

**BOARD OF DIRECTORS**

- Dr K. Koteswara Rao - Chairman & Managing 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 Fifteenth Annual Report on the business and operations of the Company and Financial accounts for the year ended 31st March, 2005.

**FINANCIAL RESULTS**

Particulars	2004-2005	2003-2004
Net Sales/ Income	239.50	222.87
Total Expenditure	102.37	110.07
Gross Operating Profit	137.13	112.80
Interest and Financial Charges	55.50	5.80
Depreciation	26.66	52.15
Amortisation	-	6.72
Profit before Tax/Loss	54.97	48.13
Provision for Tax	4.23	NIL
Prior period Adjustments	-	1.22
Net Profit	50.74	46.91

**DIVIDEND**

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

**OPERATIONS**

During the year under review the total income increased to Rs. 239.50 Lakhs from Rs.222.87 Lakhs in the previous year. The Net Profit for the year rose to Rs.50.74 Lakhs as against to Rs.46.91 Lakhs for the previous year.

Your Directors are glad to inform you that the 52 weeks multi-centric human trials using our own Meningococcal Meningitis vaccine Mem Vac A,C,Y& W -135™ have completed the African Countries. Due to some unavoidable circumstances, the earlier envisaged commercial launch of this vaccine could not take place at the end of 8 week study. However the recent conclusion of 52 week study demonstrating excellent efficacy and safety of this vaccine, your company in collaboration with USA partner, JN International is making efforts to get the several but necessary regulatory approvals in preparation to commercial launch of this vaccine at the earliest.

The Directors are happy to inform you that pre-clinical trials on Oral- Delivery of Insulin and hepatitis b Vaccine have demonstrated exciting results on both products. Hence, the management is in negotiations with major dharma companies for out-licensing these.

The development of various cancer drugs is an important addition to the product pipeline of your company. The cutting edge technologies such as immuno-conjugation or gene silencing approaches have been adopted in the development of these drugs. The management expects to commence the pre-clinical trials on at least two drugs during January, 2006.

Your Directors are also happy to inform you that the company has expanded the product portfolio significantly during the year has been working on four different technology platforms at present, each platform comprising of several products in the development.

1. NDDS- Oral Insulin

Oral Hepatitis B Vaccine

2. BIO- THERAPEUTICS ( Bio-generics)

Erythropoietin  
Interferon  $\alpha$  2b  
Interferon  $\gamma$   
Interferon  $\beta$   
Human tissue Plasminogen Activator

3. CANCER DRUGS

Esophageal Cancer  
Multiple myeloma  
Breast Cancer  
Cancer of Pancreas  
Cancer of colon

4. RABIES VACCINE

**PATENTS AND IPR PROTECTION**

Meningococcal group of vaccines  
Combination vaccines- Hepatitis A&B, Typhoid  
Pneumococcal conjugate vaccines  
Rabies vaccine

Your company's management is acutely aware of the importance in protecting the intellectual property rights generated before, during and after the technologies are developed. In a world which is getting increasingly crowded by the number of patents filed and with the advent of new and edge technologies providing implications for huge gains, it is imperative to file patents in an exact manner.

Patents are viewed as valuable assets in the protection of the drugs developed with huge potential towards commercial value. It is at the heart of TBL's business strategy to invest in protecting its intellectual property. Therefore, TBL engages patent attorneys in a technology and product specific manner, the attorneys having sufficient knowledge and a strong track record in the given specific area of life sciences.

**REPAYMENT OF LOANS**

The company has paid an amount of Rs.637.95 Lakhs till date to M/S IDBI and expects to make the company debt free soon with the payment of final installment.

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

Your Directors are happy to inform you that the scheme of arrangement for amalgamation of M/s Saket Biotechnologies Private Limited (SBPL) has been approved by the Hon'ble High Court of Andhra Pradesh vide its order dated 7<sup>th</sup> February 2005. Consequent to the amalgamation, 60,60,000 Equity Shares have been allotted to the shareholders of M/s Saket Biotechnologies private limited on 27<sup>th</sup> April 2005. We have already received the listing and trading permission for the said shares from The Bombay Stock Exchange Limited and The Hyderabad Stock Exchange Limited vide their letter No. DCS/SMG/RCG/2005/526139 dated November 11, 2005 and HSE: List:2005:282 dated 16<sup>th</sup> November 2005 respectively.

## **PROSPECTS**

Your Directors are happy to inform you that the current financial year shall be a ground breaking period with commercialization of meningococcal vaccine, commencement of commercial operations of its Agri- Biotech division and with those, the commencement of commercialization of other products at regular intervals during the years to come.

With a broad range of technology and product portfolio being carried out by your company and with uncertainty generally associated with Biotech products been addressed adequately, your company's future appears stable with some products dotted with exciting prospects on others.

## **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association Sri S S Marthi retires by rotation and is eligible for re-appointment.

