

AUDITORS' REPORT

We have verified the attached Balance Sheet of Fresenius Kabi Oncology US Inc., incorporated in USA as at 31st March, 2010 and its Profit & Loss Account and the Cash Flow Statement year ended on that date, all being made out in accordance with the requirement of Indian Companies Act, 1956, from the unaudited certified returns from the management [refer note no. B (6), Schedule G 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 in limited context of drawing up the accounts on the basis of audited returns
 - 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.
 - 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 "G" give the information required by the Indian 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;
- 1) In the case of Balance Sheet, of the State of Affairs of the body corporate as at 31st March, 2010, and
 - 2) In the case of Profit and Loss Account, of the loss of the body corporate for the period ended on that date; and
 - 3) In the case of cash flow statement, of the cash flows of the body corporate for the period ended on that date.

For G. Basu & Co.
Chartered Accountants
FRN-301174E

Place : New Delhi
Date : 28 May 2010

S. Lahiri
Partner
Membership No.051717

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

- 1) The inventories have been physically verified at reasonable intervals by the management.
- 2) 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.
- 3) 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 stated were not being material and have been properly dealt with in the books of account.
- 4) The body corporate has not taken any loan, secured or unsecured, from any party.
- 5) 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.
- 6) 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.
- 7) According to information and explanation given to us, the transactions of purchases and sales with the directors or 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.
- 8) The body corporate has not accepted deposit within the meaning of "Acceptance of Deposit Rule" under Indian Companies Act, 1956 from any source.
- 9) Internal audit system is yet to be introduced in the body corporate.
- 10) Section 209 (i) (d) of the Indian Companies Act, 1956 is not applicable to the body corporate.
- 11) According to information and explanation given to us, the body corporate has no due to statutory authorities.

- 12) There has been no accumulated loss. The body corporate has not sustained cash loss in current year. It did not sustain cash loss in immediately preceding financial year.
- 13) Based on information and explanation given to us, the body corporate has no due to bank or financial institution. It has no debenture holder.
- 14) 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.
- 15) The body corporate is not dealing or trading in shares, securities, debentures and other securities.
- 16) The body corporate has not given any guarantee for loans taken by others from banks or financial institutions.
- 17) No term loans has been taken by the body corporate.
- 18) No Fund has been raised on short-term basis during the period, which has been used for long-term investment.
- 19) The body corporate has not made any preferential allotment of shares to any party.
- 20) The body corporate has not issued any debenture.
- 21) The body corporate has not made any public issue so far.
- 22) No fraud on or by the body corporate has been reported in respect of the period under audit.
- 23) Other clauses of the order are not applicable to the body corporate for the year.

For G. Basu & Co.
Chartered Accountants
FRN-301174E

Place : New Delhi
Date : 28 May 2010

S. Lahiri
Partner
Membership No.051717

Fresenius Kabi Oncology Inc. USA	For the year ended 31st March 2010 (Rs. 000)		For the year ended 31st March 2009 (Rs. 000)	
Statement of cash flow under indirect method (pursuant to AS-3 issued by ICAI)				
Particulars				
A. Cash flow from operating activities				
Net profit (loss)before tax and extraordinary items		-5,302		(58,355)
Add:				
Depreciation				0
Fixed Assets written down				94
Operating profit before working capital changes		(5,302)		(58,261)
Working capital changes				
(Increase)/Decrease in inventories	28986		90,635	
(Increase)/Decrease in debtors	1299		26,394	
(Increase)/Decrease in loans and advances	-1801			
Increase/ (Decrease) in trade payable	-163417		(102,286)	
Increase/ (Decrease) in working capital		-134,932		14,743
Cash used (-)/(+) generated for operating activities (A)		(140,234)		(43,518)
B. Cash flow from investing activities				
Sale of Product rights			114,975	
Purchase of fixed assets			(10)	
Cash used (-)/(+) generated for investing activities (B)				114,965
C. Cash flow from financing activities				
Proceeds from share capital & premium			0	
Cash used (-)/(+)generated) in financing activities ©				0
Net increase(+)/decrease(-) in cash and cash equivalents (A+B+C)		(140,234)		71,447
Cash and cash equivalent opening balance		141,267		69,337
Cash and cash equivalent closing balance		1,034		141,267

