Auditors' Report

To the Members of
Clinigene International Limited (Formerly Clinigene International Private Limited)

1. We have audited the attached Balance Sheet of CLINIGENE INTERNATIONAL LIMITED (FORMERLY CLINIGENE INTERNATIONAL PRIVATE LIMITED) as at March 31, 2007 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, we draw attention to Note-1 the financial statements relating to the net profit earned by the Company during the year on account of revenue from service provided to group Companies (i.e. Biocon Limited and its other subsidiaries) as against the losses in the previous year.

5. Further to our comments in the Annexure referred to above, we report that:

    i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

    ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

    iii. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.

    iv. In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

    v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 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 said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

(ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and

(iii) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283
Bangalore
Date: April 14, 2007

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

Re: CLINIGENE INTERNATIONAL LIMITED (FORMERLY CLINIGENE INTERNATIONAL PRIVATE LIMITED)

(i) The Company has maintained proper records showing full particulars, including details and situation of, fixed assets. *The Company however, is in the process of updating the quantitative records for certain fixed assets as of March31,2006.* All fixed assets, to the extent the quantitative details are available, have been physically verified by the management during the year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification. There was no substantial disposal of fixed asset during the year.

(ii) Due to the nature of its business the Company does not deal in inventory, hence clause 4(ii) of the Companies (Auditor's report) order, 2003 (as amended) is not applicable to the Company.

(iii) The Company has taken a loan from a company covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was Rs.271 million and the year end balance of the loan taken as at March 31, 2007 was Rs.164 million repayable over the period ending by March 31, 2011. The Company has not taken/ granted any other loans from/ to companies, firms or other parties listed in the register maintained under section 301 of the Act. In our opinion and according to the information and explanation given to us, the loan taken by the Company during the year is interest free and other terms and conditions of the loan are not prima facie prejudicial to the interest of the Company. Based on our audit procedures and the information and explanation made available to us, there is no overdue amount of the loan taken by the Company from the party listed in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered. *In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five Lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.*

(vi) The Company has not accepted any deposits from the public.

(vii) The provisions relating to internal audit are not applicable to the Company.

(viii) As informed to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.

(ix) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *except for non payment of Service Tax of Rs. 12,93,063/- for the period Oct 2006 to Mar 2007, within the due dates.* According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. According to the information and explanations given to us, there are no dues of income tax, wealth tax, sales tax, service tax, excise duty, cess and customs duty which have not been deposited on account of any dispute.

(x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth.* The Company has not incurred cash loss during the year. *In the immediately preceding financial year, the Company had incurred the cash loss.*

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As informed to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) As informed to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on 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.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283
Date: April 14, 2007 , Bangalore

CLINIGENE INTERNATIONAL LIMITED
(formerly Clinigene International Private Limited)
BALANCE SHEET - MARCH 31, 2007

(All amounts in Indian Rupees thousands)

	Notes	March 31, 2007	March 31, 2006 (Note 21)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3(a)	500	500
Reserves and surplus	3(b)	1,003	1,003
		1,503	**1,503**
LOAN FUNDS			
Secured loans	4	150,000	-
Unsecured loan	5	164,380	261,625
		315,883	**263,128**
APPLICATION OF FUNDS			
FIXED ASSETS	2(a), 2(b), 2(l) & 6		
Cost		206,601	203,099
Less: Accumulated depreciation		31,744	18,943
		174,857	184,156
Capital work-in-progress [including capital advances of Rs 2,745 (March 31, 2006 - Nil)]		86,457	-
Net book value		**261,314**	**184,156**
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	2(f) & 7	66,865	36,030
Cash and bank balances	8	9,464	188
Loans and advances	9	13,663	3,207
		89,992	39,425
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	2(d), 2(e), 2(f), 2(m)	88,139	20,086
Provisions	2(j), 10 & 16	2,230	3,125
		90,369	23,211
NET CURRENT ASSETS		**(377)**	**16,214**
PROFIT AND LOSS ACCOUNT		54,946	62,758
		315,883	**263,128**

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

As per our report of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

per Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan KN
President - Group Finance

Bangalore
April 14, 2007

CLINIGENE INTERNATIONAL LIMITED
(formerly Clinigene International Private Limited)
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees thousands, except for share data including share price)

