



BOARD OF DIRECTORS

Dr. K Koteswara Rao	Chairman & Managing Director
Dr. P K Ghosh	Director
Sri N Srikrishna	Director
Sri S S Marthi	Director
Sri P Narayana Murthy	Director

Registered Office:

Plot Nos. 68,69 & 70
Anrich Industrial Area,
IDA Bollaram,
Medak District. A.P.

Factory:

Plot Nos. 68,69 & 70
Anrich Industrial Area,
IDA Bollaram,
Medak District. A.P.

Auditors:

Sarath & Associates
Chartered Accountants
102, Gowri Apartments,
3-6-195/B, Urdu Lane,
Himayath Nagar,
Hyderabad.

Bankers:

ICICI Bank Ltd.

Jubilee Hills,
Hyderabad.

Bank of India

Ameerpet
Hyderabad

Karur Vysya Bank Ltd.

Jubilee Hills
Hyderabad

Share Transfer Agents:

M/s. XL Softech Systems Ltd.
3, Sagar Society, Road No.2
Banjara Hills,
Hyderabad - 500 034.

Notice

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of M/S TRANSGESNE BIOTEK LIMITED will be held on Thursday, the 30th November, 2006 at 11.00 A.M. at Plot Nos.68, 69 & 70, Anrich Industrial Area, IDA Bollaram, Medak District, to transact the following business.

ORDINARY BUSINESS:

1. ADOPTION OF AUDITED ACCOUNTS AND REPORTS

To receive, consider and adopt the Balance Sheet as at 31st March, 2006, the Profit and Loss Account for the year ended as on that date, Directors' Report and Auditors' Report thereon.

2. RE-APPOINTMENT OF DIRECTOR

To appoint a Director in place of Sri N Srikrishna who retires by rotation and being eligible offers himself for reappointment.

3. RE-APPOINTMENT OF DIRECTOR

To appoint a Director in place of

Dr P K Ghosh who retires by rotation and being eligible offers himself for reappointment.

4. APPOINTMENT OF AUDITORS

To consider and if thought fit to pass the following resolution with or without modifications as Ordinary Resolution:

" RESOLVED THAT M/s.Sarath & Associates, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of this Annual General Meeting of the Company until the conclusion of next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors in consultation with the Auditors".

By the Order of the Board
For **Transgene Biotek Limited**

Sd/-

Dr.K.Koteswara Rao

Chairman &

Managing Director

Place : Hyderabad

Date : 01.11.2006

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more Proxies to attend and vote on a poll instead of himself.
2. The Proxy need not be a member of the Company.
3. Should any member choose to exercise his right of appointing a Proxy, the Proxy Form attached herewith should be duly completed and should be deposited at the Registered Office of the Company not less than 48 Hours before the time of holding of the meeting.
4. Member/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. Members are requested to bring their copies of the report and accounts of the Company.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 27th November 2006 to Thursday the 30th November, 2006 (both days inclusive).



Directors' Report

The Board of Directors have pleasure in presenting the Sixteenth Annual Report on the business and operations of the Company and Financial accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2004-05	2005-06
Net Sales / Income	239.50	284.88
Total Expenditure	102.37	146.52
Gross Operating Profit	137.13	138.36
Interest & Financial Charges	55.50	22.52
Depreciation	26.66	28.44
Amortisation	-	3.53
Profit before Tax/Loss	54.97	83.87
Provision for Tax	4.23	5.16
Prior Period Adjustments	-	-
Net Profit	50.74	78.71

DIVIDEND

Your Directors are unable to recommend any dividend for the year due to inadequacy of profits.

OPERATIONS & PROSPECTS FOR THE FUTURE

During the year under review the total income increased to Rs. 284.88 Lakhs from Rs.239.50 Lakhs in the previous year. The Net Profit for the year rose to Rs. 78.71 Lakhs as against Rs.50.74 Lakhs for the previous year.

Vaccines - Meningococcal Meningitis Vaccines

Your Directors are pained to state that there has been considerable delay in launching the Meningococcal vaccine, in spite of completing the Phase III human trials several months ago, as was brought to your notice during the last annual general meeting. This delay has been primarily due to a dispute with the USA partner, JN International. On the positive side, the Directors are pleased to inform that this dispute is now settled as per the settlement agreement dated

28th October, 2006. The settlement terms with JNI offer your company considerable advantages in the area of marketing and distribution of this vaccine. During the year, the US IEC has approved the completed 52 week Phase III human trial report on our quadrivalent Meningococcal Meningitis vaccine, MemVac A,C,Y&W-135™ compiled on the trials conducted in two Central African countries. With this, the management has short listed few companies within and outside India, including those with whom negotiations were initiated earlier, possessing required capabilities and capacities for contract manufacturing of this vaccine. Simultaneously, negotiations are initiated with various distributors for marketing in several countries.

HAEMOPHILUS INFLUENZA B VACCINE

The technology development has been completed and is now preparing for pre-clinical trials.

NEW DRUG DELIVERY SYSTEM - ORAL INSULIN

The R&D work on Oral Delivery of Insulin is continuing. As reported already, negotiations with few global pharma majors are continuing and additional scientific data requested is being generated. With the exciting results shown in the case of oral delivery of Insulin, your management is setting its sights in using this scientific platform to develop similar technology for other protein based drugs. This expansion on the oral delivery technology platform shall be accelerated after out-licensing the oral Insulin technology. It is important to note that our oral delivery technology attains significance in the backdrop of the knowledge that pulmonary delivery of Insulin is facing significant concerns among the regulators and users.

BIO-THERAPEUTICS

In the therapeutics and vaccines divisions, the technology development has advanced to the stage of pre-clinical trials on two drugs and readying for commercial production on another drug.

ONCOLOGY

With increasing focus globally on the fast emerging and exciting gene silencing technologies and your company having entered into this arena well ahead of many others, the Directors are happy to inform you that four virology product development technologies have been added to the list of existing four Cancer drugs. The progress on the cancer drug technologies is advancing on the expected lines.

AGRI-BIOTECH DIVISION

In the Agri-biotech division, the plant tissue culture operations on Banana are getting stabilized with increasing demand while we look towards expanding into micro-propagation of Floriculture and Forestry plants too.

PATENTS AND IPR PROTECTION

In line with the business model of your company and importance placed on Intellectual Property protection, your Directors are happy to inform you that seven more patent applications in the area of new generation of viral & bacterial vaccines and oncology products, have been filed in USA during the year. Your Directors wish to reiterate that IPR and Patent protection shall be one of the focal points of your company in advancing various innovative technologies and developing new drugs.

