Auditors' Report

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

1. We have audited the attached Balance Sheet of SYNGENE INTERNATIONAL LIMITED (FORMERLY SYNGENE 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. 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 18, 2007

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

Re: SYNGENE INTERNATIONAL LIMITED (FORMERLY SYNGENE 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 the 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 assets during the year.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) As informed to us, 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 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 inventory and fixed assets. *However the internal control system for the sale of services needs to be strengthened for it to be commensurate with the size of the Company and the nature of its business.*

(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 our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

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

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) 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) According to the records of the Company, it is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, 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 has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

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

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

(xiii) As informed to us, the Company is not a chit fund or a nidhi / mutual 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) The Company did not have any term loans outstanding during the year.

(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 any 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
Bangalore
Date: April 18, 2007

SYNGENE INTERNATIONAL LIMITED
(formerly Syngene International Private Limited)
BALANCE SHEET - MARCH 31, 2007

(All amounts in Indian Rupees thousands)

	Notes	March 31, 2007	March 31, 2006 (Note 24)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share capital	3	28,750	28,750
Reserves and surplus	4	1,517,823	1,021,172
		1,546,573	**1,049,922**
DEFERRED TAX LIABILITY	2(j) & 5	24,701	17,586
		1,571,274	**1,067,508**
APPLICATION OF FUNDS			
FIXED ASSETS	2(a), 2(b), 2(c), 2(i) 2(o) & 6		
Cost		969,911	704,061
Less: Accumulated depreciation		224,265	156,472
Net book value		745,646	547,589
Capital work-in-progress [including capital advances of Rs 9,445 (March 31, 2006 - Rs 1,113)]		357,465	31,856
		1,103,111	**579,445**
INVESTMENTS	2(d) & 7	**495,218**	**486,737**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	2(e) & 8	95,828	51,774
Sundry debtors	2(i) & 9	274,359	162,730
Cash and bank balances	10	36	7
Loans and advances	11	45,007	11,803
		415,230	**226,314**
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	2(g), 2(h), 2(i), 2(j),	425,193	198,912
Provisions	2(m), 12 & 17	17,092	26,076
		442,285	**224,988**
NET CURRENT ASSETS		**(27,055)**	**1,326**
		1,571,274	**1,067,508**

The accompanying notes 1 to 24 form an integral part of this balance sheet.

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

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 18, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

Dr. Neville C. Bain
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

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

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

	Notes	March 31, 2007	March 31, 2006 (Note 24)
INCOME			
Contract research fees	2(f)(i) & 2(i)	965,927	751,814
Sale of compounds	2(f)(ii) & 2(i)	316,060	213,862
Interest income [gross of tax deducted at source - Rs Nil (March 31, 2006 - Rs 51)]		51	1,134
Gain on Sale of Asset		(960)	-
Dividend income		34,150	14,003
Gain on sale of investments		740	917
		1,315,968	**981,730**
EXPENDITURE			
Contract research and other operating expenses	2(g), 2(h), 2(l), 2(m), 2 (p) & 14	731,342	438,276
Interest and finance charges	15	866	557
		732,208	438,833
PROFIT BEFORE DEPRECIATION AND TAX		**583,760**	**542,897**
Depreciation	2(a) & 6	71,578	59,279
PROFIT BEFORE TAX		**512,182**	**483,618**
Provision for taxation			
Current	2(j) & 13	7,442	28,250
Deferred	2(j) & 5	7,115	2,777
Fringe Benefits	2(j) & 13	974	484
NET PROFIT FOR THE YEAR		**496,651**	**452,107**
Balance brought forward from previous year		975,379	523,272
BALANCE, END OF THE YEAR		**1,472,030**	**975,379**
Earnings per share (equity shares, par value Rs 10 each) Basic and diluted (in Rs)	2(k)	172.75	157.25
Weighted average number of shares used in computing earnings per share, basic and diluted		2,875,000	2,875,000

The accompanying notes 1 to 24 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 18, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