It is proposed to induct Dr.P.K. Ghosh and Sri N Srikrishna as Directors of the Company. Notice has been received from some of the members of the company proposing their appointment as a Director of the Company.

## **EXPANSION OF KEY SCIENTIFIC & ADMINISTRATIVE PERSONAL**

Commensurate with the expanding operations, your Directors are happy to inform you several scientists are added at regular intervals as on ongoing process and like wise, key personnel in administrative sections too are to join soon and strengthen the company.

## **SCIENTIFIC ADVISORY BOARD**

In tune with its core Biotechnology focus, the company has been strengthened during the current year with the induction of two renowned and highly respected scientists to the existing team of Scientific Advisory Board.

## **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 STATEMET**

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 detaching 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 2005-06.

## **EMPLOYEE RELATIONS**

The employee relations during the year continued to the 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 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. 43,44,382/-  |

## **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 : 25.11.2005

## MANAGEMENT DISCUSSION & ANALYSIS

### A. INDUSTRY STRUCTURE & DEVELOPMENT

Advances in the understanding and manipulation of genetic structure over the past quarter century have made it possible to introduce, delete, or enhance particular traits in an organism either by inserting genes from another organism or by otherwise altering its genetic make-up. Within a short space of time, these advances in genetics have brought about major changes in fields as varied as pharmaceuticals, medical diagnostics, agriculture, food production, and forensic science.

The first commercial applications of the new techniques of genetic engineering occurred in the pharmaceutical field. In all, it is estimated that several hundred million people worldwide use the ninety or so biotechnology drugs and vaccines now on the market. Gene therapy- the insertion of functioning genes to supplement or replace defective genes, or treat the effects of acquired diseases- is widely seen as having the potential to have a major effect on medical practice in the future.

Between 1986 and 1997, some 25000 field trials of 60 crops- principally soyabeans, maize, cotton, rapeseed, tomatoes and sugar beet- were undertaken in 45 countries. The first genetically modified fruit or vegetable to be cleared for sale to consumers- a tomato modified to remain firm longer than conventional varieties- received approval from the U.S. Food and Drug Administration in 1994. The cultivation of GM crops has since grown rapidly and today, transgenic varieties of cotton, maize and soyabean account for a large acreage of cultivation across the world.

The scope and pace of innovation in biotechnology over the past quarter-century has been profound, but many believe it will be dwarfed by that in the decades ahead. The decipherment of the human genome is likely to be the key to the future understanding of disease and development of medicine and healthcare. In plant biotechnology, the simultaneous introduction of large numbers of genes in order to modify complex traits will become a possibility. Future developments in the area of GM foods may include fats and oils containing substantially lower levels of saturated fat; grains, fruits and vegetables with 'built-in' food supplements and medicines; and fruits and vegetables which can remain fresh for longer and reduce wastage.

### B. OPPORTUNITIES & THREATS

The consumption of biotechnology products is expected to increase from US\$6.4 billion to about US\$13 billion by 2010. 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 their 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 self life. Thus the aims and objectives are laudable and the tools are available

C) PRODUCTWISE PERFORMANCE, TBL's OUTLOOK & CONCERNS

The company is seeking to follow a diversified product portfolio strategy through working on four different and mutually exclusive product platforms that would have far reaching implications for the company. All these platforms individually are capable of resulting in highly promising niche products. The company has drawn up different strategies for commercialization of each of the products and this offers the company the requisite flexibility in executing its plans. Further, the gestation period attributable to research for most of the current platforms is over and various drugs emanating from each platform are currently at different stages of the pyramid of development leading to ultimate commercialization.

The company's current strategy involves leveraging its existing strength as a low cost, world-class R&D organization and at the same time positioning itself as a low-cost manufacturer of recombinant vaccines and therapeutic products. Towards this end, the company has entered into world-class technology partnerships with various organizations and corporations.

TBL has evolved a two-pronged approach for conducting its business, and to be competitive namely:

- (a) Develop products (vaccines and bio-therapeutic drugs) around a specific process technology/delivery platform&
- (b) R&D focused approach- partnering to build value in early stage technologies.

This approach has been adopted with a view to build a resilient business model; hinged on the core strengths and capabilities that TBL possesses.

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. The company is in the process of becoming a zero debt company during the current year.

F) DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

The company has recruited several key scientists located at different R&D centers 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 2005-2006 onwards. Likewise, the management appreciates the loyalty and commitment scientists working at various Transgene Medical 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.

## 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 company, which would enable the company to enhance the values to its stakeholders, customers, employees, Banks, Government Agencies, etc.

