

CLINIGENE INTERNATIONAL LIMITED

**STATUTORY AUDIT FOR THE Y/E MARCH 31, 2009
AND AUDITORS' REPORT**

Auditors' Report

To
The Members of Clinigene International Limited

1. We have audited the attached Balance Sheet of Clinigene International Limited ('the Company') as at March 31, 2009, 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) ('the Order') 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 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 March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;



S.R. BATLIBOI & ASSOCIATES

- vi. In our opinion and to the best of our information and according to the explanations given to us, 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 March 31, 2009;
 - (b) in the case of the Profit and Loss Account, of the profit 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.

S. R. Batliboi & Associates
For S.R. Batliboi & Associates
Chartered Accountants

Aditya Vikram Bhauwala



per Aditya Vikram Bhauwala
Partner
Membership No: 208382

Bangalore
April 27, 2009

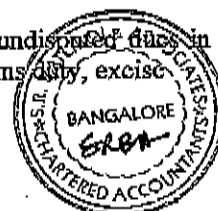
S.R. BATLIBOI & ASSOCIATES

Annexure referred to in paragraph 3 of our report of even date

Re: Clinigene International Limited

- (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year in accordance with a regular programme of verification, intended to cover fixed assets of the Company over a period of two years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification. There was no substantial disposal of fixed assets during the year.
- (ii) Due to the nature of its business, the Company does not deal in inventory. Hence clause 4(ii) of the Companies (Auditor's Report) Order, 2003(as amended) is not applicable to the Company.
- (iii) The Company has taken an unsecured interest free loan from a company covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was Rs 359,629 (in thousands) and the balance outstanding at March 31, 2009 is Rs 290,735 (in thousands). In our opinion and according to the information and explanation given to us, the terms and conditions of the loan taken by the Company, is not prima facie prejudicial to the interest of the Company. In respect of loans taken, repayment of principal amount is as stipulated. The Company has not taken/granted any other loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of fixed assets are of special nature for which alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) 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 that need to be entered into the register maintained under section 301 have been so entered. 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 entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions are made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, there were no undisputed dues in respect of provident fund, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise



S.R. BATLIBOI & ASSOCIATES

duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable.

According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in 000's)	Period to which the amount relates	Forum where dispute is pending
Export of Service Rules, 2005	Dispute relating to Service Tax Liability	5,843*	March 16th 2005 to February 28 th 2007	Order issued by Commissioner of Service Tax. The Company is in the process of filing an appeal with Customs, Excise and Service Tax Appellate Tribunal, Chennai

* Includes Interest

- (x) The Company has no accumulated losses at the end of the financial year 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 are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (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) As informed to us, the Company is not a chit fund or a nidhi / mutual 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) As informed to us, 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 not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, 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 and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.



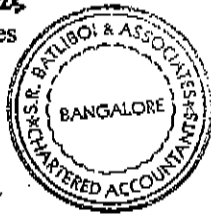
S.R. BATLIBOI & ASSOCIATES

(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.

S.R. Batliboi & Associates
For S.R. Batliboi & Associates
Chartered Accountants

Aditya Vikram Bhauwala

per Aditya Vikram Bhauwala
Partner
Membership No: 208382



Bangalore
April 27, 2009

CLINIGENE INTERNATIONAL LIMITED
BALANCE SHEET AS AT MARCH 31, 2009

(All amounts in Indian Rupees thousands)

	Notes	March 31, 2009	March 31, 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	3(a)	500	500
Reserves and surplus	3(b)	<u>15,098</u>	<u>1,003</u>
		15,598	1,503
LOAN FUNDS			
Secured loans	4	74,314	70,000
Unsecured loan	5	290,735	299,923
		<u>377,647</u>	<u>371,426</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	6	440,007	388,712
Less: Accumulated depreciation		<u>93,821</u>	<u>56,915</u>
		346,186	331,797
Capital work-in-progress (including capital advances of Rs Nil (March 31, 2008 - 2,745))		-	826
Net book value		<u>346,186</u>	<u>332,623</u>
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	7	123,275	72,817
Cash and bank balances	8	547	36
Loans and advances	9	<u>24,579</u>	<u>12,372</u>
		148,401	85,225
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	10	113,105	75,816
Provisions		<u>3,835</u>	<u>1,812</u>
		116,940	77,628
NET CURRENT ASSETS		<u>31,461</u>	<u>7,597</u>
PROFIT AND LOSS ACCOUNT		<u>-</u>	<u>(31,207)</u>
		377,647	371,426

The accompanying notes 1 to 21 form an integral part of the balance sheet.