	Notes	March 31, 2007	March 31, 2006 (Note 21)
INCOME			
Contract research fees	2(c)	115,502	56,580
		115,502	56,580
EXPENDITURE			
Contract research and other operating expenses	2(f), 2(d), 2(e), 2(i), 2(m) & 11	85,460	58,773
Interest and finance charges	12	9,010	20
		94,470	58,793
PROFIT / (LOSS) BEFORE DEPRECIATION AND TAX		21,032	(2,213)
Depreciation	2(a) & 6	12,801	8,724
PROFIT / (LOSS) BEFORE TAX		8,231	(10,937)
Provision for taxation			
Fringe benefit tax	2(g) & 13	419	172
NET PROFIT / (LOSS) LOSS FOR THE YEAR		7,812	(11,109)
Losses brought forward from previous year		62,758	51,649
BALANCE, END OF THE YEAR		54,946	62,758
Earning / (Loss) per share (equity shares, par value Rs 10 each) Basic and diluted (in Rs)	2(h)	156.24	(222.18)
Weighted average number of shares used in computing Earning / (Loss) per share, basic and diluted		50,000	50,000

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

As per our report of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 14, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan KN
President - Group Finance

CLINIGENE INTERNATIONAL LIMITED
(formerly Clinigene International Private Limited)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees thousands)

			March 31, 2007	March 31, 2006 (Note 21)
I	**CASH FLOWS FROM OPERATING ACTIVITIES:**			
	Profit / (Loss) before tax		**8,231**	**(10,937)**
	Adjustments for -			
	Add: Non cash item/items required to be disclosed separately :			
	Depreciation	12,801		8,724
	Interest and finance charges	9,010		20
			21,811	8,744
	Changes in working capital and other provisions:			
	Sundry debtors	(30,835)		(28,686)
	Loans and advances	(9,081)		(1,352)
	Current liabilities and provisions	15,467		10,589
			(24,449)	(19,449)
			(2,638)	(10,705)
	Cash provided by / (used in) operations		5,593	(21,642)
	Taxes paid		(1,795)	(1,665)
	Net cash provided by / (used in) operations		3,798	(23,307)
II	**CASH FLOWS FROM INVESTING ACTIVITIES:**			
	Purchase of fixed assets		(38,267)	(147,990)
	Net cash used in investing activities		(38,267)	(147,990)
III	**CASH FLOWS FROM FINANCING ACTIVITIES:**			
	Proceeds from unsecured loan, net		(97,245)	171,487
	Proceeds from Term Loan		150,000	-
	Interest and finance charges paid		(9,010)	(20)
	Net cash provided by / (used in) financing activities		43,745	171,467
IV	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)**		**9,276**	**170**
V	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		**188**	**18**
VI	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)**		**9,464**	**188**
	COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR			
	Cash on Hand		34	8
	Balances with Banks - on current accounts		9,430	180
			9,464	**188**

As per our report of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 14, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

CLINIGENE INTERNATIONAL LIMITED
(formerly Clinigene International Private Limited)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees thousands, except share data including share price)

1. Background

Clinigene International Limited ('Clinigene or 'the Company') was incorporated on August 4, 2000 and became a subsidiary of Biocon Limited ('Biocon'), on March 31, 2001. Prior to the acquisition of the controlling interest, the entire share capital of the Company was held by Ms Kiran Mazumdar Shaw and Mr JMM Shaw, the promoters of Biocon.

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

The Company, during the year ended March 31, 2007 earned a profit after tax of Rs 7,812 as against loss of Rs 11,109 for the year ended March 31, 2006. Revenues for the year include Rs 5,580 and Rs 34,565, respectively with respect to services rendered to BBPL, associate company and Biocon Limited, holding company. Though the Company has turned around during the year ended March 31, 2007, it has accumulated losses of Rs 54,946 resulting into negative net worth of Rs 53,443. Biocon has committed to fund capital and operating expenditure requirements of the Company through a long term loan, until Clinigene achieves its planned growth and is able to fund its own operations.

2. Summary of significant accounting policies

The financial statements have been prepared to comply in all material respects with the notified by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. The significant accounting policies are as follows:

a. Fixed assets and depreciation

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

	Per cent
Plant and machinery	9.09 - 33.33
Building	4
Air conditioners	16.67
Furniture and fixtures	16.67
Computers	33.33

Leasehold improvements are being depreciated over the lease term or useful life whichever is lower.

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

b. Impairment of long-lived assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit. Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognised.

c. Revenue Recognition

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

a. *Time and material management*
Revenues are recognised as services are rendered, in accordance with contractual agreements.

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

d. Retirement benefits

Effective April 1, 2006, the Company has adopted the revised accounting standard on employee benefits. The Company has schemes of retirement benefits for provident fund and gratuity. Provident fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the government funds are due.