### 2. BOARD OF DIRECTORS

The constitution of the Board is given below:

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

(\*) 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 comprising 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 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 2005, five meetings of the Committee were held on 21st April 2004, 30<sup>th</sup> July 2004, 29<sup>th</sup> October 2004, 2<sup>nd</sup> December 2004, and 29<sup>th</sup> January 2005. The attendance of each member of the Committee is given below:

NAME OF THE DIRECTOR	NO OF METINGS ATTENDED
DR K KOTESWARA ARO	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 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, Finance 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	—	11,14,449	911,14,499
SRI S S MARTHI	None	4,000	—	4,000
SRI P NARAYANA MURTHY	None	4,000	—	4,000

#### 6. BOARD MEETING 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. 21st April 2004, 30<sup>th</sup> July 2004, 29<sup>th</sup> October 2004, 2<sup>nd</sup> December 2004, and 29<sup>th</sup> January 2005 and 26<sup>th</sup> February 2005. 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 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	6	YES
SRI S S MARTHI	6	YES
SRI P NARAYANA MURTHY	5	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 interest 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 interest of the company.

8. MEANS OF COMMUNICATION

The company publishes its quarterly results in the Regional circular News paper ( Vaarthha) and National News paper ( Business Line).

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	21st December 2005 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 2004 Quarter ending September, 30 2004 Quarter ending December, 30 2004 Quarter ending March, 31 2005 Annual General meeting for FY Ended 31st March 2005	Last week of July 2004 Last week of October 2004 Last week of January 2005 Last week of April 2005 21st December 2005
D.	Date of Book Closure	Monday the 19th December 2005 to Wednesday the 21st December 2005
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 526139
G.	Stock Code	526139
H.	Stock Market Data	The share is regularly and 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 has been able to substantially improve its investor relations.

M) Distribution of shareholding as on 31 <sup>st</sup> March 2005					
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)	(2)	(3)	(4)	(5)
Upto	- 5000	3829	81.24	6441040	7.19
5001	- 10000	387	8.21	3277250	3.66
10001	- 20000	210	4.45	3357780	3.75
20001	- 30000	83	1.76	2179330	2.43
30001	- 40000	34	0.72	1218740	1.36
40001	- 50000	27	0.57	1263540	1.41
50001	- 100000	67	1.42	4899650	5.47
100001	and above	76	1.61	66962670	74.73
TOTAL		4713	100.00	89600000	100.00

N. SHAREHOLDING PATTERN FOR THE QUARTER ENDED 31.03.2005

Sl.No	Category	No. of Shares Held	Percentage of Shareholding
A.	Promoter's Holding		
1.	Promoters		
	Indian promoters:		
	Dr.K.Koteswara Rao( & Director)	32,98,600	36.81%
	Foreign Promoters:	NIL	NIL
2.	Persons acting in concert	NIL	NIL
	Sub-Total	32,98,600	36.81%
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	12,89,283	14..39%
	Sub-Total	12,89,283	14..39%
4.	Others		
a.	Private corporate Bodies	19,43,447	21.69%
b.	Indian Public	22,36,999	24.97%
C.	NRIs/ OCBs	1,91,671	2.14%
d.	Any Other (Please Specify)		
	Directors & Relatives	NIL	NIL
	Sub-Total	43,72,117	48.80%
	Grand Total	89,60,000	100.00%

Note:

- 1) Total Foreign Share Holding is 14,80,954 shares i.e.,16.53%
- 2) The shares shown against Dr K.Koteswara Rao, Promoter, include 20,000 shares allotted but pending listing approval

O. Dematerialization of shares and liquidity as on 25<sup>th</sup> November 2005 out of the total share holding of 1,50,20,000 equity shares 77,47,778 equity shares are listed on the stock exchange out of which 51.58% of equity shares in dematerialized form.

P. Particulars of past Three AGMs

AGM	Year	Venue	Date	Time
14th	2004	Plot No.68,69&70 Anrich Industrial Area IDA Bollram Medak District. A.P.	31st December 2004	11.00A.M.
13th	2003	Plot No.68,69&70 Anrich Industrial Area IDA Bollram Medak District. A.P.	29th December 2003	11.00A.M.
12th	2002	Plot No.68,69&70 Anrich Industrial Area IDA Bollram Medak District. A.P.	30th September 2002	10.30A.M.

Q. Postal Ballot

No resolution requiring 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 31.03.2005 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

Sd/-

P.SARATH KUMAR  
PARTNER( M.No.21755)

Place: Hyderabad  
Date: 25.11.2005

**AUDITORS REPORT**

To  
THE MEMBERS OF  
**M/S. TRANSGENE BIOTEK LIMITED**  
**HYDERABAD.**

We have audited the attached balance sheet of M/S.TRANSGENE BIOTEK LIMITED as at 31<sup>st</sup> March, 2005 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 bases, 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 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 31<sup>st</sup> March, 2005, 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 31<sup>st</sup> March, 2005; 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 SARATA& ASSOCIATES  
CHARTERE ACCOUNTANTS

Sd/-

P.SARATH KUMAR  
PARTNER(M.No.21755)

Place: Hyderabad  
Date : 04.07.2005

**ANNEXURE TO THE AUDITOR'S 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 store, 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 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 31<sup>st</sup> March, 2005 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 entered into OTS scheme with IDBI, and an amount of Rs.216.00 lakhs is outstanding and overdue as on 31.03.2005.