Dr. Neville C. Bain
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

SYNGENE INTERNATIONAL LIMITED
(formerly Syngene 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 24)
I	**CASH FLOWS FROM OPERATING ACTIVITIES :**			
	Net profit before tax		512,182	483,618
	Adjustments for			
	Add: Non cash item/items required to be disclosed separately:			
	Depreciation	71,578		59,279
	Unrealised exchange (gain)/loss	514		433
	Interest expense	938		557
	Interest income (gross)	(51)		(1,134)
	Dividend earned (gross)	(34,150)		(14,003)
	Gain on sale of investment	(740)		(917)
	Loss of sale of assets	960		-
			39,049	44,215
	Changes in working capital and other provisions			
	Inventories	(44,054)		(26,732)
	Sundry debtors	(114,808)		(70,236)
	Loans and advances	(22,335)		(6,524)
	Current liabilities and provisions (including book overdraft)	79,391		55,137
			(101,806)	(48,355)
			(62,757)	(4,140)
	Cash generated from operations		449,425	479,478
	Tax paid (net of refunds)		(19,723)	(42,851)
	Net cash provided by operating activities		429,702	436,627
II	**CASH FLOWS FROM INVESTING ACTIVITIES :**			
	Fixed assets			
	Purchase	(455,745)		(184,967)
	Sale	550		-
	Interest received	51		1,134
	Dividend received	34,150		14,003
	Sale of investment	1,309,342		1,122,720
	Purchase of investment	(1,317,083)		(1,388,966)
	Net cash used for investing activities		(428,735)	(436,076)
III	**CASH FLOWS FROM FINANCING ACTIVITIES :**			
	Interest paid	(938)		(557)
	Net cash used for financing activities		(938)	(557)
IV	**NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)**		29	(6)
V	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		7	13
VI	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)**		36	7
	COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR			
	Cash on Hand		36	7

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

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 18, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Managing Director

Dr. Neville C. Bain
Director

Murali Krishnan K.N
President - Group Finance

Kiran Kumar
Company Secretary

SYNGENE INTERNATIONAL LIMITED
(formerly Syngene 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

Syngene International Limited ('Syngene' or 'the Company') was promoted by Biocon and Ms Kiran Mazumdar Shaw, a promoter of Biocon Limited ('Biocon'), and was incorporated at Bangalore in 1993. At March 30, 2002, 99.9 per cent of the equity shares of the Company were transferred to Biocon and, resultantly, the Company became the subsidiary of Biocon.

The Company was formed with an objective of providing contract research services to overseas customers in the field of synthetic chemistry, molecular biology and custom synthesis. The Company on October 21, 2004 commissioned a new research facility at Bommasandra, Bangalore on the land taken from Biocon on rent. Further, the Company has also commissioned a new facility at Biocon Park on February 15, 2006. Also the additional facility set up to house its expanding contract research activities is nearing completion in its entirety. However the first floor of the facility is completed & was inaugurated on March 21, 2007. Pending completion of entire facility, the facility building, plant & machinery and other assets at first floor has been capitalized. The Company had received approval for this additional facility to be set up as SEZ unit on August 30, 2006 from the Cochin Special Economic Zone under section 10AA of The Income Tax Act, 1961.

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 capitalizes 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
Buildings	4.00
Plant and machinery	11.11 - 33.33
Furniture and fixtures	16.67
Vehicles	16.67

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

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 years 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. Intangibles

Goodwill

Goodwill is amortised over a period of 5 years and assessed for impairment at each balance sheet date.

Intellectual Property rights

Costs relating to intellectual property rights which are acquired are capitalized and amortized on a straight-line basis over their estimated useful lives or ten years whichever is lower.

Research and Development Costs

Research and development costs, including technical know-how fees, incurred for development of products are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an intangible asset to the extent that it is expected that such assets will generate future economic benefits. Research and development expenditure of a capital nature is added to fixed assets. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

d. Investments

Investments that are readily realisable and intended to be held for not more than 12 months are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value and determined on an individual investment basis.

e. Inventories

Inventories comprise chemicals and reagents, and are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

f. Revenue recognition

(i) *Contract research fee*
Contract research fees are recognized as services are rendered, in accordance with the terms of the contracts in case of services performed on "time and material basis". Revenues relating to fixed price contracts are recognised based on the percentage of completion method.

(ii) *Sale of compounds*
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, and comprise of amounts invoiced for goods sold.

g. 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.

h. 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.

i. 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.

j. <u>Income tax</u>

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.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

k. <u>Earnings per share</u>

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, which would have been issued on the conversion of dilutive potential equity shares, if any.

l. <u>Operating lease</u>

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 recognized as an expense on a straight-line basis over the lease term.

m. <u>Provisions</u>

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.

n. 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.