As per our report of even date

S.R. Battibol & Associates
 For S.R. BATLIBOI & ASSOCIATES
 Chartered Accountants

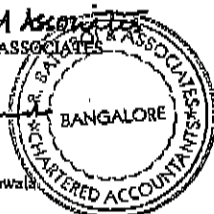
per Aditya Vikram Bhaauwal
 Partner
 Membership No: 208382

Bangalore
 April 27, 2009

For and on behalf of the Board of Directors
 of Clinigene International Limited

Kiran Mazumdar Shaw
 Director

Murali Krishnan KN
 President - Group Finance



M.M. Shaw
 Director

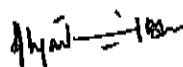
CLINIGENE INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

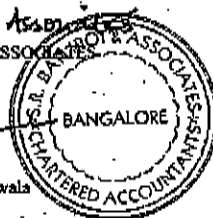
(All amounts in Indian Rupees thousands, except for share data and per share data)

	Notes	March 31, 2009	March 31, 2008
INCOME			
Contract research fees		330,520	227,163
		<u>330,520</u>	<u>227,163</u>
EXPENDITURE			
Contract research and other operating expenses	11	239,242	166,248
Interest and finance charges	12	7,594	9,807
		<u>246,836</u>	<u>176,055</u>
PROFIT BEFORE DEPRECIATION AND TAX		83,684	51,108
Depreciation	6	36,907	26,751
PROFIT BEFORE TAX		<u>46,777</u>	<u>24,357</u>
Provision for taxation			
Current tax		5,133	-
Less: MAT Credit Entitlement		(5,133)	-
Fringe benefit tax		1,475	618
NET PROFIT FOR THE YEAR		<u>45,302</u>	<u>23,739</u>
Losses brought forward from previous year		31,207	54,946
BALANCE, END OF THE YEAR		<u><u>14,095</u></u>	<u><u>(31,207)</u></u>
Earnings per share (equity shares, par value Rs 10 each)			
Basic and diluted (in Rs)		<u>906.04</u>	<u>474.78</u>
Weighted average number of shares used in computing			
Earnings per share, basic and diluted		<u>50,000</u>	<u>50,000</u>

The accompanying notes 1 to 21 form an integral part of the profit and loss account.

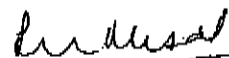
As per our report of even date

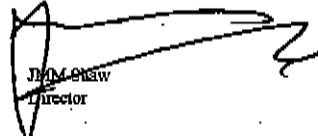
S.R. Batliboi & Associates
 For S.R. BATLIBOI & ASSOCIATES
 Chartered Accountants

 per Aditya Vikram Bhasuwalla
 Partner
 Membership No: 208382

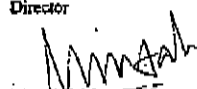


Bangalore
 April 27, 2009

For and on behalf of the Board of Directors
 of Clinigene International Limited


 Kiran Mazumdar Shaw
 Director


 JMM Shaw
 Director


 Murali Krishnan RN
 President - Group Finance

CLINGENE INTERNATIONAL LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009

(All amounts in Indian Rupees thousands)

