

**BOARD OF DIRECTORS**

Dr K. Koteswara Rao	- Chairman & Managing Director
Prof. N.C. Subramanyam	- Director
Dr Chilakapati Basant Kumar	- Director
Sri S.S. Marthi	- Director
Sri P.Narayana Murthy	- Director

**REGISTERED OFFICE**

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

**FACTORY**

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

**BANKERS**

ICICI Bank Ltd.,  
Jubilee Hills,  
Hyderabad

Bank of India  
Ameerpet,  
Hyderabad

**AUDITORS**

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

**SHARE TRANSFER AGENTS**

M/s Ikon Visions Pvt. Ltd.,  
Flot No.303, Sanali Havens,  
8-3-948, Ameerpet,  
Hyderabad- 500 073

**DIRECTORS REPORT**

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of the Company and Financial accounts for the year ended 31st March, 2003.

**FINANCIAL RESULTS**

Particulars	2002-2003	2001-2002
Net Sales/ Income	216.13	146.38
Total Expenditure	97.69	85.86
Gross Operating Profit	118.44	60.52
Interest and Financial Charges	7.47	1.55
Depreciation	52.83	49.74
Amortisation	4.65	5.17
Profit before Tax/Loss	53.48	4.06
Provision for Tax	NIL	NIL
Prior period Adjustments	19.43	1.22
Net Profit	34.06	46.91

**DIVIDEND**

Your Directors are unable to recommend any dividend due to existing cumulative losses.

**OPERATIONS**

During the year under review the total income increased to Rs. 216.13 Lakhs from Rs.146.38 Lakhs in the previous year. The Net Profit for the year rose to Rs.34.06 Lakhs as against to Rs.2.24 Lakhs for the previous year, thus showing a **fifteen** fold increase over the previous year.

As informed in the previous year's report, the company has opened a new diagnostic centre at Palakol Town W.G. Dt, A.P and also a Specialty Diagnostic Services Center at Hyderabad. Your Directors are happy to inform you that all four diagnostic centers have been performed well.

The agreement entered into with M/s Biological Evans Limited in the previous year for utilization of part facilities of the company continues to be in effect.

The in-house R&D work in connection with the recombinant products is proceeding as per the plans of the company.

Your Directors has received the approval from Secretariat for Industrial Assistance, Government of India, New Delhi in September 2003 to manufacture three recombinant drugs- Erythropoietin, Interferon Alpha 2b and Interferon Gamma. The Transfer of technology from RBB Inc., of USA for these drugs is to commence from February,2004 onwards.

Your Directors are happy to inform that the trials for the development of meningitis vaccine Are at an advanced stage. Your company in collaboration with JN-International, USA has obtained the necessary approvals from Institutional Ethical Committee(IEC) and Institutional Bio-Safety Committee(IBC) from USA and also IRB approvals from Niger and Birkinio Fasco, Central Africa for conducting Phase III human trials in the later two countries.

Mem Vac A,C,Y& W -135<sup>TM</sup> have completed the critical stage in both African Countries.

The trials using Meningococcal meningitis vaccine, Mem Vac A,C,Y & W-135™ developed jointly by Transgene Biotek Ltd and JN-International, Inc are presently in progress in two named central African countries. As informed to you earlier M/s World Health Organization ( WHO) has expressed its keen desire to procure this Meningitis Vaccine from us. The company expects to launch this vaccine during the first quarter of 2004.

Your Directors are happy to inform you that the company has entered into One Time settlement scheme with M/S SBI and IDBI. Consequent to the same, the dues to M/S SBI have been cleared completely and an amount of Rs.225 lakhs has already been paid to M/S IDBI. Thus, we are happy to inform you that the Debt burden on your company has been reduced substantially in all aspects including those of NBFCs also.

**PREFERENTIAL ALLOTMENT**

Your Directors are happy to inform you that several valued Foreign institutional Investors (FIIs) viz., M/s Batterymarch Financial Management Inc., USA, M/s Llyod George Investment management(Bermuda)Limited, Hong Kong and M/s Matterhorn Ventures, Mauritius, have shown keen interest in the actives of the company. Hence, the company had made a preferential offer of 10,00,000 Equity shares of Rs.10/- each along with 10,00,000 Convertible Warrants of rs.10/- each to them. The Equity Shares of Rs.10/- each were subscribed at a premium of Rs.50/- per share and the convertible warrants are to be converted into equity shares of rs.10/- each at a premium of Rs,115/- per share after a period of one year from the date of allotment. The monies in this regard have been received in full and the shares and convertible warrants were allotted to the following on 24th July 2003.

Sl. No.	Name of the allottee	No of shares allotted	No of convertible warrants allotted
I	M/s Batterymarch Financial Management Inc., Bostan,USA	4,40,000	4,40,000
II	M/s Llyod George Investment Management(Bermuda)Limited, Hong Kong	4,40,000	4,40,000
III	M/s Matterhorn Ventures, Mauritius,	1,00,000	1,00,000
IV	Dr K Koteswara Rao( Promoter) Hyderabad	20,000	20,000

The Company is awaiting the listing approval from the stock Exchanges.

The Funds received out of the Preferential Offer are being utilized as per the terms of offer viz., for setting up a manufacturing facility for the production of quadrivalent Meningococcal Meningitis vaccine at the present factory premises, development of several other products viz., Hepatitis C Vaccine, Erythropoietin, and Interferon's etc., and payment of institutional debts.

