Biocon

Symbiosis
PARTNERING FOR LIFE

2005
ANNUAL REPORT

1978 - 1998

BIOCON **EVOLVES**

from an enzyme manufacturing to a biopharmaceutical company

1998 - 2004

BIOCON **METAMORPHOSES**

into a globally focused, integrated biopharmaceutical enterprise

Symbiosis

PARTNERING FOR LIFE

Alone, they go unnoticed. Together, they are the greatest double act in the rainforest. The leaf-cutting attine ants and the fungus farms they cultivate for food are a marvel of nature and perhaps the best known example of symbiosis – the inter-dependence of species to mutual advantage. The ants offer the fungi large amounts of leafy nourishment, far more than the sedentary fungus can engulf on its own; the fungus, in turn, consumes the biomass and converts it into nutrients, sugars and protein, on which the ants thrive.

So what is the secret of their success? Shared value. The attine ants and their fungal partners don't just live together, they have evolved together, each enabling the other to grow, to improve one another's performance. Co-existence and a complementary skill base have made the ants and fungi one of the most successful collaborative ventures in nature.

Biocon's success is built on the fundamental principle of symbiosis. As a globally focused innovator company, we strongly believe symbiotic collaborations across our businesses and with our partners is the most dynamic way forward.

2005

BIOCON ENTERS INTO **SYMBIOTIC PARTNERSHIPS**

with leading biotech and pharma companies to become a global biopharmaceutical innovator

From gradual evolution, to rapid metamorphosis, into an integrated biopharmaceutical enterprise, Biocon's growth story continues on a platform of symbiotic relationships. First, with our Irish partners and later, with Unilever Plc., we have nurtured a strong ethos of international collaborations. Today, our multi-disciplinary expertise and impressive product portfolio enable us to offer differentiated partnering opportunities to leading pharmaceutical and biotechnology companies, the world over.

Biocon's unique integrated business model enables the cross-fertilization of technologies and competencies at every stage in the drug life cycle. Our innovative R&D programs and world-class manufacturing resources have driven us to the frontline of rapid discovery, development and commercialization. As we focus on the world's most debilitating diseases – Diabetes and Oncology, we have developed a robust pipeline of medically-vital and commercially-viable products and therapies.

Leveraging our powerful internal synergies, we now symbiotically partner with innovators like Bristol Myers Squibb, CIMAB, Nobex, Novartis and many others. In combining our complementary skill bases, innovative technologies and promising pipelines, we endeavour to rapidly co-develop proprietary products and enter markets with high growth potential. By forging mutually beneficial partnerships, we aim to hasten the advancement of new medicine and provide therapeutic advantage to a waiting world.

Biocon is building its innovation path through symbiotic global partnerships

CHAIRMAN'S OUTLOOK

As we celebrate our first anniversary as a public company, we reflect on the year gone by with a sense of responsibility and a note of satisfaction that we have delivered growth in all our business segments. Additionally, we have begun the process of building new growth drivers for the future. Our evolution from an enzymes to a biopharmaceutical company began in the mid 1990's when we leveraged our fermentation platforms to develop a range of generic pharmaceutical molecules that spanned across Statins and Immunosuppressants. The new millennium witnessed Biocon's successful metamorphosis into an integrated biopharmaceutical enterprise through various milestone events:

1. The creation of Clinigene International to introduce clinical development capabilities.

2. US FDA's qualification of Biocon's Statins facilities enabling our entry into US markets.

3. The JV with CIMAB, a leading Cuban research institute for mammalian cell culture and Monoclonal Antibodies spearheading our foray into new medicine.

4. The launch of INSUGEN™ into the Indian market heralding our entry into branded formulations.

5. The commencement of Phase IIb clinical trials for BioMab™ an antibody targeted against Head and Neck Cancer, announcing our entry into proprietary drug molecules.

We are now embarking on a new path of innovation wherein we aim to leverage two decades of learning and skill building to realize our true potential as a global biopharmaceutical innovator. Biocon has been clearly focused on an innovation strategy that aims to develop a research pipeline of high value, proprietary products in a de-risked manner. This has involved developing and marketing in the interim, a number of generic products with assured global markets. The aim is to rapidly replace them with novel products that inherently have longer and no doubt, unpredictable market time lines, but with much higher risk-reward ratios. This approach has helped Biocon to utilize its generics portfolio to effectively fund its innovation led research programs. The underlying theme of Biocon's innovation strategy is one of symbiosis. Internally, the symbiosis between Biocon and its subsidiaries,

2005 HIGHLIGHTS

Income increased by 34% from Rs 5,419 million in 2003-2004 to Rs 7,282 million in 2004-2005

Syngene, Clinigene and Biocon Biopharmaceuticals has allowed maximization of R&D resources which has brought in both speed and efficiency in delivering on research programs. In the external dimension, Biocon has forged partnerships with unique biotechnology companies to develop a large spectrum of novel molecules targeting Diabetes and Oncology.

Our JV with a leading Cuban research institute CIMAB, has made substantial progress, wherein the first molecule h-R3 (BioMab™), a novel Monoclonal Antibody is undergoing Phase IIb clinical trials in multiple medical centers in India. The clinical trial is being conducted on a number of Head and Neck Cancer patients and will be extended to include Pancreatic, Colorectal, Lung, Breast and Brain Cancers.

Another partnership with a North Carolina based bio-technology company, Nobex involves their proprietary conjugated peptide delivery technology to develop an Oral Insulin. The success of this program will open up a large global opportunity that has the potential of addressing both Type I and Type II Diabetes.

A third partnership with a Rochester based biotechnology company, Vaccinex Inc., is focused on developing a number of novel Human Monoclonal Antibodies using Vaccinex's proprietary human antibody technology for various indications including but not limited to Oncology and Auto-immune diseases.

Financial Highlights

In the year 2004-2005 our total income increased 34% from Rs 5,419 million to Rs 7,282 million. Operating profit moved up 33% to Rs 2,171 million and profit after tax rose 42% to Rs 1,975 million. Our net margin expanded from 26% to 27% and EPS on issued capital was Rs 19.8 for the year.

Revenue from our biopharmaceutical business increased by 28%. Biocon's custom and clinical research subsidiaries posted impressive growth of 71%. Our exports (largely to regulated markets) increased by 30% contributing 62% to overall revenues.

During the financial year under review, the size of our balance sheet increased to Rs 7,633 million. The return on average capital employed for the year was 39% while return on average net worth was 30%.

Looking Forward

The outlook for the year ahead is very positive. Sales of Simvastatin and Pravastatin to the US market, revenues from Insulin, Immunosuppressants and branded formulations, and

Export contributed to 62% of total income in 2004-2005

Biopharmaceutical sales grew 28% to Rs 5,567 million in 2004-2005

Profit after tax increased from Rs 1,386 million in 2003-2004 to Rs 1,975 million in 2004-2005

expansion of our research services will be the key drivers of growth for the year ahead. Our development initiatives in Oral Insulin and h-R3 antibody for various EGFR expressing Cancers are making good progress and providing us with a clear direction in our innovation pathway. This is enabling Biocon to position itself as a preferred global bio-partner to a number of pharma majors who are aggressively seeking symbiotic relationships with innovative biotechnology companies to rejuvenate their rapidly declining product pipelines. Our proprietary technologies and global scale manufacturing that meets the highest levels of global regulatory compliance, add to this dimension.

In conclusion, I would like to thank all our investors for their continued support. I also want to place on record the contribution of Team Biocon. As we embark on a symbiotic relationship with our global partners, we reinforce our commitment to delivering long-term and sustainable value to our shareholders.

Yours sincerely,
Dr. Kiran Mazumdar-Shaw
Chairman

BOARD OF DIRECTORS

Dr. Neville Bain • Chairman, Hogg Robinson Plc. • Board Member, Scottish Newcastle Plc. • Formerly, Group CEO, Coats Viyella Plc. • Formerly, Deputy Group Chief Executive, Cadbury Schweppes Plc. • Author of several management books on Corporate Governance and People Management

Prof. Charles L. Cooney • Professor of Chemical & Biochemical Engineering, MIT, USA • Director, Genzyme Inc. and Cuno Inc. • Recipient of prestigious awards, including Gold Medal of the Institute of Biotechnology Studies and Distinguished Service Award from the American Chemical Society • PhD (MIT)

Prof. Catherine Rosenberg • University Research Chair Professor and Chairman, Department of Electrical and Computer Engineering, University of Waterloo, Canada • PhD (University of Paris) (not in picture)

Dr. Kiran Mazumdar-Shaw • Chairman & Managing Director, Biocon • First generation entrepreneur with more than 25 years experience in biotechnology and industrial enzymes • Post Graduate in Malting and Brewing, Melbourne University, Australia • Awarded the Padmabhushan, one of India's highest civilian awards, for her pioneering efforts in biotechnology, 2005

Prof. Ravi Mazumdar • University Research Chair Professor, Department of Electrical and Computer Engineering, University of Waterloo, Canada • Fellow of the Institute of Electrical and Electronics Engineers (IEEE) and Fellow of the Royal Statistical Society • PhD (UCLA)

Mr. John Shaw • Vice Chairman, International Business Development, Biocon • 27 years experience with Coats Viyella Plc. • Served as Managing Director in various locations around the world

Mr. Suresh Talwar • Partner, Crawford Bayley & Co. • Director of Cadbury India Ltd, Blue Star Ltd. and several other companies of repute

Dr. Bala Manian • Chairman and Co-Founder, Reametrix Inc. • Co-Founder, Quantum Dot Corporation and Surromed Corporation, USA (not in picture)

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Prof. Charles L. Cooney • Chairman • Professor of Chemical & Biochemical Engineering, MIT, USA

Dr. Kiran Mazumdar-Shaw • Chairman & Managing Director, Biocon

Dr. Sam Pasternack • Partner, Choate, Hall & Stewart - Patent Attorneys, USA

Dr. Anthony Allison • Distinguished Scientist at SurroMed Corporation, USA • Former Vice President Research, Syntex Corporation • Inventor of Mycophenolate Mofetil

Dr. C.N.R. Rao • Linus Pauling Research Professor • Honorary President, Jawaharlal Nehru Centre for Advanced Scientific Research, India (not in picture)

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Mr. Suresh Talwar

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Dr. Neville Bain
Dr. Kiran Mazumdar-Shaw
Mr. John Shaw

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President, Marketing
19 years at Biocon

Mr. John Shaw
Vice Chairman, International Business Development
6 years at Biocon

Mr. Murali Krishnan
President, Finance
24 years at Biocon

Dr. Arun Chandavarkar
President, Operations & Technology
15 years at Biocon

Dr. Goutam Das
Chief Operating Officer, Syngene
11 years at Biocon

Dr. Kiran Mazumdar-Shaw
Chairman & Managing Director
Founder entrepreneur, 1978

Mr. M.B. Chinappa
Vice-President, Finance
6 years at Biocon

Mr. Rakesh Bamzai
Vice-President, Marketing
10 years at Biocon

Dr. A.S. Arvind
Chief Operating Officer, Clinigene
5 years at Biocon

Mr. Shrikumar Suryanarayan
President, Research & Development
21 years at Biocon

2005

Symbiosis : PARTNERSHIPS IN THE LIFE CYCLE OF A DRUG

SYMBIOTIC PARTNERSHIPS

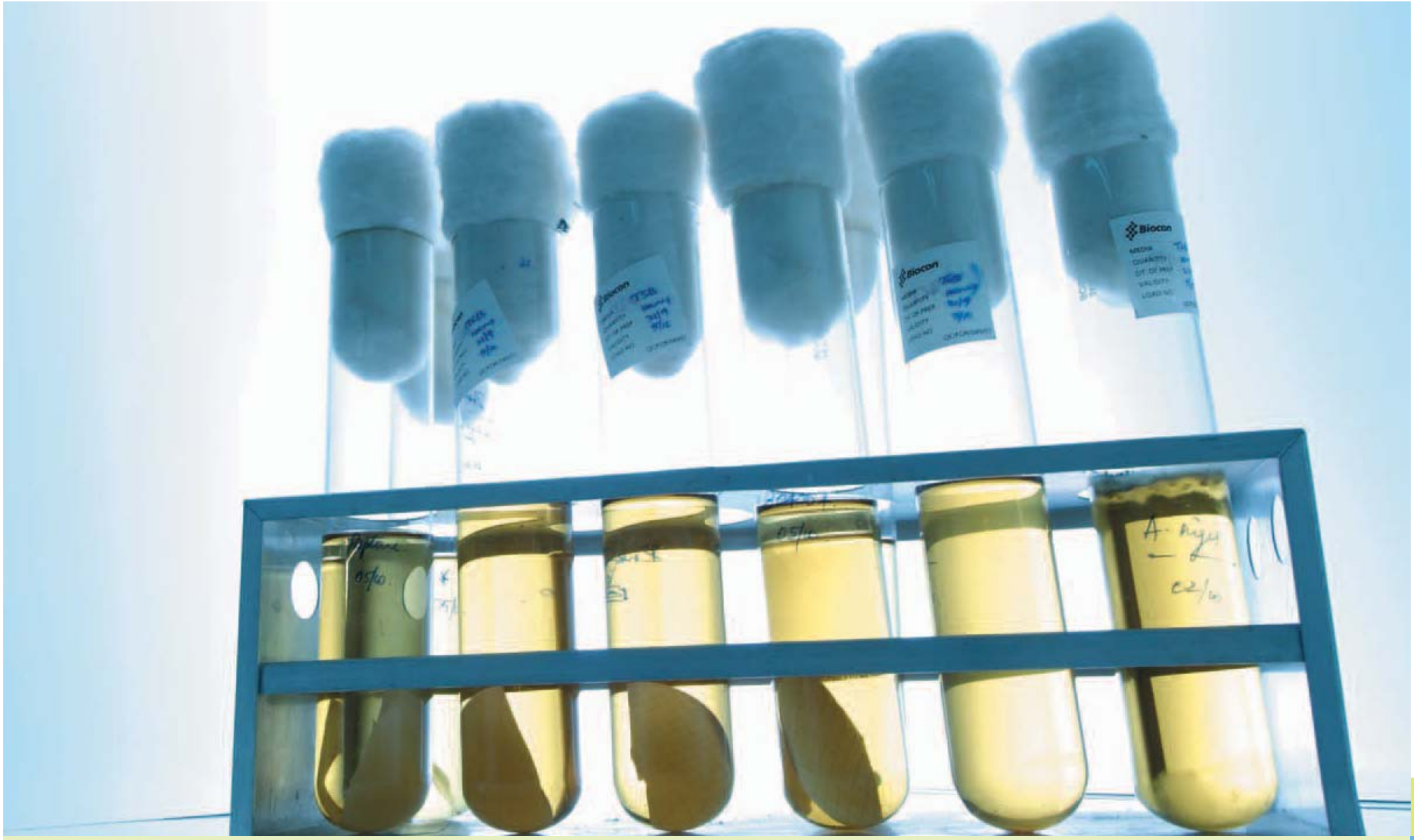
Biocon's multiple expertise at every stage in the drug life cycle enables us to provide rapid, high value innovation, on a strong platform of cost-competitiveness

TO BUILD INNOVATION

The increasing cost of drug research, together with longer lead times to market is one of the greatest challenges facing the pharmaceutical industry, globally. This can be largely attributed to declining R&D successes, increased competition and stricter regulatory demands for drug approval. Pharmaceutical majors are under tremendous pressure to enhance the value of their pipeline with a continuous stream of new drugs. At the same time, innovative biotech firms are increasingly turning to mainstream pharma for backing and support.

The emerging model is one of partnerships. Companies are looking to complement their skills and capabilities through alliances that augment research efforts.

Biocon is privileged to be a part of the exciting paradigm that is driving new medical research. In this challenging and changing environment, we believe, we are strongly positioned as innovative and agile partners to leading pharma and biotech companies in their quest for targeted and differentiated new medicine.



Emerging global trends in pharma R&D

Challenges

- Generic competition is eroding the market for "blockbusters"
- Global pricing pressure is squeezing margins
- R&D productivity is declining
- Clinical development costs are steadily rising as regulators demand more extensive testing with longer timelines
- Genomic medicine is leading to smaller patient populations, and a smaller market size

Forecast

- R&D outsourced by drug majors is estimated to account for 40% of total R&D spends by 2007
- The share of licensed molecules is expected to increase from <30% in 1997 to >45% in 2005
- Approximately 25% of R&D is outsourced by pharma majors
- Approximately 20% of drug revenues is paid out by pharma majors as royalties on licensed products and technologies
- Genomics, High Throughput Screening & other Informatics-based research is expected to dramatically increase the number of leads for drug discovery, which in turn, will expand both opportunities and challenges for new drugs

By investing in discovery led R&D we are building long-term growth and sustainability across our businesses

R&D

R&D at Biocon

At Biocon, we believe, discovery led R&D will be the key differentiator for addressing global pharmaceutical growth opportunities. We are therefore pursuing a strong innovation path that includes proprietary products and technologies with enormous growth potential. By investing in discovery led R&D we are building long-term growth and sustainability across our businesses (especially in light of the new WTO-TRIPS era).