12. The company has any has not grant 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 (Auditor's 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 (Auditor's 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. In our opinion, the term loans have been applied for the purpose for which they were raised.
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 the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
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

Place: Hyderabad  
Date : 04.07.2005

Sd/-  
P.SARATH KUMAR  
PARTNER(M.No.21755)

**TRANSGENE BIOTEK LIMITED**

68,69 &amp; 70, Anrich Industrial Area

Bollarum, Medak District

**BALANCE SHEET AS ON 31ST MARCH 2005**

<b>PARTICULARS</b>	<b>SCH NO</b>	<b>AS AT 31.03.2005</b>		<b>AS AT 31.03.2004</b>
<b>I. SOURCE OF FUNDS</b>				
<b>1. SHARE HOLDERS FUNDS</b>				
A. Share Capital	I	150200000		89400000
B. Share Application Money	II	11475529		39199185
C. Reserves & Surplus	III	912389913		90800000
<b>2. LOAN FUNDS</b>				
A. Secured Loans	IV	21621214		23566024
B. Unsecured Loans	V	63315299		13050867
<b>Total Source of Funds</b>		<b>1159001955</b>		<b>256016076</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. FIXED ASSETS</b>				
Gross Block	VI	124091499		118391380
Less: Depreciation		47189365		33037022
Net Block		76902134		85354358
Intellectual Property Rights		996700000	1073602134	-
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>	VII			
A. Inventories		0		0
B. Sundry Debtors		583008		570129
C. Cash & Bank Balances		212234		532524
D. Loans & Advances		9321901		23158944
		10117142		24261597
Less: CURRENT LIABILITIES & PROVISIONS	VIII	8579470		4320111
<b>NET CURRENT ASSETS</b>			1537673	19941484
<b>PROFIT &amp; LOSS A/C</b>			-	95922985
<b>3. MISCELLANEOUS EXPENDITURE</b>				
(To the extent not written off)	IX			
A. Preliminary expenses			122094	
B. Public & Rights Issue Expenses			4616105	
C. Product Development Expenses		83862149	83862149	50059050
				54797249
				54797249
		<b>1159001955</b>		<b>256016076</b>

**Notes on Accounts**

XVI

Vide our Report of even date  
For SARATH & ASSOCIATES  
Chartered Accountants  
Sd/-

P.SARATH KUMAR  
PARTNER(M.No.21755)

Place : Hyderabad  
Date : 04.07.2005

For and on behalf of the Board

Sd/-  
Dr.K.Koteswara Rao  
Managing Director

Sd/-  
P.N.Murthy  
Director

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

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDING 31ST MARCH 2005**

PARTICULARS	SCH NO	As on 31.03.2005	As on 31.03.2004
<b>I. INCOME</b>			
1. Sales & operating income	X	9807768	8709895
2. Other Income	XI	14142092	13576854
3. Decrease in Stock		0	0
<b>Total</b>		<u><u>23949860</u></u>	<u><u>22286749</u></u>
<b>II. MATERIAL CONSUMED</b>			
1. Materials Consumed	XII	497284	670273
2. Manufacturing Expenses	XIII	472162	374146
3. Other Expenditure	XIV	9267338	9962271
4. Finance Charges	XV	5549779	579864
5. Depreciation		2666195	5214697
6. Miscellaneous Expenses W/o		-	672096
<b>Total</b>		<u><u>18452758</u></u>	<u><u>17473347</u></u>
Profit/ Loss for the Year		5497102	4813402
Prior Period & Extraordinary Items		0	122160
Profit/ Loss for the Year		5497102	4691242
Provision for Tax		422590	-
Profit/ Loss brought forward from Previous Year		-	-100614227
<b>Profit/ Loss carried forward to Balance Sheet</b>		5074512	-95922985

Vide our Report of even date  
For SARATH & ASSOCIATES  
Chartered Accountants  
Sd/-

P.SARATH KUMAR  
Partner(M.No.21755)