DR. SATISH KULKARNI
DIRECTOR

RAINER BAULE
DIRECTOR

NABHAJIT MUKHOPADYAYA
FINANCIAL CONTROLLER

As per our report
of even date attached

New Delhi
28-05-2010

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

S. Lahiri
Partner

Fresenius Kabi Oncology Inc. USA
BALANCE SHEET AS AT 31 ST MARCH 2010

Schedule	As at 31st March 2010 Rs. In (000)	As at 31st March 2009 Rs. In (000)
Sources of Funds :		
Shareholders' Funds:		
A) Share Capital	41	41
B) Profit & Loss Account	2633	7935
Total	2674	7976
Application of Funds :		
Fixed Assets (Equipment) :		
(A) Gross Block		103
(B) Less : Depreciation		9
(C) Less: Written down		94
(E) Net Value	-	-
Investments		
Current assets, loans and advances:		
A) Stock-in -trade		28986
B) Sundry debtors		1299
C) Cash & bank balances	1034	141267
D) Loans & advances	1801	
	2834	171552
Less: Current liabilities and provisions		
A) Liabilities	158	163575
B) Provisions	158	-
		163575
Net current assets	2674	7977
Profit and Loss Account		
Notes to accounts		
Total	2674	7977

DR. SATISH KULKARNI
DIRECTOR

RAINER BAULE
DIRECTOR

PETER F NILSSON
FINANCIAL CONTROLLER

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 Inc. USA
Profit and loss account for the year ended 31st march, 2010

Schedule	For the year ended 31st March 2010 (Rs. '000)	For the year ended 31st March 2009 (Rs. '000)
Income :		
Sales	35689	513931
Interest received from Bank	278	675
Other Income (Extra Ordinary items)		114975
Total income	35967	629580
Expenditure :		
Cost of Goods sold D	28986	444982
Payments to and provisions for employees E	-	72992
Selling and administrative expenses F	-	48268
Financial Expenses(Bank Charges)	247	355
Depreciation	0	0
Exchange Flucatuuation Reserve	12037	6363
Total expenditure	41268	572960
Balance being net profit/(loss)	-5302	56620
Balance of Profit brought forward from previous year	7935	-48685
Balance carried over to balance sheet	2633	7935
Earning per share (in Rs.) (Without consideration of extra-ordinary income)		
Basic (not annualised)	(5302)	56620
Diluted (not annualised)	(5302)	56620
Earning per share (in Rs.) (After consideration of extra-ordinary income)		
Basic (not annualised)	(5302)	56620
Diluted (not annualised)	(5302)	56620
No of shares		
Basic	1000	1000
Diluted	1000	1000
Notes to accounts G		

DR. SATISH KULKARNI
DIRECTOR

RAINER BAULE
DIRECTOR

PETER F NILSSON
FINANCIAL CONTROLLER

**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 Inc. USA
SCHEDULE-A-Share Capital

	As at 31st March 2010 (Rs. '000)	As at 31st March 2009 (Rs. '000)
Authorised: (1000 equity shares of US\$ 1 each)	41	41
a) Issued , Subscribed & Paid up capital 1000 equity shares of US\$ 1 fully paid in cash (Entirely held by Dabur Oncology Plc, the immediate Holding Company incorporated in UK)	41	41
Total	41	41

Fresenius Kabi Oncology Inc. USA

SCHEDULE-B-Current Assets, Loans and Advances (As certified by the management)

		As at 31st Mar-10 (Rs. '000)	As at 31st Mar-09 (Rs. '000)
A.	Current Assets :		
	Inventories :		
	Stock-in-Trade		28986
	Sundry debtors (Unsecured & considered good) :		
	- Debts outstanding for less than six months :	1801	1299
	Cash and bank balances :		
	- Cash in hand		
	Balace with non scheduled banks :		
	- current accounts	1034	136195
	- with savings accounts	<u> </u>	<u>5072</u>
		1034	141267
	- Deposit with Landlord		0
	Total (A+B)	2835	171552

Fresenius Kabi Oncology Inc. USA
SCHEDULE C-Current liabilities and provisions

		As at 31st Mar-10 (Rs. '000)	As at 31st Mar-09 (Rs. '000)
A.	Current Liabilities :		
	Creditors for expenses and other liabilities	158	9624
	Amounts due to the Holding Company	-	85943
	Advance from Customer	-	68008
	Total	158	163575

Fresenius Kabi Oncology Inc. USA
Schedule D - Cost of Goods

	For the year ended 31ST MARCH 2010 Rs. In 000	For the year ended 31ST MARCH 2009 Rs. In 000
<u>Finished Goods</u>		
Opening Stock	28986	119621
Add : Purchase		354347
Less : Closing Stock		28986
	28986	444982

Fresenius Kabi Oncology Inc. USA

SCHEDULE - E-Payments to and provisions for employees

	FOR THE YEAR ENDED 31ST MARCH 2010 (Rs. '000)	FOR THE YEAR ENDED 31ST MARCH 2009 (Rs. '000)
Salaries, wages and bonus	-	39259
Contribution To Provident and other funds	-	645
Directors Remunerations	-	33088
	-	72992

Fresenius Kabi Oncology Inc. USA
Schedule F - Selling and Administrative Expenses