**AMALGAMATION OF M/S SAKET BIOTECHNOLOGIES PRIVATE LIMITED (SBPL)**

The Board of Directors of your company, in-principle, approved the amalgamation of SBPL with our company at their meeting held on 24th July 2003. SBPL has developed a technology for delivering **INSULIN and HEPATITIS B BY ORAL ROUTE**. This technology has already received US patent while similar patent rights from PCT countries also awaited. It was also decided to proceed further with this matter by appointing a suitable agency for valuing the intellectual Property Rights(IPR) of M/s Saket Biotechnologies Private Limited.

The exercise for valuation of the Intellectual Property rights of M/s SBPL has been assigned to M/s APITCO along with M/s FORST & SULLIVAN, an internationally renowned origination. The valuation exercise is expected to be completed shortly after which the scheme of Amalgamation would be announced.

**PROSPECTS**

Your company is poised for a phenomenal growth in the field of biotechnology. The company has been working on several technologies and products as part of its research and development. With the company coming out of the debt burden and also strengthening itself by strategic alliances, the prospects for the company look exciting and formidable.

**DIRECTORS**

Prof N C Subramanian retires by rotation at the ensuing Annual General Meeting and is not opting for reappointment due to preoccupation.

Sri S S Marthi retires by rotation at the ensuing Annual General Meeting and being eligible offers for reappointment

**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 Accountants, 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:

- That the preparation of the annual accounts, the applicable Accounting standards had been followed along with proper explanation relating to material departures.
- That they have selected such accounting policies and applied the consistently and made judgments and estimates that were reasonable and prudent so as to give 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.
- That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act,1956 safeguarding the assets of the company and for preventing and detecting fraud and other irregularities: and
- That they have prepared the accounts for the year ended 31st March, 2004 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 at present listed on the Stock Exchanges at Mumbai and Hyderabad. The Company has paid the Annual Listing fees for the year 2003-04.

**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.

**TRANSGENE BIOTEK LIMITED**

There is no employee whose particulars are to be furnished pursuant to the provisions of 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.

**CONVERSION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

- A. Conversion of Energy, Power and fuel Consumption : Efforts for conservation is an ongoing process in the Company and every effort is made in that direction.
- B. Research & Development : The Company as its own research and Development for the purpose of rationalization and cost reduction steps. Continuous efforts are on to streamline and indigenize the manufacturing process.
- C. Foreign Exchange Earnings : Nil
- D. Foreign exchange outgo : Rs.17,07,144/-

**ACKNOWLEDGEMENTS**

Your Directors place on record their appreciation for the assistance and co-ordination 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 : 29.11.2003

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **a) INDUSTRY STRUCTURE & DEVELOPMENT**

The modern biotechnology industry is vast and encompasses bioinformatics, pharma, agriculture, natural products, environment and marine biotech among other areas. Biotechnology is one of the most research intensive industries in the world.

More than 325 million people worldwide have been helped by more than 155 biotechnology drugs and vaccines. There are more than 370 biotech drug products and vaccines currently in clinical trials targeting more than 200 diseases, including various cancers, Alzheimer's disease, diabetes, multiple sclerosis, AIDS and arthritis.

The biotechnology industry has mushroomed since 1992, with revenues increasing from \$8 billion in 1992 to \$34.8 billion in 2001. Market capitalization, the total value of publicly traded companies at market prices, was \$ 206 billion as of mid- April 2003.

As a country, India offers some significant competitive advantages in the area of Biotechnology such as low-cost technology in clinical trials, R&D, molecule synthesis and fine chemicals production.

The Government of India estimates that over the next five years, possibilities could be created for fresh investment of US \$ 150 million in India that hold the promise of changing the biotech production scenario- not just domestically but globally as well - considerably. This is an opportunity for both the Indian as well as overseas organizations to evaluate and exploit for investment strategy not only as a producer but also as a major developer.

### **b) OPPORTUNITIES & THREATS**

Indian Pharmaceutical Industry is at a turning point. Drug discovery process has undergone a major change because of emergence of biotech base drug molecules. The tight intellectual property regime requires focusing on new drugs to discover and their protection. Indian pharmaceutical firms have to change their trajectories to meet these challenges. This may need quantum jumps in quality systems, innovation manufacturing and marketing competence.

In the Genetics field, where ethical questions raised by the use of genetic information are very sensitive, common regulations are essential. In regard to current genetic developments, there are great hopes for developing preventive and curative treatments genetically in herited diseases. But there are also concerns that discrimination against a person on grounds of his genetic heritage may appear. These fears are substantiated also in the insurance and employment fields.

### **c) PRODUCTWISE PERFORMANCE, OUTLOOK & CONCERNS**

Your company has changed its initial focus on diagnostics to genetically engineered products- Vaccines and therapeutics. Manufacturing of diagnostic products has been stopped and the existing facilities are to be modified to address the emerging needs of the vaccines and therapeutic drugs.

### **d) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The company has adequate internal control procedures commensurate with its size and nature of business. These internal policies ensure efficient use and protection of assets resources, compliance with polices, statutes, etc.

The company maintains records covering fixed assets and verification of the same from time to time

The company has internal auditing system in place to monitor and recommend the adequacy of book keeping.

### **e) FINANCIAL PERFORMANC 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. The company is continuously

making efforts to pay of its debts and to make it a zero debt company and also increase its performance.

**f) DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT**

The company has several key scientists located at different R&D centers in tune with the development of several bio-pharmaceuticals. It is with their dedicated support that your company is progressing with exciting string of products expected to hit the commercial markets from year 2004-2005 onwards. Likewise, the management appreciates the loyalty and commitment scientists working at various diagnostic centers.

The management is conscious of its responsibility to under stand and respond appropriately to the needs of the scientists stimulating the 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.