Place : Hyderabad  
Date : 04.07.2005

For and on behalf of the Board

Sd/-  
Dr.K.Koteswara Rao  
Managing Director

Sd/-  
P.N.Murthy  
Director

**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 31.03.2005	AS AT 31.03.2004
<b>I. SHARE CAPITAL</b>			
	Authorised Share Capital (2,00,00,000 Equity Shares of Rs.10/- each)	200000000	100000000
	(Issued Subscribed & Paid Up Capital 1,50,20,000 Equity Shares of Rs.10/-each)	150200000	89400000
	(Previous year Issued Subscribed & Paid Up Capital 89,40,000 Equity Shares of Rs.10/- each)	Total <b>150200000</b>	<b>89400000</b>
<b>II. SHARE APPLICATION MONEY</b>			
	From Directors	10387356	10387356
	Others	1088173	28811829
	<b>Total</b>	<b>11475529</b>	<b>39199185</b>
<b>III RESERVES &amp; SURPLUS</b>			
<b>Share Premium Account</b>			
	Opening Balance	0	40800000
	Received during the year	3800000	50000000
	Closing Balance	0	3800000
	Capital Reserves	891265401	-
	Warrants Forfeiture Reserve	12250000	-
	Profit & Loss A/c	5074512	-
	<b>Total</b>	<b>912389913</b>	<b>90800000</b>
<b>IV. SECURED LOANS</b>			
	A. Term Loan with IDBI	21621214	23566024
	<b>Total</b>	<b>21621214</b>	<b>23566024</b>
<b>V. UNSECURED LOANS</b>			
	A. Unsecured Loans from corporates	281409	-
	B. Interest Free Sales Tax Loan	2094850	3894850
	C. Promoters	49460200	2581784
	D. Others	11478840	6574233
	<b>Total</b>	<b>63315299</b>	<b>13050867</b>

**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 31March 2005**

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1.04.2004	Additions during the period	As on 31.03.2005	Up to 31.03.2004	For the Period	Up to 31.03.2005	As on 31.03.2005	As on 31.03.2004
1	Land	2008003		2008003		0	0	2008003	2008003
2	Buildings	27331869	2262210	29594079	7378857	932571	8311428	21282651	19953012
3	Buildings- Temporary Erections	64917		64917	64917		64917	0	0
4	Plant & Machinery	70026047	1836151	71862198	27187098	3347808	3053490	41327292	42838949
5	Miscellaneous Fixed Assets	370600		370600	163629	17604	6	189368	206971
6	Furniture & Fixtures	168949	213845	382794	9397	13021	22418	360376	159552
7	Air Conditioner - Factory	5565891		5565891	2767065	352321	3119386	2446505	2798826
8	Electrical Installations - Factory	3047191		3047191	1746410	192887	1939297	1107894	1300781
9	Lab Equipment	5282822	64615	5347437	1358799	296401	1655200	3692237	3924023
10	Office Equipment	590119	40772	630891	233137	37785	270922	359969	356982
11	Generator	551430		551430	310421	34906	345327	206103	241009
12	Computers	1411820	26820	1438640	637245	78909	716154	722486	774575
13	Vehicles	0	619304	619304	0	28178	28178	591126	0
	<b>Total ( A )</b>	<b>116419658</b>	<b>5063717</b>	<b>121483375</b>	<b>41856975</b>	<b>5332390</b>	<b>47189365</b>	<b>74294010</b>	<b>74562683</b>
1	Capital Work in Progress- Buildings		2608124	2608124	0	0	0	2608124	0
	<b>Total(B)</b>	<b>116419658</b>	<b>2608124</b>	<b>2608124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2608124</b>	<b>0</b>
	<b>Total(A+B)</b>	<b>232839316</b>	<b>7671841</b>	<b>124091499</b>	<b>41856975</b>	<b>5332390</b>	<b>47189365</b>	<b>76902134</b>	<b>74562683</b>

**Note:**

1) Since the appointed date is 31.03.2004 as per the scheme of arrangement for Amalgamation of M/s Saket Biotechnologies (P) Ltd., with the company the opening balances have been accordingly recosted .

**2) Depreciation apportion**

Total Depreciation	5332390
Less: Product Development Equipment Depreciation	<u>2666195</u>
<b>Depreciation Charged to P&amp;L</b>	<b><u>2666195</u></b>

**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 31.03.2005	AS AT 31.03.2004
<b>VII. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>A. INVENTORIES</b>			
	Raw Materials	Nil	Nil
	Finsihed Goods	Nil	Nil
	<b>Sub - Total</b>	<b><u>NIL</u></b>	<b><u>NIL</u></b>
<b>B. SUNDRY DEBTORS</b>			
	(Unsecured and Considered good)		
	More than Six Months	570129	570129
	Less than Six Months	12879	-
	<b>Sub - Total</b>	<b><u>583008</u></b>	<b><u>570129</u></b>
<b>C. CASH &amp; BANK BALANCES</b>			
	Cash on Hand	70966	59380
	Balances with Scheduled Banks	44691	154134
	Cheques in Transit	0	240680
	Cash in Branches	96577	78330
	<b>Sub - Total</b>	<b><u>212234</u></b>	<b><u>532524</u></b>
<b>D. LOANS &amp; ADVANCES</b>			
	Advance for Capital Goods	845506	1498020
	Advance for Materials	711308	1442898
	Deposits with Government & Others	4773211	2587714
	Other Advances	2991876	17630312
	<b>Sub - Total</b>	<b><u>9321901</u></b>	<b><u>23158944</u></b>
	<b>Total (A+B+C+D)</b>	<b><u>10117142</u></b>	<b><u>24261597</u></b>