Intersegment 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.

o. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is captialised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is 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.

p. 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.

3. Share capital

	March 31, 2007	March 31, 2006
Authorised:		
3,500,000 (March 31, 2006 - 3,500,000) equity shares of Rs 10 each	35,000	35,000
Issued, subscribed and paid up :		
2,875,000 (March 31, 2006 - 2,875,000) equity shares of Rs 10 each fully paid	28,750	28,750

Of the above, 2,874,830 (March 31, 2006 - 2,874,830) equity shares are held by Biocon, the holding company.

4. Reserves and surplus

	March 31, 2007	March 31, 2006
General reserve	45,600	45,600
Share premium account	193	193
Balance in profit and loss account	1,472,030	975,379
	1,517,823	**1,021,172**

5. Deferred tax liability

	Deferred tax (asset) / liability as at April 1, 2006	**Current year charge / (credit)**	**Deferred tax (asset) / liability as at March 31, 2007**
Depreciation	22,042	7,820	29,862
Employee retirement benefits	(4,456)	(705)	(5,161)
	17,586	**7,115**	**24,701**

The Company, constituting two 100 per cent Export Oriented Units (approved by the Cochin Export Processing Zone on December 14, 1998 and the Cochin Special Economic Zone on August 24, 2001), claims exemption under section 10B of the Income-Tax Act, 1961 ('the Act'). The Company has recognised the deferred tax liability/ (asset) arising on account of timing differences for one unit which no longer claims exemption under section 10B of the Act, and with respect to Unit II, for those timing differences which do not reverse during the tax holiday.

As more fully discussed in note 1, the Company has received approval from the Cochin Special Economic Zone on August 30, 2006 , under the provisions of section 10AA of the IT Act to setup a SEZ unit. Accordingly, the Company has recognised deferred tax liabilty arising on account of timing difference, which do not reverse during the tax holiday period, on account of depreciation related to the assets capitalised during the year under SEZ unit.

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6. Fixed Assets

	Balance at the beginning of the year	Additions during the year	Deletions during the year	Balance at the end of the year
Cost				
Buildings	120,628	151,874	1,200	**271,302**
Plant and machinery	561,744	120,722	8,845	**673,621**
Furniture and fixtures	19,936	3,609	-	**23,545**
Vehicles	1,753	1,443	1,753	**1,443**
	704,061	277,648	11,798	**969,911**
Year ended March 31, 2006	*542,006*	*162,055*	-	*704,061*
Accumulated depreciation				
Buildings	9,900	4,964	69	**14,795**
Plant and machinery	135,770	64,718	2,981	**197,507**
Furniture and fixtures	9,196	2,570	-	**11,766**
Vehicles	1,606	338	1,747	**197**
	156,472	72,590	4,797	**224,265**
Year ended March 31, 2006	*97,193*	*59,279*	-	*156,472*
Net book value				
Buildings	110,728			**256,507**
Plant and machinery	425,974			**476,114**
Furniture and fixtures	10,740			**11,779**
Vehicles	147			**1,246**
	547,589			**745,646**
Year ended March 31, 2006	*444,813*			*547,589*

Note:-

(a) The Company has reversed net foreign exchange gains of Rs 4,424 (March 31, 2006 - Rs 276) in fixed assets capitalised / capital work in progress during the year.

(b) The depreciation charge for the current year is net of reversal of accumulated depreciation of Rs 69 and Rs 944 under building and plant & machinery on account of reversal of entry tax capitalised in the earlier years.