Gratuity liability is defined benefit obligation and is provided for on the basis of proportion of an actuarial valuation made at the end of each financial year. The gratuity fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity scheme with Birla Sunlife Insurance Company Limited ('Birla Sunlife').

Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

e. Leave encashment

Effective April 1, 2006, the Company has adopted the revised accounting standard on employee benefits. Liability for leave encashment is in accordance with the rules of the Company. Pursuant to the adoption, Short term compensated absences are provided based on estimates. Long term compensated absences are provided based on the actuarial valuation.

f. Foreign currency transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

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

Exchange Differences

Exchange differences arising on the settlement of monetary items or on the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

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

Exchange differences relating to the acquisition of fixed assets are adjusted to the costs of the fixed assets.

g. Income tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

h. Earnings per share

Earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of dilutive potential equity shares, if any.

i. Operating lease

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

j. Provisions

A provision is recognised for a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

k. Segment reporting

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Inter-segment transfers

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

Allocation of common costs

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

Unallocated items

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

l. Expenditure on new projects and substantial expansion

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

m. Deferred employee stock compensation costs

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and, are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

6. Fixed Assets

	Balance at the beginning of the year	Additions during the year	Balance at the end of the year
Cost			
Land	42,242	-	**42,242**
Building	84,483	-	**84,483**
Leasehold Improvements	1,962	-	**1,962**
Plant and machinery	65,921	611	**66,532**
Air conditioners	2,300	-	**2,300**
Furniture and fixtures	3,743	9	**3,752**
Computers	2,448	1,439	**3,887**
Vehicles	-	1,443	**1,443**
	203,099	3,502	**206,601**
Year ended March 31, 2006	*53,768*	*149,331*	*203,099*
Accumulated depreciation			
Building	287	3,389	**3,676**
Leasehold Improvements	860	392	**1,252**
Plant and machinery	13,630	7,382	**21,012**
Air conditioners	830	380	**1,210**
Furniture and fixtures	1,465	640	**2,105**
Computers	1,871	476	**2,347**
Vehicles	-	142	**142**
	18,943	12,801	**31,744**
Year ended March 31, 2006	*10,219*	*8,724*	*18,943*
Net book value			
Land	42,242		**42,242**
Building	84,196		**80,807**
Leasehold Improvements	1,102		**710**
Plant and machinery	52,291		**45,520**
Air conditioners	1,470		**1,090**
Furniture and fixtures	2,278		**1,647**
Computers	577		**1,540**
Vehicles	-		**1,301**
	184,156		**174,857**
Year ended March 31, 2006	*43,549*		*184,156*

The Company has capitalised net foreign exchange loss of Rs 29 (March 31, 2006 - Rs 206) in the fixed assets capitalised/ capital work in progress during the year.

	March 31, 2007	March 31, 2006
3(a) Share capital		
Authorised:		
500,000 (March 31, 2006 - 500,000) equity shares of Rs 10 each	5,000	5,000
Issued, subscribed and paid-up:		
50,000 (March 31, 2006 - 50,000) equity shares of Rs 10 each, fully paid	500	500

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

3(b) Reserves and surplus		
General reserve		
Balance, beginning of the year	1,003	1,003
4. Secured loan		
Term Loan	150,000	-

On June 22, 2006, the Company entered into an agreement with Citibank N.A. for a long term rupee loan facility of Rs 150,000. The loan is repayable in eight quarterly installments commencing June 30, 2007 and secured by an equitable mortgage on the immovable property i.e., building at Semicon Park. The loan carries an interest rate of 8.08% per annum payable at monthly rests.

5. Unsecured loan		
Unsecured loan	164,380	261,625

The Company has entered into an agreement with Biocon, the holding company, for an interest free loan not exceeding Rs 300 million to support its operational costs and capital expenditure, and the loan is repayable over the period ending by March 31, 2011. The Company utilised Rs 164,380 (March 31, 2006 - Rs 261,625) of this facility as at March 31, 2007

The maximum amount outstanding during the year to Biocon was Rs 266,803 (March 31, 2006 - Rs 261,625)

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	March 31, 2007	March 31, 2006
7. Sundry debtors		
Debts outstanding for period exceeding six months - considered good	3,250	-
Others, considered good	63,615	36,030
	66,865	36,030

The above include receivables of Rs Nil (March 31, 2006 - Rs 22,485) with respect to services rendered to BBPL, associate company and unbilled revenues of Rs 23,397 (March 31, 2006 - Rs Nil) from Biocon, Holding Company and Rs 9,307 (March 31, 2006 - Rs 6,801) from other customers.