Our collaborative in-licensed R&D programs, h-R3/Cancer Vaccines (CIMAB), Oral Insulin (Nobex) and Human Antibodies (Vaccinex) have made significant progress. We anticipate these projects will rapidly develop into very large global opportunities over the next 3-4 years.

Biocon's de-risked research strategy

- We have selected research programs based on proven targets (e.g EGFR) and proven molecules (e.g Insulin)
- We focus on biologicals because they offer lower risk of failing toxicity studies as compared to small molecules
- We have a diverse discovery program focused on biologics
- Our integrated business model enables faster and affordable clinical "proof of concept" studies

Generic Biopharmaceuticals (short to medium term)	- Develop non-infringing process technology - Focus on drug molecules coming off patent - Develop globally competitve process technologies
Collaborative Development/ In-licensing (medium to long-term)	- Develop products in collaboration with other partners - Share or contribute to part of the development costs, either clinical development or process development
Discovery (long-term)	- Discover and develop new drugs

SYMBIOTIC PARTNERSHIPS

SYNGENE CLINIGENE BIOCON

Through its integrated business model, Biocon has positioned itself as a preferred partner for the co-development of new and innovative drugs focused on Oncology and Diabetes

THROUGH INTERNAL INTEGRATION

The path to new medicine is long and complex. Declining productivity, rising R&D costs, deficient pipelines and impending patent expiries have prompted mainstream pharma companies to seek innovative technologies and potential drug candidates from biotech firms. Biocon's expertise across the drug value chain, positions us to offer our global partners comprehensive and effective solutions in new drug discovery, clinical research and commercialization. Our integrated business model also enables us to harness our internal synergies to pursue a short-term generics strategy that will support a long-term discovery pipeline.

Syngene offers pharmaceutical majors multi-specialized custom research capabilities for critical early-stage development of new drug molecules.

Clinigene provides differentiated clinical capabilities to rapidly and cost-effectively evaluate new medicine.

Biocon extends its proprietary expertise in process development and multi-product manufacturing to co-develop and scale-up a wide range of drugs, from small molecules to recombinant therapeutics.

Discovery Research	Clinical Development	Commercialization
- FTEs (No IP) - Projects (Royalties/ Milestones) - Partnering (Sharing IP)	- Clinical Program for in-house products (e.g. Insulin, h-R3) - Clinical Registries (e.g. Diabetes, Oncology) - CRO: Theranostics, NDDS, Biologics, Combination Drugs (e.g. Statins + Anti-diabetics), New Indications (e.g. MMF + LP)	- Process Development - Manufacturing - Regulatory Filing - Marketing
> Library Screening > Lead Molecule Optimization	> Pre-clinical Studies > Human Clinical Trials	> Process Scale-up > Regulatory Approvals > Marketing & Sales

THERE ARE
177 MILLION
DIABETICS IN
THE WORLD.

ONE IN FOUR IS INDIAN.

ORALLY DELIVERED INSULIN COULD PERHAPS BE THE MOST MEDICALLY EFFECTIVE AND EASY-TO-USE TREATMENT FOR DIABETES.

Insulin crystals

PARTNERING

BIOCON NOBEX

In working collaboratively towards a new modified Insulin molecule with improved oral absorption and potency, we are taking critical steps to turn good science into a commercially viable product

FOR THE CO-DEVELOPMENT OF ORAL INSULIN

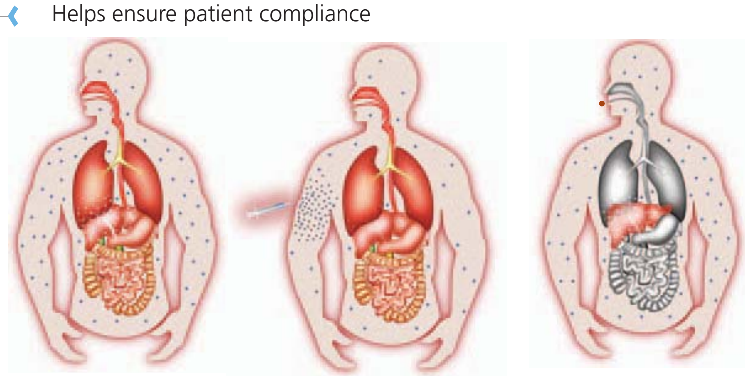
Biocon and Nobex Corporation, a global leader in oral delivery peptides have entered into a research collaboration to jointly develop a new, commercially viable Oral Insulin product for the treatment of Diabetes, on a global scale.

Creating shared value through a symbiosis of competencies, this partnership combines the Insulin manufacturing and product development capabilities of Biocon, with the proprietary oral peptide-delivery technology of Nobex. We expect to have significant clinical data and make firm progress towards manufacturing within two years.

Nobex Corporation is a privately-held, developmental stage, drug delivery company based in North Carolina, USA. The company's core scientific expertise is applying medicinal chemistry to the challenges of drug delivery. Today, Nobex is a strategic ally to global pharma and biotech companies to develop oral delivery of protein, peptide and small molecule drugs currently available only by injection.

Key advantages of Oral Insulin

- Reproduces the normal physiological pathway of Insulin secreted by the pancreas, that is, into the portal vein and then directly to the liver
- Engages the liver's full participation in the control of blood glucose
- Reduces levels of Insulin in the peripheral bloodstream, thereby potentially decreasing the number of serious hypoglycemic events that can occur with injectable Insulin therapy
- Lowers the risk of complication that may result from high levels of circulating Insulin created with injectable Insulin
- Helps ensure patient compliance



Healthy

Injectable, Pulmonary
Nasal, Buccal

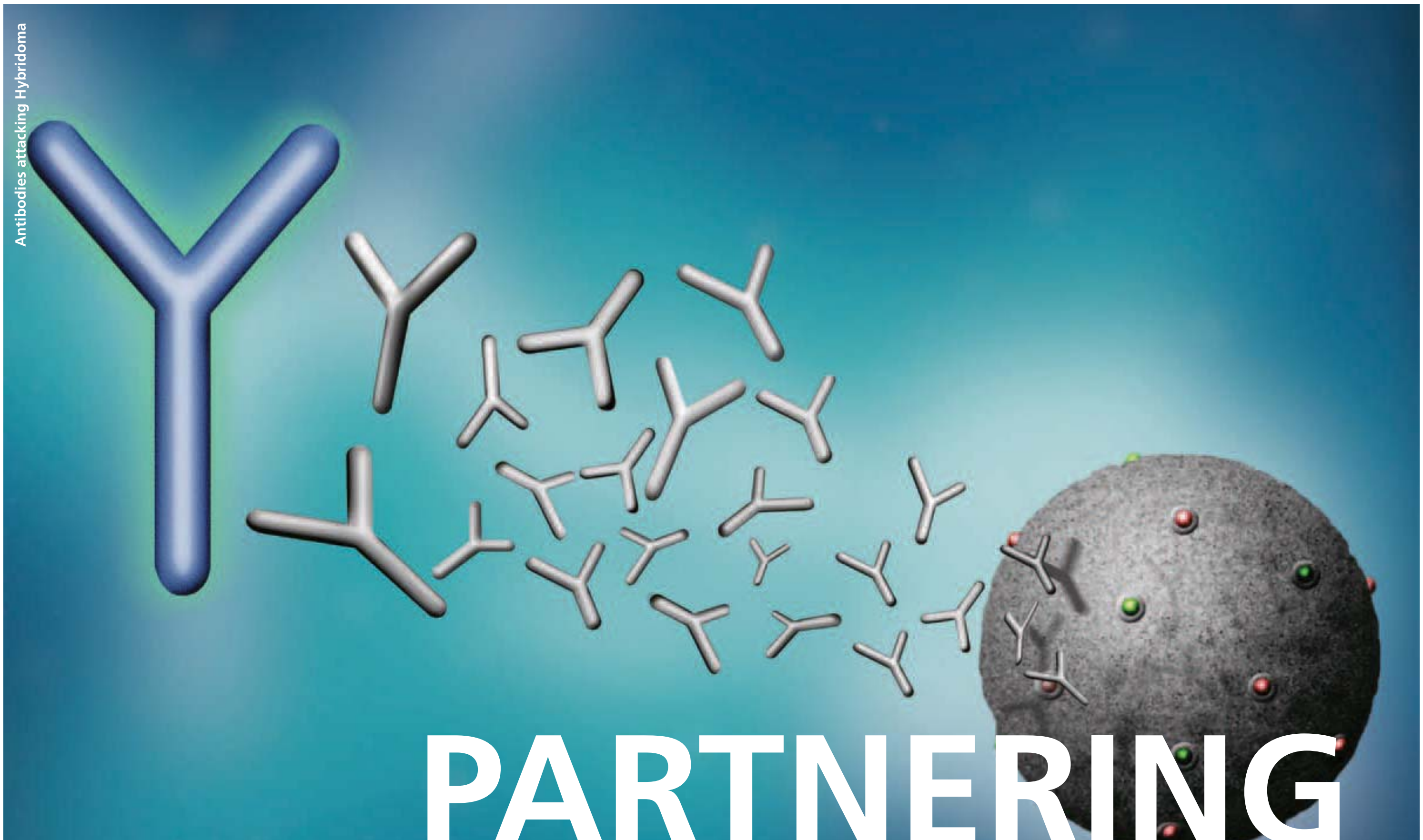
Oral Tablet

9 MILLION CANCER PATIENTS ARE DIAGNOSED EVERY YEAR.

ONLY
HALF
SURVIVE.

IN THE FIGHT AGAINST CANCER, IMMUNOTHERAPY IS THE ONLY TREATMENT THAT CAN MOBILIZE THE BODY'S OWN DEFENCE SYSTEMS TO ATTACK CANCEROUS CELLS, WHILE LEAVING HEALTHY CELLS UNHARMED.

Antibodies attacking Hybridoma



PARTNERING

BIOCON CIMAB

The commencement of Phase II clinical trials of BioMab™ (h-R3) for Head and Neck Cancers marks a substantial advancement in Biocon's immunotherapeutic portfolio

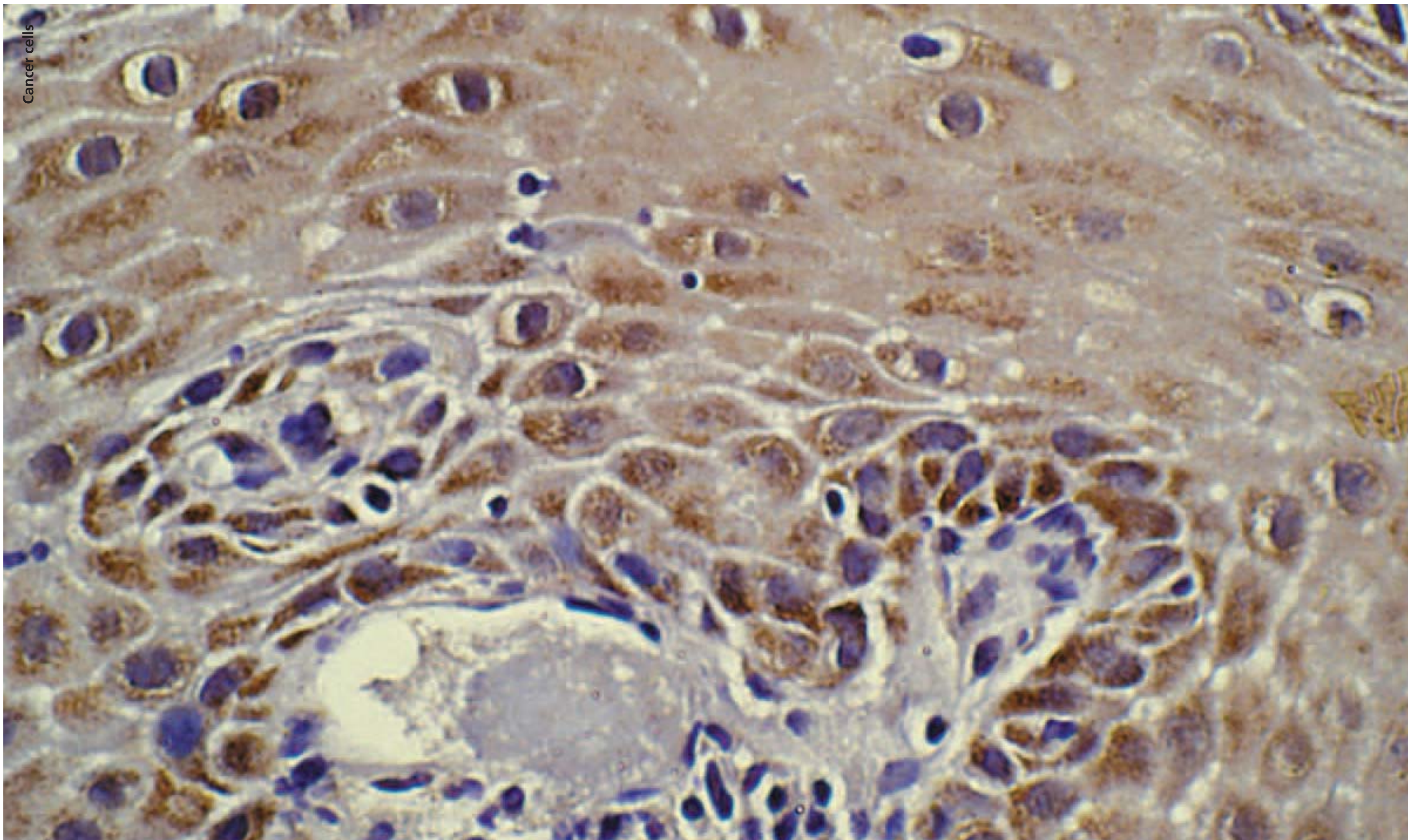
FOR THE CO-DEVELOPMENT OF IMMUNOTHERAPY

Anticipating the increasing importance of Immunotherapy as future medicine, Biocon established Biocon Biopharmaceuticals Pvt. Ltd. (BBPL) – a joint venture with the Cuban Institute, CIMAB – to develop and market a range of Monoclonal Antibodies (MAbs) and Cancer Vaccines. The partnership will integrate CIMAB's expertise in developing and manufacturing Immunotherapy products (which today is largely imported into India) and Biocon's innovative R&D and state-of-the-art manufacturing capabilities.

Monoclonal Antibodies (MAbs) Despite being a relatively new therapy area, 17 MAb products have entered the global market and two have already achieved blockbuster status (over $1 billion in annual sales). Sales of MAbs are anticipated to grow from $5 billion in 2002 to $17 billion in 2008*. Given its therapeutic effectiveness and market success, MAbs will continue to drive the R&D efforts of major biotechnology and pharmaceutical companies.

Leading BBPL's MAb portfolio is BioMab™ (h-R3), for the treatment of Head and Neck Cancers. This novel drug is engineered to attack the specific Epidermal Growth Factor Receptor responsible for the origin and growth of Cancer cells. BioMab™ (h-R3) will spearhead BBPL's foray into proprietary products for Cancer therapy. To scale-up its production, we have established a large, state-of-the-art mammalian cell culture facility for the production of MAbs. The plant is expected to be commissioned in FY 2006 to coincide with the completion of clinical evaluation of h-R3. Based on the success of this project, we will enter into R&D collaborations for the development of other Cancer drugs.

* Data Montior


Cancer cells

Cancer Vaccines Three experimental Cancer Vaccines designed to induce the body's immune system to produce specific antibodies that focus on known Cancer targets – EGF (Epidermal Growth Factor), TGF-alpha (Transforming Growth Factor) and HER 1 (Human Epidermal Growth Factor Receptor) – are the latest additions to the CIMAB-Biocon partnership. The most advanced of the three experimental drugs, the EGF Vaccine, has been tested in humans in combination Phase I-II studies as a treatment for non-small-cell Lung Cancer. Early data suggests that the drug may significantly increase survival for patients with the deadly disease.

BBPL will now conduct further clinical trials and jointly develop a large-scale technology for the manufacture of EGF Vaccine using a proprietary fusion protein process. Phase IIb clinical trials for the Anti-EGFR Vaccine will shortly begin at Clinigene.