PROSPECTS

Your Directors are happy to inform that among many other technologies and new drugs being developed, the current financial year shall witness the commercialization of meningococcal vaccine, expansion on the commercial operations of its Agri-Biotech division and commercial launch of an immuno-suppressant drug. With the robust business model of your company beginning to demonstrate the expected results, commercialization of several other products under different stages of development shall continue at regular intervals during the years to come.

DIRECTORS

In accordance to the provisions of the Companies Act, 1956 and the company's Articles of Association Sri N Srikrishna and Dr P K Ghosh retire by rotation and is eligible for re-appointment.

EXPANSION OF KEY SCIENTIFIC & ADMINISTRATIVE PERSONNEL

In line with the continuing operations on R&D and commercial activities at your company, adding new scientists to the existing manpower is an ongoing process; accordingly new scientists have been added during the year.

FIXED DEPOSITS

The company has not accepted any Fixed Deposits and the provisions of section 58A of the Companies Act, 1956 are not applicable to the Company.

AUDITORS

M/s Sarath & Associates, Chartered Accounts, the statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under the Companies Act, 1956, your Directors wish to state:

- a) That in the preparation of the annual accounts, the applicable Accounting standards have been followed along with proper explanation relating to material departures.
- b) That they have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- c) That they have taken proper and sufficient



care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and

- d) That they have prepared the accounts for the year ended 31st March, 2006 on a 'going concern' basis.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance along with Compliance Certificate of the Auditors and Management Discussion and Analysis Report are annexed hereto.

LISTING INFORMATION

The Equity Shares are listed on the Stock Exchanges at Mumbai and Hyderabad at present. The Company has paid the Annual Listing fees for the year 2006-07.

EMPLOYEE RELATIONS

The employee relations during the year continued to be cordial.

Your directors wish to thank the employees at all levels of the company for their excellent support and contribution made by them towards achieving the objectives of the Company.

There is no employee whose particulars are to be furnished pursuant to the provisions under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of

Employees) rules, 1975 as amended by the Companies (amendment) Act, 1988.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

A. Conservation of Energy, Power :

Efforts for conservation of energy and fuel consumption is an ongoing process in the Company and every effort is made in that direction.

B. Research & Development :

The Company has its own Research and Development for the purpose of rationalization and cost reduction steps. Continuous efforts are being made to optimize and streamline various processes.

C. Foreign Exchange Earnings : Nil

D. Foreign Exchange Outgo : Rs.2,41,09,596/-

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the assistance and co-operation received from the Bankers, Shareholders, Auditors, Customers and Staff of the Company during the year under review.

By the Order of the Board
For **Transgene Biotek Limited**

Sd/-

Dr.K.Koteswara Rao

Chairman &

Managing Director

Place : Hyderabad

Date : 01.11.2006

Management Discussion & Analysis

A. INDUSTRY STRUCTURE & DEVELOPMENT

It is now well established that the next revolution in industry, after IT, will be in Biotechnology. There is a tremendous thrust on Biotechnology in several countries with the expectation that this science is to open new vistas in the diagnosis and cure on several medical conditions, be it dreadful viral infections such as HIV or HCV or be it hitherto incurable cancers or be it disabling medical conditions in the new born. With the expected progress of Bioinformatics on to genomics and proteomics, new drug development has taken a new turn on several fronts hitherto thought as not possible. The new "OMICS" is opening up new possibilities also in reducing the new drug development with the expectation that it may reduce the period of new drug development considerably.

One of the fast emerging technologies in the current Biotech arena is RNA interference or some times called as Gene Silencing. RNA interference (RNAi) technology is one of the most exciting discoveries of the past decade in functional genomics and a next step in the molecular revolution, redefining drug discovery and target validation. Significantly, the technology has the potential to fundamentally change the drug discovery and development process. RNAi is a mechanism used by cells to regulate the expression of genes and replication of viruses. The RNA interference mechanism uses short interfering RNA (siRNA) to induce the destruction of target RNA using naturally occurring cellular protein machinery. Harnessing the natural phenomenon of RNAi holds potential for the development of a new class of drugs with specificity towards a wide range of diseases that result from undesirable protein production or viral replication. Areas of therapeutic applications include virus infections in plants, animals or humans,

cancer, genetic disorders and neurological diseases. It is expected that even if a few products get into the market by the year 2010, this market will expand to \$3.5 billion based on revenues from sales of RNAi-based drugs.

B. OPPORTUNITIES & THREATS

The consumption of biotechnology products is expected to increase from US\$6.4 billion to about US\$13 billion by 2000. Industrial enzymes have emerged as a major vehicle for improving product quality. In India a number of groups are gearing up to produce industrial enzymes such as alpha-amylase, proteases, and lipases, increasing three-fold by the end of the century, which will match or surpass the computer industry in size, importance, and growth. India is now producing 13 antibiotics by fermentation. Capacity exists to produce important vaccines such as DPT, BCG, JEV, cholera, and typhoid. Cell culture vaccines such as MMR and rabies, and Hepatitis-B, have also been introduced.

The coming together of biotechnology and informatics is paying rich dividends. Genome projects, drug design, and molecular taxonomy are all becoming increasingly dependent on information technology. Information on nucleotides and protein sequences is accumulating rapidly. The number of genes characterized from a variety of organisms and the number of evolved protein structures are doubling every two years. DBT has established a national Bioinformatics Network with ten Distributed Information Centres (DICs) and 35 sub-DICs. A Jai Vigyan Mission on establishment of genomic databases has been started, with a number of graphic facilities created throughout the country. This system has helped scientists involved in biotechnology research.

In agricultural sector, Gene transformation is done worldwide with four broad objectives:



(a) to develop products with new characteristics; (b) to develop pest and disease resistance; (c) to improve nutritional value; and (d) to modify fruit ripening to obtain longer shelf life. Thus the aims and objectives are laudable and the tools are available.

C. PRODUCTWISE PERFORMANCE, TBL's OUTLOOK & CONCERNS

As reported above, your Directors are happy to inform you that diversified product portfolio strategy on several technology platforms is beginning to demonstrate to the expected results. With the expected commercialization of quadrivalent Meningococcal meningitis vaccine during the current year, and also, products on other platforms advancing further towards commercialization, the outlook and performance of your company holds considerable promise in the coming years.

D. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control procedures commensurate with its size and nature of business.

The company has been maintaining records showing full details of the fixed assets and also carries out physical verification from time to time.

The company carries out periodical physical verification of stocks during the year and the

discrepancies, if any, between the physical verification and the books are attended to immediately.

E. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The details of the financial performance of the Company are in The Balance Sheet, Profit and Loss Account and other financial statements, etc., appearing separately.

F. DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT

The company has recruited several key scientists located at different R&D Centres in tune with the expansion of the areas of business of the company. It is with their dedication that your company is progressing with the development of exciting string of products expected to hit the commercial markets from 2006-2007 onwards. Likewise, the management appreciates the loyalty and commitment of scientists working at various Transgene Medical diagnostic centers.

The management is conscious of its responsibility to understand and respond appropriately to the needs of the scientists stimulating the best out of those.

The personnel of the company have been motivated and committed to bring good operating performance. Your company is in the process of upgrading its quality of human resources further. The Employee-Employer relations were cordial throughout the year.

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has been adopting the new practices in the area of Corporate Governance and has been building up the principles of transparency and accountability. Through this the company has been making an effort to continuously monitor the business plans and risks involved in the business of the company, which would enable the company to enhance the value to its stakeholders, customers, employees, Banks, Government Agencies, etc.

2. BOARD OF DIRECTORS

The constitution of the Board is given below:

No.	Name of the Director	Status	No. of Other Public Directorships(*)	No. of Memberships on Board Committee
1.	Dr.K. Koteswara Rao	Chairman & Managing Director, Promoter	NIL	2
2.	Sri P Narayana Murthy	Executive	NIL	2
3.	Sri S S Marthi	Independent	2	2
4.	Sri N Srikrishna	Independent	2	NIL
5.	Dr PK Ghosh	Independent	2	1

(*) This excludes Directorships in Indian Private Limited Companies, membership of Managing Committees of various Chambers/bodies.

The company is trying to further broadbase the Board of Directors.

3. AUDIT COMMITTEE

An Audit Committee of the Company was constituted at the meeting of the Board of Directors held on 31st July 2002 comprising of three Directors viz., Dr K Koteswara Rao, Sri S S Marthi, and Sri P Narayana Murthy. The company is in the process of reconstituting the committee based on the corporate governance norms.

TERMS OF REFERENCE

The terms of reference of the Audit Committee includes:

- To review the internal control systems
- To review Quarterly and Half-yearly results
- To review the accounting and financial policies and practices
- To review reports furnished by the internal and statutory auditors, and ensure that suitable follow-up action is taken.



During the financial year ended 31st March 2006, four meetings of the Committee were held on 27th April 2005, 4th July 2005, 30th July 2005, 29th October 2005 and 23rd January 2006. The attendance of each member of the Committee is given below:

Name of the Director	No. of Meetings Attended
Dr. K. Koteswara Rao	5
Sri S S Marthi	5
Sri P Narayana Murthy	5

4. SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprising of Dr K Koteswara Rao, Mr P Narayana Murthy, and Mr S S Marthi have been assigned the work for redressal of investor / Shareholder complaints along with approval of share transfer, sub-division/consolidation of shares, etc. The Committee oversees the performance of Registrar and Share Transfer Agents and recommends measures for overall improvement of the quality of investor services. The Share Transfers/Transmissions approved by the committee are placed at the Board Meeting from time to time.

COMPLIANCE OFFICER

Mr Gopalakrishna, the Finance Manager is the Compliance Officer of the company.

5. REMUNERATION OF DIRECTORS

The details of remuneration paid to Directors are given below :

Name of the Director	Relationship with other Directors	Sitting Fee (Rs.)	Salary & Perk (Rs.)	Total (Rs.)
Dr. K. Koteswara Rao	None	—	11,49,357/-	11,49,357/-
Sri S S Marthi	None	4,000/-	—	4,000/-
Sri P Narayana Murthy	None	4,000/-	—	4,000/-
Sri N Srikrishna	None	2,000/-	—	2,000/-

6. BOARD MEETINGS AND ATTENDANCE AT BOARD MEETINGS & ANNUAL GENERAL MEETINGS

The Board of Directors of the company met 6(Six) times during the last financial year i.e., 27th April 2005, 12th May 2005, 4th July 2005, 30th July 2005, 29th October 2005, 25th November 2005, and 23rd January 2006. The company placed before the Board the annual operating plans and budgets and performance of the company from time to time. Information, which is materially important were placed before the Board Meeting as and when the same takes place.

SIXTEENTH ANNUAL REPORT 2005-06

The attendance at the Board Meetings and Annual General Meeting was as under:

Name of the Director	Attendance at Board Meetings	Attendance at Annual General Meeting
Dr K Koteswara Rao	7	Yes
Sri S S Marthi	7	Yes
Sri P Narayana Murthy	7	Yes
Sri N Srikrishna	1	Yes
Dr P K Ghosh	NIL	Yes

7. DISCLOSURES

Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its Promoters, the directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large :

During the year, there were no transactions of material nature with the Directors or the Management or the subsidiaries or relatives that had potential conflict with the interests of the company.

8. MEANS OF COMMUNICATION

The company publishes its quarterly results in the Regional vernacular News Paper (Andhra Bhoomi) and National Newspaper (Business Standard).

The company has a website www.transgenebiotek.com where all the official news releases and the developments that are taking place in relation to the company are updated and displayed.

9. AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

A Certificate from the Auditors is enclosed along with this report.

**SHAREHOLDER'S INFORMATION**

A	Registered Office	Plot No. 68 , 69, & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.
B	Annual General Meeting	
	Date & Time	30 th November 2006 at 11.00 AM
	Venue	Plot No. 68 , 69, & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.
C	Financial Calendar	
	Financial Reporting for	
	Quarter ending June, 30 2005	Last week of July 2005
	Quarter ending September, 30 2005	Last week of October 2005
	Quarter ending December, 31 2005	Last week of January 2006
	Quarter ending March 31, 2006	Last week of April 2006
	Annual General meeting for FY ended 31 st March 2006	30 th November 2006
D	Date of Book Closure	Monday the 27 th November 2006 to Thursday the 30 th November 2006
E	Dividend Payment Date	Not Applicable
F	Listing on Stock Exchange	The Hyderabad Stock Exchange Adjacent to Erramanzil Bus Stop Somajiguda, Hyderabad – 500 082 and Bombay Stock Exchange Ltd. P J J Towers, Dalal Street Mumbai – 400 001.
G	Stock Code	526139
H	Stock Market Data	
I	Registrar and Share Transfer Agents	M/s. XL Softech Systems Limited 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034
J	Share Transfer System	Generally the shares have been transferred and returned in 30 days from the date of receipt, so long as the documents have been clear in all respects.
K	Share Transfer Committee	The Share Transfer Committee generally meets once in a fortnight.
L	Investors Relations	The Company has been able to substantially improve its investor relations.