**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 31.03.2005	AS AT 31.03.2004
<b>VIII. CURRENT LIABILITIES &amp; PROVISIONS</b>			
	Creditors for Capital Goods	1089011	534073
	Creditors for Materials	166033	349388
	Creditors for Expenses	874075	837278
	Creditors for Others	3582178	-
	Provision for Tax	422590	-
	Provision for Expenses	2445583	2599372
	<b>Total</b>	<b>8579470</b>	<b>4320111</b>
<b>IX. MISCELLENEOUS EXPENDITURE</b> ( To the extent not written off) <b><u>Deferred Rev. Expenditure</u></b>			
	A. Preliminary Expenses	Nil	122094
	<b>Sub-Total</b>	<b>Nil</b>	<b>122094</b>
	B. Public Issue Expenses	Nil	1357186
	Right Issue Expenditure	Nil	975619
	Preferential issue Expenditure	Nil	2283300
	<b>Sub-Total</b>	<b>Nil</b>	<b>4616105</b>
	C. Research & Development and Other Deferred Expenditure	Nil	1310670
	Product Development	49917766	36907309
	Technology Development cost	33944383	11841071
	<b>Sub-Total</b>	<b>83862149</b>	<b>50059050</b>
	<b>Total</b>	<b>83862149</b>	<b>54797249</b>
<b>X. SALES &amp; SERVICE INCOME</b>			
	Sales	12879	82947
	Testing Charges	9794889	8626948
	<b>Total</b>	<b>9807768</b>	<b>8709895</b>

**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 31.03.2005</b>	<b>AS AT 31.03.2004</b>
<b>XI. OTHER INCOME</b>			
	Interest & Other Income Received	42092	526854
	Leave & Licence Fee received	14100000	13050000
		<u>14142092</u>	<u>13576854</u>
<b>XII. MATERIAL CONSUMED</b>			
	Stock in hand (opening)	0	Nil
	Purchases	596741	812289
	<b>Sub total</b>	<u>596741</u>	<u>812289</u>
	Less: Closing Stock	Nil	Nil
	Less: Raw Material for R&D	99457	142017
		<u>497284</u>	<u>670272</u>
<b>INCREASE / DECREASE IN STOCK</b>			
	Opening Stock	Nil	Nil
	Less: Closing Stock	Nil	Nil
	<b>Increase / (Decrease) in Stock</b>	<u>NIL</u>	<u>NIL</u>
<b>XIII. MANUFACTURING EXPENSES</b>			
	Repairs & Maintenance	142468	44023
	Electrical Charges	203253	240506
	Factory Maintenance	46696	27637
	Laboratory Expenditure	55951	40001
	Generator Maintenance	23794	21979
	<b>Total</b>	<u>472162</u>	<u>374146</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 31.03.2005</b>	<b>AS AT 31.03.2004</b>
<b>XIV. OTHER EXPENDITURE</b>			
	Salaries	1065253	966049
	ESI Employer's contribution	41446	33101
	PF Employer's Contribution	111272	67495
	Renovation, Repairs & Maintenance	69645	254660
	Books & Periodicals, Subscriptions	11347	-
	Traveling, Transport & Conveyance	525889	826431
	Printing & stationary	117492	136270
	Discounts	201580	114962
	Directors Sitting Fee	8000	8000
	Vehicle Maintenance & Hire Charges	213989	313313
	Postage & Telephones	121807	220472
	Legal & Professional Charges	522519	1423425
	Rent, Rates & Taxes and Fees	739680	854640
	Sales Tax	954	6635
	Md's Remuneration & Perquisites	1114449	977462
	Welfare Expenses	54732	82963
	Marketing & Promotional Expenses	3660644	3226276
	Auditors Remuneration	150000	81000
	General Expenses	536640	369117
	<b>Total Other Expenditure</b>	<b><u>9267338</u></b>	<b><u>9962271</u></b>
<b>XV. FINANCE CHARGES</b>			
	Bank Charges	38710	165655
	Interest on Bank Loans, Financial Institutions	5235430	-
	Interest on Others	275639	414209
	<b>Total Financial Charges</b>	<b><u>5549779</u></b>	<b><u>579864</u></b>

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

### 3. INVENTORIES -

Raw Materials - There are no closing stocks of Materials.

Finished Goods - There are no closing stocks of Finished goods.

4. Expenditure on ongoing product development for "Meningitis Vaccine" 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.

Amount in Rupees		
Opening Balance	Additions	Closing Balance
5,89,90,589	2,48,71,560	8,38,62,149

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.

**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 INTENGIBLE 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. EARNING 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 deference between taxable income and accounting income that originate in one year and are capable or 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.