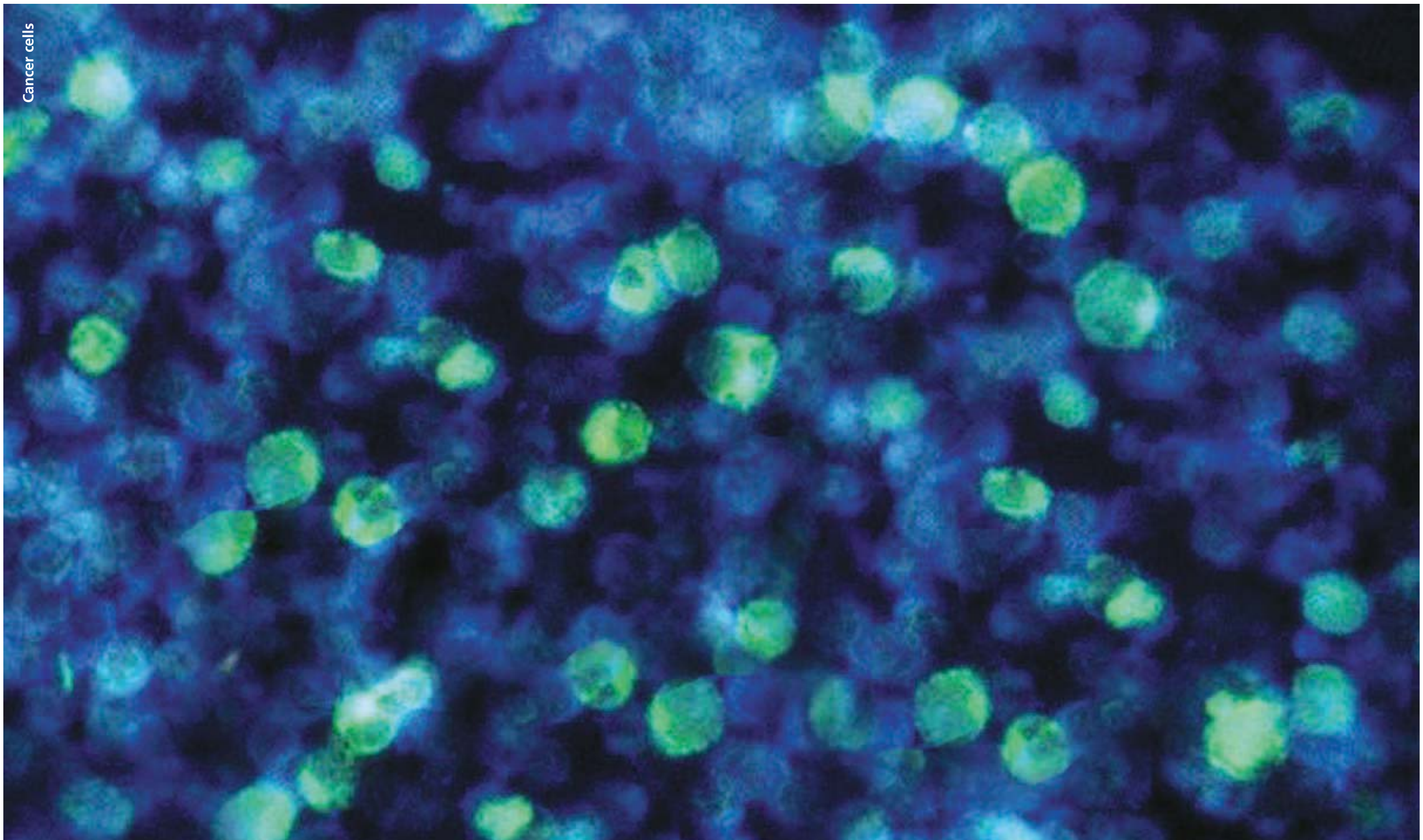
More recently, we have jointly commenced research for two more antibodies targeting CD3 (immunosuppressive antibody) and CD6 (against T-Cell Lymphoma and Psoriasis).

What are Cancer Vaccines and how will they work?

Cancer Vaccines can be used to either prevent or cure Cancers by using the power of the patient's own immune system. Preventive vaccines are thought to be useful when the Cancer-causing agent is external to the body; a good example being the effort to develop a vaccine against Human Papilloma Virus which causes Cervical Cancer. This vaccine could potentially prevent the occurrence of Cervical Cancer.

Biocon's approach will be to work with vaccines that are expected to be curative in nature. The therapy will involve vaccinations that trigger the patient's immune system to produce antibodies. The antibodies neutralize signal proteins that promote tumor growth. This approach has shown very good results in early clinical trials, and if confirmed in later trials, will represent a significant boost for the future of Cancer therapy.

CIMAB represents the Centre of Molecular Immunology (CIM), a Cuban biotechnology institution devoted to research, product development and manufacture of mammalian cell culture products. Dedicated to the commercialization of biopharmaceuticals, CIMAB focuses on Monoclonal Antibodies and Recombinant Proteins, for the diagnosis and treatment of Cancer and other diseases related to the immune system. A partnership with CIMAB includes the licensing of projects and technology patents, as well as strategic alliances for joint development.


Cancer cells

BIOCON VACCINEX

By effectively and rapidly combining complementary skill bases, we aim to accelerate the introduction of new, high value therapeutic antibody products in both Indian and global markets

Biocon and Vaccinex Inc. have embarked on a broad, strategic partnership to discover and co-develop fully human antibodies focused on Cancer, Inflammation and Auto-immune diseases. In the initial phase of this collaboration, we are targeting four therapeutic antibody products.

The Biocon-Vaccinex partnership brings together unique competencies of the two companies. Vaccinex offers its specialized capabilities to discover and develop fully Human Monoclonal Antibodies using its proprietary antibody discovery technology. Complementing Vaccinex's technology advantage is Biocon's expertise in clinical research and biologics manufacturing. Leveraging the symbiotic opportunities this partnership provides, we endeavour to identify promising antibody candidates and rapidly move them into clinical development and commercialization.

Vaccinex is a privately held biotechnology company headquartered in Rochester, New York. Engaged in the discovery and development of novel therapeutic antibodies, Vaccinex has developed a proprietary *vaccinia vector* technology capable of directly expressing fully human antibodies in mammalian cells. Vaccinex's technology offers the potential to directly generate functional antibodies against a broad range of difficult targets.

PARTNERING

DNA bases

SYNGENE PHARMA MAJORS

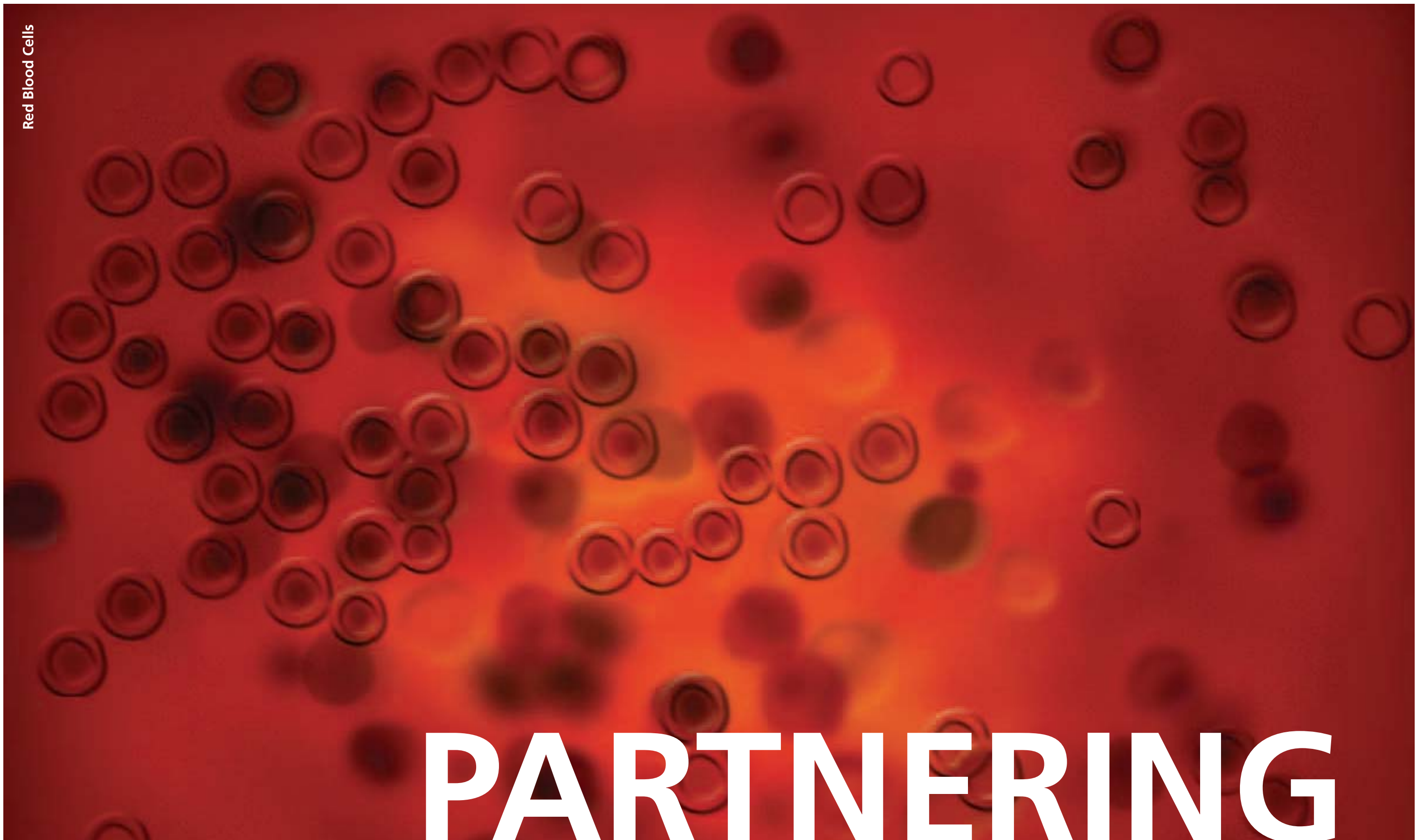
With its decade-long experience and impeccable track record of customer confidentiality, Syngene is today the preferred partner for drug discovery to mainstream pharma companies the world over

FOR DRUG DISCOVERY

Syngene is an internationally reputed Custom Research Company (CRC) with multi-disciplinary skills in Synthetic Chemistry and Molecular Biology. We work collaboratively with the pharmaceutical and biotechnology sectors to provide high-quality R&D services, on a strong platform of confidentiality and intellectual property protection. Our state-of-the-art facilities, dedicated connectivity and highly qualified researchers offer our partners a powerful value advantage in drug discovery and development.

Quest for New Chemical Entities Leveraging the global demand for bio-partnering, Syngene collaborates with leading pharma companies in their quest for new chemical entities in medicinal chemistry and the production of molecules for clinical and toxicological studies. The alliance, additionally, harnesses our expertise in well-defined and optimized processes for commercial scale-up. Presently, Syngene is involved in building focused combinatorial libraries to facilitate identification of lead molecules. This has generated thousands of compounds, several of which have shown excellent activity and their synthesis is being scaled up. These lead compounds will enhance our reputation for innovative science and breakthrough therapeutics.

Quest for Novel Therapeutics Syngene collaborates with leading pharma companies in the area of Molecular Biology in their search for novel therapeutic agents in various disease segments like Cancer, AIDS and Arthritis. One such partnership involves the designing and production of novel Recombinant Proteins at Syngene, several of which have been tested by the global partner and shown to be promising in early therapeutic studies. Additionally, the combinatorial libraries generated by medicinal chemists are screened by us, against specific targets using biological assays. Identified active compounds are analyzed for their drug-like properties, thus enabling our global pharma partner to pursue the most promising compound.



Red Blood Cells

PARTNERING

CLINIGENE PHARMA MAJORS

In symbiotically partnering with Biocon and leading pharma and biotech companies, Clinigene plays a key role in rapidly and effectively bringing new drugs to market

FOR CLINICAL DEVELOPMENT

Clinigene, an internationally reputed Clinical Research Organization(CRO), partners with global pharma majors in their clinical development programs for the safe and efficacious launch of new medicines and therapies. We are an industry provider of strong clinical trials and regulatory / laboratory capabilities for drug development. Our comprehensive patient registries and clinical databases in Diabetes and Oncology offer cost-competitive research solutions and world-class clinical support. In symbiotically partnering with Biocon and leading pharma and biotech companies, Clinigene plays a key role in rapidly and effectively bringing new drugs to market.

Clinical Research in Diabetes In a unique and highly successful partnership with Biocon, Clinigene was instrumental in clinically validating Biocon's indigenously developed Recombinant Human Insulin INSUGEN™ in record time. Clinigene's existing diabetic patient registry aided in rapid patient recruitment and the results generated from the trial enabled Biocon to register and obtain marketing approval for INSUGEN™. Based on Clinigene's well-designed, randomized, multi-centric clinical studies, INSUGEN™ is today considered "India's most clinically validated Insulin".

Why is INSUGEN™ "India's most clinically validated Insulin"?
- Phase III studies were conducted for 3 formulations at 13 sites across India
- Almost 450 patients were randomized to assess the safety and efficacy of the formulations against marketed Insulin
- Participating research institutions were audited based on the principles of Good Clinical Practices
- The results of the clinical trials were displayed on the Biocon website.

Diabetic Nephropathy Clinigene has embarked on a pilot study for the management of Diabetic Nephropathy with Mycophenolate Mofetil (MMF: Immunosuppressant) in combination with a Lisinopril (ACE Inhibitor: Anti-hypertensive). The encouraging results generated from this study are being escalated to a larger study to establish dose response and treatment criteria.

Diabetic Patient Registry Clinigene's diabetic patient registry has registered almost 500 patients who are in their third year of follow-up. This comprehensive registry has generated valuable information on biomarkers, which helps in the diagnosis of Diabetes much before its onset and also suggests innovative therapeutic regimes. The patient database that is generated through this registry also enables faster patient recruitment – a key factor that determines the success of clinical trials.

Clinical Research in Oncology Collaborating with Biocon Biopharmaceuticals Pvt. Ltd. (BBPL), Clinigene will play a critical role in the research and development of new medicine for Oncology. For BBPL, Clinigene is currently conducting a Phase II Monoclonal Antibody (humanized anti-EGFR) study in advanced Head and Neck Cancer patients. Also in the pipeline is a multi-centric Phase II study for the same Monoclonal Antibody in the management of advanced high-grade astrocytic tumors refered to as Globastroma or brain tumors.

In line with our global focus, the stringent cGMP norms of regulatory agencies in USA and Europe form the basis of all our facility design and selection of equipment

MANUFACTURING

Partnerships for global scale technologies

Biocon's investments in manufacturing reflect the company's focus on cutting-edge biopharmaceutical products targeted at global markets. The breadth and scale of our manufacturing facilities has dovetailed Biocon's transition, from a niche player in specialty enzymes to a global supplier of microbially derived small molecules. These include anti-cholesterol Statins and new generation Immunosuppressants. The commissioning of our Recombinant Human Insulin facility in 2004 represents a significant leap in our microbial fermentation capability and in large-scale chromatographic purification of an injectable grade therapeutic protein. The next major technological challenge will be the successful scale-up and commissioning of our cell culture facility for Monoclonal Antibodies targeted at the Oncology segment.

A part of Biocon's unique value proposition is the successful, large-scale operation of distinct manufacturing technologies, ranging from surface fermentation, submerged fermentation, cell culture to chemical synthesis; across a range of products covering specialty enzymes, secondary metabolites, Recombinant Proteins and Monoclonal Antibodies. This has been possible largely due to the considerable synergy between different scientific and technological disciplines within Biocon's research, development, manufacturing and quality teams.

Our global focus, particularly in meeting the stringent cGMP norms of regulatory agencies in USA and Europe, has formed the basis of all our facility designs and selection of equipment. At the same time, Biocon operates in a dynamic global market where it is necessary to be nimble and flexible in terms of product mix. We believe our customers and partners value this combination of flexibility and quality in our operations.


Biocon


Biocon
WINNING

Biocon takes employee feedback to heart and acts upon it. Our commitment to people has enabled us to maintain a fast-paced, winning environment that leads to business success

HUMAN RESOURCES

Partnerships for global leadership

At Biocon, intellectual capital is our most valuable asset. Our business commitment to research and innovation is entirely driven by our people power. In symbiotically working with our employee-partners, we are constantly striving to strategically align personal goals and organizational growth.

Creating an Enabling Environment Biocon recognizes the importance of linking employees to the company's strategy. We believe our people are motivated by the knowledge that they play a key role in our business growth. By encouraging open channels of communication, we listen to our employees, involve them in our vision and build a shared understanding of how each team member can contribute to company success.