SIXTEENTH ANNUAL REPORT 2005-06

M) Distribution of Shareholding as on 31st March 2006

Share Holder or Debenture Holding of nominal Value of		Share Holder or Debenture Holding of nominal Value of		Share / Debenture Amount	
Rs.	Rs.	Number	% of Total	Number	% of Total
(1)		(2)	(3)	(4)	(5)
Upto -	5000	7056	83.16	10833100	7.21
5001 -	10000	646	7.61	5431600	3.62
10001 -	20000	327	3.85	5215540	3.47
20001 -	30000	116	1.37	3039200	2.02
30001 -	40000	67	0.79	2467810	1.64
40001 -	50000	67	0.79	3195690	2.14
50001 -	100000	100	1.18	7424240	4.94
100001 and above		106	1.25	112592820	74.96
TOTAL		8485	100.00	150200000	100.00

N) Shareholding pattern for the quarter ended 31.03.2006

Sl. No.	Category	No. of Shares held	Percentage of Shareholding
A	Promoter's Holding		
1	Promoters		
	<u>Indian Promoters:</u>		
	Dr K Koteswara Rao (Director)	34,30,202	22.84%
	<u>Foreign Promoters:</u>	NIL	NIL
2	Persons acting in concert	26,68,556	17.77%
	Sub-Total	60,98,758	40.61%
B	Non-promoters Holding		
3	Institutional investors	NIL	NIL
a.	Mutual Funds and UTI (Govt. Financial Institutions)	NIL	NIL
b.	Banking, Financial Institutions/Insurance Companies (Central/StateGovernment Institutions/ Non-Government Institutions)	NIL	NIL
c.	FIs	8,61,783	5.74%
	Sub-Total	8,61,783	5.74%
4	Others		
a.	Private Corporate Bodies	16,18,345	12.43%
b.	Indian Public	33,39,806	22.34%
c.	NRIs/OCBs	30,09,246	20.03%
d.	Any other (Please Specify) Clearing Members	92,062	0.61%
	Sub-Total	80,59,459	53.66%
	Grand Total	1,50,20,000	100.00%

NOTE : Total Foreign Shareholding is 38,71,029 shares i.e 25.77%



O	Dematerialisation of Shares and liquidity	As on 27th October 2006 out of the total shareholding of 1,50,20,000 equity shares 88,63,705 Shares representing 59.01% of equity shares are in dematerialised form.		
P Particulars of Past Three AGMs				
AGM	Year	Venue	Date	Time
14 TH	2004	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	21 st December 2005	11.00 A.M.
13 TH	2003	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	31 st December 2004	11.00 A.M.
12 TH	2002	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	29 th December 2003	11.00 A.M.
Q	Postal Ballot	No resolution requiring a postal ballot under Section 192 A of the Companies Act, 1956 was placed before the last AGM nor is being proposed to be passed at the ensuing AGM.		
R	Nomination Facility	Shareholders holding shares in physical form and desirous of making/ changing a nomination in respect of their shareholding in the company as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the Compliance Officer in the prescribed form 2B for this purpose, which can be furnished by the company on request.		

SARATH & ASSOCIATES
CHARTERED ACCOUNTANTS

To
The Board of Directors of
TRANSGENE BIOTEK LIMITED

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance conditions of Corporate Governance of TRANSGENE BIOTEK LIMITED (the company) for the year ended 31.03.2006 as stipulated in Clause 49 of the listing agreement of the said company with the stock exchange.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination conducted in the manner described in the guidance note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of corporate governance as stipulated in Clause 49 of the listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Sarath & Associates**
Chartered Accountants

Place : Hyderabad
Date : 01.11.2006

Sd/-
P.Sarath Kumar
Partner
(M.No.21755)



Auditors' Report

To
The Members of
M/s. Transgene Biotech Limited
Hyderabad.

We have audited the attached balance sheet of M/S.TRANSGENE BIOTEK LIMITED as at 31st March, 2006 and the Profit and Loss account and 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.

We have conducted our audit in accordance with auditing standards generally accepted in India. These 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.

Further we report that:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:-
 - (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 the books;

- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow statement, dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (v) On the basis of written representations received from the directors as on 31st March, 2006, and taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view-
 - (1) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2006; and
 - (2) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - (3) In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **Sarath & Associates**
Chartered Accountants

Sd/-

Place : Hyderabad
Date : 01.11.2006

P.Sarath Kumar
Partner
(M.No.21755)

Annexure to the Auditors' Report

1. (a) The Company has maintained records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets of the Company have been physically verified by the management during the year and this revealed no material discrepancies.
(c) The Company has not disposed off any fixed assets during the year.
2. (a) The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for purchase of stores, raw materials including components, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. In our opinion, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and aggregating to Rs.500,000 or more in value during the year in respect of each party have been made at prices which are reasonable having regard to the prices at which transactions for similar services have been made with other parties. The Company has not purchased goods and materials and sold goods and materials aggregating to Rs. 500,000 or more in value during the year from/to any of the parties listed in the register maintained under section 301 of the Act.
6. The Company has not accepted any deposits from the public, during the year.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
8. According to the information and explanation given to us maintenance of cost records has not been prescribed by the Central Government under section 209 (1) of the Companies Act, 1956, for any of activities of the Company.
9. a) As explained to us by the Management, Provident Fund, Employees State Insurance Act is applicable to the company and the amounts of deductions and employer's contribution under the provident Fund Act are regularly deposited in the Government Account by the Company.
b) At the last day of the financial year there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
10. The Company has no accumulated losses as at 31st March 2006 and it has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.



11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institutions or to banks.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
15. The company has not given any guarantees for loans taken by others from banks or financial institutions.
16. The Company has not availed term loans.
17. 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.
18. The Company has not made preferential allotment of shares to parties and companies covered and recorded in the Register maintained under Section 301 of the Act.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by way of public issues during the year.
21. In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that during the year under audit, the company has not noticed or reported any fraud on or by the company.