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

1. Contingent Liabilities are not provided for in respect of

	<u>2004 – 05</u>	<u>2003-04 (Rs. In Lacs)</u>
(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

**2004-2005   2003-2004   (Rs. In Lacs)**

Remuneration to MD	8.10	7.20
Perquisites to MD	3.04	2.57

- B) The following are the transactions relating to related party disclosure requirements

Dr. K.Koteswara Rao : Managing Director

**2004-2005   2003-2004   (Rs. In Lacs)**

Unsecured loan	475.94	25.82
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- C) The following are the transactions relating to related party disclosure requirements

Dr. K.Koteswara Rao : Managing Director

Equity Shares issued on conversion of Warrants: 20,000 Equity Shares

4. **SCHEME OF ARRANGEMENT AND AMALGAMATION:**

- a) In accordance with the scheme of Arrangement and Amalgamation( scheme) as approved by the Hon'ble High Court of Andhra Pradesh vide its order dated 7<sup>th</sup> February, 2005 for amalgamation of M/s SAKET BIOTECHNOLOGIES (P) LTD., with the company the merger has been approved as on 31.03.2004 and the merger has been effected along with all assets and liabilities whose principal business is development of technologies . The scheme has accordingly been given effect in the previous year figures as per the Hon'ble High Court Order dated 7<sup>th</sup> February,2005.
- b) The amalgamation has been accounted for under “ pooling interest method” of accounting as prescribed by Accounting Standard (AS) 14” Accounting of Amalgamations” issued by the Institute of Chartered Accountants of India.
- c) The difference of Rs. 95.61 Crores arising between the net assets and liabilities transferred as of 31<sup>st</sup> March 2004 and the equity shares issued (as computed below) has been credited to Capital Reserve account.

	<b><u>Rupees in Crores</u></b>
Fixed Assets, Net Current Assets & Product Development Expenses	101.69
	-----
	101.69
Less: Unsecured Loans	.02
Amount of equity Shares issued to the Share Holders of M/s Saket Biotechnologies (P) Ltd.	6.06
	-----
<b>Excess credited to Capital Reserve</b>	<b>95.61</b>
	=====

- d) As per the Hon'ble High court order and the opinion obtained thereon, IDBI excess OTS interest pertaining to previous years and capital items written off to the extent of Rs.3.20 Crores, which are included in the debit balance in the profit & loss account and miscellaneous expenditure to the extent not written off is adjusted against share premium account and capital reserve.
- e) In view of the giving effect to the above amalgamation and scheme of arrangement from 31.03.2004 the figures for the previous year are not comparable to those of the current year.

5. 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. The company has entered into OTS scheme with IDBI, and an amount of Rs.216.00 lakhs is outstanding as on 31.03.2005.
6. 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.

	<u>2004-2005</u>	<u>2003-2004</u>
No. of Employees	NIL	NIL
Amount	NIL	NIL

7. 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.
8. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 to the extent relevant.

**Particulars of Capacities and Production**

<b>UNIT LICENSED INSTALLED</b>		<b>2004-2005</b>	<b>2003-2004</b>		
		<b>PRODUCED</b>			
Biochemistry	Tests	129 Lacs	NA	NIL	NIL
Immunology	Tests	166 Lacs	.04	.28	
Elisa	Tests	293 Lacs	NA	NIL	NIL

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

	<b>2004-2005</b>		<b>2003-2004</b>	
	Quantity in Kits (in Lacs)	Value in Lacs	Quantity in Kits (in Lacs)	Value in Lacs
Immunology	0.04	0.12	0.28	0.83
		----- 0.12 -----		----- 0.83 -----

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

	<b>2004-2005</b>		<b>2003-2004</b>	
	Quantity in Kits (in Lacs)	Value in Lacs	Quantity in Kits (in Lacs)	Value in Lacs
<b>OPENING STOCK</b>				
Immunology	NIL	NIL	NIL	NIL
		----- NIL -----		----- NIL -----
<b>CLOSING STOCK - NIL</b>				

9. 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.20,94,850/-.
10. Deferred Tax Liability or Asset has not been provided, as per AS – 22, for in the Financial Statements the Company has huge accumulated losses and there is no probability of tax liabilities arising in the coming years.

11. The company is engaged in the manufacturing of Diagnostic Products & Allied Services and leave and license fee which as per accounting standard (AS) 17 is considered the business segments.

Particulars	Diagnostics (Rs.)	Leave& Licence(Rs.)	Total (Rs.)
<b>Revenue</b>	98,07,768	1,41,00,000	2,39,07,768
Identifiable operating expenses	70,61,593	26,66,195	97,27,788
Segment operating income	27,46,175	1,14,33,805	1,41,79,980
Other Income			42,092
Total			1,42,22,072
Unallocable expenses			87,24,970
Net profit before tax			54,97,102
Income Tax			4,22,590
<b>Net profit after taxes</b>			<b>50,74,512</b>

**12. Other income includes:**

	<u>2004-05</u>	<u>2003-04</u> (Amount Rs.)
Income from Leave & Licence Fee	1,41,00,000	1,30,50,000

**13. AUDITORS REMUNERATION**

	<u>2004-05</u>	<u>2003-04</u> ( Amount Rs.)
Audit Fee	75,000	50,000
Tax Audit	15,000	10,000
Certification Charges	42,500	10,000
Out of Pocket Expenses	3,985	-
Service Tax Reimbursement	13,515	6,000
<b>TOTAL</b>	<u><u>1,50,000</u></u>	<u><u>81,000</u></u>