7. Investments

	March 31, 2007	March 31, 2006
Current and unquoted (at lower of cost and fair market value)		
3,000,000 units (March 31, 2006 - 1,788,569) of Rs 10 each in Reliance Mutual Fund [Market Value Rs 30,000 (March 31, 2006 - Rs 27,359)]	30,000	27,313
2,665,165 units (March 31, 2006 - Nil) of Rs 10 each in ABN AMRO Liquid Fund [Market Value Rs 26,652 (March 31, 2006 - Rs Nil)]	26,652	-
7,393,385 units (March 31, 2006 - 7,968,048) of Rs 10 each in Deutsche Mutual Fund [Market Value Rs 73,934 (March 31, 2006 - Rs 80,057)]	73,934	80,000
Nil units (March 31, 2006 - 10,000,000) of Rs 10 each in LIC Mutual Fund - FMP [Market Value Rs Nil (March 31, 2006 - Rs 100,046)]	-	100,000
Nil units (March 31, 2006 - 10,000,000) of Rs 10 each in ING Vysya Mutual Fund - FMP [Market Value Rs Nil (March 31, 2006 - Rs 100,000)]	-	100,000
5,238,573 units (March 31, 2006 - 500,000) of Rs 10 each in Kotak Mutual Fund - FMP Market Value Rs 52,386 (March 31, 2006 - Rs 50,000)]	52,386	50,000
3,254,649 units (March 31, 2006 - 2,739,621) of Rs 10 each in HSBC Mutual Fund - Cash Fund [Market Value Rs 32,565 (March 31, 2006 - Rs 27,413)]	32,565	27,412
1,884,189 units (March 31, 2006 - Nil) of Rs 10 each in HSBC Mutual Fund - Liquid Fund [Market Value Rs 18,828 (March 31, 2006 - Nil)]	18,828	-
42,906 units (March 31, 2006 - 40,510) of Rs 10 each in ING Vysya Liquid Fund [Market Value Rs 430 (March 31, 2006 - Rs 407)]	430	406
7,009,374 units (March 31, 2006 - Nil) of Rs 10 each in Lotus India Mutual Fund [Market Value Rs 70,094 (March 31, 2006 - Rs Nil)]	70,094	-
Nil units (March 31, 2006 - 2,137,074) of Rs 10 each in Deutsche Insta Cash Plus Fund [Market Value Rs Nil (March 31, 2006 - Rs 22,014)]	-	22,014
Nil units (March 31, 2006 - 599,869) of Rs 10 each in Grindlays Liquid Plan [Market Value Rs Nil (March 31, 2006 - Rs 6,178)]	-	6,178
Nil units (March 31, 2006 - 2,337,273) of Rs 10 each in JM Mutual Fund - Liquid Plan [Market Value Rs Nil (March 31, 2006 - Rs 23,414)]	-	23,414
3,025,410 units (March 31, 2006 - Nil) of Rs 10 each in Standard Chartered Mutual Fund - FMP [Market Value Rs 30,254 (March 31, 2006 - Rs Nil)]	30,254	-
2,000,460 units (March 31, 2006 - 500,000) of Rs 10 each in HDFC Mutual Fund - FMP [Market Value Rs 20,005 (March 31, 2006 - Rs 50,000)]	20,005	50,000
14,007,203 units (March 31, 2006 - Nil) of Rs 10 each in ABN AMRO Mutual Fund - FMP [Market Value Rs 140,070 (March 31, 2006 - Rs Nil)]	140,070	-
	495,218	486,737
Aggregate amount of unquoted investments	**495,218**	**486,737**