Rewarding Performance When Biocon succeeds, employees benefit. Our Bi-Annual Performance Bonus Program (PB) rewards employees when the company and its businesses reach specific performance and safety targets. By linking our reward programs to performance, we are able motivate and retain the talented professionals who are integral to our success.

Building a Strong Corporate Culture Safety, Integrity, Innovation and Teamwork are the core values upon which we build our corporate culture. We aim to grow our cultural capital by creating a vision-guided, values-driven organization that focuses on employee fulfillment and leadership development. Not only do these values drive our people but also guide our partnerships with external collaborators and the communities that surround us.

"It has been a tremendously gratifying experience to see a project that started as bench-top cloning in my laboratory, turn into one of the most successful milestones for Biocon. In my opinion, the intimate interaction and coordination between all departments, together with the varied expertise and skills of each team member, made possible the launch of our first product – INSUGEN™ ."
Nita Roy - Head, Molecular Biology

"What better time to be working at Syngene than now! By coupling the peptide with the amino acid ester, the Syngene team was, in many ways, the first link in the INSUGEN™ value chain. The fact that I was an integral part of that big event, makes me proud to be here."
Ganesh Sambasivam - Head, Synthetic Chemistry

Team INSUGEN™

"The launch of Biocon's Recombinant Human Insulin into the Indian market was, indeed, a special moment in my career. Knowing that I have contributed to improving the quality of life for millions of diabetics, is greatly humbling and immensely satisfying."
Harish Iyer - Scientific Manager, R&D

"I believe teamwork makes all the difference. From monitoring INSUGEN™, manufacturing, auditing investigations of clinical trials as per GCP guidelines, to submitting regulatory dossiers, each and every member of the Quality Team worked tirelessly. I am confident that the camaraderie and sense of accomplishment this project has created, will inspire us for years to come."
Dr. Tara Jayaram - Head, Quality & Regulatory

"I feel fulfilled in being able to align my personal goals with Biocon's corporate vision – to make a difference to people's lives by developing new medicine. I was part of the team that conducted safe and effective pre-clinical and clinical trials for INSUGEN™ in record time. The outcome – patients now have access to new and better medicine, sooner rather that later."
C. Omprakash - Manager Regulatory & Data, Clinigene

"We set up our manufacturing plant in record time, greatly accelerating the launch of INSUGEN™. The biggest success to my mind was the way in which we worked through every limitation using contemporary engineering and design. It feels great to say that I played a part in commissioning the largest Human Insulin facility in Asia."
Madhavaraj V. Sirsi - Senior Manager, Projects

We believe success is the result of capable people and enabled teams. At Biocon, we are empowered to fulfill our personal goals, while realizing the company's vision. The launch of INSUGEN™ is, indeed, testimony to the outstanding skills and expertise of Biocon's winning team.

"We were encouraged to think out of the box and treat every obstacle as a challenge. Innovative thinking, rigorous analysis and seamless collaboration between the manufacturing and process development teams lay behind the successful scale-up of Recombinant Human Insulin."
Chandrakant Kathote - Manager, Manufacturing

"I was privileged to witness the launch of INSUGEN™ across 11 cities, in under a month. Being involved from the purchase of raw materials for production to the actual unveiling of the product in the market, seeing the INSUGEN™ vial on the shelf, gave me a tremendous feeling of satisfaction for a job well done."
KRL Rao - General Manager, Healthcare

CORPORATE SOCIAL RESPONSIBILITY

Partnership for community development

Biocon firmly believes that its corporate social responsibility is an important extension of its business commitment. While focusing on developing new drugs for improved care, we recognize the more immediate need to work symbiotically with local and national communities, especially in the area of healthcare.

Biocon Foundation

In 2004, we established Biocon Foundation with a mandate to identify and implement quality healthcare and health education projects that will effect social and economic change within target communities.

Healthcare

Biocon Foundation and Narayana Hrudayalaya (one of India's leading hospitals) launched Arogya Raksha Yojana in collaboration with ICICI Lombard General Insurance Company Pvt. Ltd. Arogya Raksha Yojana is a comprehensive health insurance scheme that offers rural communities affordable access to high-quality healthcare, provided by a network of renowned hospitals and clinics. For a nominal charge of Rs 120 per year, subscribers to this innovative health insurance scheme are covered against critical illness and surgeries. They are also entitled to free/subsidized medical examinations and medicines.

The first Arogya Raksha Yojana Centre with a clinic, office and BIOCARE pharmacy has been set up at Huskur Village, Anekal Taluk, Karnataka in December 2004. In the coming year, we hope to cover Anekal's entire population of 600,000. Future plans include opening of similar centres throughout the State of Karnataka.

Biocon particularly focuses on healthcare for disadvantaged and poor children. We have conducted polio eradication and Hepatitis-B vaccination camps in 47 surrounding villages. In 2004-2005, over 5000 children were immunized against polio and over 200 vaccinated through our Hepatitis-B program.

ENVIRONMENT, HEALTH & SAFETY

Partnership for eco-friendly technologies

EHS has evolved into a fundamental and integral part of Biocon's business. Through it, we aim to continuously improve the environmental and social well-being of our employees.

To migrate the impact of our operations and services on the surrounding environment, we deploy sustainable and eco-friendly technologies. One such technology is the 'Pureox System' effluent treatment plant. By generating pure oxygen, we believe we can increase operational efficiencies and reduce air and odour pollution considerably.

Biocon also recognizes the fact that water will be one of the most critical and valuable resources in coming years. To this end, we are actively working with our suppliers and consultants to recycle treated effluence through state-of-the-art membrane technologies and multi-effect evaporators. Both technologies are in an advanced stage of deployment. The recycled and treated water will be used in operations and services, thus considerably reducing usage of fresh water.

A core team has been appointed to oversee the implementation of EHS objectives through progressive benchmarking and continuous review.

MILESTONES

Biocon Posts Clinical Trial Data on Worldwide Web
Bangalore, July 30, 2004

Biocon is one of the first companies in India to publish, online, details of clinical trials for three Insulin formulations. In doing so, we have reiterated our commitment to the company's core policy of transparency and the highest ethical practices.

Syngene Inaugurates New Research Centre
Bangalore, October 21, 2004

Syngene's state-of-the-art research center was inaugurated by Mr. Kapil Sibal, Union Minister of State for Science & Technology, and Mr. P.G.R. Scindhia, Hon. Minister for Industries & Infrastructure, Govt. of Karnataka . Located at Biocon Park (approx. 4 kms from Biocon Limited), this ISO 14000 compliant facility is spread over 50,000 sq.ft. and will have 200 scientists working in collaboration with global pharma and biotech companies.

Biocon and Wasim Akram Walk for Diabetes Awareness
Bangalore, November 14, 2004

To commemorate the launch of INSUGEN™, Biocon initiated a social awareness campaign 'Winning with Diabetes' to create greater understanding of the disease and its management. We began this campaign by organizing a walk with Wasim Akram, the legendary cricketer who has lived with Diabetes through his long and successful career. The event was enthusiastically supported by hundreds of Bangaloreans. At the walk, Biocon also announced the launch of a dedicated Diabetes portal www.insugen.com for patients and healthcare professionals seeking disease-related information.

Biocon Announces Launch of INSUGEN™
Bangalore, November 14, 2004

Biocon's INSUGEN™ is the world's first Recombinant Human (r-DNA) Insulin based on a unique *pichia* expression system. This new generation bio-insulin will be available in 10 ml vials of 40 iu/ml for an introductory price of Rs. 126. During the first phase of launch, INSUGEN™ will be marketed in Delhi, Punjab, Rajasthan, Maharashtra, Gujarat, Goa, Karnataka, Tamil Nadu, Andhra Pradesh and Kerala.

Kiran Mazumdar-Shaw Receives Padmabhushan Award
New Delhi, January 26, 2005

Already a recipient of one of India's top civilian honours – the Padmashree, Biocon's Chairman and Managing Director, Kiran Mazumdar-Shaw is awarded the Padmabhushan in recognition of her outstanding contribution to the biotechnology sector in India.

financial report

Biocon Limited

DIRECTORS' REPORT

Dear Shareholders,
Your Directors are pleased to present the Twenty-seventh Annual Report on the business and operations of Biocon Limited (hereafter referred to as 'Biocon'), together with the audited financial statements and the auditors' report of your Company for the financial year ended 31st March 2005. The financial highlights for the year under review are given below:

Corporate Results

	March 31, 2005	March 31, 2004 Rs. in Millions
Total Revenues	6,622	5,034
Total Expenditure	4,536	3,405
Profit before Interest Depreciation and Tax	2,086	1,629
Interest	20	16
Depreciation	181	138
Profit before Tax	1,885	1,475
Income Tax	141	228
Profit after Tax	1,744	1,247
Surplus b/f from previous year	1,044	591
Profit available for appropriation	2,788	1,838

Appropriations

	March 31, 2005	March 31, 2004 Rs. in Millions
Issue of bonus shares	-	432
Proposed dividend on equity shares	200	100
Tax on proposed divided	28	13
Balance carried to Balance Sheet	174	249
Balance end of the year	2,385	1,044

Performance:
Your Directors are pleased to inform you that your Company has continued to deliver satisfactory growth in both revenues and profitability. Your Company registered a 32% growth in revenues with a 40% growth in profit after tax.

Profit before Interest, Depreciation and Tax (PBIDT) increased by 28% from Rs. 1,629 million to Rs 2,086 million and Profit After Tax for the year increased by 40% from Rs. 1,247 million to Rs.1,744 million.

A detailed performance analysis is given in the Management Discussion and Analysis.

Dividends:

The Board of Directors recommend a dividend of 40%, which is Rs.2 per equity share of the face value of Rs.5 each on the current share capital base, for the financial year 2004-05. The appropriation of profits including transfer to reserves is given above.

Capital Structure:

During the financial year under review, the share capital of your company remained unaltered.

Consolidated financial statements:

As stipulated in the listing agreement with the stock exchanges, the consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards issued by the Institute of Chartered Accountants of India. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual report. The consolidated net profits of the Group for the year ended 31st March 2005 amounted to Rs. 1,975 million as compared to Rs. 1,386 million in the previous financial year.
This represents earnings per share of Rs. 19.75 of the post issue paid up capital.

Business Operations overview and Outlook:

Statins continued to drive growth this fiscal albeit with strong pricing pressure in the European markets. Despite this, Statins garnered increased market share both in Europe and USA. The year ahead is likely to see a surge in Statin sales to the US markets in Q4 in preparation for the entry of generic Simvastatin and Pravastatin in mid 2006. The Company has also made substantial progress on its major expansion project which is expected to be fully operational by Q2 this coming fiscal.

During the year, Biocon has successfully launched Insugen® its branded formulation of recombinant human insulin in the Indian market. The product is now in the process of being registered in over 25 countries in Asia, Middle East, Eastern Europe and Latin America. Biocon's Insulin facility has recently been inspected by European Regulatory Authorities as a first step towards preparing for a market entry in Europe. The Company is in the process of finalizing marketing arrangements for Insulin with several European companies.

Immunosuppressants, another growth driver offers significant opportunities to Biocon given the high entry barriers that exist in this segment. We have entered into several marketing arrangements with a number of international pharmaceutical companies who anticipate market entry between 2007 to 2009 for a range of immuno-suppressants.

Biocon's range of cardio-diabetes drugs have also made steady progress in the Indian market and is expected to substantially build on this initial success in the year ahead.

Subsidiaries and Joint Ventures:

Syngene International Private Limited:

Syngene International Pvt. Limited is a subsidiary of your Company, with Biocon holding 99.99% of its share capital.

For the Financial Year 2004-05, Syngene registered strong growth of 72 % in revenues from Rs. 385 million to Rs. 661 million, and 71% at the profit after tax level from Rs. 161 million to Rs. 275 million.

Syngene has gained a strong leadership profile in the research services sector and continues to forge ahead. Syngene's new expansion facility is now fully operational and expects to drive strong growth this coming fiscal. The business of research services represents a significant growth opportunity for the future based on rapidly growing needs for outsourced research services. Syngene already enjoys an excellent reputation amongst the global pharma companies. During the year, Syngene enrolled a number of new customers, the most significant being Novartis which sees Syngene as an important research partner in its discovery-led programs.

Clinigene International Private Limited:

Clinigene International Pvt. Limited is a wholly owned subsidiary of your Company focussed on Clinical Development.

For the current financial year, Clinigene incurred a loss of Rs.29 million as against a loss of Rs.18 million in the previous year.

Clinigene has been focused on building its capability base, and today is in a strong position to launch itself as a third party clinical services organization. Clinigene plans to offer a range of services encompassing bioequivalence, bioavailability studies as well as undertaking Phase I to IV human clinical trials. During the year Clinigene's Human Pharmacology Unit completed several Bioequivalence and Bioavailability studies for a number of international pharmaceutical companies. After successfully completing Phase III Clinical Trials for Recombinant Human Insulin on behalf of Biocon, Clinigene is currently conducting Phase IIB Clinical Trials for a novel Enti-EGFr Monoclonal Antibody for head and neck cancers. This is the first such study being undertaken for a new antibody in India.

Clinigene is now in a key position to profile itself as the preferred CRO for new drug molecules.

Biocon Biopharmaceuticals Private Limited:

This is Biocons' 51:49 JV with a Cuban Company, to manufacture monoclonal antibodies and other Recombinant Therapeutics. The most advanced therapeutic being developed is a monoclonal antibody, an NBE (New Biological Entity) for the treatment of head and neck Cancer and represents a significant initiative in the Company's foray into original molecules, which will also involve extensive clinical testing.

Construction of a state of the art Biologicals facility for the above-mentioned products has commenced and the project is expected to be completed by September 2005. Validation is expected to be completed by the end of the year.

Report on subsidiary companies:

The Directors' Report and accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956.

Directors:

During the year, Ms. Ada Tse, nominee director of AOF HS Mauritius Limited resigned from the Board consequent to the sale of the shares held by these funds in the Company. Your directors place on record their appreciation for the valuable contribution by her as a member of the Board.

Dr. Bala S. Manian has been co-opted as an additional director on October 20, 2004 and holds the office until the date of the forthcoming Annual General Meeting and being eligible, offers himself for appointment afresh. Dr Bala Malanian is a member of the Scientific Advisory Board and is an outstanding Biotechnology entrepreneur from California who brings a wealth of valuable experience.

Mr. Suresh N Talwar and Dr. Neville C Bain retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

Auditors:

The Company's Auditors M/s. S. R. Batliboi & Associates, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting, and are eligible for re-appointment.

Management Discussion and Analysis Report

The report as required under the Listing agreements with the Stock Exchanges is annexed and forms part of the Directors' Report.

Corporate Governance:

Your Company strives to imbibe high standards of corporate governance while interacting with all its stakeholders. The Company has complied with the corporate governance code as stipulated under the listing agreement with the stock exchanges. A separate section on corporate governance along with a certificate from the auditors confirming the level of compliance is annexed and forms a part of the Directors' report.

Employees Stock Option Plan (ESOP):

No new shares/options were allotted under this plan for the year under review.

Cumulative disclosure under the stock option scheme as on 31st March 2005:

Disclosure of the particulars of stock options schemes as on the above date, as per SEBI guidelines:

Particulars	First Grant	Second Grant	Third Grant
a. Options Granted (Net of Options cancelled)	3,401,845	140,630	422,000
b. Exercise price	Rs. 0.2	Rs. 5 each	Rs. 315 each
c. Options vested	1,622,562	35,035	-
d. Options exercised	1,585,830	35,035	-
e. Total number of Equity Shares transferred from the ESOP Trust as a result of exercise of options	1,585,830	35,035	-
f. Options lapsed	36,732	490	42,500
g. Variation in the terms of options	None		
h. Money realized by exercise of options	Rs. 323,800	175,175	-
i. Total number of options in force	1,779,283	105,105	379,500
j. Person-wise details of options granted to:			
i. Directors and key managerial employees	Please see Table (I) below for details regarding options granted to Directors and key managerial employees	No options have been granted	No options have been granted
ii. any other employee who received a grant in any one year amounting to 5% or more of the options granted during that year	Nil	Nil	Nil
iii Identified employees who have been granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil
k. Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options	Not applicable since shares will be transferred by the ESOP Trust upon exercise of the options and the Company will not be required to issue any new shares	Not applicable since shares will be transferred by the ESOP Trust upon exercise of the options and the Company will not be required to issue any new shares	Not applicable since shares will be transferred by the ESOP Trust upon exercise of the options and the Company will not be required to issue any new shares
l. Vesting schedule	25% each in April of 2003, 2004, 2005 and 2006. All the options as of April 2003 have been fully vested.	25% each in January of 2005, 2006, 2007 and 2008.	25% each in April of 2005, 2006, 2007 and 2008.
m. Lock-in	No lock-in, subject to a minimum vesting period of 1 year.	No lock-in, subject to a minimum vesting period of 1 year.	No lock-in, subject to a minimum vesting period of 1 year.