	March 31, 2009	March 31, 2008
I CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	46,777	24,357
Adjustments for -		
Add: Non cash Item		
Depreciation	36,907	26,751
Loss on disposal of leasehold improvements	-	380
Interest and finance charges	7,594	9,807
Changes in working capital and other provisions:		
Sundry debtors	(50,458)	(5,952)
Loans and advances	(12,475)	(18,540)
Current liabilities and provisions	51,928	46,294
	<u>80,273</u>	<u>83,097</u>
Cash generated from operations		
Taxes paid	<u>(1,212)</u>	<u>(5,148)</u>
Net cash provided by operating activities	<u>79,061</u>	<u>77,949</u>
II CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(63,082)</u>	<u>(133,113)</u>
Net cash used in investing activities	<u>(63,082)</u>	<u>(133,113)</u>
III CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from unsecured loan, net	(9,188)	135,543
Repayment of Term Loan	(70,000)	(80,000)
Proceeds from packing credit	71,314	
Interest and finance charges paid	(7,594)	(9,807)
	<u>(15,468)</u>	<u>45,736</u>
Net cash provided / (used) for financing activities		
IV NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	511	(9,428)
V CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	36	9,464
VI CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)	<u>547</u>	<u>36</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR		
Cash on Hand	447	36
Balances with Banks - on current accounts	100	-
	<u>547</u>	<u>36</u>

As per our report of even date

S.R. Datliboi & Associates
 For S.R. DATLIBOI & ASSOCIATES
 Chartered Accountants

per Aditya Vikram Bhauwala
 Partner
 Membership No: 208382



For and on behalf of the Board of Directors
 of Clingene International Limited

Kiran Mazumdar Shaw
 Director

J.M. Shaw
 Director

Murali Krishna K N
 President - Group Finance

Bangalore
 April 27, 2009

CLINIGENE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

(All amounts in Indian Rupees are in thousands, except share data and per share data)

1. Background

Clinigene International Limited ('Clinigene or 'the Company') was incorporated on August 4, 2000 and became a subsidiary of Biocon Limited ('Biocon'), on March 31, 2001.

The Company was formed to undertake clinical research activities on discovering new biomarkers and is extending its activity to discovering new diseases subsets and novel data based on pharmacogenomics. The Company has entered into contracts with domestic and international companies to undertake these activities with respect to chronic diseases such as diabetes, osteoporosis, asthma etc, and commenced commercial operations effective December 2000.

2. Statement of significant accounting policies

a. (i) Basis of preparation

The financial statements have been prepared to comply in all material respects with the accounting standards, notified by the 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. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use.

(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) Changes in Accounting Policies

Exchange Differences on Long Term Foreign Currency Monetary Items

Upto March 31, 2008, the Company was charging off exchange differences arising on foreign currency monetary assets and liabilities to the profit and loss account. During the year ended March 31, 2009, pursuant to Companies (Accounting Standards) Amendments Rules, 2009, notified on March 31, 2009, the Company has exercised the option of deferring the charge to the Profit and Loss Account arising on exchange differences, in respect of accounting periods commencing on or after December 7, 2006, on long-term foreign currency monetary items (i.e. monetary assets or liabilities expressed in foreign currency and having a term of 12 months or more at the date of origination). As a result, such exchange differences so far as they relate to the acquisition of a depreciable capital asset have been adjusted with the cost of such asset and would be depreciated over the balance life of the asset, and in other cases, have been accumulated in Foreign Currency Monetary Item Translation Difference Account and would be amortized over the balance period of such long term asset/liability but not beyond, accounting period ending on or before March 31, 2011.

There has no impact of the above adoption on the financial results of the Company for the year ended March 31, 2009.

b. Fixed assets and depreciation



Fixed assets are stated at cost less impairment loss, if any, and accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets. Fixed assets are depreciated pro rata to the period of use, on the straight line method at the annual rates based on the estimated useful life of the assets, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher, as follows.