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**CORPORATE GOVERNANCE REPORT**

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Management of the Company believe that corporate performance in the long run is co-related to corporate governance and that well governed companies mitigate 'non-business risks' better. It is, therefore, committed to further improve the Corporate governance practices in the company by laying emphasis on 'substance' of Corporate Governance over the 'form'. The company endeavors to adopt the best practices in corporate governance and there by aims to increase the value for all its stake holders.

**2. BOARD OF DIRECTORS**

The constitution of the Board is given below:

NAME OF THE DIRECOR	STATUS	NO.OF OTHER PUBLIC DIRECTORSHIPS(*)	NO.OF MEMBERSHIPS ON BOARD COMMITTEES
DR K KOTESWARA RAO	CHAIRMAN & MANAGING DIRECTOR, PROMOTER	NIL	2
DR C BASANT KUMAR	PROMOTER, NON-EXECUTIVE DIRECTOR	NIL	NIL
SRI S S MARTHI	INDEPENDENT	1	2
SRI P NARAYANA MURTHY	EXECUTIVE	NIL	2
PROF. N C SUBRAMANYAM	INDEPENDENT	NIL	NIL

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

The company is already in the process of appointing additional directors to comply fully with the corporate Governance.

**3. AUDIT COMMITTEE**

An Audit Committee of the Company was constituted at the meeting of the Board of Directors held on 31st July 2002 w.e.f., 1st August 2002. The said committee comprises of three Directors viz., Dr K Koteswara Rao, Sri S S Marthi, and Sri P Narayana Murthy.

**TERMS OF REFERENCE**

The terms of reference of Audit Committee includes:

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

**TRANSGENE BIOTEK LIMITED**

During the financial year ended 31st March 2003, three meetings of the Committee were held on 31st August 2002, 19th October 2002, and 23rd January 2003. The attendance of each member of the Committee is given below:

NAME OF THE DIRECTOR	NO OF METINGS ATTENDED
DR K KOTESWARA ARO	3
SRI S S MARTHI	3
SRI P NARAYANA MURTHY	3

**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 of redressal of investors/ Shareholders complaints along with approval of share transfers, sub-division/ consolidation of shares, etc. The Committee oversees the performance of Registrar and Share transfer Agents and recommends measures for overall improvement of 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 Gopala Krishna, Accounts Manager, is the Compliance Officer of the company.

**5. REMUNARATION OF DIRECTORS**

The details of remuneration paid to directors are given below:

NAME OF THE DIRECTOR	RELATIONSHIP WITH OTHER DIRECTORS	SITTING FEE (Rs.)	SALARY & PERKS(Rs.)	TOTAL (Rs.)
DR K KOTSWARA RAO	Related to Dr C Basant Kumar	—	9,99,550	9,99,550
SRI S S MARTHI	None	—	—	—
SRI P NARAYANA MURTHY	None	—	—	—
DR C BASANT KUMAR	Related to Dr K Koteswara Rao	—	—	—

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

The Board of Directors of the Company met 5 (Five) times during the last financial year i.e.29th April 2002, 31st July 2002,31st August 2002, 19th October 2002, 23rd January 2003. 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.

The attendance at the Board Meeting and annual general Meeting was as under:

NAME OF THE DIRECTOR	ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT ANNUAL GENEARL MEETING
DR K KOTESWARA RAO	5	YES
SRI S S MARTHI	5	YES
SRI P NARAYANA MURTHY	5	YES
DR C BASANT KUMAR	5	NO
PROF NC SUBRAHMANYAM	NIL	NO

**7. DISCLOSURES**

No transactions of material nature, with its Promoters, the directors or the Management, their subsidiaries or relatives etc., the may have potential conflict with the interest of the company. The company has not entered into any contract with the Directors, which requires any entry in the register of contracts as required under the provisions of the Companies Act,1956. There are no pecuniary transactions with the independent/ non- executive directors other than payment of remuneration disclosed in Claus 5 above.

**8. MEANS OF COMMUNICATION**

The company publishes its quarterly results in the Regional circular News paper ( Andhra Bhoomi) and National News paper ( Business Standard).

The Company has a website [www.transgenebiotek.com](http://www.transgenebiotek.com) where all the official news releases and developments that are taking place in relation to the company are updated.

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

A certificate from the auditors is enclosed along with this report.

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SHARE HOLDERS INFORMATION

A	REGISTRED OFFICE	Plot No. 68,69 &70 Anrich Industrial Area IDA Bollaram Medak District.A.P.
B.	Annual General Meeting Date & Time Venue	29th December 2003 at 11.00 AM Plot No. 68,69&70 Anrich Industrial Area IDA Bollaram Medak District.A.P
C.	Financial Calendar Financial reporting for Quarter ending June, 30 2002 Quarter ending September, 30 2002 Quarter ending December, 30 2002 Quarter ending March, 31 2003 Annual General meeting for FY Ended 31st March 2003	Last week of July 2002 Last week of October 2002 Last week of January 2003 Last week of April 2003 29th December 2003
D.	Date of Book Closure	Wednesday the 24th December 2003 to Monday the 29th December 2003
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 The Stock Exchange, Mumbai PJ Towers, Dalal Street, Mumbai-400 001
G.	Stock Code	526139
H.	Stock Market Data	The share is actively traded on The stock Exchange, Mumbai
I.	Registrar and Share Transfer Agents	M/s Ikon Visions Private Limited Flot No. 33, Sanali Havens, 8-3-948 Ameerpet, Hyderabad-500 073
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 a fortnight
L.	Investor Relations	The Company is in the process of toning up its investors relations. All the shares that have been received for physical transfer and for dematerialization during the calendar year 2003 have been cleared.