The following investments were purchased and sold during the year	March 31, 2007	March 31, 2006
Purchase and sale of 44,784,189 units (March 31, 2006 - 63,938,615) of Rs 10 each in HSBC - Mutual Fund	447,943	648,614
Purchase and sale of 8,016,767 units (March 31, 2006 - Nil) of Rs 10 each in HSBC - Liquid Plan	80,169	-
Purchase and sale of Nil units (March 31, 2006 - 66,340) of Rs 10 each in Birla Sunlife Mutual Fund	-	681
Purchase and sale of Nil units (March 31, 2006 - 26,676) of Rs 1,000 each in TATA Mutual Fund	-	30,447
Purchase and sale of Nil units (March 31, 2006 - 1,691,643) of Rs 10 each in Prudential ICICI Liquid Fund	-	20,037
Purchase and sale of Nil units (March 31, 2006 - 2,987,215) of Rs 10 each in ING Vysya Mutual Fund	-	30,000
Purchase and sale of 7,393,385 units (March 31, 2006 - 8,000,000) of Rs 10 each in Deutsche Mutual Fund-FMP	73,934	80,000
Purchase and sale of 4,188,049 units(March 31, 2006 - Nil) of Rs 10 each in Kotak Mutual Fund-Inst Premium	51,212	-
Purchase and sale of 57,192 units (March 31, 2006 - Nil) of Rs 10 each in Deutsche Insta Cash Fund	572	-
Purchase and sale of 7,099,085 units (March 31, 2006 - Nil) of Rs 10 each in DSP Meryll Lynch Mutual Fund	70,991	-
Purchase and sale of 11,010,808 units (March 31, 2006 - 120,557) of Rs 10 each in LIC Mutual Fund-FMP	110,108	1,925
Purchase and sale of Nil units (March 31, 2006 - 7,117,532) of Rs 10 each in Reliance Fixed Term Scheme	-	71,175
Purchase and sale of 61,747 units(March 31 2006 - 6,900,075) of Rs 10 each in Reliance Mutual Fund	617	71,361
Purchase and sale of 16,702,756 units(March 31 2006 - Nil) of Rs 10 each in ABN Amro Mutual Fund-FMP	167,027	-
Purchase and sale of Nil units(March 31, 2006 - 84,400) of Rs 10 each in JM Mutual Fund - Liquid Plan	-	941
Purchase and sale of 19,576 units (March 31, 2006 - Nil) of Rs 10 each in Reliance Liquid Plan	300	-
Purchase and sale of 10,201,147 units (March 31, 2006 - Nil) of Rs 10 each in Reliance Mutual Fund-Floating rat	102,404	-
Purchase and sale of 13,253 units (March 31, 2006 - Nil) of Rs 10 each in Grindlays Liquid Plan	133	-
Purchase and sale of 5,248,908 units (March 31, 2006 - Nil) of Rs 10 each in Deutsche Liquid Plan	52,633	-
Purchase and sale of 52,385,731 units (March 31, 2006 - Nil) of Rs 10 each in Kotak Mutual Fund-FMP	52,386	-
Purchase and sale of 8,604,163 units (March 31, 2006 - Nil) of Rs 10 each in HDFC FMP	87,526	-
Purchase and sale of 8,204,785 units (March 31, 2006 - Nil) of Rs 10 each in DWS Liquid Plan	82,048	-
Purchase and sale of 3,097,594 units (March 31, 2006 - Nil) of Rs 10 each in DWS Mutual Fund	30,976	-

8. Inventories

	March 31, 2007	March 31, 2006
Chemicals and reagents	95,828	51,774

9. Sundry debtors (unsecured and considered good)

	March 31, 2007	March 31, 2006
Debts outstanding for a period exceeding six-months - Considered good	102	137
Other debts	274,257	162,593
	274,359	**162,730**

Other debts include unbilled revenues of Rs 1,656 (March 31, 2006 - Rs 8,288) with respect to services rendered to customers.

10. Cash and bank balances

	March 31, 2007	March 31, 2006
Cash on hand	36	7
	36	**7**

11. Loans and advances (unsecured and considered good)

	March 31, 2007	March 31, 2006
Advances recoverable in cash or in kind or for value to be received	10,389	3,007
Balances with Customs, Excise and Sales Tax Authorities	22,619	7,666
Deposits	1,130	1,130
Advance income-tax, net of provision	10,869	-
	45,007	**11,803**

Included under Deposits is rent deposit of Rs 1,050 (March 31, 2006 - Rs 1,050) paid to Biocon, the holding company.

12. Current liabilities and provisions

	March 31, 2007	March 31, 2006
Current liabilities		
Sundry creditors		
Capital	212,097	73,268
Others	137,238	72,182
Advances from customers	5,453	28,926
Balance in current account with bank represents book overdraft	50,465	3,005
Other liabilities	19,940	21,531
	425,193	**198,912**
Provisions for		
Leave encashment	15,180	13,237
Bonus	-	9,000
Gratuity	1,889	3,377
Income tax, net of advance tax	-	371
Fringe benefit tax, net of advance tax	23	91
	17,092	**26,076**
	442,285	**224,988**

13. Taxation

The current tax charge of Rs 7,442 (March 31, 2006 -- Rs 28,250) [net of reversals of Rs 2,005 (March 31, 2006 - Rs 2,681)] excluding fringe benefit tax represents tax on income from Unit I, wherein the tax holiday under Section 10B of the Act, expired effective April 1, 2004. The other Unit of the Company is covered by the exemption under section 10B of the Act until March 31, 2009. The additional unit ('SEZ unit') of the Company at Biocon Park is covered by exemption under section 10AA of the IT Act and is yet to start commercial operations.