	<u>Per cent</u>
Buildings	4.00
Plant and machinery	11.11 - 33.33
Furniture and fixtures	16.67
Vehicles	16.67

Assets individually costing less than Rs 5 are fully depreciated in the year of purchase.

c. Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its 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. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

d. Revenue recognition

The Company enters into two types of contract research arrangements and the revenues there from are recognised net of service tax on the following basis:

i). *Time and material management*

Revenues are recognised as services are rendered, in accordance with contractual agreements.

ii). *Fixed price arrangement*

Revenues relating to fixed price contracts are recognised based on the percentage of completion method.

e. Investments

Investments, that are readily realisable and intended to be held for not more than twelve months, are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at a lower of cost and fair value and determined on an individual investment basis.

f. Retirement benefits

(i) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the / contributions are charged to the Profit and Loss Account of the year when the contributions to the government funds are due.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The gratuity benefit of the Company is administered by a trust formed for this purpose through the group gratuity scheme. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.



(ii) Leave encashment liability is in accordance with the rules of the Company. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method made at the end of each financial year.

g. Foreign currency transactions

Initial Recognition

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 the transaction.

Conversion

Foreign currency monetary items are reported using the closing 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 the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

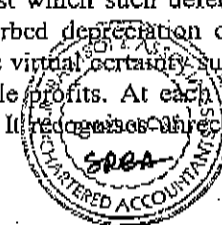
Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such 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.

h. Income tax

Tax expense comprises 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 Indian Income Tax Act. 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 that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. 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. At each balance sheet date the Company re-assesses unrecognised deferred tax assets. If recognised unrecognised



deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

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. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a 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. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

j. **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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year 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.

k. **Operating lease**

Where the Company is a Lessee:

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

l. **Segment reporting**

Identification of segments:

The Company's operating businesses are organised and managed separately according to the nature of services/products, with each segment representing a strategic business unit. The geographical segments is based on the areas in which Company's services are sold.



Inter-segment Transfers:

The Company generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

Segment policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

m. 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.

n. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

o. Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.



	March 31, 2009	March 31, 2008
3(a) Capital		
Authorised:		
500,000 (March 31, 2008 - 500,000) equity shares of Rs 10 each	5,000	5,000
Issued, subscribed and paid-up:		
50,000 (March 31, 2008 - 50,000) equity shares of Rs 10 each, fully paid	500	500

As on the balance sheet date, the entire share capital of the Company was held by Biocon Limited, the holding company and its nominee.

3(b) Reserve and surplus

General reserve	1,003	1,003
Balance in profit and loss account	14,095	-
	15,098	1,003

4. Secured loans

Term Loan	-	70,000
Packing Credit Loan	71,314	-
	71,314	70,000

(i) On June 22, 2006, the Company entered into an agreement with Citibank N.A. for a long term rupee loan facility of Rs 150,000. The loan is secured by an equitable mortgage on the immovable property i.e. building at semion park. The loan has been repaid as at March 31, 2009.

(ii) On September 7, 2008, the Company entered into an agreement with State Bank of India for Rs 100,000. These facilities are repayable on demand secured by first charge on the current assets of the company.

5. Unsecured loan

Unsecured loan from holding company	290,735	299,923
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The Company entered into an agreement with Biocon Limited, the holding company, for an interest free loan not exceeding Rs 300 million to support its operational costs and capital expenditure, to be repaid by March 31, 2011.

The maximum amount outstanding during the year to Biocon Limited was Rs 359,629 (March 31, 2008 - Rs 329,177).