M. Distribution of shareholding as on 31st March 2004

Share Holders or Debenture Holding of nominal value of			Share Holders 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	5328	94.80	266375500	33.55
5000	----	10000	12	2.16	1037800	1.31
10001	----	20000	72	1.28	1090500	1.37
20001	----	30000	21	0.37	563000	0.71
30001	----	40000	16	0.80	59000	0.75
40001	----	50000	14	0.26	682150	0.86
50001	----	100000	27	0.48	1994000	2.51
100001	and	above	21	0.37	46796000	58.94
	TOTAL		5620	100.00	79400000	100.00

N. SHAREHOLDING PATTERN FOR THE QUARTER ENDED 31.03.2003

Sl.No	Category	No. of Shares Held	Percentage of Shareholding
A.	Promoter's Holding		
1.	Promoters		
	Indian promoters:		
	Dr.K.Koteswara Rao( & Director)	43,87,600*	55.26%
	Dr.C. Basant Kumar(&Director)	16,400	0.21%
	Foreign Promoters:	NIL	NIL
2.	Persons acting in concert	NIL	NIL
	Sub-Total	44,04,000	55.47%
B.	Non-Promoters Holding		
3.	Institutional Investors	NIL	NIL
A.	Mutual Funds and UTI( Govt.Financil Institutions)	NIL	NIL
B.	Banking, Financial Institutions/ Insurance Companies( Central/ State Government Institutions/ Non- Government Institutions)	NIL	NIL
C.	FII's	NIL	NIL
	Sub-Total	NIL	NIL
4.	Others		
a.	Private corporate Bodies	1,36,615	1.72%
b.	Indian Public	27,99,353	35.25%
C.	NRIs/ OCBs	6,00,032	7.56%
d.	Any Other (Please Specify)		
	Directors & Relatives	NIL	NIL
	Sub-Total	35,36,000	44.53%
	Grand Total	79,40,000	100.00%

Total Foreign Share Holding is 6,00,032 shares i.e.,7.56%

Note:

- 1) The shares shown against Dr K.Koteswara Rao, Promoter, include 25,00,000 shares allotted but pending listing approval

O. Dematerialization of shares and liquidity      As on 29th November 2003 out of the total share holding 79,40,000 equity shares 54,40,000 equity shares are listed on the stock exchange out of which 56.24% of equity shares in dematerialized form.

P. Particulars of past Three AGMs

AGM	Year	Venue	Date	Time
12th	2002	Plot No.68,69&70 Anrich Industrial Area IDA Bollram Medak District. A.P	30th September 2002	10.30A.M.
11th	2001	Community Hall Bharatinagar Colony, LIG, Ramachandrapuram	10th November 2001	11.30A.M.
10th	2000	Community Hall Bharatinagar Colony, LIG, Ramachandrapuram	16th December 2000	11.30A.M.

Q. Postal Ballot      No resolution requiring a postal ballot under Section 192A 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 31.03.2003as 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

Sd/-  
B.V.B.P.N.R.SUBBA RAO  
PARTNER

Place: Hyderabad  
Date: 29.11.2003

**AUDITORS' REPORT**

TO  
THE MEMBERS OF  
**TRANSGENE BIOTEK LIMITED**

We have audited the attached balance sheet of TRANSGENE BIOTEK LIMITED as at 31<sup>st</sup> March, 2003 and the profit and loss account 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 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. And 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 Manufacturing and Other companies (Auditor's Report) Order, 1988, issued by the Company Law Board 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 and Profit and Loss Account are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet and the Profit and Loss Account 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 31<sup>st</sup> March, 2003, and taken on record by the Boards of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (vi) No Provision has been made for interest on secured loans from IDBI, hence the profit for the year is over stated and the extent of the amount could not be quantified as the Company has putforth a One Time Settlement Proposal with IDBI and the amount at which the same would be settled is under negotiations.
  - (vii) 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 subject to note no. 4 (Notes on Accounts) regarding Gratuity 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 31<sup>st</sup> March, 2003; and
- (2) In the case of the profit and Loss Account, of the profit of the Company for the year ended on that date.

**Annexure Referred to in Paragraph (1) of our Report of even Date:**

1. The company has to update the records to show full particulars including quantitative details and situation of fixed assets. The Management has certified that it has verified the fixed assets physically during the year and it is explained that there are no serious discrepancies noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. As explained to us, the stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management and was also explained to us that there were no closing stocks of the same at the end of the year. In our opinion, the frequency of verification is reasonable.
4. According to the information and explanations given to us, in our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt within the books of accounts.
6. In our pinion, the valuations of stocks is fair and proper and is in accordance with the normally accepted accounting principles. There is no change in the basis of valuation as compared to previous years.
7. The Company has not taken any loans, secured or unsecured, from companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or from company under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interests of the Company .
8. The Company has not granted any loans, secured or unsecured, to companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to company under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interests of the Company.
9. The company has not granted any advances in the nature of loans.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.

