Rs. Nil Rs.Nil )
Total	Rs.167219 (Rs 300,156)

Note :

1. Considering variable unit criteria of heterogeneous items of input constituting each class of Raw material, quantitative particulars have not been provided.
2. Figures in brackets relate to previous period.

b) Particulars of consumption of stores: Rs. 9343 (previous period Rs.2,928)

c) Particulars of consumption of packing material: Rs 71,625 (previous period: Rs 30553)

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Transaction with Fresenius Kabi Germany:

Nature	Amount	Outstanding
Loan taken	1,779,465 (1,420,571)	3,200,036 (1,420,571)
Interest on Loan	102,275 ( 20,665)	20,680 ( 20,665)
Sales	424 ,009 (Nil )	2,988 (Nil )

Transaction with APP Pharmaceuticals:

Nature	Amount	Outstanding
Sale	113,661 (3,829)	47,815 (3,829)

11. Estimated amount of capital contract to be executed Rs. NIL (previous period Rs nil)

12. Payment to defined contribution plan: Rs 8,923 (previous period Rs. 9,736) towards pension fund.

### 13. Extraordinary Expenses

Rs. NIL (previous period 165,050), paid in aggregate against termination of distributorship of two parties, has been shown in selling and distribution expenses in Schedule L.

14. No provision has been made against impairment of intangible asset on the ground of their realisability in excess of book value as assessed by the management after taking due cognisance of their utility, market and competitiveness.

15. No provision has been made for deferred tax assets amounting to Rs.280050 (previous period 123109) due to absence of virtual certainty of future taxable profit to realise the same. On latter ground, no deferred tax asset has also been recognised against the excess of written down value of the depreciable fixed assets under the Fiscal Act over book value.

### 16. Impairment Loss: -

- a) Rs.337581 (Previous period : Rs.335524) qualified for provision against impairment loss on account of shortfall in recoverable value, vis-à-vis carrying amount of assets. This includes additional provision of Rs.2057 (Previous period Rs. 335524)
- b) Impairment loss apportioned on various assets are shown in Schedule D
- c) The recognition of impairment loss is attributed to review of operational efficiency of the unit undertaken by the new management in recognition of future growth potentiality of the unit.
- d) Discount rate used for as on date valuation of future cash flow – 7% (Previous period - 7%)
- e) Key assumptions:-
  - Future activity level: As per budgetary plan
  - Working capital assessment: As per current cycle
  - Stabilization of activity level in optimum context: Over a period of 4 years
  - Diminishing return : Ignored considering due assessment of future of market
  - Inflationary consequence on cost : Ignored on the ground of compensatory rise in earning to marginalize the impact.
- f) Impairment loss has been treated as an extra ordinary item for determination of earning per share in application of AS-20 issued by the ICAI

### 17. Computation of earning per share :

Particulars	31 <sup>st</sup> Dec 2009	31 <sup>st</sup> Dec 2008
Net Loss after providing extra ordinary item/items	-927872	-710326
Net Loss without considering extra ordinary item/items	-925815	-209752
No of share	171400	171400

Earning per share including extra-ordinary items	(-) 5.41	(-) 4.14
Earning per share without considering extra-ordinary items	(-) 5.40	(-) 1.22

Extraordinary items represent impairment loss of Rs. 2057 (previous period 335524) and distributors termination cost Rs. Nil (Previous period Rs. 165050).

18 Current period relates to calendar year ended on 31/12/2009. As such figures in profit & Loss Accounts are not comparable with those of previous period, the latter being for a period of nine months ended on 31/12/2008.

19. All monetary figures have been rounded off to nearest thousand unless stated otherwise.

20. Figures of previous period have been re-arranged /regrouped as and when necessary in terms of current period grouping.

21. Additional Information as required under Part IV of Schedule VI of the Companies Act.

1. Registration details

Registration No – 3681716 (UK)

Balance Sheet Date – 31/12/2009

2. Capital Raised during the year

Public issue nil

Bonus issue nil

Right issue nil

Private Placement nil

3. Position of Mobilisation & deployment of fund

Total Liabilities 5,113,161

Total Assets 5,113,161

Sources of Funds:

Paid up capital 1,262,520

Unsecured Loan 3,850,641

Application of funds

Net Fixed Assets 2,800,293

Net current Assets 210,206

4. Performance of the Company	
Turnover (including other income)	2,065,479
Profit / (Loss ) before tax	(927,872)
Profit / (Loss ) After tax	(927,872)

Signatures to the Schedules "A" to "M" Annexed to and forming part of the Accounts.

RAINER BAULE      DR SATISH KULKARNI

**For G. BASU & CO.**

**(Director)**

**(Director)**

**Chartered Accountants**

Peter F Nilsson

**FRN : 301174E**

**( CHIEF FINANCIAL OFFICER)**

**S. Lahiri**

Partner

Membership No -51717

Place:- New Delhi

Date: 28<sup>th</sup> May 2010