	For the year ended 31ST MARCH 2010 Rs. In 000	For the year ended 31ST MARCH 2009 Rs. In 000
Advertising	-	6592
Travelling	-	6464
Distribution Cost	-	19776
Subscription	-	32
Entertainment	-	59
Insurance	-	282
Legal Fees	-	504
Licences	-	4612
Office Cost	-	169
Postage & Delivery	-	142
Rent	-	4288
Telephone	-	527
Accounting Fee	-	2918
Freight	-	1364
General Expenses	-	445
Written down of Fixed assets	-	94
	-	48268

Annexed to and forming part of the Accounts for the year ended 31st March 2010 of Fresenius Kabi Oncology Inc. US

SCHEDULE – G ACCOUNTING POLICIES & NOTES TO ACCOUNTS

(Figures in Rupees thousands)

A. ACCOUNTING POLICIES

Significant Accounting Policies are summarized below

a. Fixed Assets and Depreciation:

- Fixed assets are stated at cost.
- Cost includes expenses incidental to acquisition and bringing the asset to working condition.
- Depreciation is charged on Fixed Assets on Straight Line Method basis at the rates prescribed under Schedule XIV of the Indian Companies Act, 1956.

b. Inventories:

Stock in trade is valued at lower of cost or net realizable value.

Cost is determined on FIFO basis. Cost includes purchase price and expenses directly attributable to the cause of procurement.

c. 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.

d. Retirement Benefits:

Pension liability is provided for on the basis of payment made to investment companies in terms of contractual obligations.

e. 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.

f. 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.

g . Translation of accounts of the Company from the currency of country of its incorporation (\$) to INR:

- Fixed Assets / Capitalized Expenses are translated to INR in terms of the exchange rate ruling at the point of acquisition of the asset/capitalization
- 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 issuance.
- Income and expenses have been recognized in accounts in simple average of monthly exchange rates during the year.
- Impact of exchange translation of financial statement in reporting currency is debited to profit & loss account

B. NOTES TO ACCOUNTS

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

	2009-2010	2008-2009
Salary	-	32,807
Contribution to Pension Fund	-	281

2. Particulars in respect of goods traded:

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.)
Injectables	Pieces	- (204,205)	- (354,347)	9,401 (137,126)	28,986 (119,621)	- (9,401)	- (28,986)	9,401 (331,930)	35,689 (513,931)

3. Particulars of Balances with non-scheduled bank

	Bal. As on 31/03/2010	Max. Bal During 09-10	Bal. As on 31/03/2009	Max. Bal During 08-09
a) In Current Account				
i. Citibank	-	924	924	3,468
ii. Bank of America	1034	135,271	135,271	522,923
b) In Savings Account BOA	-	5,072	5,072	5,072

4 . Related party disclosure

- (i) Name of the related party where control exists: FRESENIUS KABI ONCOLOGY PLC Ltd. (Holding Company), APP USA (Fellow subsidiary)

Transaction with related parties where control exists -:

Nature	Amount	Outstanding
Purchase	- (354,347)	- (85946)
Investment in shares	- (-)	41 (41)
Sale of market right	- (114,975)	- (0)

ii) Other related party transaction with company Rs Nil (previous year Rs.32,807) and Rs Nil (previous year Rs.281) paid to Key Managerial Personnel on account of salary and pension respectively during the year.

5. Expenses recognized against defined contribution plan (Pension Fund): Rs.Nil (previous year Rs.926)

6. Accounts of the body corporate (a wholly owned subsidiary of Fresenius Kabi Oncology Ltd., a company incorporated in India, shares in the body corporate being held through Fresenius Oncology Plc. another wholly owned subsidiary incorporated in U.K.), incorporated in USA, originally prepared 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 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 ultimate parent company, the latter 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.

7. Other income Rs.Nil (previous year 114,975) relates to sale of market rights of few products to APP, USA a fellow subsidiary, the transaction being extra ordinary in nature

8. Figures of previous period have been rearranged and regrouped in terms of current year's grouping.

9 Figures are rounded off to the nearest thousand.

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

Balance Sheet Date – 31/03/2010.

1. Capital Raised during the period	
Public issue	nil
Bonus issue	nil
Right issue	nil
Private Placement	nil
2. Position of Mobilisation & deployment of fund	
Total Liabilities	2834
Total Assets	2834
Sources of Funds:	
Paid up capital	41
Reserve & surplus	2633
Application of funds	
Net current Assets	2674
3. Performance of the Company	
Turnover (other income)	35967
Profit before tax	-5302
Profit After tax	-5302

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

DR. SATISH B. KULKARNI
DIRECTOR

Peter F Nilsson
FINANCIAL CONTROLLER

As per our report of
even date attached
for G.BASU & CO

S.LAHIRI
PARTNER

Place: New Delhi
Date: May 28, 2010