11. During the year under audit, the company has not entered into any contract or arrangement with companies, firms or other parties listed in register maintained under Section 301 of the companies Act, 1956, of purchase of goods and materials for sale of goods, materials and services, except that a portion of the factory building premises has been let out to M/s. SAKET BIOTECHNOLOGIES PRIVATE LIMITED, a company in which two directors are interested.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods.
13. According to the information and explanations given to us, the Company has not accepted any deposits as define under Section 58 A of the Companies Act, 1956 and the rules framed there under during the period under review. However the company has taken unsecured loans of Rs. 89,66,608/- from others including corporates.
14. As explained to us, the Company has no by-products. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap.
15. The company has introduced during the year under consideration, an Internal Audit System commensurate with the size & nature of its business.
16. According to the information 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.
17. The provisions of The Provident Fund Act, and Employees' State Insurance Act are applicable to the Company for the period under review but the company is not regular in payment of contributions to the Government.
18. According to the information and explanations given to us, and the records of the company examined by us there are no undisputed amounts payable in respect of Wealth-tax, sales tax, customs duty and excise duty which have remained outstanding, as at 31<sup>st</sup> March, 2003, for period of more than six months from the date they became payable. However an amount of Rs. 325876/- is outstanding as on 31<sup>st</sup> March 2003 to towards Tax deducted at Source not paid in time.
19. According to the information and explanations given to us and the records of the Company examined by us no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

**FOR SARATH & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

Sd/-

**B.N.V.B.P.R. SUBBA RAO**  
**PARTNER**

Place: Hyderabad  
Date: 29-11.2003

**TRANSGENE BIOTEK LIMITED**  
68,69 & 70, Anrich Industrial Area  
Bollarum, Medak District  
**BALANCE SHEET AS ON 31ST MARCH'2003**

PARTICULARS	SCH NO	AS AT 31.03.2003	AS AT 31.03.2002
<b>I. SOURCE OF FUNDS</b>			
<b>1. SHARE HOLDERS FUNDS</b>			
A. Share Capital	I	79400000	79400000
B. Share Application Money	II	26923735	18903998
C. Reserves & Surplus	III	40800000	40800000
<b>2. LOAN FUNDS</b>			
A. Secured Loans	IV	60252891	62232891
B. Unsecured Loans	V	13703095	17092443
<b>Total Source of Funds</b>		<u><b>221079721</b></u>	<u><b>218429332</b></u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>			
Gross Block	VI	116845793	112713914
Less: Depreciation		27822323	22539674
Net Block		89023470	90174240
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
A. Inventories		0	13717
B. Sundry Debtors		574809	422842
C. Cash & Bank Balances		227836	406524
D. Loans & Advances		16860963	10697804
		17663608	11540887
Less: CURRENT LIABILITIES & PROVISIONS	VIII	<u>9605934</u>	<u>4947196</u>
<b>NET CURRENT ASSETS</b>		8057674	6593691
<b>PROFIT &amp; LOSS A/C</b>		100614227	104019914
<b>3. MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off)	IX		
A.Preliminary Expenses		135659	150732
B.Public & Rights Issue Expenses		2592006	2880007
C.R&D, Product Development Expenses		20656685	14610748
		<u>23384350</u>	<u>17641487</u>
		<u><b>221079721</b></u>	<u><b>218429332</b></u>
<b>Notes on Accounts</b>	XVI		
Vide our Report of even date			
For Sarath & Associates			For and on behalf of the Board
Chartered accountants			
Sd/-			
B.N.V.B.P.R.Subba Rao			
Partner		Sd/-	Sd/-
		<b>Dr.K.K.Rao</b>	<b>P.N.Murthy</b>
		<b>Managing Director</b>	<b>Director</b>

Place : Hyderabad  
Date : 29.11.2003

TRANSGENE BIOTEK LIMITED  
68,69 & 70, Anrich Industrial Area  
Bollarum, Medak District

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDING 31ST MARCH'2003

PARTICULARS	SCH NO	As on 31.03.2003	As on 31.03.2002
<b>I. INCOME</b>			
1. Sales & operating income	X	8546642	8029033
2. Other Income	XI	13079868	6645603
3. Decrease in Stock		-13717	-36342
<b>Total</b>		<b>21612793</b>	<b>14638294</b>
<b>II. MATERIAL CONSUMED</b>			
1. Materials Consumed	XII	699131	667856
2. Manufacturing Expenses	XIII	543089	625870
3. Other Expenditure	XIV	8527422	7292064
4. Finance Charges	XV	747245	155391
5. Depreciation		5282649	4974160
6. Miscellaneous Expenses W/o		464885	516539
<b>Total</b>		<b>16264420</b>	<b>14231880</b>
Profit/ Loss for the Year Prior Period & Extraordinary Items		5348373 1942686	406414 182800
Profit/ Loss for the Year		3405687	223614
Profit/ Loss brought forward from Previous Year		-104019914	-104243528
<b>Profit/ Loss carried forward to Balance Sheet</b>		<b>-100614227</b>	<b>-104019914</b>
Vide our Report of even date For Sarath & Associates Chartered accountants Sd/- B.N.V.B.P.R.Subba Rao Partner		For and on behalf of the Board  Sd/- <b>Dr.K.K.Rao</b> Managing Director	Sd/- <b>P.N. Murthy</b> Director

Place : Hyderabad  
Date : 29.11.2003

**TRANSGENE BIOTEK LIMITED**  
**68,69&70, Anrich Industrial Area**  
**Bollaram, Medak District.**

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

SCH NO	PARTICULARS	AS AT 31.03.2003	AS AT 31.03.2002
<b>I. SHARE CAPITAL</b>			
	Authorised Share Capital (1,00,00,000 Equity Shares of Rs.10/- each)	100000000	100000000
	Issued Subscribed & Paid Up Capital (79,40,000 Equity Shares of Rs.10/- each)	79400000	79400000
	<b>Total</b>	<b>79400000</b>	<b>79400000</b>
<b>II. SHARE APPLICATION MONEY</b>			
	From Directors	9587356	2261188
	Others	17336379	16642810
		<u>26923735</u>	<u>18903998</u>
<b>III RESERVES &amp; SURPLUS</b>			
	Share Premium account	40800000	40800000
	<b>Total</b>	<b>40800000</b>	<b>40800000</b>
<b>IV. SECURED LOANS</b>			
	A. Term Loan with IDBI	54309891	54309891
	B. Working Capital from SBI	5943000	7923000
	<b>Total</b>	<b>60252891</b>	<b>62232891</b>
<b>V. UNSECURED LOANS</b>			
	A. Unsecured Loans from corporates	3617145	8448597
	B. Interest Free Sales Tax Loan	4736487	5917140
	C. Lease Financing	1123457	1278537
	D. Others	4226006	1448169
	<b>Total</b>	<b>13703095</b>	<b>17092443</b>