Table (1) details regarding options granted to Directors and key managerial employees are provided below:

Sl. No.	Name of Director or key managerial personnel	Number of Equity Shares of Rs. 5 each issuable upon exercise of options
	Directors	
1	Dr. Neville Bain	195,902
2	Prof. Charles Cooney	195,902
	Key managerial employees	
3	Mr. Ajay Bhardwaj	195,902
4	Dr. Arun Chandavarkar	195,902
5	Mr. Shrikumar Suryanarayanan	195,902
6	Mr. Murali Krishnan K N	195,902
7	Dr. Goutam Das	195,902
8	Mr. Rakesh Bamzai	122,439
9	Mr. Chinappa M B	122,439

Scientific Advisory Board:

The Scientific Advisory Board under the chairmanship of Prof. Charles Cooney met twice during the year under review. The Board has played an important role in evaluating and steering the Company's R&D programs in a pragmatic manner.

Fixed Deposits:

Your Company has not accepted any fixed deposits during the financial year under review.

Directors responsibility statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm as under:

i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) We have prepared the annual accounts on a going concern basis.

Particulars of Research and Development, Conservation of energy, technology absorption etc:

Particulars required under Section 217 (I) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure to the Report.

Particulars of employees under section 217 (2A)

The information required to be furnished under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed and is a part of this report.

Acknowledgements

We take this opportunity to thank the employees for their contribution to the growth and success of the Company. We would also like to thank all other stakeholders and business associates for their support

For and on behalf of the Board

Kiran Mazumdar Shaw
Chairman

April 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

1. Industry Structure and Development

The global pharmaceutical sales grew 7% at a constant US dollar in 2004, to reach a record $550 billion with North America, Europe and Japan accounting for approximately 48%, 28% and 11% of the total world market. India accounts for approximately 1% of Global market.

Cost containment is expected to increasingly impact the US market, where volume increases will be the major driver of growth. The world-wide pharmaceutical market is expected to grow by 6-9% p.a. between 2005 and 2009.

Treatments for hypercholesterolaemia remained the top selling therapy class in 2004, with sales of $30 billion, followed by anti-ulcerants. Overall, cardiovascular and central nervous system treatments continued to dominate, with antidepressants maintaining a high ranking in the face of lower growth (owing to generic competition).

Oncology projects accounted for almost 30% of the total industry R&D pipeline as of February 2005, and it is expected that the cancer market will be worth more than $40 billion by 2008, driven by an ageing population, better diagnostics, and the introduction of further innovative products that have many years of patent protection ahead of them.

In 2004, 82 pharmaceuticals recorded annual sales in excess of $1 billion, up from 65 in 2003. The number of blockbusters surpassing $2 billion in annual sales increased from 25 to 34 (up from seven in 1999).

An increasing number are being generated by the biotechnology sector and target specialist markets such as oncology: in 2004, 11 blockbusters were biotech products and seven were indicated for cancer. According to IMS, biotechnology drugs now account for 27% of the active R&D pipeline and garnered 10% of global pharmaceutical sales in 2004. Biotech products is expected to record double-digit growth over the next five years, continuing to increase their share of the overall market.

The global pharmaceuticals market can also be broadly divided into the regulated and unregulated/semi-regulated markets. The regulated markets have more intellectual property protection, including product patent recognition. As a result, the regulated markets offer a premium for intellectual property protection, quality and regulatory compliance, along with greater stability for both volumes and prices. The United States is a highly regulated market and only products manufactured to stringent quality standards may be sold there. US FDA also requires that a company's manufacturing methods conform to cGMP.

On account of the higher prices for patented drugs in the regulated markets and the larger overall size of these markets in terms of revenue, the top selling drugs globally are generally patented pharmaceuticals sold in regulated markets. The best-selling drugs therefore generally reflect the demographics, consumer preferences and needs of the regulated markets, the most important of which are that developed countries have relatively older and more urban/suburban populations. For example two of the top five selling drugs in 2004, namely Lipitor (atorvastatin) and Zocor (simvastatin), address the cholesterol and triglyceride reducing segment.

The unregulated/semi-regulated markets, which include many developing countries such as India, have minimal entry barriers in terms of regulatory requirements with respect to the qualification process and intellectual property rights. These markets are often highly competitive, resulting in much lower prices and profit margins for producers.

Generic Pharmaceutical Industry

The generic drugs market refers to regulated markets for drugs whose patents have expired or been invalidated. The expiration or invalidation of product patents typically leads to the entry of generic, or non-branded, formulations in the regulated markets, resulting in increased competition and leading to a decline in price and margin of drugs.

This generics industry has witnessed growth in recent years, and is expected to grow significantly in the near-to-medium term. Patents on a number of significant pharmaceutical products are expected to expire in the next several years. In addition, governments, insurers and healthcare organizations in developed countries are increasingly promoting generics to reduce public expenditure on healthcare. Also, stringent new drug approval regimes in developed countries have eroded the effective patent life of many new products, as a larger portion of a drug's patent life expires during the approval process. Another key factor in the development of the generics industry is the increased sourcing of drugs from lower cost producers like India and China.

2. Outlook

The global generic industry is expected to grow significantly over the next few years as products with sales in excess of USD 60 Billion are slated to lose patent protection or market exclusivity by 2008. Medicare reform and prescription drug benefit is expected to have a favorable impact on the generic drug industry. In addition Generic Biologicals may open up in North America & Europe towards the later part of this decade.

3. Opportunities

The surge in generics together with patent expiry of Simvastatin and Pravastatin in USA provides Biocon with attractive opportunities in the near to medium term. Supply of Insulin to Innovator Companies, Patent expiry of key immunosuppresant drugs and the possible opening up of generic biologicals is also seen as large opportunity. Success in Biocon's Research and Development initiative into new drug discovery could also yield significant benefits.

4. Risks & Concern

The Generic Industry is subject to patent litigation and regulatory issues. Patent challenges or delay in receipt of regulatory approvals could delay our product launch in key markets. In addition significant additional competition in key products could erode our market shares and result in reduced prices and profitability. Also, failure to obtain regulatory approval for new drugs under development could affect long business opportunities. Other key risks related to our business include loss of key personnel, increase in input costs and strengthening of Indian Rupee against US Dollar.

The Company carries out a detailed Risk Management exercise or purposes of identification of risks and putting in place processes and controls to mitigate these risks. The Audit Committee reviews the Company's risk management framework and approves risk management action plans.

5. Internal Controls

Biocon has well established internal control systems for operations of the company and its subsidiaries. The Finance Department is well staffed with experienced and qualified personnel who play an important role in implementing and monitoring the internal control environment and compliance with statutory requirements.

The Internal Audit is conducted by an independent firm of Chartered Accountants.

The Audit committee addresses significant issues raised by the Internal & Statutory Auditors.

6. Human Resources

Biocon is a strong knowledge driven enterprise. Special emphasis is placed on training and development of employees to continuously expand the skill base. This has placed Biocon in a commanding position in the Indian Biotech Sector. The remuneration structure links rewards directly with performance. This performance management system reinforces our work ethics. All employees also participate in the Employee Stock Option Plan and about 12.7% of the Company is owned by Employees and a Trust formed for the benefit of Employees.

The total employee strength as on end of the financial year 2004-05 was 945 as against 696 at the end of the previous financial year.

7. Discussion on financial performance with respect of operational performance

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and generally Accepted Accounting Principles (GAAP) in India.

BALANCE SHEET - MARCH 31, 2005

	2005	2004	%
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	500,000	500,000	0%
Reserves and surplus	6,459,384	4,916,314	31.4%
	6,959,384	5,416,314	32.7%
Loan Funds			
Secured loans	493,279	472,255	4.4%
Unsecured loans	270,136	174,657	54.7%
	763,415	646,912	18.0%
Deferred Tax Liability	219,597	176,680	24.2%
	7,942,396	**6,239,906**	**27.3%**
APPLICATION OF FUNDS			
Fixed Assets			
Cost	2,702,017	1,912,290	41.3%
Less: Accumulated depreciation	653,721	471,200	38.7%
Net book value	2,048,296	1,441,090	42.1%
Capital work-in-progress	3,100,026	543,125	470.8%
	5,148,322	1,984,215	159.5%
Investments	2,237,345	89,329	2,404.6%
Current Assets, Loans and Advances			
Inventories	712,922	839,521	-15.0%
Sundry debtors	1,728,842	1,159,635	49.0%
Cash and bank balances	34,201	3,175,114	-98.9%
Loans and advances	362,845	267,203	35.8%
	2,838,810	5,441,473	-47.8%
Less: Current Liabilities And Provisions	2,282,081	1,275,111	78.9%
Net Current Assets	556,729	4,166,362	-86.6%
	7,942,396	**6,239,906**	**27.3%**

Share capital

Year ended March	2005		2004	
	Nos.	Rs 000's	Nos.	Rs 000's
Balance at the beginning of the year	100,000,000	500,000	3,675,300	18,377
Share issued during the year				
- Bonus issue			86,324,700	431,624
- Initial public Offering (IPO)			10,000,000	50,000
Balance at the end of the year	100,000,000	500,000	100,000,000	500,000

The company has only one class of shares viz. equity shares of par value of Rs 5 each. The authorized share capital of the company was raised from Rs 20,000 in 2002-03 to Rs 600,000 in 2003-04 represented by 120,000,000 equity shares of Rs 5 each.

The Company carried out a sub-division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each. Consequently, the issued, subscribed and paid -up capital of Rs 18,377 has been divided into 3,675,300 shares of Rs 5 each.

The Company in 2003-04 issued 86,324,700 equity shares of Rs 5 each as bonus shares in the ratio of 23.4877958 shares for every one share held to the shareholders existing as on November 11, 2003, which was the approved record date for this purpose, by capitalisation of the balance in the profit and loss account of Rs 431,624.

In March 2004, the Company made an IPO of 10,000,000 fresh equity shares of Rs 5 each at a price of Rs 315 per share.

Reserves and surplus

The total reserves and surplus has increased to Rs 6,459,384 in March 31, 2005 from Rs 4,916,314 in March 31, 2004. The increase has been on account of Rs. 1,743,880 profits made during the year and adjusted for dividend payout of Rs. 2,28,050 inclusive of Dividend Tax.

Loan funds

There has been an increase in the loans outstanding from Rs. 646,912 in March 2004 to Rs. 763,415 in March 05. The borrowings from banks increased by Rs 21,024 for funding working capital requirements. The unsecured loans increased by Rs 95,479 on account of accumulation of interest free deferred sales tax liability on the sales made during the year. The sales tax liability is payable after a period of 2-7 years as per an order obtained from Karnataka Sales Tax Authority.

Fixed assets

	2005	2004	Growth %
Cost	2,702,017	1,912,290	41.3%
Less: accumulated depreciation	653,721	471,200	38.7%
Net Block	2,048,296	1,441,090	42.1%
Asset turnover ratio (net)	2.39	2.63	-9.1%
Add: capital work in progress	3,100,026	543,125	470.8%
Net fixed assets	5,148,322	1,984,215	159.5%

During the year, the Company added Rs 789,727 to its gross block mainly on account of setting up a new recombinant insulin facility and an immunosuppressant facility. Additions include Research and Development equipment Rs 99,900.

The capital work in progress as at March 31, 2005 represents advances paid towards acquisition of fixed assets and the cost of assets not put to use. It includes the cost of our new project to augment our capacities for submerged fermentation and chemical synthesis operations at our new site at Plot No. 2 & 3, IV Phase, Bommasandra – Jigani Link Road, Bangalore.

The company has a capital commitment of Rs 982,897 as at March 31, 2005 as compared to Rs. 1,229,329 as of March 31, 2004. Capital commitment as at March 31, 2005 mainly pertains to the new project referred to above.

Investments

The Company as at March 31, 2005 held investments of Rs 2,237,345 as compared to Rs 89,329 as of March 31, 2004. This increase of 2,404.6% is mainly on account of acquisition of 1,795,200 shares by the Company in BBPL, a joint venture company with CIMAB SA, investment of Rs. 43,966 in convertible promissory notes of Nobex Corporation, USA, Rs. 44,735 in convertible promissory notes of Vaccinex Inc, USA , Rs. 45,640 in Common Stock of Nobex Corporation, USA, Rs. 45,100 in Preferred Stock of Vaccinex Inc, USA and Rs. 1,950,623 in short term investments. The short term investments represent investments in short term money market instruments pending deployment in the ongoing capex program.

The company continues to hold investments in 2 wholly owned subsidiaries viz., Syngene and Clinigene of Rs 84,328 and Rs 500 respectively.

Current assets, loans and advances

The current assets, loans and advances have reduced from Rs 5,441,473 to Rs 2,838,810. This was mainly on account of decrease in cash balance to Rs 34,201 in March 31, 2005 from Rs 3,175,114 in March 31, 2004. Of the total cash balance of Rs 3,175,114 as at March 31, 2004, Rs 3,150,000 represented deposits placed with scheduled banks of un-utilised IPO funds. These amounts were subsequently invested in short term money market instruments and deployed towards the capex program based on requirement from time to time.

Sundry debtors stood at Rs 1,728,842 (net of provision for doubtful debts of Rs 17,207) as at March 31, 2005 as compared to Rs 1,159,635 (net of provision for doubtful debts of Rs 14,764) as at March 31, 2004. These debtors are considered good and realisable. Provision as on March 31, 2004 has been made for debtors outstanding for more than 180 days subject to review of collectibility of specific dues. Debtors represent an outstanding of 73 days and 91 days of revenue as at March 31, 2005 and March 31, 2004 respectively on a moving average of 3.5 month's sales in the domestic market and 2.5 months sales in the export markets.

Provision for doubtful debts and bad debts written off represent 0.04% and 0.3% of gross sales for the year ended March 31, 2005 and March 31, 2004 respectively.

Loans and advances has increased from Rs 267,203 in March 31, 2004 to Rs 362,845 in March 31, 2005. This increase of 35.8% is mainly on account of increase in balances recoverable from Clinigene and BBPL, which increased from Rs. 49,176 as at March 31, 2004 to Rs. 192,703 as at March 31, 2005. Balances with customs and excise authorities reduced from Rs. 140,567 as at March 31, 2004 to Rs. 72,973 as at March 31, 2005.

Current liabilities and provisions

The current liabilities and provisions stood at Rs 2,282,081 as at March 31, 2005 as compared to Rs 1,275,111 as of March 31, 2004. This increase is attributed to increase in sundry creditor balances by 86.3% Increased creditor balances is mainly attributed to increase in creditors for capital expenditure which has increased from Rs. 103,783 in the previous year to Rs. 987,126 in the current year. Credit terms for supply of raw materials increased from 68 days as at March 31, 2004 to 86 days as at March 31, 2005 based on a moving average of 4 month's purchases.

Other liabilities include provision for expenses, which decreased to Rs.109,607 as at March 31, 2005 from Rs 150,644 as at March 31, 2004. This decrease is mainly due to reduction in provisions towards IPO related expenses of Rs 14,289 in 2003-04.

The Company has also proposed a dividend of Rs 200,000 (40.0%) for the year ended March 31, 2005 as against Rs 100,000 (20%) in the previous year.

Revenues

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004	Growth %
INCOME			
Gross sales	6,842,047	5,309,108	28.8%
Less: Excise duty	378,423	290,284	30.4%
Net sales	6,463,624	5,018,824	28.8%
Contract research fees	1,474	6,382	-76.9%
Other income	156,513	9,256	1,590.9%
	6,621,611	**5,034,462**	**31.5%**
EXPENDITURE			
Material costs	3,441,546	2,553,672	34.8%
Employee costs	420,935	352,847	19.3%
Operating and other expenses	673,189	498,934	34.9%
Interest and finance charges	19,931	15,677	27.1%
	4,555,601	**3,421,130**	**33.2%**
PROFIT BEFORE DEPRECIATION AND TAXES	**2,066,010**	**1,613,332**	**28.0%**
Depreciation	182,521	140,200	30.2%
Less: Amount transferred from revaluation reserve	1,606	1,670	-3.8%
	180,915	138,530	30.6%
PROFIT BEFORE TAXES	**1,885,095**	**1,474,802**	**27.8%**
Provision for income-tax			
Current taxes	98,298	194,453	-49.4%
Deferred taxes	42,917	33,623	27.6%
NET PROFIT FOR THE YEAR	**1,743,880**	**1,246,726**	**39.9%**
Balance brought forward from previous year	1,043,725	590,781	76.7%
PROFIT AVAILABLE FOR APPROPRIATION	**2,787,605**	**1,837,507**	**51.7%**
Issue of bonus shares		431,624	
Proposed dividend on equity shares	200,000	100,000	100%
Tax on proposed dividend	28,050	12,813	118.9%
Transfer to general reserve	174,388	249,345	-30.0%
BALANCE, END OF THE YEAR	**2,385,167**	**1,043,725**	**128.5%**

Biocon's total income has four components:

- Sales of Biopharmaceuticals products;
- Sales of Enzymes products;
- Research and Development fees; and
- Other income.