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6. Fixed Assets	Balance at the beginning of the year	Additions during the year	Deletions/ Adjustments during the year	Balance at the end of the year
Cost				
Land	42,242	-	-	42,242
Building	123,605	2,627	68	126,164
Plant and machinery	163,931	45,678	2,139	209,470
Air conditioners	2,300	1,295	-	3,595
Furniture and fixtures	38,781	3,021	-	41,802
Computers	14,141	966	84	15,023
Vehicles	1,711	-	-	1,711
	<u>388,711</u>	<u>53,587</u>	<u>2,291</u>	<u>440,007</u>
<i>Year ended March 31, 2008</i>	<u>206,601</u>	<u>184,072</u>	<u>1,962</u>	<u>388,711</u>
Accumulated depreciation				
Building	8,132	4,988	-	13,120
Plant and machinery	34,797	20,429	-	55,226
Air conditioners	1,587	440	-	2,027
Furniture and fixtures	6,972	6,741	-	13,713
Computers	5,000	4,045	-	9,045
Vehicles	427	263	-	690
	<u>56,915</u>	<u>36,906</u>	<u>-</u>	<u>93,821</u>
<i>Year ended March 31, 2008</i>	<u>31,744</u>	<u>26,751</u>	<u>1,380</u>	<u>58,915</u>
Net book value				
Land	42,242	-	-	42,242
Building	115,473	-	-	113,044
Plant and machinery	131,135	-	-	154,244
Air conditioners	713	-	-	1,568
Furniture and fixtures	31,809	-	-	28,089
Computers	9,141	-	-	5,978
Vehicles	1,284	-	-	1,021
	<u>331,797</u>	<u>-</u>	<u>-</u>	<u>346,186</u>
<i>Year ended March 31, 2008</i>	<u>174,857</u>	<u>-</u>	<u>-</u>	<u>331,796</u>

During the year ended March 31, 2009, the Company has adjusted credit on capital goods of Rs. 2,290 pertaining to previous year.



	March 31, 2009	March 31, 2008
7. Sundry debtors (unsecured, considered good)		
Debtors outstanding for period exceeding six months	25	3,250
Others	123,250	69,567
	<u>123,275</u>	<u>72,817</u>

The above include receivables of Rs 14,909 (March 31, 2008 - Rs 19,122) from Biocon Limited, Holding Company. The above includes unbilled receivable Rs. 25,120 (March 31, 2008 - Rs. 62,722)

8. Cash and bank balances		
Cash on hand	447	36
Balances with scheduled banks in:		
Current account	100	-
	<u>547</u>	<u>36</u>

9. Loans and advances (unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	108	482
Balances with Customs, Excise and sales tax authorities	10,438	1,919
Advances to suppliers	165	456
Prepaid expenses	1,475	891
MAT Credit entitlement	5,133	-
Tax deducted at source, net of provision	5,739	6,007
Deposits	1,521	2,617
	<u>24,579</u>	<u>12,372</u>

10. Current liabilities and provisions		
<i>Current liabilities</i>		
Sundry creditors		
Capital	6,348	18,960
Others	19,872	14,976
Advance from customers	337	28,965
Deferred Revenue	64,590	-
Balance in current account with bank represents bank overdraft	14,803	7,375
Other liabilities	7,135	5,540
	<u>113,105</u>	<u>75,816</u>
<i>Provisions for</i>		
Leave encashment	3,835	1,812
	<u>3,835</u>	<u>1,812</u>
	<u>116,940</u>	<u>77,628</u>

(a) Based on information available with the Company there are no suppliers who are registered as micro, small and medium enterprises as defined under The Micro, Small and Medium Enterprise Development Act, 2006.



	<u>March 31, 2009</u>	<u>March 31, 2008</u>
<u>11. Contract research and other operating expenses</u>		
Chemicals and reagents consumed	27,436	16,935
Consultancy fees	11,316	11,075
Employee costs		
Salaries, wages, bonus, etc	53,706	39,124
Contribution to provident fund	2,391	1,891
Gratuity and leave encashment	2,198	199
Employee stock compensation expense	(1,336)	4,096
Welfare expenses	1,380	1,837
Power	5,791	4,258
Rent	125	616
Communication	16,009	6,062
Travelling and conveyance	15,798	5,755
Professional charges	8,709	3,746
Insurance	900	340
Rates and taxes	1,620	1,130
Lease rentals	186	148
Exchange fluctuation (net)	(8,986)	152
Repairs and maintenance		
Plant & machinery	1,632	528
Buildings	2,594	1,243
Others	2,615	1,363
Sales promotion	603	328
Loss on disposal of leasehold improvements	-	380
Printing and stationery	3,287	2,399
Other clinical trial costs	83,708	55,281
Miscellaneous expenses	7,560	7,362
	<u>239,242</u>	<u>166,248</u>
<u>12. Interest and finance charges</u>		
Interest expense	7,189	9,742
Bank charges	405	65
	<u>7,594</u>	<u>9,807</u>