**TRANSGENE BIOTEK LIMITED**

**TRANSGENE BIOTEK LIMITED  
68,69 & 70, Anrich Industrial Area, Bollaram  
MEDAK DISTRICT.  
SCHEDULE - VI**

**Schedule Forming Part of the Balance Sheet for the period ending 31st March'2003**

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1.04.2002	Additions during the period	As on 31.03.2003	Up to 31.03.2002	For the Year	Up to 31.03.2003	As on 31.03.2003	As on 31.03.2002
1	Land	2008003		2008003		0	0	2008003	2008003
2	Buildings	25136301	2029908	27166209	4,100,953	907351	5008304	22157905	21,035,348
3	Buildings - Temporary Erections		64917	64917		64917	64917	0	0
4	Plant & Machinery	67731759	1861122	69592881	14,178,433	3285653	17464086	52128795	53,553,326
5	Miscellaneous Fixed Assets	370600		370600	93,213	17604	110817	259784	277,387
6	Furniture & Fixtures	12985	1750.00	14735	994	684	1678	13057	11,991
7	Air Conditioner - Factory	5565891		5565891	1,533,663	352321	1885984	3679907	4,032,228
8	Electrical Installations - Factory	3047191		3047191	974,862	192887	1167749	1879442	2,072,329
9	Lab Equipment	3935922	140182	4076104	580,641	253214	833855	3242249	3,355,281
10	Office Equipment	489982	26000	515982	123,147	31902	155049	360933	366,835
11	Generator	538430		538430	174,089	34083	208172	330258	364,341
12	Computers	1101020	8000	1109020	366,166	70029	436195	672825	734,854
13	Vehicles	1018470		1018470	413,513	72006	485519	532951	604,957
	Total ( A )	110956554	4131879	115088433	22539674	5282649	27822323	87266110	88416880
1	Machinery in Transit	1757360	0	1757360	0	0	0	1757360	1757360
	Total ( B )	1757360	0	1757360	0	0	0	1757360	1757360
	Total ( A + B )	112713914	4131879	116845793	22539674	5282649	27822323	89023470	90174240

**TRANSGENE BIOTEK LIMITED**  
**68,69&70, Anrich Industrial Area**  
**Bollaram, Medak District.**

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

SCH NO	PARTICULARS	AS AT 31.03.2003	AS AT 31.03.2002
<b>VII. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>A. INVENTORIES</b>			
	Raw Materials	0	0
	Finished Goods	0	13717
	<b>Sub - Total</b>	<u><u>0</u></u>	<u><u>13717</u></u>
<b>B. SUNDRY DEBTORS</b>			
	(Unsecured and Considered good)		
	More than Six Months	472133	153372
	Less than Six Months	102676	269470
	<b>Sub - Total</b>	<u><u>574809</u></u>	<u><u>422842</u></u>
<b>C. CASH &amp; BANK BALANCES</b>			
	Cash on Hand	123372	229610
	Balances with Scheduled Banks	31428	22817
	Cash & Bank - Branches	73036	154097
	<b>Sub - Total</b>	<u><u>227836</u></u>	<u><u>406524</u></u>
<b>D. LOANS &amp; ADVANCES</b>			
	Advance for Capital Goods	35020	35020
	Advance for Materials	423162	128616
	Deposits with Government & Others	131764	1303814
	Other Advances	15085167	9230354
	<b>Sub - Total</b>	<u><u>15675113</u></u>	<u><u>10697804</u></u>
	<b>Total (A+B+C+D)</b>	<u><u>16477758</u></u>	<u><u>11540887</u></u>
<b>VIII. CURRENT LIABILITIES &amp; PROVISIONS</b>			
	Creditors for Capital Goods	973923	865575
	Creditors for Materials	285912	145862
	Creditors for Expenses	1685037	773224
	Creditors for Others	3202270	348316
	Over Draft with Scheduled Banks	393695	75072
	Provision for Expenses	3065097	2739148
	<b>Total</b>	<u><u>9605934</u></u>	<u><u>4947197</u></u>

**TRANSGENE BIOTEK LIMITED**  
**68,69&70, Anrich Industrial Area**  
**Bollaram, Medak District.**

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

SCH NO	PARTICULARS	AS AT 31.03.2003	AS AT 31.03.2002
<b>IX. MISCELLANEOUS EXPENDITURE</b>			
	A. Preliminary Expenses	135659	150732
	<b>Sub-Total</b>	<u>135659</u>	<u>150732</u>
	Public Issue Expenses	1507985	1675539
	Right Issue Expenditure	1084021	1204468
	<b>Sub-Total</b>	<u>2592006</u>	<u>2880007</u>
	Research & Development and Other Deferred Expenditure	1456300	1618111
	<b><u>Deferred Rev. Expenses</u></b>		
	Product Development	17493241	12992637
	Technology Development cost	1707144	-
	<b>Sub-Total</b>	<u>20656685</u>	<u>14610748</u>
	<b>Total (A+B+C)</b>	<u><b>23384350</b></u>	<u><b>17641487</b></u>
<b>x. SALES &amp; SERVICE INCOME</b>			
	Sales	147588	163372
	Testing Charges	8399054	7865661
	<b>Total</b>	<u><b>8546642</b></u>	<u><b>8029033</b></u>
<b>XI. OTHER INCOME</b>			
	Interest & Other Income	29868	45603
	Leave & Licence Fee	13050000	6600000
	<b>Sub-Total</b>	<u><b>13079868</b></u>	<u><b>6645603</b></u>
<b>XII. MATERIAL CONSUMED</b>			
	Stock in hand (opening)	0	0
	Purchases	838957	801427
	<b>Sub total</b>	<u>838957</u>	<u>801427</u>
	Less: Closing Stock	0	0
	Less: Raw Material for R&D	139826	133571
	<b>Sub-Total</b>	<u><b>699131</b></u>	<u><b>667856</b></u>
<b>INCREASE / DECREASE IN STOCK</b>			
	Opening Stock	13717	50059
	Less: Closing Stock	0	13717
	<b>Increase / (Decrease) in Stock</b>	<u><b>-13717</b></u>	<u><b>-36342</b></u>