	March 31, 2007	March 31, 2006
8. Cash and bank balances		
Cash on hand	34	8
Balances with scheduled banks in:		
Current account	9,430	180
	9,464	188
9. Loans and advances (unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	21	-
Balances with Customs and Excise authorities	2,872	377
Advance to suppliers	7,584	1,372
Prepaid expenses	97	260
Tax deducted at source, net of provision	1,472	96
Deposits	1,617	1,102
	13,663	3,207
10. Current liabilities and provisions		
Current liabilities		
Sundry creditors		
Capital	53,629	1,937
Others	6,024	3,135
Advance from customers	15,089	5,921
Other liabilities	13,397	9,093
	88,139	20,086
Provisions for		
Leave encashment	1,147	982
Bonus	-	1,500
Gratuity	1,083	643
	2,230	3,125
	90,369	23,211

11. Contract research and other operating expenses

	March 31, 2007	March 31, 2006
Chemicals and reagents consumed	8,181	7,213
Consultancy fees	9,230	6,605
Employee costs		
Salaries, wages, bonus, etc	26,046	18,633
Contribution to provident fund	1,307	922
Gratuity, and leave encashment	1,260	1,180
Employee stock compensation expense (See Note 14)	3,069	-
Welfare expenses	570	349
Power	777	772
Rent	760	752
Communication	1,078	530
Travelling and conveyance	4,795	2,531
Professional charges	2,546	1,694
Insurance	949	201
Rates and taxes	1,219	204
Lease rentals	148	148
Exchange differences	112	(134)
Repairs and maintenance		
Buildings	1,194	1
Others	1,881	621
Sales promotion	140	471
Printing and stationery	1,226	779
Other clinical trial costs	12,907	13,148
Miscellaneous expenses	6,065	2,153
	85,460	58,773

12. Interest and finance charges

Interest expense	8,968	-
Bank charges	42	20
	9,010	20

13. Income taxes

During the year, the Company has reported net earning of Rs 7,812 (March 31, 2006 - loss of Rs 11,109). The accumulated losses as at March 31, 2007 stands at R 54,946. The Company avails exemption under Section 80IB of the Income tax Act, 1961 in respect of profits earned upto March 2009. Consequently, the Company has not made any provision for current tax during the year. Further, the Company has not recognized net deferred tax asset resulting from the tax loss carry forward as at March 31, 2007, since there is no virtual certainty that it would reverse the tax loss carry forwards.

Under the Finance Act, 2005, Fringe benefit tax has been introduced by the Government and the provision for Rs 419 (March 31, 2006 - Rs 172) is towards such ta to be paid by the Company.

14. Related party transactions

Sl No	Name of the related pai	Relationship	Description	April 1, 2006 to March 31, 2007	Balance as at March 31, 2007 Payable/ (Receivable)	April 1, 2005 to March 31, 2006	Balance as at March 31, 2006 Payable/ (Receivable)
1	Biocon Limited	Holding company					
			Unsecured loan	(97,965)	164,380	169,560	261,625
			Management charges payable [Note (ii)]	600	-	600	-
			Research services rendered [Note (iii)]	(34,565)	(23,397)	-	-
			Rent paid	240	-	240	-
			Insurance charges	-	-	157	-
			ESOP cost compensation expense [Note (i)]	3,069	-	-	-
			Power charges paid	480	-	480	-
2	BBPL	Associate company	Research services rendered [Note (iv)]	(5,580)	-	(16,500)	(22,485)

Notes:

(i) Biocon has given stock options in Biocon to certain employees of the Company. Biocon has not charged the compensation cost to the extent of Rs 128 (March 31, 2006 - Rs 212) under the ESOP Plan 2000. In addition, on July 18, 2006, Biocon has granted stock options under Grant IV to the employees of Clinigene and charged compensation cost of Rs 3,069 to Clinigene. This compensation cost has been recognised as employee compensation expenses under Schedule 11.

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

(iii) The Company has entered into an agreement with Biocon to provide professional services in the nature of clinical trials for Biocon. The current year revenue from those services amounts to Rs 34,565 (March 31, 2006 - Rs Nil).

(iv) As fully discussed in Note 1, the Company has performed clinical investigations for BBPL.

(v) Associate Company with whom the Company had no transactions during the year - Syngene International Limited

(vi) Biocon has given corporate guarantee of Rs 27,205 (March 31, 2006 - Rs 4,976) to the Customs and Excise Department ('CED') on behalf of the Company.