13. Related party transactions

Sl. No.	Name of the related party	Relationship	Description	April 1, 2008 to March 31, 2009	Balance as at March 31, 2009 Payable/(Receivable)	April 1, 2009 to March 31, 2008	Balance as at March 31, 2008 Payable/(Receivable)
1	Biocon Limited	Holding company	Unsecured loan	(9,180)	290,735	(13,6,123)	299,925
			Management charges payable [Note (i)]	1,200	-	1,200	-
			Research services rendered [Note (ii)]	(112,504)	(26,630)	(48,615)	(23,397)
			Rent paid	-	-	140	-
			ESOP compensation expense [Note (i)]	(1,336)	-	4,096	-
			Power charges paid	-	-	280	-
2	Syngene International Limited	Associate company	Services rendered [Note (iv)]	(2,512)	-	(3,502)	-
3	Biocon Biopharmaceuticals Pvt Limited	Associate company	Services rendered [Note (v)]	(379)	78	(175)	-

Notes:

(i) Biocon Limited has given stock options to certain employees of the Company. On July 18, 2006, Biocon has granted stock options under Grant IV to the employees of Cilignene and changed compensation cost during 2008 Rs. 4,096. During the year ended March 31, 2009 Biocon Limited has reversed ESOP costs of Rs. 1,336 due to employee turnover.

(ii) Effective January 1, 2004, Biocon has entered into an agreement with the Company to provide general management support, for which an agreed upon management charge has been levied.

(iii) The Company has entered into an agreement with Biocon to provide professional services in the nature of clinical trials for Biocon.

(iv) The Company has provided Annual Health check up facility to the employees of Syngene International Limited.

(v) The Company has provided Annual Health check up facility to the employees of Biocon Biopharmaceuticals Pvt Limited.

(vi) Biocon Limited has given corporate guarantee of Rs 27,205 (March 31, 2008 - Rs 27,205) to the Customs and Excise Department (CED) on behalf of the Company.

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14. Employee Benefit Plans

The Company has defined benefit gratuity plan for retirement benefit of employees as per Payment of Gratuity Act 1972. A summary of the gratuity plan is as follows

Fund balance	March 31, 2009	March 31, 2008
Defined benefit obligation	1,990	1,823
Fair value of plan assets	2,376	2,289
Plan Liability	(386)	(466)

The change in present value of the defined benefit obligation and funded status of the gratuity plan for the year ended March 31, 2009 and 2008 is as follows:

	March 31, 2009	March 31, 2008
Change in benefit obligation		
Benefit obligation at the beginning of the year	1,823	2,060
Current Service cost	537	(215)
Past Service cost	-	-
Interest cost	178	80
Benefits paid	(374)	(52)
Actuarial (gain) / loss	(174)	(50)
Benefit obligation at the end of the year	1,990	1,823
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	2,289	977
Return on plan assets	168	281
Actuarial gain / (loss)	293	-
Actual contribution	-	1,083
Benefits paid	(374)	(52)
Fair value of plan assets at end of year	2,376	2,289

The company expects to contribute Rs. To Gratuity fund in 2009-10.

Net gratuity cost for the year ended March 31, 2009 and year ended March 31, 2008 are as follows:

	March 31, 2009	March 31, 2008
Components of net benefit cost		
Current Service cost	537	(215)
Past Service cost	-	-
Interest cost	178	80
Expected return on plan assets	(168)	(281)
Net actuarial (gain) / loss recognised during the year	(467)	(50)
Net gratuity cost	80	(466)

The principal assumptions used in determining the gratuity plan is shown below:

	March 31, 2009	March 31, 2008
Interest rate	7.00%	8.20%
Discount rate	7.00%	8.20%
Expected return on plan assets	8.00%	8.20%
Salary increase	8.00%	9.00%
Attrition rate upto age 44	20.00%	17.00%
Attrition rate above age 44	15.00%	16.00%
Retirement age	58	58

The nature of assets allocation of the Fund is only in debt based mutual funds of high credit rating.