For **Sarath & Associates**
Chartered Accountants

Sd/-

P.Sarath Kumar
Partner
(M.No.21755)

Place : Hyderabad
Date : 01.11.2006

SIXTEENTH ANNUAL REPORT 2005-06

Balance Sheet as at 31st March 2006

Particulars	SCH No.	As At 31.03.2006	As At 31.03.2005
I. SOURCES OF FUNDS			
1. SHARE HOLDERS FUNDS			
A. Share Capital	I	150200000	150200000
B. Share Application Money	II	11475529	11475529
C. Reserves & Surplus	III	920260950	912389913
2. LOAN FUNDS			
A. Secured Loans	IV	NIL	21621214
B. Unsecured Loans	V	129611248	63315299
Total		<u>1211547727</u>	<u>1159001955</u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
Gross Block	VI	129663678	124091499
Less: Depreciation		52876672	47189365
Net Block		76787006	76902134
Intellectual Property Rights		996700000	996700000
2. CURRENT ASSETS, LOANS & ADVANCES			
A. Inventories	VII	93257	NIL
B. Sundry Debtors		4867454	583008
C. Cash & Bank Balances		786550	212234
D. Loans & Advances		7127103	9321901
		12874364	10117143
Less: CURRENT LIABILITIES & PROVISIONS	VIII	6285753	8579470
NET CURRENT ASSETS		6588611	1537671
3. MISCELLANEOUS EXPENDITURE			
(To the extent not written off)	IX		
A. Product Development Expenses		131472111	83862149
Total		<u>1211547727</u>	<u>1159001955</u>
Notes on Accounts	XVI		

Vide our report of even date

For **Sarath & Associates**
Chartered Accountants

Sd/-

P.Sarath Kumar
Partner (M.No.21755)

For and on behalf of the Board
for **Transgene Biotek Limited**

Sd/-

Dr.K.Koteswara Rao
Managing Director

Sd/-

P.N.Murthy
Director

Place : Hyderabad
Date : 01.11.2006



Profit and Loss Account for the year ending 31st March 2006

Particulars	Sch. No.	As On 31.03.2006	As On 31.03.2005
I. INCOME			
1. Sales & operating income	X	17059578	9807768
2. Other Income	XI	11428696	14142092
Total		<u>28488274</u>	<u>23949860</u>
II. EXPENDITURE			
1. Materials Consumed	XII	732768	497284
2. Manufacturing Expenses	XIII	1858020	472162
3. Other Expenditure	XIV	12061115	9267338
4. Finance Charges	XV	2252703	5549779
5. Depreciation	VI	2843653	2666195
6. Product Development Expenses Written off		352809	-
Total		<u>20101068</u>	<u>18452758</u>
Profit for the Year		8387206	5497102
Less: Provision for Tax			
Income Tax		479668	422590
FBT		36500	-
Profit after Tax		7871038	5074512
Profit brought forward from Previous Year		5074512	-
Profit carried forward to Reserves		12945549	5074512

Vide our report of even date

For **Sarath & Associates**
Chartered Accountants

Sd/-

P.Sarath Kumar
Partner (M.No.21755)

For and on behalf of the Board
for **Transgene Biotek Limited**

Sd/-

Dr.K.Koteswara Rao
Managing Director

Sd/-

P.N.Murthy
Director

Place : Hyderabad
Date : 01.11.2006

-

SIXTEENTH ANNUAL REPORT 2005-06

Schedules Forming Part of the Balance Sheet & Profit and Loss A/c

PARTICULARS	As at 31.03.2006	As at 31.03.2005
SCHEDULE I		
SHARE CAPITAL		
Authorised Share Capital (2,00,00,000 Equity Shares of Rs.10/- each)	<u>200000000</u>	<u>200000000</u>
(Issued Subscribed & Paid Up Capital 1,50,20,000 Equity Shares of Rs.10/-each)	<u>150200000</u>	<u>150200000</u>
Total	<u>150200000</u>	<u>150200000</u>
SCHEDULE II		
SHARE APPLICATION MONEY		
From Directors	<u>10387356</u>	<u>10387356</u>
Others	<u>1088173</u>	<u>1088173</u>
Total	<u>11475529</u>	<u>11475529</u>
SCHEDULE III		
RESERVES & SURPLUS		
Share Premium Account		
Opening Balance	<u>3800000</u>	NIL
Received during the year	<u>NIL</u>	<u>3800000</u>
Closing Balance	<u>3800000</u>	<u>3800000</u>
Capital Reserves	<u>891265401</u>	<u>891265401</u>
Warrants Forfeiture Reserve	<u>12250000</u>	<u>12250000</u>
Profit & Loss A/c	<u>12945549</u>	<u>5074512</u>
Total	<u>920260950</u>	<u>912389913</u>
SCHEDULE IV		
SECURED LOANS		
A. Term Loan with IDBI	<u>NIL</u>	<u>21621214</u>
Total	<u>NIL</u>	<u>21621214</u>
SCHEDULE V		
UNSECURED LOANS		
A. Unsecured Loans from corporates	<u>42148</u>	<u>281409</u>
B. Interest Free Sales Tax Loan	<u>1637676</u>	<u>2094850</u>
C. From Promoters	<u>116135228</u>	<u>49460200</u>
D. From Others	<u>11796196</u>	<u>11478840</u>
Total	<u>129611248</u>	<u>63315299</u>

SCHEDULE VI

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1.04.2005	Additions During the Period	As on 31.03.2006	Up to 31.03.2005	For the Period	Up to 31.03.2006	As on 31.03.2006	As on 31.03.2005
1	Land	2008003	-	2008003	-	-	-	2008003	2008003
2	Buildings	29594079	449959	30044038	8311428	1014551	9325979	20718059	21282651
3	Buildings- Temporary Erections	64917	-	64917	64917	-	64917	-	-
4	Plant & Machinery	71862198	1933236	73795434	30534906	3497631	34032537	39762897	41327292
5	Miscellaneous Fixed Assets	370600	-	370600	181233	17604	198837	171764	189367
6	Furniture & Fixtures	382794	377188	759982	22418	32494	54912	705070	360376
7	Air Conditioner - Factory	5565891	52750	5618641	3119386	354827	3474213	2144428	2446505
8	Electrical Installations - Factory	3047191	4497	3051688	1939297	193124	2132421	919267	1107894
9	Lab Equipment	5347437	246030	5593467	1655200	349297	2004497	3588970	3692237
10	Office Equipment	630891	52952	683843	270922	42554	313476	370367	359969
11	Generator	551430	-	551430	345327	34906	380233	171197	206103
12	Computers	1438640	53600	1492240	716154	93962	810116	682124	722486
13	Vehicles	619304	-	619304	28178	56357	84535	534769	591126
	Total (A)	121483375	3170212	124653587	47189366	5687306	52876672	71776915	74294009
1	Capital Work in Progress- Buildings	2610605	2399486	5010091	-	-	-	5010091	2610605
	Total (B)	2610605	2399486	5010091	-	-	-	5010091	2610605
	Total (A+B)	124093980	5569698	129663678	47189366	5687306	52876672	76787006	76904614

Depreciation Apportion

Product Development Expenses	2843653
Profit & Loss Account	<u>2843653</u>
	5687306