The following table sets out the contribution of each of these components of Biocon's income expressed as a percentage of Biocon's total income for the years ended March 31, 2005 and March 31, 2004:

	2005	2004
Sales		
Sale of products		
Biopharmaceuticals	84.1%	85.2%
Enzymes	13.5%	13.0%
Research and Development Fees	0.1%	0.1%
Other Income	2.3%	1.7%
Total Income	100.0%	100.0%

Share of revenues from net sales between domestic and export markets are as follows:

	2005	%	2004	%
Domestic	2,702,140	41.8%	2,018,998	40.2%
Exports	3,761,484	58.2%	2,999,826	59.8%
Total	6,463,624	100.00%	5,018,824	100.00%

Biocon's net sales grew by 28.8% to Rs 6,463,624 in 2004-05 while the total income grew by 31.5% to Rs 6,621,611.

The Company's export revenues from product sales have increased by 25.4% mainly driven by revenues from sale of bio-pharmaceutical products .

Revenues from sale of biopharmaceuticals registered a growth of 27.8%in March 31, 2005 over March 31, 2004, while the enzymes segment registered a growth of 34.8%.

Segment and product-wise performance

The segmentation of Biocon's sales is as follows:

	2005	%	2004	%
Bio-pharmaceuticals	5,566,810	86.1%	4,353,660	86.7%
Enzymes	896,814	13.9%	665,164	13.3%
Total	6,463,624	100.0%	5,018,824	100.0%

Bio-pharmaceuticals

In pharma, we focus on the manufacture and marketing of APIs that require fermentation and other skills and that offer large market potential.
Having begun sales in fiscal 1998, our biopharmaceuticals business has since grown to constitute 86.7%, & 86.1% of our sales in 2003-04 and 2004-05, respectively.

Statins:

Statins are cholesterol-lowering agents used to treat and prevent coronary diseases and are amongst the largest selling drugs worldwide. The Company's statins portfolio presently comprises lovastatin, simvastatin, pravastatin and atorvastatin.

Biocon is currently exporting simvastatin to Europe, Japan and Canada and lovastatin to the U.S. During the year Biocon also commenced exports of pravastatin to Europe. Despite pricing pressures, sale of statins have been the growth drivers in FY 2005.

The US patent expiry for Simvastatin and Pravastatin in 2006 is expected to be a key growth driver in the next two years. Our existing facilities have been qualified by US FDA. In addition we have initiated a capacity expansion plan to significantly increase our lovastatin, simvastatin, pravastatin and atorvastatin production. We expect this capacity to be available in the second half of 2005.

Immunosuppressants:
Immunosuppressants prevent organ and tissue rejection in transplants and require high technology based manufacturing capabilities. Currently Biocon produces mycophenolate mofetil (MMF) and tacrolimus. MMF and tacrolimus are sold largely in the domestic market and certain semi-regulated export markets. Biocon is positioning itself to enter new segments and address regulated exports markets aggressively in future. Biocon has filed a DMF for MMF and is in the process of filing a DMF for tacrolimus to address the US markets following patent expiry.

Other biopharmaceutical products:
Biocon also supplies a range of other Biopharmaceutical products. During the year Biocon received approval from Drug Controller General of India and commenced marketing of recombinant human insulin. Biocon markets recombinant human insulin in India under its own brand name Insugen and is also in the process of registering the Insulin in several semi-regulated export markets to address a significant export opportunity. In addition Biocon has a supply arrangement with Bristol Myers Squibb to supply recombinant human insulin for use in their novel formulation which is presently undergoing clinical trials.
Our other target products include anti-diabetic drug Orlistat, new immunosuppressant Sirolimus and other drugs such as Mecobalamin & Calcium dobesilate.

Enzymes
Biocon develops and markets a mix of specialty and industrial enzymes for a broad range of industries including food and beverages, brewing and distilling, textiles and paper. The enzymes business delivered improved results, growing by 34.8% to Rs. 896,814 compared to Rs. 665,164 driven by increased sales of enzymes for the food and beverage industries and enzymes for the brewing and distilling industries.

Research and Development Fees
Research and development fees comprise fees received from clients and customers for research activities. Research activities are based on contracts that specify the nature of the activity to be carried out, basis of billing, manner of payments and are typically in the nature of time and material contracts. Research and development fees are recognised on a monthly basis as services are rendered in accordance with the terms of the applicable contracts.

Other Income
Other income consists primarily of dividend income and interest income. Dividend income representing Rs. 112,811 represents income earned from surplus funds invested in short term money market instruments, pending deployment in the ongoing capital expenditure program.

Material costs
Material costs includes Biocon's consumption of raw materials and traded goods and increases or decreases in stock.

Because of the strong growth in sales, raw materials costs with respect to the products have increased by 34.8% over the previous year. Raw material costs as a percentage of sales have increased by 4.6% mainly on account of reduction in selling prices of some key satins.

Raw material costs are to a lesser extent dependent on global petrochemical prices, which in turn often track global oil prices. This is because our biopharmaceutical and enzyme production processes involve the use of many petrochemicals, especially solvents such as ethyl acetate, methyl iodide and acetone.

Employee costs
Staff cost comprises:
• salaries, wages, allowances and bonuses;
• contributions to provident fund;
• contributions to superannuation, gratuity and leave encashment;
• welfare expenses (including employee insurance schemes, school tuition program and other miscellaneous employee benefits); and
• directors sitting fees.

Staff costs were Rs 352,847 and Rs 420,935 for the fiscal years ended 2004 and 2005 respectively. This is mainly attributed to the increase in the number of our full-time employees from 696 at the beginning of fiscal 2005 to 945 at the end of fiscal 2005 and salary increments.

Operating and other expenses
Operating and other expenses comprise of rent; travelling and conveyance; communication; professional charges; power and fuel; patent fees; consumables; repairs and maintenance; general expenses; freight outwards; sales promotion; commissions; bad debts write off; provisions for bad and doubtful debts; printing and stationary; insurance; rates, taxes and fees; and losses on sales of assets. Operating and other expenses have increased by 34.9% from Rs 498,934 for the year ended March 31, 2004 to Rs 673,189 for the year ended March 31, 2005.
This is mainly on account of the following:
• Rs 10,629 increase in legal and professional charges on account of increase in number of patents filed and engagement of marketing and financial consultants.
• Rs 74,865 increase in power and fuel costs on account of increase in production activity and increase in fuel tariff. However, power and fuel as a percentage of material cost has declined marginally on account of more than proportionate increase in production;

• Rs 13,283 increase in repairs and maintenance costs on account of increase in plant maintenance expenditure;
• Rs 40,178 increase in selling costs, mainly commission costs corresponds to the increase in sales. Commission as a percentage of sales has gone up from 0.8% in fiscal 2004 to 0.82% in fiscal 2005;.

Interest and Finance Charges

Interest and finance charges increased by 27.1% in fiscal 2005 over fiscal 2004. Our interest/finance charges increased mainly due to capitalization of Interest in the last financial year and Increase in the borrowing to the tune of 4.4%.

Depreciation

During the year depreciation has increased by Rs 42,321 amounting to an increase of 30.2% over fiscal 2004 on account of depreciation charge for full year on additions made to fixed assets in the previous year. This cost as a percentage has remained constant at 2.8 % of sales.

Provision for Taxes

Provision for current and deferred taxes in the year ended March 31, 2005 was Rs. 141,215, compared with Rs 228,076 in fiscal 2004.. The reduction in the effective rate from 15.5 % of profit before tax in fiscal 2004 to 7.5% of profit before tax in fiscal 2005 is on account of increased effect of tax benefits received on account of income from 100% Export Oriented Units and R&D expenditure. During the year there was a write back of tax provision pertaining to the previous years of Rs. 21,448 and an effect of lowering of the deferred tax liability on account of the lowering of tax rates in the Finance Bill 2005

Net Profit, As Restated

Net profit, for fiscal year 2005 increased by 39.9% to Rs 1,743,880 resulting in an EPS of Rs18.43. Net margins were higher by 157 basis points at 26.3%.

Liquidity

Our primary liquidity needs have been to finance our working capital requirements and our capital expenditures. These costs have been funded principally by cash flows from operations and short term borrowings. The Company also raised share capital pursuant to its IPO to fund its capital expenditures, which was held as a restricted bank deposit as at March 31, 2004.

	2005	2004
Net cash generated from operating activities	1,409,575	1,058,091
Net cash used for investing activities	(4,536,536)	(836,654)
Net cash generated from (Used in) financing activities	(18,410)	2,943,460
Net increase/ (decrease) in cash and cash equivalents	(3,145,371)	3,164,897

As of March 31, 2005, cash and cash equivalents amounted to Rs 34,201. The principal sources of cash and cash equivalents in fiscal 2005 was from cash flows from operations amounting to Rs 1,409,575. Cash flows from operations were mainly used for purchase of fixed assets of Rs 2,511,714.

Operating activities

Net Cash flows from operating activities for fiscal 2005 increase by 33.2% over fiscal 2004 reflecting the Company's strong growth in sales and profits.

Investing activities

The Company's net cash flows used for investing activities were used primarily to fund purchase of fixed assets for its new facilities and investment in short term money market investments pending deployment towards purchase of fixed assets.

Financing activities

The net cash flows from financing activities decreased mainly on account of proceeds from issue of share capital in last fiscal year.

PERFORMANCE OF SUBSIDIARIES

Syngene International Private Limited

Syngene is a 99.99% owned subsidiary of Biocon Limited. Syngene was incorporated on November 18, 1993 with an authorised share capital of Rs 5,000. Syngene works in two main research areas: Synthetic chemistry and molecular biology. Syngene is also involved in custom chemical synthesis.

Syngene's total income consists of net sales from contract research services, with the remainder consisting largely of net sales of compounds. Substantially all of Syngene's contracts are based on time and material management. Revenue from these contracts are recognised as services are rendered, in accordance with the terms of the contract. Syngene's total revenue has increased from Rs 384,884 to Rs 660,656 by 71.7%. This growth in revenue has been the result of growth in the number of clients and due to higher realisation per scientist. In addition, Syngene also earned Rs 7,989 from investment of its surplus funds in mutual fund units.

Most of Syngene's expenses are comprised of raw-material costs and staff costs. Raw material cost consists of lab consumables used for research. Material cost increased by 65.43% over fiscal 2004 on account of increase in business activities. However, as a percentage of sales, material costs have declined by 3.6%. This percentage decrease was primarily due to higher income realisation on a per scientist basis and better project management. Syngene's staff cost increased from fiscal 2004 on account of increase in number of employees. However, as a percentage of sales, this cost too has declined by 19.0%

due to higher realisation per scientist. Other costs grew by 56.2% mainly on account of maintenance of Machinery, which moved from Rs 3,069 for fiscal 2004 to Rs 7,719 in fiscal 2005.

Net profit for fiscal 2005 increased by 71.6% to Rs 275,455. Net margin was consistent at 41.7%

Abbreviated profit and loss statement - Syngene

	2005	2004
Total income	660,656	384,884
Profit before tax (PBT)	320,307	162,770
PBT margin	48.5%	42.3%
Profit after tax (PAT)	275,455	160,507
Net margin	41.7%	41.7%

Syngene contributes 9.0% to the consolidated income and 13.9% to the consolidated profits of the group. In the previous year, Syngene contributed 7.1% and 11.6% to the consolidated income and profits of the group respectively.

Clinigene International Private Limited

Clinigene is a 100% owned subsidiary of Biocon Limited. Clinigene was incorporated on August 4, 2000 with an authorised share capital of Rs 5,000. Clinigene was established to undertake clinical and other trials and validation for drugs and pharmaceuticals and to conduct research in the area of medical sciences for development of new and improve upon existing medical diagnostic, surgical and therapeutic techniques.

Clinigene's total income principally consists of income from clinical research fees. Clinigene enters into either time and material contracts and/or fixed price arrangements. Revenue from time and material contracts are recognised on a monthly basis as services are rendered in accordance with the terms of the applicable contracts. Revenue from fixed price contracts is recognised based on the percentage completion method.

Clinigene's expenses comprise of research material costs, staff cost, other operating expense, interest cost, depreciation and provisions for current taxes. Clinigene's research material costs decreased by 6.7% and cost as a percentage of sales too decreased by 11.7%. Clinigene's staff cost has increased by 41.9%. This is because Clinigene is in the process of developing its clinical research capabilities and is hiring employees. Clinigene may require additional funds to develop its capabilities and become profitable. Biocon Limited is supporting it in its funding. As at March 31, 2005, it has accumulated losses of Rs 51,649 and a working capital deficiency of Rs 3,600.

Loss for the year ended March 31, 2005 of Rs 29,453 has been consolidated with the profits of the group in the consolidated financial statements.

Biocon Biopharamaceuticals Private Limited

BBPL is a joint venture company and currently 51% of its shares are held by Biocon and the balance 49% by CIMAB. BBPL was incorporated on June 17, 2002 with an authorised share capital of Rs 500 and in the year 2004 increased to Rs.10,000 which has in the current year been increased to Rs 132,000. BBPL has been established to produce and sell certain biologicals. BBPL is yet to commence commercial operations and is in the process of setting up its facilities. Biocon holds 2,244,000 equity shares and CIMAB holds 2,156,000 equity shares of Rs.10 each respectively.

As at March 31, 2005, BBPL has accumulated losses of Rs 26,140. Biocon's share in the accumulated losses of BBPL aggregates Rs 13,331.

Consolidated financial statements

Biocon has prepared consolidated financials in accordance with Indian GAAP and US GAAP by consolidating the 2 subsidiaries Syngene and Clinigene and the Joint Venture Company BBPL. The abbreviated consolidated Indian GAAP and US GAAP profit and loss account is as under:

Abbreviated consolidated profit and loss statement - Indian GAAP

	2005	2004
Total Income	7,281,911	5,419,072
Profit before tax (PBT)	2,151,103	1,616,711
PBT margin	29.5%	29.4%
PAT after minority interest	1,975,450	1,386,362
Net margin	27.1%	25.2%

Abbreviated consolidated profit and loss statement - US GAAP

	2005	2004
Total Revenue	7,125,664	5,406,409
Gross profit	2,876,090	2,213,341
Gross profit margin	40.4%	40.9%
Income from operations	2,033,145	1,548,672
Income before income taxes (IBT)	2,166,259	1,616,184
IBT margin	30.4%	29.9%
Net income	1,918,830	1,351,747
Net margin	26.9%	25.0%

Reconciliation of Indian and US GAAP consolidated financial statements

	2005	2004
Net profit as per Indian GAAP	1,975,450	1,386,362
Depreciation	3,234	4,180
Deferred taxes	(61,347)	(34,099)
Exchange gain	0	86
Amortisation of stock compensation expense	0	(2,635)
Leave encashment/Gratuity provision as per FAS 7	11,924	(576)
Additional losses of JV	(10,429)	(1,581)
Others	0	10
Net profit as per US GAAP	**1,918,830**	**1,351,747**

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ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 & Companies (Particulars of Employees) Rules 1975

Details of Remuneration paid during the year ended 31st March 2005

Sl.No.	Name & Designation	Age	Remuneration Rs.	Qualification & Experience	Date of Commencement of employment	Last employment
1	Mr. Ajay Bhardwaj President - Group Marketing	45	11,747,636	M.S (Chemical Engineering) 21 Years	1-Jan-86	Project Engineer Max India Ltd-New Delhi
2	Dr. Arun Chandavarkar President - Operations & Technology	44	11,722,202	Ph.D (Chemical Engineering) 14 Years	8-Nov-90	---
3	Mr. Chinappa M B General Manager - Finance	37	4,674,273	B.Com., ACA 12 years	12-Jul-99	Manager - Finance ITC Limited, Calcutta
4	Mr. Gururaj.R Sr.Scientific Manager	45	2,480,620	Ph.D 22 years	3-Apr-89	Research Associate International crops institute for semi aried tropics
5	Mr. J M M Shaw Vice Chairman	56	11,225,283	M.A (Hons) 34 Years	1-Apr-99	President- Berghaus International Fashion Group, Holland
6	Ms. Kiran Mazumdar Shaw Chairman & Managing Director	52	11,903,650	B.Sc (Hons) PGD in Malting & Brewing 30 Years	1-Dec-78	Consultant Jupiter Breweries Ltd
7	Mr. Malay Jiban Barua Senior Manager - Marketing	37	2,907,505	M.Tech(Chemical technology) 10 Years	1-Jun-95	--
8	Mr. Murali Krishnan K N President - Group Finance	49	12,721,433	B.Com., (C.A) 23 Years	9-Nov-81	--
9	Mr. Rakesh Bamzai Vice President - Marketing	44	7,860,350	B.Sc (Food & Fermentation Tech) 16 Years	19-Apr-95	Asst. G.M. - Marketing Advanced Biochemicals Ltd
10	Mr. Ramalingeshwara Rao General Manager - Marketing	54	2,508,750	B. Sc. (Life Science) 27 Years	5-Mar-03	Director Business Development Novo Nordisk India Pvt Ltd
11	Mr. Sandeep Rao Manager - Marketing	31	4,439,985	M.Sc, PGDM 6 Years	15-Jun-99	--
12	Mr. Shrikumar Suryanarayanan President - Research & Development	45	11,881,480	M.Tech(Chemical Engineering) 21 Years	2-May-84	--

Note:

1. Remuneration shown above inlcudes Salary, Allowances, Bonus (based on receipt) , Company's contribution to P.F, Super Annuation and other perquisites valued as per Income Tax Rules, 1962.
2. Nature of employment in all cases is contractual. The other terms and conditions are as per Company's Rules.
3. Ms.Kiran Mazumdar & Mr.JMM Shaw are the Directors of the company and are related to each other. No other employee mentioned above is related to any Directors of the Company.