15. Supplementary profit and loss data

March 31, 2009 March 31, 2008

(a) Payments to auditors (included in Professional charges)

Statutory audit	225	200
Tax audit	75	25
Reimbursement of out of pocket expenses	-	15
	<u>300</u>	<u>240</u>

(b) Value of imports on CIF basis

Capital goods	37,924	34,623
Consumables	34	804

(c) Earnings in foreign currency

(on accrual basis)

Contract research fees	<u>187,612</u>	<u>147,870</u>
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(d) Expenditure in foreign currency

Travel expenses	459	885
Others	5,119	1,802
	<u>5,578</u>	<u>2,687</u>

16. Segment information

Business segments

Since the Company's business activity falls within a single business segment i.e. Clinical research, there are no additional disclosures to be provided under Accounting Standard 17 - 'Segment Reporting' other than those already provided in financial statements.

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. The following is the distribution of the Company's sale by geographical markets

Sales Revenues, net	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
India	187,612	147,919
Exports	142,908	79,244
Total	<u>330,520</u>	<u>227,163</u>

The following is the carrying amount of segment assets by geographical area in which the assets are located:

	Carrying amount of segment assets	
	March 31, 2009	March 31, 2008
India	33,554	24,757
Outside India	89,721	48,060
	<u>123,275</u>	<u>72,817</u>

17. Derivative Instruments

The unhedged foreign currency exposure as at the Balance Sheet date is as below:

	March 31, 2009	March 31, 2008
	INR	INR
Sundry Debtors	78,199	24,967
Sundry Creditors	1,306	2,337

18. Commitments

March 31, 2009 March 31, 2008

(a) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances

	<u>6,172</u>
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(b) Operating lease commitments

(i) Vehicles

The Company has taken vehicles for certain employees under operating leases. Gross rental expenses for the year ended March 31, 2009 aggregated to Rs 186 (March 31, 2008 - Rs 148). The committed lease rental in the future are:

Not later than one year	265	37
Later than one year and not later than five years	503	-

19. Contingent liabilities

(a) Service Tax matters under appeal

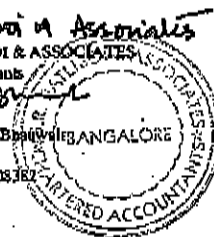
	<u>5,843</u>	<u>5,843</u>
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20. Prior year's comparative

The previous years' figures have been re-grouped / re-classified, where necessary to conform to the current years' classification.

As per our report of even date

S. R. Bhatiboi & Associates
 For S.R. BATHIBOI & ASSOCIATES
 Chartered Accountants
 per Aditya Vikram Bhatiboi
 Partner
 Membership No: 208382
 Bangalore
 April 27, 2009



For and on behalf of the Board of Directors
 of Clidgene International Limited

Kiran Mazumdar Shaw
 Director

Murali Krishnan K N
 President - Group Finance

MM Shaw
 Director

Balance sheet abstract and Company's general business profile
(all amounts in thousands of Indian rupees)

Registration details

Registration No.	27566
State Code	08
Balance Sheet Date	March 31, 2009

Capital raised during the year

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

Position of mobilisation and deployment of funds

Total liabilities and shareholders' funds	494,587
Total assets	<u>494,587</u>

Sources of funds

Paid up capital	500
Reserves	15,098
Secured Loans	71,314
Unsecured Loans	<u>290,735</u>

Application of funds

Net fixed assets	346,186
Capital work in progress	-
Net current liabilities	31,461
Accumulated losses	<u>-</u>

Performance of the Company

Turnover	330,520
Total expenditure	283,743
Profit before tax	46,777
Profit after tax	45,302
Loss per share in Rupees	906.04
Dividend rate	<u>-</u>

Generic names of three principal products/services of the Company

The Company is principally engaged in providing contract research services in the field of medical research.