**TRANSGENE BIOTEK LIMITED**  
**68,69&70, Anrich Industrial Area**  
**Bollaram, Medak District.**

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

<b>SCH NO</b>	<b>PARTICULARS</b>	<b>AS AT 31.03.2003</b>	<b>AS AT 31.03.2002</b>
<b>XIII. MANUFACTURING EXPENSES</b>			
	Repairs & Maintenance	142592	74597
	Electrical Charges	218306	461691
	Factory Maintenance	41027	14596
	Laboratory Expenditure	32759	17702
	Generator Maintenance	35879	45344
	Insurance	72526	11940
	<b>Total</b>	<b><u>543089</u></b>	<b><u>625870</u></b>

**XIV. OTHER EXPENDITURE**

Salaries	998796	1336532
ESI Employer's contribution	27677	18118
PF Employer's Contribution	57046	60876
Renovation, Repairs & Maintenance	403832	129600
Books & Periodicals, Subscriptions	18230	60803
Traveling, Transport & Conveyance	452367	268708
Printing & stationary	118269	107322
Discounts	91637	92391
Vehicle Maintenance & Hire Charges	244583	238422
Postage & Telephones	125466	121175
Legal & Professional Charges	946225	761278
Rent, Rates & Taxes and Fees	476730	485314
Sales Tax	12297	12075
Md's Remuneration & Perquisites	999550	262016
Welfare Expenses	54380	108568
Marketing & Promotional Expenses	3079786	2734048
Auditors Remuneration	64800	63000
General Expenses	336625	388465
AGM Expenditure	2820	13287
Advertisement	16306	30066
<b>Total Other Expenditure</b>	<b>8527422</b>	<b>7292064</b>

**XV. FINANCE CHARGES**

Bank Charges	33207	14551
Interest on others / Unsecured Loans	714038	140840
<b>Total Financial Charges</b>	<b>747245</b>	<b>155391</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

1. Financial Statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles, Provisions of the Companies Act, 1956 and Mandatory Accounting Standards as applicable to the Company.
2. Accounting Policies not specifically referred to otherwise are consistent and in the consonance with Generally Accepted Accounting Principles as followed by the Company.

**B. BASIS OF PREPARATION OF FINANCIAL STATEMENTS ACCOUNTS**

1. FIXED ASSETS - Fixed Assets are valued at Cost.
2. INVENTORIES -
  - Raw Materials - There are no closing stocks of Materials.

- Finished Goods - There are no closing stocks of Finished goods.
- 3. Expenditure deferred under the head Deferred Revenue Expenditure is being written off @ 10% per annum on Written Down Value basis. (Previous year – 10% written off.)
- 4. Expenditure on going Research and Development relating to the current business activity is being written off @ 10% per annum on WDV basis. (Previous year – 10% written off.)
- 5. Expenditure incurred in connection with issue of Rights Shares is being written off 10% per annum on WDV basis. (Previous year –10% written off.)
- 6. Expenditure incurred on Research & Development activities for new product developments have been grouped under the head - Deferred Revenue Expenditure – Product Development.
- 7. Preliminary Expenditure is being written off 10% per annum on WDV basis. (Previous year – 10 % written off.)
- 8. Previous year figures have been regrouped and reclassified according to the groupings and classifications made for the current financial year.

**XVI. NOTES FORMING PART OF THE ACCOUNTS**

1. Contingent Liabilities are not provided for in respect of

	<u>2002 – 03</u>	<u>2001 -02(Rs. In Lacs)</u>
(i) Customs Duty Demand in Dispute By the Company at Tribunal	5.05	5.05

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

3. **MANAGING DIRECTOR’S REMUNERATION**

	<u>2002-2003</u>	<u>2001-02 (Rs. In Lacs)</u>
Remuneration	7.20	NIL
Perquisites	2.79	2.62

4. Liability in respect of Gratuity has not been ascertained and provided for in the Books of Account.
5. Depreciation on the Fixed Assets has been provided on straight-line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.
6. Mortgage and first charge on all fixed assets present and future of the Company secure the term Loan from IDBI. The said loan is also Personally Guaranteed by the Managing Director. Interest on the IDBI Term Loan has not been provided for in the Financial Statements for the Financial Year 2002-2003 and the same has not been quantified as the Company has put forth its one-time settlement proposal with the IDBI and negotiations are being conducted for settlement of the amount.
7. Working Capital from State Bank of India is secured by hypothecation of all stocks and all other tangible and movable items both present and future and further guaranteed by the Managing Director in his personal capacity.

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

	<b>2002-2003</b>	<b>2001-2002</b>
No. of Employees	NIL	NIL
Amount	NIL	NIL

9. The machinery in transit to the extent of Rs. 17,57,360/- has not been received.
10. Balances appearing under different accounts of Debtors, Creditors, Loans & Advances are subject to confirmation.
11. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 to the extent relevant.