On behalf of Board of Directors

Kiran Mazumdar Shaw
Chairman & Managing Director

Place: Bangalore
Date: April 20, 2005

ANNEXURE TO THE DIRCTORS' REPORT

Particulars under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2005

1. Conservation Of Energy

During the year, the Company installed a 2000 KVA DG set with improved efficiencies resulting in lower fuel consumption per unit of output.

FORM A

		For the year ended 31st March, 2005	For the year ended 31st March,2004
A.	Power and Fuel Consumption		
1	Electricity		
	a. Electricity Purchase		
	Unit (000)	3,967	4,274
	Total Amount (Rs. in Millions)	18.4	20.2
	Rate per Unit (Rs.)	4.6	4.7
	b . Own Generation from Diesel Generator		
	Unit (000)	27,959	21,875
	Total Amount (Rs. in Millions)	193.5	124.7
	Rate per Unit (Rs.)	6.9	5.7
2	Furnace Oil		
	Unit (K.Ltrs)	2,416	2,196
	Total Cost (Rs. in Millions)	34.0	26.2
	Rate per Unit (Rs.)	14,083	11,948

B. Consumption per unit of Production

The disclosure of consumption figures per unit of production is not meaningful as the operations of the Company is not power intensive and involves multiple products.

2. RESEARCH & DEVELOPMENT

FORM B

A. Specific areas in which R&D work has been carried out by the company

- Process and Clinical Development of recombinant therapeutic Biologicals including human Insulin, Streptokinase and G-CSF.
- Development of fermentation based Generic Small Molecules for Cardio-vascular and Transplantation segments for supply to Regulated Markets
- Synthesis of Generic Small Molecules for Cardio-vascular and Diabetes Segments for supply to regulated markets
- Development of Enzymes Formulations for Food and Industrial Applications
- Generation of Intellectual Property Development – Process Patents for manufacture of key Generic Small Molecules
- Development of globally competitive manufacturing processes
- Up gradation of existing technologies and process optimization
- Clinical Development of new drug combinations
- Collaborative research for New Drug Discovery

B. Benefits derived as a result of R&D activities.

- Commercialization of recombinant proteins including Human Insulin
- Scale-up of key Biologics with improved productivity and process efficiencies
- Global presence in supply of fermentation based Small Molecules to the Generic Industry in regulated markets
- Rich Pipeline of Generic Small Molecules catering to varied therapeutic areas
- A range of Enzymes Formulations have been developed and marketed in the domestic and international markets
- Internationally competitive prices and product quality
- Generation of high quality data compliant with International Regulatory requirements
- Established intellectual property with 247 Patents/ PCT applications filed in Indian and International markets
- Safe and environment friendly processes
- Strategic collaborations for development of new molecules

C. Future Plan of Action.

- Enhanced emphasis on Monoclonal Antibodies leveraging on Biocon's in-house fermentation skills
- Greater importance in the research areas of New Drug Discovery
- Clinical Development of existing pipeline of Biologicals
- Strategic Collaborations for increased speed and cost competitiveness in Drug Discovery
- Continue to strengthen R&D capabilities in the area of Biologics through investments in Research Infrastructure and Human Capital.

D. Expenditure on scientific Research & Development:

		(Rs. In Million)
(a)	Capital	103.4
(b)	Revenue	137.5
(c)	Total	240.9
(d)	Total R& D expenditure as percentage of net sales	3.7%

3. Technology Absorption, Adaptation and Innovation:

No imported technology during the year

4. Foreign Exchange Earnings and Outgo :

Please refer to information given in the notes to accounts to the annual accounts of the company in Schedule 24 Notes to accounts item no. iv to vii.

SECTION 212

Statement Pursuant To Section 212 Of The Companies Act, 1956 Relating To Holding Company's Interest In The Subsidiary Companies:

	Clinigene International Private Limited	Syngene International Private Limited	Biocon Biopharmaceuticals Private Limited
1. Financial year of the subsidiary company ended on	31st March, 2005	31st March, 2005	31st March, 2005
2.(a) Number of shares held by Biocon Limited at the end of the above date	50,000 equity shares of Rs.10/- each	28,74,830 equity shares of Rs.10/- each	22,44,000 equity shares of Rs. 10/- each
(b) Extent of Interest on above date	100%	99.99%	51%
3. Net aggregate amount of the Subsidiary Company Profit /(Loss) so far it concerns members of the Holding Company and			
(a) is not dealt in the Company's account			
(i) for the financial year ended 31st March, 2005 (Rs.in '000)	(29,453)	275,439	(10,855)
(ii) for the previous financial year, since it became Subsidiary Rs in (' 000)	(18,331)	160,498	(1,645)
(b) is dealt in the Company's account			
(i) for the financial year ended 31st March, 2005	Nil	Nil	Nil
(ii) for the previous financial year, since it became Subsidiary	Nil	Nil	Nil

ANNEXURE TO DIRECTORS' REPORT

Corporate Governance

The detailed report on Corporate Governance for the financial year April 1, 2004 to March 31, 2005, as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

1. Company's philosophy on corporate governance:
Biocon is committed to doing business in an efficient, responsible, honest and ethical manner. Good corporate governance goes beyond compliance and involves a company wide commitment. This commitment starts with the Board of Directors, which executes its corporate governance responsibilities by focusing on the Company's strategic and operational excellence and on the best interests of all our stakeholders, in particular shareholders, employees and our customers in a balanced fashion with long term benefits to all.

The core values of the Company's governance process include independence, integrity, accountability, transparency, responsibility and fairness. The Business policies are based on aspects like ethical conduct, health, safety and commitment to building long term sustainable relationships.

Biocon is committed to continually evolving and adopting appropriate corporate governance best practices.

2. Board of Directors:

2.1 Composition:
The Board of directors consists of 7 members with 4 independent directors. Ms. Kiran Mazumdar-Shaw is the Chairman and Managing Director of the Company and Mr. John Shaw is the Vice-Chairman. Ms. Kiran Mazumdar-Shaw and Mr. John Shaw conduct the day to day management of the Company, subject to the supervision and control of the Board of Directors. The independent directors on the Board are senior, competent and highly respected persons from their respective fields. The brief profile of the Company's Board of directors is as under:

Ms. Kiran Mazumdar-Shaw, 52 years, Chairman and Managing Director, is a first generation entrepreneur with more than 25 years' experience in the field of biotechnology. After graduating in B.Sc. (Zoology Hons.) from Bangalore University in 1973, she completed her post-graduate degree in malting and brewing from Ballarat College, Melbourne University in 1975. She is a founder promoter and has led the Company since its inception in 1978. She is currently the Chairman and Director of Syngene International private Ltd, Clinigene International Private Ltd and Biocon Biopharmaceutical Private Ltd. She was previously a consultant with Jupiter Breweries Limited. She is the recipient of several awards, the most noteworthy being the 'Padmabhushan' Award (one of the highest civilian awards in India) in 2005 conferred by the President of India, the Ernst & Young Entrepreneur of the Year Award in 2002 for the Healthcare & Life Sciences category and more recently in 2003 the BioSpectrum Person of the Year Award. She heads several biotechnology task forces including the Karnataka Vision Group on Biotechnology, an initiative by the Government of Karnataka and the National Taskforce on Biotechnology for the Confederation of Indian Industry (CII). She is an executive, non-independent director.

Mr. JMM Shaw, 56 years, Vice Chairman, is the controlling shareholder and director of Glentec International, one of the substantial shareholders of Biocon Ltd. He completed his M.A. (Economic Hons.) in History and Political Economy from Glasgow University, U.K. in 1970. He had 27 years' experience with Coats Viyella plc. in various capacities including finance and general administration before he came on the Board of Biocon Ltd. in 1999. He has served as Finance Director and Managing Director of Coats Viyella group companies in various locations around the world. He is an executive, non-independent director.

Dr. Neville Bain, 65 years, has vast experience in the field of finance and general management. He graduated from Otago University, New Zealand, with a Master of Commerce (Hons) degree and double Bachelor degrees in Accounting and Economics. He has also been awarded the degree of Doctor of Law, is a Fellow Chartered Accountant, a Fellow Cost and Management Accountant, a Fellow Chartered Secretary and a Fellow of the Institute of Directors. He spent 27 years with the Cadbury Schweppes group, having responsibility for the world-wide confectionery business and then as Deputy Chief Executive and Finance Director. This was followed by a six-year term as Chief Executive Officer of Coats Viyella plc, and then as Chairman and Director of various organisations. He is the Chairman of Hogg Robinson plc and also a board member of Scottish Newcastle plc. He has published books on Corporate Governance, Strategy, and the effective utilisation of people in organisations. He is a non-executive, independent director.

Prof. Charles L. Cooney, 60 years, is the Professor of Chemical & Biochemical Engineering, Faculty Director of the Deshpande Center for Technological Innovation and Co-Director of the Program on the Pharmaceutical Industry at the Massachusetts Institute of Technology (MIT), Cambridge, U.S.A. He obtained his Bachelor's degree in Chemical Engineering from the University of Pennsylvania in 1966, his Master's degree and his Ph.D in Biochemical Engineering from MIT in 1967 and 1970 respectively. His research interests span topics in biochemical engineering and pharmaceutical manufacturing. He is a recipient of several prestigious awards, including Gold Medal of the Institute of Biotechnology

Studies (London), the Food, Pharmaceutical and Bioengineering Award from the American Institute of Chemical Engineers and the James Van Lanen Distinguished Service Award from the American Chemical Society. He serves as a consultant to and/or director of a number of biotech and pharmaceutical companies globally and is on the editorial boards of several professional journals. He is a non-executive, independent director.

Mr. Suresh Talwar, 66 years, is a partner of Crawford Bayley & Co., an Indian law firm of repute. He completed his B.Com from the University of Bombay in 1959, his LL.B. from the Government Law College, Bombay in 1961 and a solicitor of the Incorporated Law Society, Mumbai in 1966. His area of professional specialisation is in corporate law and other related matters. He has been the legal counsel to numerous Indian companies, multinational corporations as well as Indian and foreign banks. He is also a director of several leading companies in India. He is a non-executive, independent director.

Prof. Ravi Mazumdar, 50 years, completed his Ph.D from the University of California, Los Angeles, USA in 1983. Prior to this, he obtained his B.Tech from the Indian Institute of Technology, Bombay in 1977 and his Masters in Science from the Imperial College of Science, London in 1978. He has been a professor in several prestigious universities including University of Waterloo, Canada, Purdue University, U.S.A Columbia University, U.S.A., University of Essex, U.K., Mc Gill University, Canada and the Indian Institute of Science, Bangalore. He has over 100 refereed publications in international journals in the area of applied probability and stochastic processes, non-linear dynamical systems, statistical signal processing, queuing theory and in the control and design of high-speed networks. He has been a member of several advisory committees and working groups, including the US Congress Sub-Committee on Science and Technology. He is a Fellow of the Royal Statistical Society and a senior member of the Institute of Electrical and Electronics Engineers, Inc. He is the younger brother of Ms. Kiran Mazumdar-Shaw and a non-executive, non-independent director.

Dr.Bala S Manian, Bala S. Manian, 60 years, has been a part of the Silicon Valley entrepreneurial community over the last three decades and is responsible for successfully starting several life science companies. Dr. Manian is a co-founder and director of Quantum Dot Corporation, and a co-founder of SurroMed Corporation. He was also chairman of Entigen Corporation, a Bioinformatics company. He was the founder and Chairman of Biometric Imaging, Inc. Prior to founding Biometric Imaging, Inc., Dr. Manian founded Digital Optics Corporation an optical instrumentation and systems development Company in 1980 and two other Companies, Lumisys and Molecular Dynamics in June 1987. Dr Manian is presently the CEO of ReaMetrix Inc. An expert in the design of electro-optical systems, Dr. Manian holds more than 35 patents, many of which have resulted in successful commercial products. Additionally, Dr. Manian has authored more than 30 peer reviewed scientific publications. He has been recognized through several awards for his contributions as an educator, inventor and an entrepreneur. In February 1999 the Academy of Motion Picture Arts and Sciences awarded a Technical Academy Award to Bala for advances in digital cinematography. He has a B.S. in Physics from the University of Madras, a M.S. in Applied Optics from the University of Rochester, and a Ph.D. in mechanical engineering from Purdue University. He was a faculty member of the University of Rochester's Institute of Optics for four years, teaching courses in optical fabrication and testing, optical instrumentation and holography. At present he serves as a member of the Board of Trustees of University of Rochester. He is a non-executive, independent director.

In accordance with our Articles of Association, the Board can appoint an alternate Director pursuant to the provisions of the Companies Act. Prof. Catherine Rosenberg is presently the alternate Director to Prof. Ravi Mazumdar.