SIXTEENTH ANNUAL REPORT 2005-06

Schedules Forming Part of the Balance Sheet & Profit and Loss A/c

PARTICULARS	As at 31.03.2006	As at 31.03.2005
SCHEDULE VII		
CURRENT ASSETS, LOANS & ADVANCES		
A. INVENTORIES		
Raw Materials	93257	NIL
Finished Goods	NIL	NIL
Sub - Total	<u>93257</u>	<u>NIL</u>
B. SUNDRY DEBTORS		
(Unsecured and Considered good)		
More than Six Months	583008	570129
Less than Six Months	4284446	12879
Sub - Total	<u>4867454</u>	<u>583008</u>
C. CASH & BANK BALANCES		
<u>Cash on Hand</u>		
Head Office	211	70966
Branches	111490	46993
<u>Balances with Scheduled Banks</u>		
Head Office	190928	44691
Branches	483921	49584
Sub - Total	<u>786550</u>	<u>212234</u>
D. LOANS & ADVANCES		
Advance for Capital Goods	125000	845506
Advance for Materials	247500	711308
Deposits with Government & Others	4775056	4773211
Other Advances	1979547	2991876
Sub - Total	<u>7127103</u>	<u>9321901</u>
Total (A + B + C + D)	<u>12781107</u>	<u>10117143</u>
SCHEDULE VIII		
CURRENT LIABILITIES & PROVISIONS		
Creditors for Capital Goods	525564	1089011
Creditors for Materials	190375	166033
Creditors for Expenses	904005	874075
Creditors for Others	976964	3582178
Provision for Tax	516168	422590
Provision for Expenses	3172677	2445583
Total	<u>6285753</u>	<u>8579470</u>



PARTICULARS	As at 31.03.2006	As at 31.03.2005
SCHEDULE IX		
MISCELLANEOUS EXPENDITURE (To the extent not written off)		
Deferred Rev. Expenditure		
Product Development	80788832	49917766
Technology Development cost	50683279	33944383
Total	<u>131472111</u>	<u>83862149</u>
SCHEDULE X		
SALES & SERVICE INCOME		
Sales	5672561	12879
Testing Charges	11387017	9794889
Total	<u>17059578</u>	<u>9807768</u>
SCHEDULE XI		
OTHER INCOME		
Interest & Other Income Received	28696	42092
Leave & Licence Fee received	11400000	14100000
Total	<u>11428696</u>	<u>14142092</u>
SCHEDULE XII		
MATERIAL CONSUMED		
Stock on hand (opening)	NIL	NIL
Purchases	972579	596741
Sub total	972579	596741
Less: Closing Stock	93257	Nil
Less: Raw Material for R&D	146554	99457
	<u>732768</u>	<u>497284</u>
INCREASE / DECREASE IN STOCK		
Opening Stock	NIL	NIL
Less: Closing Stock	NIL	NIL
Increase / (Decrease) in Stock	<u>NIL</u>	<u>NIL</u>

SIXTEENTH ANNUAL REPORT 2005-06

PARTICULARS	As at 31.03.2006	As at 31.03.2005
SCHEDULE XIII		
MANUFACTURING EXPENSES		
Repairs & Maintenance	230271	142468
Electrical Charges	826696	203253
Factory Maintenance	107204	46696
Laboratory Expenditure	566443	55951
Generator Maintenance	127406	23794
Total	1858020	472162
SCHEDULE XIV		
OTHER EXPENDITURE		
Salaries	1556466	1065253
ESI Employer's contribution	34301	41446
PF Employer's Contribution	162776	111272
Repairs & Maintenance	161845	69645
Books & Periodicals, Subscriptions	28567	11347
Travelling, Transport & Conveyance	932864	525889
Printing & stationery	104913	117492
Discounts	357858	201580
Directors' Sitting Fee	10000	8000
Vehicle Maintenance & Hire Charges	358676	213989
Postage & Telephones	550726	121807
Legal & Professional Charges	529588	522519
Rent, Rates & Taxes and Fees	852307	739680
Sales Tax	-	954
MD's Remunation & Perquisites	1149357	1114449
Welfare Expenses	97316	54732
Commission	5000	-
Referral Expenses	4012922	3660644
Auditors' Remuneration	162240	150000
General Expenses	993393	536640
Total	12061115	9267338
SCHEDULE XV		
FINANCE CHARGES		
Bank Charges	216424	38710
Interest on Bank Loans, Financial Institutions	2036279	5235430
Interest on Others	NIL	275639
Total	2252703	5549779



Significant Accounting Policies

A. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accruals basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied and management evaluates all recently issued or revised accounting standards on an ongoing basis.

1. Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned assets and any attributable cost of bringing the asset to the condition of its intended use.

Depreciation is provided under the straight-line method based on useful lives of assets as estimated by the Management. Depreciation is charged on a monthly pro-rata basis for assets purchased / sold during the year. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition. Out of the total Depreciation on Assets, 50% is transferred to Product development expenses account as 50% of the assets have been used for Product Development purpose. The Management's estimate of useful life for various fixed assets is as under:

Asset	Useful life of Asset in years
Buildings	30
Lab Equipment	15
Mis. Fixed Assets	21
Air Conditioners	15
Office Equipment	15
Electrical Instillation	15
Generator	15
Furniture and Fixtures	15
Plant and Machinery	20
Vehicles	10

2. REVENUE RECOGNITION

Revenue for the company is from sale of products and medical diagnostic services. Revenue from sales and services are recognized on formal acceptance by the customer/patient.

3. INVENTORIES

Raw Materials	-	Valued at Cost
Finished Goods	-	There are no closing stocks of Finished goods.

4. Expenditure on ongoing product development for "Meningitis Vaccine, Erythropoietin" is under completion stage. After obtaining commercial licenses the same will be capitalised and written off over a period of its useful life. Expenditure on ongoing product development for certain new products is accounted under the head Deferred Revenue expenditure.

SIXTEENTH ANNUAL REPORT 2005-06

Amount in Rupees

Opening Balance	Additions	Closing Balance
8,38,62,149	4,76,09,962	13,14,72,111

The management is of the opinion that the product development expenditure incurred on the products is technically feasible to generate future economic benefits and the company has sufficient technical and financial resources to complete it.

The Company has taken an Agri Biotechnology Plant at Gopannapalem Village, West Godavari District, Andhra Pradesh on lease basis from Government of Andhra Pradesh in the financial year 2004-05 for a period of 5 years. The company has incurred the product development cost of Rs.14,11,236/- towards Agri – Biotek Products (Tissue Culture Plants) and the useful life of this technology is 5 years including development period, the same was written off over a period of 4 years. During the year the company has started commercial production of Agri – Biotech products (Tissue Culture Plants)

5. RETIREMENT BENEFITS

- A) The Company is contributing to the Employees Provident fund maintained under the Employees Provident Fund Scheme by the Central Government.
- B) Leave encashment will be debited to profit and loss account as and when it has been paid.