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15. **Employee Benefit Plans**

The Company has defined contributory plans for retirement benefits of employees. A summary of the gratuity plan is as follows

Fund balance

	March 31, 2007	March 31, 2006
Defined benefit obligation	2,060	960
Fair value of plan assets	977	317
Plan Liability	1,083	643

The change in benefit obligation and funded status of the gratuity plan for the year ended March 31, 2007 is as follows:

	March 31, 2007	March 31, 2006
Change in benefit obligation		
Benefit obligation at the beginning of the year	960	452
Current Service cost	1,065	430
Past Service cost	16	76
Interest cost	48	34
Benefits paid	-	-
Actuarial (gain) / loss	(28)	(32)
Benefit obligation at the end of the year	2,060	960
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	317	164
Return on plan assets	72	12
Actuarial gain / (loss)	(55)	(147)
Actual contribution	643	288
Benefits paid	-	-
Fair value of plan assets at end of year	977	317
Actual Return on Plan Assets	17	(135)

Net gratuity cost for the year ended March 31, 2007 and year ended March 31, 2006 are as follows:

	March 31, 2007	March 31, 2006
Components of net benefit cost		
Current Service cost	1,065	430
Past Service cost	16	76
Interest cost	48	34
Expected return on plan assets	(72)	(12)
Net actuarial (gain) / loss recognised during the year	27	115
Net gratuity cost	1,083	643

The assumptions used in accounting for the gratuity plan for the current year and the previous year are as below:

	March 31, 2007	March 31, 2006
Interest rate	7.50%	7.50%
Discount rate	7.50%	7.50%
Expected return on plan assets	7.50%	7.50%
Salary increase	8.00%	8.00%
Attrition rate upto age 44	2.00%	2.00%
Attrition rate above age 44	1.00%	1.00%
Retirement age	58	58

The Company evaluates these assumptions based on its long-term plans of growth and industry standards. The nature of assets allocation of the Fund is only in debt based mutual funds of high credit rating.

16. Provisions

	Balance at the beginning of the year	Net Additions during the year	Amount paid during the year	Balance at the end of the year
Bonus	1,500	-	1,500	-
	1,500	-	1,500	-

17. Supplementary profit and loss data

	March 31, 2007	March 31, 2006
(a) Payments to auditors (included in Professional charges)		
Statutory audit	200	125
Tax audit	25	25
Other matters	2	2
	227	152
(b) Value of imports on CIF basis		
Capital goods	7,931	18,251
(c) Earnings in foreign currency		
Contract research fees	54,893	30,094
(d) Expenditure in foreign currency		
Travel expenses	1,059	1,128
Others	-	569
	1,059	1,697

18. Segment Information

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

19. Derivative Instruments

The company has no open exposures in derivative finanical instruments such as forward exchange contracts, options and interest rate swaps to hedge its risks association with foreign currency fluctuations. As at March 31, 2007 the net unhedged foreign currency exposure amounted to USD 0.43 Million (March 31, 2006 - USD 0.13 Million)

20. Commitments

	March 31, 2007	March 31, 2006
(a) Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	60,783	-

(b) Operating lease commitments

(i) Rent

The Company has entered into lease agreements which expire in 2008. Gross rental expenses for the year ended March 31, 2007 aggregated to Rs 720 (March 31, 2006 - Rs 720). The committed lease rental in the future are:

	March 31, 2007	March 31, 2006
Not later than one year	810	720
Later than one year and not later than five years	630	1,470

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expire in July 2008. Gross rental expenses for the year ended March 31, 2007 aggregated to Rs 148 (March 31, 2006 - Rs 148). The committed lease rental in the future are:

	March 31, 2007	March 31, 2006
Not later than one year	150	150
Later than one year and not later than five years	34	181

21. Prior year's comparatives

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

As per our report of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 14, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

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

Registration details

Registration No.	27566
State Code	08
Balance Sheet Date	March 31, 2007

Capital raised during the year

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

Position of mobilisation and deployment of funds

Total liabilities and shareholders' funds	351,306
Total assets	351,306

Sources of funds

Paid up capital	500
Reserves	1,003
Secured Loans	150,000
Unsecured Loans	164,380

Application of funds

Net fixed assets	174,857
Capital work in progress	86,457
Net current liabilities	(377)
Accumulated losses	54,946

Performance of the Company

Turnover	115,502
Total expenditure	107,271
Profit before tax	8,231
Profit after tax	7,812
Loss per share in Rupees	156.24
Dividend rate	-

Generic names of three principal products/services of the Company

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