**14. EARNING PER SHARE**

	<u>2004-05</u>	<u>2003-04</u>
a) Net Profit after Tax	Rs. 50,74,512	46,91,242
b) Number of Equity Shares	1,50,00,000	79,40,000
As at the commencement of the year		
c) Issued during the year	20,000	10,00,000
d) Total at the end of the year	1,50,20,000	89,40,000
e) Weighted Average Number of equity shares during the year		
Basic	1,50,00,000	79,40,000
Diluted	1,50,02,082	86,06,667
f) Earning per Equity Share of Rs.10/- each		
Basic	Rs.0.34	0.59
Diluted	Rs.0.33	0.55

**15. EXPENDITURE IN FOREIGN CURRENCY:**

	<b>2004-05</b>	<b>2003-04 (Amount Rs.)</b>
A) Traveling Expenses	8,97,657	12,07,806
B) Product Development Expenses	34,46,725	1,19,19,709
	<u>-----</u>	<u>-----</u>
<b>TOTAL</b>	<b><u>43,44,382</u></b>	<b><u>1,31,27,515</u></b>

**16. Product Development Expenses comprise:**

	<b>2004-05</b>	<b>2003-04</b>
	<b>( Amount Rs.)</b>	
Personnel costs:		
Salaries , wages	40,60,519	18,66,048
Welfare expenses	<u>53,918</u>	<u>67,880</u>
	41,14,437	19,33,928
Stores & Spare and Consumables	37,41,413	22,46,756
Laboratory goods and testing expenses	4,85,754	46,371
Depreciation &Repairs	30,82,900	1,31,690
Clinical Research expenses	15,67,808	1,19,62,727
Traveling, Conveyance & Vehicle expenses	31,15,715	23,46,500
Lease Rent	3,33,333	-
Other Overheads	<u>84,30,200</u>	<u>1,08,80,023</u>
	<b><u>2,48,71,560</u></b>	<b><u>2,95,47,995</u></b>

17. During the year the company has converted 20,000 convertible warrants out of 10,00,000 convertible warrants, which are already issued in the year 2003-04, into 20,000 equity shares of Rs.10/- each at a premium of Rs.115/- per share allotted to promoters. The remaining 9,80,000/ convertible warrants application money Rs.1,22,50,000/- has been forfeited and transferred to capital reserve account.

18. Periodically the company evaluates all customers due to the company for collectibles. The need for provisions is assessed based on the various factors including collectibles 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.

19. 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

For and on behalf of the Board  
for TRANSGENE BIOTEK LIMITED

Sd/-  
P.SARATH KUMAR  
PARTNER(M.No.21755)

Place : Hyderabad  
Date : 04.07.2005

Sd/-  
Dr.K.Koteswara Rao  
Managing Director

Sd/-  
P.N.Murthy  
Director

**TRANSGENE BIOTEK LIMITED**

68,69 &amp; 70, Anrich Industrial Area

Bollarum, Medak District

**CASH FLOW STATEMENT FOR THE YEAR ENDING 31.03.2005**

<b>PARTICULARS</b>	<b>As At 31.03.2005</b>	<b>As At 31.03.2004</b>
<b>A.CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax & Extra ordinary Income	5497102	4813403
Adjustments for Depreciation	5332390	5214697
Miscellaneous Expenses Written Off	-	672096
Provision for Tax	-422590	-
Prior Period ,Extra Ordinary Items	0	-122160
Operating Profits/Losses Before Working Capital Changes/ Adjustments	10406902	10578036
Trade & other Receivables	-6289148	-6293301
Trade payables and other liabilities	1046209	-5285823
Net Cash used from / in Operating Activities	5163963	-1001088
<b>B.CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-7671841	-1545587
Product Development & Other expenses	-24871560	-32084992
Net Cash used in Investing Activities	-32543401	-33630579
<b>C.CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital/Application money	3725000	72275450
Proceeds from Borrowings ( Secured)	-19916286	-36686867
Proceeds from Borrowings ( Unsecured)	43247248	-652228
Net Cash from financing Activities	27055962	34936355
Net Increase/Decrease in Cash and Cash Equivalents(A+B+C)	-323476	304688
Cash And Cash Equivalents as on 01.04.2004(Opening Balance)	535710	227836
Cash And Cash Equivalents as on 31.03.2005 (Closing Balance)	212234	532524

Vide our Report of even date  
For SARATH & ASSOCIATES

Chartered Accountants

Sd/-

P.SARATH KUMAR  
PARTNER(M.No.21755)

Place : Hyderabad

Date : 04.07.2005

For and on behalf of the Board

Sd/-

**Dr.K.Koteswara Rao**  
Managing Director

Sd/-

**P.N. Murthy**  
Director