6. INTANGIBLE ASSETS WORK-IN-PROGRESS

Work-in-progress comprises outstanding advances paid to acquire / develop fixed assets and the direct cost of tangible assets that are not yet ready for their intended use at the balance sheet date.

7. INTERNALLY GENERATED INTANGIBLE ASSETS

Direct and indirect cost incurred during planning stage, and on operational activities charged to revenue in the year in which it is incurred.

Direct cost incurred on application & infrastructure development, design and content development stages are capitalized if and only if (i) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and (ii) the cost of the asset can be measured reliably. Indirect cost incurred during application, infrastructure, development stage are charged to revenue.

8. EARNINGS PER SHARE

In determining earnings per share, the company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding at the beginning of the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares outstanding during the year.

9. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for



the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates exchange prevailing at the dates of the transactions.

10. INCOME-TAX

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years.

11. Previous year figures have been regrouped and reclassified according to the groupings and classifications made for the current financial year.

SCHEDULE XVI

NOTES FORMING PART OF THE ACCOUNTS

1. Contingent Liabilities are not provided for in respect of

	<u>2005-06</u>	<u>2004-05</u>
		(Rs. In Lacs)
(i) Customs Duty Demand in Dispute by the Company at CEGAT Tribunal	5.05	5.05

2. Contracts remaining to be executed on Capital Account for the current year are nil. (Previous year NIL).

3. The following are the requirements under the Related Party Disclosures as per the AS-18 issued by the Institute of Chartered Accountants of India.

A) KEY MANAGEMENT PERSONNEL:

Dr. K.Koteswara Rao : Managing Director

The following are the transactions relating to related party disclosure requirements

	<u>2005-06</u>	<u>2004-05</u>
		(Rs. In Lacs)
Remuneration Paid to MD	8.40	8.10
Perquisites Paid to MD	3.09	3.04

- B) The following are the transactions relating to related party disclosure requirements
Dr. K.Koteswara Rao : Managing Director

	<u>2005-06</u>	<u>2004-05</u>
		(Rs. In Lacs)
Interest free unsecured loan	666.75	475.94

4. Statement of Particulars of employees pursuant to the provisions of the Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended

SIXTEENTH ANNUAL REPORT 2005-06

up to date are not provided as there are no employees who are in receipt of the amounts prescribed under the said section. Previous Year–Nil.

5. In the opinion of the Board, current assets, loans and advances are realizable at a value, which is at least equal to the amount, at which these are stated, in the ordinary course of business. Independent confirmation of balances of sundry debtors, sundry creditors, loans and advances, and other parties are in progress on date of this report.
6. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 to the extent relevant.

DIAGNOSTIC KITS

Particulars of Capacities and Production

				2005-2006	2004-2005
	<u>UNIT</u>	<u>LICENSED</u>	<u>INSTALLED</u>	<u>PRODUCED</u>	
Biochemistry	Tests	129 Lacs	NA	NIL	NIL
Immunology	Tests	166 Lacs	NA	NIL	NIL
Elisa	Tests	293 Lacs	NA	NIL	NIL
Particulars in respect of Sale of Finished Goods -				NIL	
Particulars in respect of Stock of Finished Goods -				NIL	

AGRI BIOTEK PLANTS

Particulars of Capacities and Production

			2005-2006	2004-2005
	<u>UNIT</u>	<u>INSTALLED CAPACITY</u>	<u>PRODUCED</u>	
Banana Plants	10.00 Lakhs		5,67,256	NIL

Particulars in respect of Sale of Finished Goods

	2005-2006		2004-2005	
	Quantity (in Lacs)	Value in Lacs	Quantity in Plants (in Lacs)	Value in Lacs
Banana Plants	5.67	26.32	Nil	Nil
		<u>26.32</u>		<u>Nil</u>

Particulars in respect of Stock of Finished Goods

	2005-2006		2004-2005	
	Quantity in Plants (in Lacs)	Value in Lacs	Quantity in Plants (in Lacs)	Value in Lacs
OPENING STOCK				
Banana Plants	NIL	<u>NIL</u>	NIL	<u>NIL</u>
		<u>NIL</u>		<u>NIL</u>

CLOSING STOCK - NIL



7. The company has obtained permission for Deferment of Sales Tax Liability from the Government of Andhra Pradesh. The unpaid Sales Tax Liability till the end of the period is shown under the head Deferred payment liability amounting to Rs.16,37,676/-.
8. Deferred Tax Liability or Asset has not been provided, as per AS – 22, as in the Financial Statements, the Company has accumulated losses and there is no probability of tax liabilities arising in the coming years.
9. The company is engaged in the manufacturing of Diagnostic Products & Allied Services, Agri Biotek Plants and leave and licence fee which as per accounting standard (AS) 17 is considered the business segments.

Particulars	Diagnostics (Rs.)	Leave& Licence (Rs.)	Agri Biotek Division (Rs.)	Total (Rs.)
Revenue	1,13,87,017	1,14,00,000	56,72,560	2,84,59,577
Identifiable operating expenses	80,83,643	28,43,653	29,85,504	1,39,12,800
Segment operating income	33,03,374	85,56,347	26,87,056	1,45,46,777
Other Income				28,696
Total				1,45,75,473
Unallocable expenses				61,88,267
Net profit before tax				83,87,206
Income Tax				5,16,138
Net profit after taxes				78,71,068

10. Other income includes:

	2005-06	(Amount Rs.) 2004-05
Income from Leave & Licence Fee	1,14,00,000	1,41,00,000

SIXTEENTH ANNUAL REPORT 2005-06

11. AUDITORS' REMUNERATION

	2005-2006	(Amount Rs.) 2004-2005
Audit Fee	1,00,000	75,000
Tax Representation	50,000	15,000
Certification Charges	—	42,500
Out of Pocket Expenses	—	3,985
Service Tax Reimbursement	12,240	13,515
TOTAL	1,62,240	1,50,000

12. EARNINGS PER SHARE

	2005-2006	(Amount Rs.) 2004-2005
a) Net Profit after Tax	78,71,037	50,74,512
b) Number of Equity Shares	1,50,20,000	1,50,00,000
As at the commencement of the year		
c) Issued during the year	—	20,000
d) Total at the end of the year	1,50,20,000	1,50,20,000
e) Weighted Average Number of equity shares during the year		
Basic	1,50,20,000	1,50,00,000
Diluted	1,50,20,000	1,50,02,082
f) Earnings per Equity Share of Rs.10/- each		
Basic	Rs. 0.52	0.34
Diluted	Rs. 0.52	0.33