As per the Finance Act, 2005, provision for Rs 974 (March 31, 2006 - Rs 484) has been made towards Fringe Benefit tax paid / to be paid by the Company.

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14. Contract research and other operating costs

	March 31, 2007	March 31, 2006
Research material costs		
Chemicals and reagents consumed	349,060	204,215
Employee costs		
Salaries, wages, bonus and incentives	219,317	154,225
Contribution to provident fund	10,609	7,311
Gratuity, superannuation and leave encashment	4,096	7,593
Employee stock compensation expense (See Note 16)	20,958	-
Welfare expenses	6,755	3,069
Director's sitting fees	120	100
Selling, general and administrative expenses		
Rent	1,553	1,494
Communication	3,700	2,525
Travelling and conveyance	11,873	7,024
Professional charges	4,924	3,220
Power and water charges	36,205	28,247
Facility charges	9,110	-
Insurance	1,831	1,242
Rates, taxes and fees	451	102
Repairs and maintenance		
Plant and machinery	13,235	8,437
Buildings	728	715
Others	7,958	4,199
Selling expenses		
Freight outwards and clearing charges	3,236	2,428
Sales promotion	3,600	1,318
Printing and stationery	2,350	1,726
Bad debts written off	-	12
Exchange fluctuation (net)	(1,751)	(5,231)
Miscellaneous expenses	21,424	4,305
	731,342	**438,276**

15. Interest and finance charges

Interest expense	179	39
Bank charges	687	518
	866	**557**

16. Related party transactions

Sl No	Name of the related party	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)
(a)	Biocon Limited	Holding Company	Current account:				
			Rent expense	1,553	-	1,494	-
			Management charges paid (Note (iii))	2,400	-	2,400	-
			Rent deposit paid	-	(1,050)	-	(1,050)
			Recharge of Insurance expenses	-	-	2,599	-
			Purchase of goods	9,870	1,134	-	-
			ESOP Cost compensation expense (Note (ii))	20,958	-	-	-
			Power and facility charges	45,315	-	28,247	-

(i) Biocon has given corporate guarantees of Rs 217,500 (March 31, 2006 - Rs 217,500) to the Customs and Excise department ('CED') on behalf of the Company and the Company has furnished a corporate guarantee of Rs 465,000 (March 31, 2006 - Rs 465,000) on behalf of Biocon to the CED.

(ii) Biocon has given stock options in Biocon to certain employees of the Company in respect of which no charges have been made by Biocon under the erstwhile ESOP Plan for the grant made before April 1, 2005. The corresponding compensation cost amortised during the year is Rs 936 (March 31, 2006 - Rs 2,298), which is recorded in the books of Biocon. On July 18, 2006, Biocon has further granted stock options to the employees of the Company and the corresponding compensation cost has been recorded in the books of the Company.

(iii) 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. During the year, effective from October 1, 2006, the Company has entered into service agreement with 'Biocon SEZ Developer' of Biocon Limited for providing of certain facilities and services to its SEZ unit. The facility charges of Rs 9,110 and power charges of Rs 36,205 has been accounted during the year based on terms and conditions of the agreement.

(iv) Fellow subsidiary companies with whom the Company did not have any transactions during the year - Clinigene International Limited and Biocon Biopharmaceuticals Private Limited

17. Provisions

	Balance at the beginning of the year	Additions during the year	Payments during the year	Balance as at end of the year
Bonus	9,000	809	9,809	-
	9,000	809	9,809	-

18. Supplementary profit and loss data

a. Payment to auditors (included in professional charges)

Statutory audit	500	325
Tax audit	75	75
Out of Pocket Expenses	13	15
	588	415

b. Consumption of laboratory chemicals

	March 31, 2007		March 31, 2006	
	Quantity	Amount	Quantity	Amount
Chemicals and reagents	*	349,060	*	204,215
	Per cent	Amount	*Per cent*	Amount
Imported	25	86,090	19	39,274
Indigenous	75	262,970	81	164,941
		349,060		204,215

* Due to numerous items classified thereunder, it is not practical to quantify consumption of individual items.