CIF Value of Imports	Current Year	Previous Year
Capital Goods (Including in transit)	NIL	NIL
Raw Material	NIL	NIL
Components and Spare Parts	NIL	NIL
Expenditure in foreign Currency	NIL	NIL

**Particulars of Capacities and Production**

		<b>2002-2003</b>	<b>2001-2002</b>		
<b>UNIT LICENSED INSTALLED</b>			<b>PRODUCED</b>		
Biochemistry	Tests	129 Lacs	NA	NIL	NIL
Immunology	Tests	166 Lacs	NA	NIL	NIL
Elisa	Tests	2.93 Lacs	NA	NIL	NIL

**Particulars in respect of Sale of Finished Goods**

	<b>2002-2003</b>		<b>2001-2002</b>	
	Quantity in Kits (in Lacs)	Value in Lacs	Quantity in Kits (in Lacs)	Value in Lacs
Biochemistry	NIL	NIL	NIL	NIL
Immunology	0.07	0.14	0.19	0.36
Elisa	NIL	NIL	NIL	NIL
		----- 0.14 -----		----- 0.36 -----

**Particulars in respect of Stock of Finished Goods**

	<b>2002-2003</b>		<b>2001-2002</b>	
	Quantity in Kits (in Lacs)	Value in Lacs	Quantity in Kits (in Lacs)	Value in Lacs
<b>OPENING STOCK</b>				

**TRANSGENE BIOTEK LIMITED**

Biochemistry	NIL	NIL	NIL	NIL
Immunology	0.07	0.14	0.26	0.50
Elisa	NIL	NIL	NIL	NIL
		-----		-----
		0.14		0.50
		-----		-----

CLOSING STOCK

Biochemistry	NIL	NIL	NIL	NIL
Immunology	NIL	NIL	0.07	0.14
Elisa	NIL	NIL	NIL	NIL
		-----		-----
		NIL		0.14
		-----		-----

12. The company has obtained permission for Deferment of Sales Tax Liability from the Government of Andhra Pradesh. The Sales Tax Liability till the end of the period is shown under the head Deferred payment liability amounting to Rs.47,36,487/-

13. TDS has not been effected in respect of various payments attracting the provisions of Sections 192 to 198 of the Income Tax Act, 1961.

14. Deferred Tax Liability or Asset has not been provided for in the Financial Statements as the Company has huge accumulated losses and there is no probability of tax liabilities arising in the coming years.

15. AUDITORS REMUNARATION

	2002-2003	2001-2002
Audit Fee	40,000	40,000
Tax Audit	10,000	10,000
Certification Charges	10,000	10,000
Service Tax Reimbursement	4,800	3,000
	-----	-----
TOTAL	64,800	63,000
	=====	=====

15. 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/-  
B.N.V.B.P.R.Subba Rao  
Partner  
Place : Hyderabad  
Date : 29-11.2003

For and on behalf of the Board  
for TRANSGENE BIOTEK LIMITED  
  
Sd/-  
Dr.K.K.Rao  
Managing Director

Sd/-  
P.N.Murthy  
Director

**TRANSGENE BIOTEK LIMITED**  
68,69 & 70, Anrich Industrial Area  
Bollarum, Medak District  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 31.03.2003**

PARTICULARS	As At 31.03.2003	As At 31.03.2002
<b>A.CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax & Extra ordinary Income	5348373	406414
Adjustments for Depreciation	5282649	4974160
Miscellaneous Expenses Written Off	464885	516539
Extra Ordinary Items	-1942686	-182800
Operating Profits/Losses Before Working Capital Changes/ Adjustments	9153221	5714313
Inventories	13717	36342
Trade & other Receivables	-6315126	-4453051
Trade payables and other liabilities	4658738	680489
Net Cash used from / in Operating Activities	7510550	1978093
<b>B.CASH FLOW FROM INVESTING ACTIVIES</b>		
Purchase of Fixed Assets	-4131879	-406587
Product Development & Other expenses	-6207748	-3610942
Net Cash used in Investing Activities	-10339627	-4017529

**TRANSGENE BIOTEK LIMITED**

<b>C.CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital/Application money	8019737	1057426
Proceeds from Borrowings ( Secured)	-1980000	-
Proceeds from Borrowings ( Unsecured)	-3389348	507607
Net Cash from financing Activities	2650389	1565033
Net Increase/Decrease in Cash and Cash Equivalents(A+B+C)	-178688	-474403
Cash And Cash Equivalents as on 01.04.2002 (Opening Balance)	406524	880927
Cash And Cash Equivalents as on 31.03.2003 (Closing Balance)	227836	406524

Vide our Report of even date  
For Sarath & Associates  
Chartered Accountants  
Sd/-  
B.N.V.B.P.R.Subba Rao  
Partner

For and on behalf of the Board

Place : Hyderabad  
Date :29.11.2003

Sd/-  
**Dr.K.K. Rao**  
Managing Director

Sd/-  
**P.N.Murthy**  
Director

**AUDITOR'S CERTIFICATE**

We have examined the Cash flow statement of TRANSGENE BIOTEK LIMITED for the year ended 31st March 2003. This statement has been prepared by the company in accordance with the requirement under Clause 32 of the Listing Agreement with the Stock Exchange where the same has been listed and is based on and is in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company for the year ended 31st march, 2003.

**FOR SARATH & ASSOCIATES**  
CHARTERED ACCOUNTANTS

Place: Hyderabad  
Date: 29-11.2003

**B.N.V.B.P.R. SUBBA RAO**  
PARTNER