13. EXPENDITURE IN FOREIGN CURRENCY

	2005-06	(Amount Rs.) 2004-05
A) Traveling Expenses	5,74,120	8,97,657
B) Product Development Expenses	2,84,27,184	34,46,725
C) Chemicals	1,92,503	—
TOTAL	2,91,90,807	43,44,382



14. Product Development Expenses comprise

	2005-06		(Amount Rs.) 2004-05	
Personnel Costs				
Salaries				
a) Bio-Therapeutics	19,55,041		24,36,311	
b) NDDS	4,91,008		4,06,051	
c) TGFC	9,82,016		—	
d) Vaccines	13,82,016	49,10,082	12,18,157	40,60,519
Welfare Expenses		92,315		53,918
		50,02,397		41,14,437
Stores & Spare and Consumables				
a) Bio-Therapeutics	9,31,686		35,91,413	
b) NDDS	83,281		1,50,000	
c) TGFC	99,956		—	
		11,14,923		37,41,413
Laboratory goods and testing expenses (Bio-Therapeutics)		12,69,506		4,85,754
Depreciation & Repairs				
a) Bio-Therapeutics	18,84,335		18,49,740	
b) TGFC	7,85,139		—	
c) Vaccines	4,71,084		12,33,160	
		31,40,558		30,82,900
Clinical Research Expenses				
a) M.M.Vaccine	1,13,28,270		15,67,808	
b) Cancer Drugs	52,10,626		—	
c) TGFC	2,00,000		—	
		1,67,38,896		15,67,808

SIXTEENTH ANNUAL REPORT 2005-06

	2005-06	(Amount Rs.) 2004-05
Traveling, Conveyance & Vehicle expenses		
a) M.M.Vaccine	17,19,586	10,78,550
b) Bio-therapeutics	9,99,482	12,22,300
c) Vaccines	6,66,322	33,85,390
Lease Rent	—	8,14,865
Patents related Expenses	27,33,948	31,15,715
Payments to Attorneys	91,54,340	3,33,333
Other overheads	50,69,704	—
	4,76,09,962	84,30,200
	2,95,47,995	

15. Periodically the company evaluates all customers due to the company for collectables. The need for provisions is assessed based on the various factors including collectables of specific dues, risk perceptions of the industry in which the customers operates, and general economic factors, which could effect the customers ability to settle.
16. Schedule I to XVI form integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

Vide our report of even date

For **Sarath & Associates**
Chartered Accountants

Sd/-

P.Sarath Kumar
Partner (M.No.21755)

Place : Hyderabad
Date : 01.11.2006

For and on behalf of the Board
for **Transgene Biotek Limited**

Sd/-

Dr.K.Koteswara Rao
Managing Director

Sd/-

P.N.Murthy
Director



Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.

U	8	5	1	9	5	A	P	1	9	9	0	P	T	C	0	1	1	0	6	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code

0	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	6
---	---	---	---

Date Month Year

II Capital Raised during the year (Rs. in Thousands)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placements

						N	I	L
--	--	--	--	--	--	---	---	---

III Position of Mobilisation and Deployment of Funds

Total Liabilities

		1	2	1	1	5	4	8
--	--	---	---	---	---	---	---	---

Total Assets

		1	2	1	1	5	4	8
--	--	---	---	---	---	---	---	---

SOURCE OF FUNDS

Paid up Capital

			1	5	0	2	0	0
--	--	--	---	---	---	---	---	---

APPLICATION FUNDS

Net Fixed Assets

		1	0	7	3	4	8	7
--	--	---	---	---	---	---	---	---

Reserves and Surplus

			9	2	0	2	6	1
--	--	--	---	---	---	---	---	---

Investments

			N	I	L			
--	--	--	---	---	---	--	--	--

Secured Loans

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Assets

					6	5	8	9
--	--	--	--	--	---	---	---	---

Unsecured Loans

			1	2	9	6	1	1
--	--	--	---	---	---	---	---	---

Product Development Expenditure

			1	3	1	4	7	2
--	--	--	---	---	---	---	---	---

Share Application Money

			1	1	4	7	6
--	--	--	---	---	---	---	---

IV Performance of the Company

Turnover

				2	8	4	8	8
--	--	--	--	---	---	---	---	---

Total Expenditure

				2	0	1	0	1
--	--	--	--	---	---	---	---	---

Profit / Loss before Tax

				8	3	8	7
--	--	--	--	---	---	---	---

Profit / Loss after tax

				7	8	7	1
--	--	--	--	---	---	---	---

Earnings per share

				0	.	5	2
--	--	--	--	---	---	---	---

Dividend

						N	I	L
--	--	--	--	--	--	---	---	---

Vide our report of even date

For **Sarath & Associates**
Chartered Accountants

For and on behalf of the Board
for **Transgene Biotek Limited**

Sd/-

P.Sarath Kumar
Partner (M.No.21755)

Sd/-

Dr.K.Koteswara Rao
Managing Director

Sd/-

P.N.Murthy
Director

Place : Hyderabad
Date : 01.11.2006

SIXTEENTH ANNUAL REPORT 2005-06

Cash Flow Statement for the year ending 31.03.2006

PARTICULARS	As at 31.03.2006	As at 31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax & Extra ordinary Income	8387206	5497102
Adjustments for Depreciation	5687306	5332390
Provision for Tax	-516168	-422590
Operating Profits/Losses Before Working Capital	13558343	10406902
Changes/ Adjustments		
Trade & other Receivables	-2185386	-6289148
Trade payables and other liabilities	-2293717	1046209
Net Cash used from / in Operating Activities	9079241	5163963
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-5569698	-7671841
Product Development & Other expnses	-47609962	-24871560
Net Cash used in Investing Activities	-53179660	-32543401
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital/Application money	-	3725000
Proceeds from Borrowings (Secured)	-21621214	-19916286
Proceeds from Borrowings (Unsecured)	66295949	43247248
Net Cash from financing Activities	44674735	27055962
Net Increase/Decrease in Cash and		
Cash Equivalents (A+B+C)	574316	-323476
Cash And Cash Equivalents as on 01.04.2005 (Opening Balance)	212234	535710
Cash And Cash Equivalents as on 31.03.2006 (Closing Balance)	786550	212234

Vide our report of even date

For **Sarath & Associates**
Chartered Accountants

Sd/-

P.Sarath Kumar
Partner (M.No.21755)

Place : Hyderabad
Date : 01.11.2006

For and on behalf of the Board
for **Transgene Biotek Limited**

Sd/-

Dr.K.Koteswara Rao
Managing Director

Sd/-

P.N.Murthy
Director