Consumption values have been derived on the basis of opening stock plus purchases less closing stock and therefore include adjustments ascertained during physical count, write off of obsolete items, etc.

c . Value of imports on CIF basis	March 31, 2007	March 31, 2006
Chemicals and reagents	90,646	49,035
Capital goods	323,552	121,284
	414,198	170,319
d. Expenditure in foreign currency (on accrual basis)		
Travel	3,980	2,143
Others	37,699	4,809
	41,679	6,952
e. Earnings in foreign exchange		
Exports on FOB basis	316,060	213,862
Recovery of material cost freight, insurance etc on exports	13,049	4,509
Contract research fees	965,927	751,814
	1,295,036	970,185

19. 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	14,345	13,330
Fair value of plan assets	12,456	9,953
Plan Liability	1,889	3,377

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	13,330	10,183
Current Service cost	1,318	2,351
Past Service cost	257	415
Interest cost	873	764
Benefits paid	(1,197)	(235)
Actuarial (gain) / loss	(236)	(148)
Benefit obligation at the end of the year	14,345	13,330
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	9,953	5,739
Return on plan assets	689	430
Actuarial gain / (loss)	(366)	(425)
Actual contribution	3,377	4,444
Benefits paid	(1,197)	(235)
Fair value of plan assets at end of year	12,456	9,953

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	1,318	2,351
Past Service cost	257	415
Interest cost	873	764
Expected return on plan assets	(689)	(430)
Net actuarial (gain) / loss recognised during the year	130	278
Net gratuity cost	1,889	3,377
Actual Return on Plan Assets	323	5

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.

20. Commitments

(a) Capital commitments

	March 31, 2007	March 31, 2006
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	184,932	46,942

(b) Operating lease commitments

(i) Rent

The Company has entered into lease agreements which expires over a period ranging upto 2013. Gross rental expenses for the year aggregate to Rs 1,553 (March 31, 2006 - Rs 1,494). The committed lease rental in the future are:

Not later than one year	1,619	1,553
Later than one year and not later than five years	7,269	6,936
Later than five years	2,058	4,010

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expire over a period ranging upto May 2010. Gross rental expenses for the year aggregate to Rs 1,404 (March 31, 2006 - Rs 1,254). The committed lease rental in the future are:

Not later than one year	2,067	1,234
Later than one year and not later than five years	2,893	1,443

21. Derivative Instruments

The company has no open derivative financial 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 net foreign currency receivables amounted to equivalent USD 5.17 million (March 31, 2006 - net receivable USD 1.70 million)

22. Contingent liabilities

The Company has given two corporate guarantees in favour of the CED in respect of certain performance obligations of Biocon aggregating to Rs 465,000 (March 31, 2006 - Rs 465,000). The Company has informed that the necessary terms and conditions have been complied with and no liability has arisen till date (See Note 16).

23. Segmental Information

The Company is primarily engaged in a single business segment of providing contract research services and in some instance as per the terms of the agreement, separately invoices for the resultant sale of compounds arising out of the contract research services, and is managed as one entity, governed by similar sets of risks and returns. The operations of the Company to provide contract research services is primarily catered for the export market, which the management views as a single segment.

24. Prior year comparatives

The previous years' figures have been re-grouped / reclassified, wherever 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 18, 2007

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Managing Director

Dr. Neville C. Bain
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

Balance sheet abstract and Company's general business profile

(All amounts in thousands of Rupees)

(a) Registration Details

Registration No.	14937
State Code	08
Balance Sheet Date	March 31, 2007

(b) Capital raised during the year

Public Issue	-
Right Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

(c) Position of Mobilisation and Deployment of Funds

Total Liabilities and shareholders funds	**2,013,539**
Total Assets	**2,013,539**

Sources of Funds

Paid up Capital	**28,750**
Reserves	**1,517,823**
Secured Loans	-
Unsecured Loans	-
Deferred tax liability	**24,701**

Application of Funds

Net Fixed Assets	**745,646**
Capital work in progress	**357,465**
Long term Investments	**495,218**
Net Current Assets	**(27,055)**

(d) Performance of the Company

Turnover	**1,315,968**
Total expenditure	**803,786**
Profit before tax	**512,182**
Profit after tax	**496,651**

(e) Generic Name of principal products of the Company

Item Code No (ITC Code)	381500
Product Description	Catalytic Preparation
Item Code No.(ITC Code)	294200
Product Description	Other Organic Compounds

SYNGENE INTERNATIONAL LTD. BANGALORE

Draft for review