2.2 Meetings and attendance record of directors and other directorships:

During the financial year ended 31st March 2005, Board of Directors met 5 times on 14th May 2004, 14th July 2004, 25th August 2004, 20th October 2004 and 20th January 2005. The composition of the Board of Directors and their attendance at the meeting during the year and at the last Annual General Meeting as also the number of other directorships and memberships of committees are given below:

Name of the Director	No of Board meetings attended	Attendance at the last AGM	No of other Directorships (**)	Committee Membership (including Biocons')	
				Member	Chairman
Ms.Kiran Mazumdar Shaw	5	Yes	3	1	-
Mr. John Shaw	5	Yes	4	1	-
Dr. Neville Bain	4	Yes	8	4	5
Prof. Charles Cooney	4	Yes	4	3	2
Dr. Ravi Mazumdar	3	Yes	2	-	-
Mr. Suresh Talwar	4	Yes	48	6	4
Prof. Catherine Rosenberg	1	Yes	1	-	-
Dr. Bala S Manian*	1	No	3	-	-

* Part of the year

** Includes private limited companies and foreign body corporate and alternate directorships

The details of directorships of the Company's Directors in other companies as on March 31, 2005 are given below:

Name of the Directors	Name of Company/ Firm	Nature of Interest
Mr. Suresh N Talwar	PZ Cussons India Pvt Ltd	Chairman & Alternate Director
	Armstrong World Industries (India) Ltd	Chairman
	Moly Colloids Pvt Ltd	Chairman
	Merck Ltd	Chairman
	Romil Finance & Investments Pvt Ltd	Chairman
	Sidham Finance and Investments Pvt Ltd	Chairman
	20th Century Fox Corpn (I) Pvt Ltd	Chairman
	Aon Global Insurance Services Pvt Ltd	Director
	Birla Sun Life Insurance Co Ltd	Director
	Blue Star Ltd	Director
	Blue Star Infotech Ltd	Director
	Cadbury India Limited	Director
	Carborundum Universal Ltd	Director
	Cholamandalam MS General Insurance Company Ltd.	Director
	Chowgule and Company Ltd	Director
	Decagon Investments Pvt Ltd	Director
	Emerson Process Management (India) Pvt Ltd	Director
	Greaves Cotton Ltd	Director
	India Value Fund Trustee Co Pvt Ltd	Director
	IVF (Mauritius) PCC	Director
	JM Morgan Stanley Retail Services Pvt Ltd	Director
	JM Morgan Stanley Securities Pvt Ltd	Director
	Larsen & Tourbro Ltd	Director
	Renfro Inda Pvt Ltd	Director
	Rishabh Instruments Pvt Ltd	Director
	Refco (India) Pvt Limited	Director
	Reva Electric Car Company Pvt Ltd	Director
	Rediffusion – Dentsu, Young & Rubicam Pvt Ltd	Director
	Sandvik Asia Ltd	Director
	Shrenuj & Co Ltd	Director
	Solvay Pharma India Ltd	Director
	Swiss Re Shared Sevices (India) Pvt Ltd	Director
	Showdiff Worldwide Pvt Ltd	Director
	Sonata Software Limited	Director
	Warner Bros Pictures (India) Pvt Ltd	Director
	Albright & Wilson Chemicals India Ltd	Alternate Director
	Beck India Ltd	Alternate Director
	Esab India Limited	Alternate Director
	FCI OEN Connectors Ltd	Alternate Director
	Greaves Morganite Crucible Ltd	Alternate Director
	Garware-Wall Ropes Ltd	Alternate Director
	Johnson & Johnson Ltd	Alternate Director
	John Fowler (India) Pvt Ltd	Alternate Director
	Schenectady (India) Holdings Pvt Ltd	Alternate Director
	Schenectady Herdillia Ltd	Alternate Director
	Trans Warranty Finance Limited	Alternate Director
	Uhde India Ltd	Alternate Director
	Wyeth Limited	Alternate Director
Dr. Neville Bain	Hogg Robinson.Plc	Chairman & Director
	Farnborough Holdings Plc	Chairman & Director
	Scottish & Newcastle Plc	Director
	United Breweries Limited	Director
	McDowell Alcobev Limited	Director
	Syngene International Private Ltd	Director
	Nutrinnovator Ltd	Director
	Neville Bain Developments Ltd.	Director
Ms. Kiran Mazumdar-Shaw	Syngene International Private Ltd	Director
	Clinigene International private Ltd	Director
	Biocon Biopharmaceuticals Private Ltd	Director
Mr. J M M Shaw	Syngene International Private Ltd	Director
	Clinigene International private Ltd	Director
	Biocon Biopharmaceuticals Private Ltd	Director
	Glentec international	Director
Prof. Charles Cooney	Syngene International Private Ltd	Director
	Genzyme Corporation	Director
	Bio Processors Inc	Director
	Cuno. Inc	Director
Prof. Ravi Mazumdar	Syngene International Private Ltd	Alternate Director
	Glentec international	Director
Dr. Bala S Manian	ReaMetrix Inc., USA	Director
	ReaMetrix India Pvt. Ltd.	Director
	ICICI Knowledge Park	Director

None of the Directors of the Company hold memberships of more than ten Committees nor is any Director the Chairman of more than five Committees of the Board of all companies where he holds Directorships. For this purpose, 'Committees' comprise Audit Committee, Compensation Committee and Shareholders' Grievance Committee.

2.3 Remuneration of directors:

The Chairman & Managing Director and the Vice-Chairman were paid remuneration, including performance bonuses, as approved by the shareholders in the last meeting. The other non-executive directors were paid sitting fees for attending the Board and Committee Meetings.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year ended 31st March 2005 are given below:

(in Rupees)

Name of the Director	Fixed Pay	Perquisities	Variable Pay	Retiral Benefits	Siiting Fees	Total
Ms.Kiran Mazumdar Shaw	7,144,800	276,970	3,600,600	8,81,280	-	11,903,650
Mr. JMM Shaw	7,144,800	-	3,590,883	489,600	-	11,225,283
Dr. Neville Bain	-	-	-	-	1,80,000	1,80,000
Prof. Charles Cooney	-	-	-	-	1,80,000	1,80,000
Prof. Ravi Mazumdar	-	-	-	-	80,000	80,000
Mr. Suresh Talwar	-	-	-	-	1,80,000	1,80,000
Dr. Bala S. Manian	-	-	-	-	30,000	30,000
Prof. Catherine Rosenberg	-	-	-	-	20,000	20,000

Dr. Neville Bain and Prof. Charles Cooney were granted stock options to purchase 195,902 shares each (adjusted for bonus issues and stock splits) in Biocon Limited at a price of Rs. 0.2 per share in the year 2002. Options for purchase of 48,976 shares have vested in 2003 and Options for purchase of 97,951 and 48,975 shares vest in calendar years 2005 and 2006. These options are exercisable in the year of vesting.

The Chairman & Managing Director and the Vice-Chairman were paid remuneration, including performance bonus, as approved by the shareholders in the last meeting. The other non-executive directors were paid sitting fees for attending the Board and Committee Meetings.

2.4 Re-appointment of Directors:

The Directors, Mr. Suresh N Talwar and Dr.Neville Bain shall retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment. It is also proposed to reappoint Ms. Kiran Mazumdar Shaw as the Chairman and Managing Director of the Company for a period of 5 years with effect from 1st April 2005. Their brief resumes and details of their other directorships and committee memberships have already been provided in this report:

3.Audit Committee:

The Board constituted the Audit Committee on 16th April 2001. The following directors are the current members of the Committee:

a) Dr. Neville Bain
b) Prof. Charles Cooney
c) Mr. Suresh Talwar

The members of the committee are non-executive and independent directors and possess sound knowledge of accounts, finance, audit and legal matters. Dr. Neville Bain is the Chairman of the Committee.

Terms of Reference

3.1. Constitution

The Board has established the Audit Committee to assist the Board in fulfilling its oversight responsibilities.

3.2 Membership

The Committee shall be appointed by the Board. Members of the Committee shall be independent non-executive directors of the company. The Committee shall consist of not less than three members. The quorum shall be two.

At least one member of the Audit Committee will have significant, recent and relevant financial experience.

3.3 Attendance of meetings

- Only Audit Committee members shall be entitled to attend meetings.
- Others shall attend meetings only by invitation.
- The Secretary of the Company shall be the Secretary of the Committee. He will maintain minutes of the meetings.

3.4. Frequency of meetings

- Meetings shall be held not less than twice a year (to coincide with key dates in the Company's financial reporting cycle).
- External auditors or Internal auditors may request a meeting if necessary.
- There will be at least one meeting a year, where the Audit Committee alone meets the external and internal auditors.

3.5 Authority

The Committee is authorised by the Board to:

- Investigate any activity within its terms of reference.
- Seek any information that it requires from any employee of the Company. Employees are directed to cooperate with any relevant request made by the Committee.
- Obtain outside legal or independent professional advice and secure the attendance of outsiders if necessary.

3.6 Duties

3.6.1 Financial reporting

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the management the periodic and annual financial statement before submission to the Board, focusing primarily on;

  i. Any changes in the accounting policies and practices
  ii. Major accounting entries based on exercise judgment by management
  iii. Qualification in draft audit report.
  iv. Significant adjustments arising out of audit.
  v. The going concern assumption.
  vi. Compliance with accounting standards.
  vii. Compliance with Stock Exchange and legal requirements concerning financial statements.
  viii. Any related party transactions ie transaction of the company material in nature, with promoters or the management, their subsidiaries or relative etc that may have potential conflict with the interest s of the company at large.

- To review and approve periodic and annual accounts of the company and recommend to the Board for adoption or otherwise.
- To review Company's financial and risk management policies.

3.6.2 Internal control and risk management

- To review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters;
- To review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- To monitor the integrity of the company's internal financial controls;
- To assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non financial risks.

3.6.3 Internal audit

- To review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- To ensure that the internal auditor has direct access to the Board Chairman and the Audit Committee and is accountable to the Audit Committee;
- To receive a report on the results of the internal auditors' work on a periodic basis;
- To review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- To monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;

3.6.4 External Audit

- To oversee the Company's relations with the external auditor; this will include the oversight of the fees paid to the auditor for non audit work.
- To consider, and make recommendations on the appointment, reappointment and removal of the external auditor;

3.7 Reporting

• The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the committee shall, as a minimum, attend the Board meeting at which the accounts are approved.
• The Audit Committee shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.
• Where disagreements between the Audit Committee and the Board cannot be resolved, the Audit Committee shall report the issue to the shareholders as part of the report on its activities in the Company's Annual Report.
• The Chairman of the Audit Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Audit Committee's activities and their responsibilities.

During the year 2004-05, the Committee met 4 times on May 13, 2004, July 13 &14, 2004, October 19, 2004 and January 19, 2005 and all the members attended the meetings.

The Committee reviewed the financial results of the Company prepared in accordance with Indian GAAP (including consolidated results) as at and for the period ended June 30, 2004, September 30, 2004, December 31, 2004 and March 31, 2005 and recommended the same to the Board of Directors for their adoption. The Committee also reviewed the consolidated financial results of the Company prepared in accordance with US GAAP as at and for the year ended March 31, 2005 and recommended the same to the Board of Directors for their adoption.

The Committee also recommended to the Board of Directors the re-appointment of M/s S.R.Batliboi & Associates Chartered Accountants, as Statutory Auditors of the Company from conclusion of 2005 Annual General Meeting to forthcoming Annual General Meeting.

The Committee also reviewed Internal Audit reports, utilization of IPO proceeds, risk management policies,etc from time to time. Both the Internal & Statutory auditors of the company participated in the Audit committee meeting as necessary.

The Company Secretary resigned from the Company on January 31, 2005 and the Company is in the process of recruiting a new Company Secretary.

4. Remuneration (Compensation) Committee:

The Board constituted the Remuneration Committee on April 16, 2001. The following directors are the current members of the Committee:
a) Prof. Charles Cooney
b) Dr. Neville Bain

The members of the Committee are non-executive and independent directors. Prof. Charles Cooney is the Chairman of the Committee.

The terms of reference of the remuneration Committee, inter alia, include determination of compensation package of executive directors and senior management of the Company, determine and supervise the bonus scheme of the Company and to investigate any activities within the terms of reference, etc. The committee also oversees the employee stock option scheme and recommends the same for the approval of the Board/ shareholders. The Committee is empowered to decide the eligibility of the category of employees and the terms and conditions of grants to be extended under the ESOP schemes of the Company.

The remuneration policy of the Company is broadly based on the following criteria:
a) Job responsibilities
b) Key performance areas of the employees/directors
c) Industry trend
d) Remuneration packages in other comparable companies for comparable positions

During the year 2004-05, the Committee met 4 times on May 15, 2004, July 13, 2004, October 19, 2004 and January 19, 2005 and all the members attended the meetings.

5. Shareholders/Investor Grievances Committee:

Prior to the Initial Public offering of the Company, i.e. on January 17, 2004, the Board constituted this committee with the following members:
a) Dr. Neville Bain
b) Ms. Kiran Mazumdar Shaw
c) Mr. JMM Shaw

The Committee was formed to specifically redress the shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc. Dr. Neville Bain is the Chairman of the Committee is a non-executive and independent Director.

Apart from the same, the Board had also constituted a Share transfer Committee consisting of Ms. Kiran Mazumdar Shaw, Chairman & Managing Director, Mr. JMM Shaw, Vice Chairman and Mr. K N Murali Krishnan, President Group - Finance of the Company to attend to the share transfer formalities, as and when required.

Mr. K N Murali Krishnan was designated as the compliance officer under SEBI (Disclosure and Investor Protection) Guidelines, 2000 for overseeing/ addressing the investor complaints. The Company had received 4,130 complaints of which 4,127 complaints were resolved during the year. The 3 pending complaints as at 31st March 2005, has been attended to subsequently. As on 31st March 2005 there were no pending share transfers. During the year 2004-05, the Committee met 5 times on 13th May 2004, 1st July 2004, 13th July 2004, 19th October 2004 and 19th January 2005 and all the members attended the meetings. Dr. Neville Bain did not attend the meeting held on 1st July, 2004.

6. General Body Meetings:

i) Location and Time of the General Body Meetings:

Generally the Annual General Meetings of the Company are convened within four months of the close of the financial year. The details of the previous Annual General Meetings are as below:

Year	Date and Time	Venue	Special resolutions passed
2001-02	27th June 2002 at 4:00 p.m.	Registered Office	Nil
2002-03	25th July 2003 at 4:00 p.m.	Registered Office	Nil
2003-04	5th July 2004 at 3:30 p.m.	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029	Nil

There were no matters required to be dealt/ passed by the Company through postal ballot, as required under the provisions of Section 192A of the Companies Act, 1956.

7. Disclosures:

i) Disclosure on materially significant related party transactions i.e. transactions of the Company, which are of material nature, with it's promoters, directors, or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:

Details are provided in Note 21 to the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18.

ii) Other pecuniary relationship or transactions of non-executive directors vis- a-vis the Company which has potential conflict with the interests of the company at large:

The Company has sought legal opinion from M/s Crawford Bayley & Co., on a need basis. Mr. Suresh Talwar, director of the Company is partner in M/s Crawford Bayley & Co. However there is no potential conflict of interest of the Company at large.

iii) Penalties or strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority in any matter related to capital markets during the last 3 years.

None

8. Means of Communication:

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same. These results will also published in English and Kannada newspapers.

The results will also be posted on the website of the company viz. www.biocon.com and on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre (NIC). The Company's website will also display all official news releases

The Company organizes investor conference calls to discuss its financial results every quarter where investor queries are answered by the Executive Management of the Company. The transcripts of the conference calls are also posted on our website.
Detailed Management and Discussion Analysis Report form a part of the annual report.

9. General Shareholder' Information:

i) Annual General Meeting:
Date and Time : 20th July 2005 at 3.30 PM
Venue : Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029

ii) Financial Calendar for 2005-06 : The following are tentative dates:

First Quarterly results	:	20th July 2005
Half-yearly Results	:	19th October 2005
Third Quarterly Results	:	18th January 2006
Annual results 2005-06	:	19th April 2006
AGM for the year 2005-06	:	19th July 2006

iii) Dates of Book Closure : Friday, 1st July 2005 to Wednesday, 20th July 2005 - Both days inclusive

iv) Dividend payment date : On or after 21st July 2005

v) Listing on Stock Exchanges : The equity shares of the Company have been Listed on

The National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai - 400 051

and on

The Stock Exchange, Mumbai
P J Towers, Dalal Street,
Mumbai - 400 001
Listing is effective from 7th April 2004

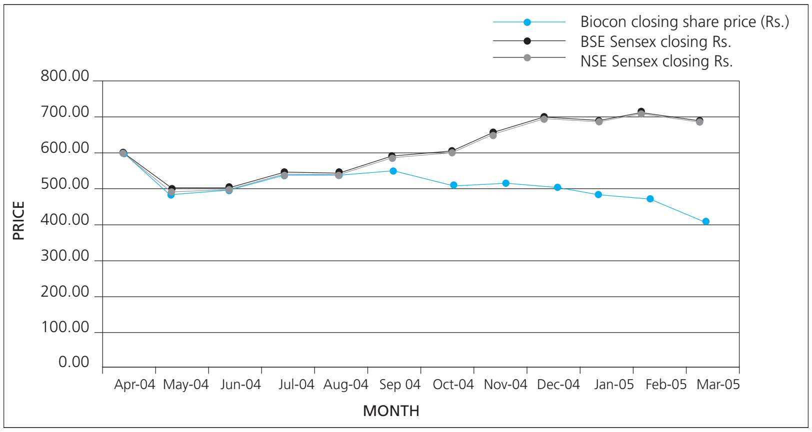
vi) Stock Code/Symbol : NSE - Biocon
BSE – 532523

vii) Market Price data during 2004-05 :
The monthly high/low prices of shares of the Company from April 7, 2004 to March 31, 2005 are given below :

		BSE			NSE		
Sl No	**Month**	**High (Rs.)**	**Low (Rs.)**	**Volume of Shares**	**High (Rs.)**	**Low (Rs.)**	**Volume of Shares**
1	April-04	739.40	400.00	36,473,071	780.00	425.00	61,660,205
2	May-04	614.95	417.10	12,675,150	614.80	478.60	23,847,048
3	June-04	540.50	466.25	8,956,273	540.00	466.35	20,202,199
4	July-04	585.00	495.30	10,031,443	598.65	495.75	21,995,622
5	August-04	547.90	501.10	4,413,968	547.00	502.00	9,412,210
6	September-04	565.00	508.00	6,670,713	564.90	505.25	11,876,206
7	October-04	554.85	509.50	2,539,198	554.90	509.10	5,652,307
8	November-04	555.00	512.35	2,094,869	554.80	513.70	5,667,250
9	December-04	526.00	483.20	5,712,928	539.00	491.50	12,575,663
10	January-05	521.00	463.00	2,488,134	581.15	462.00	5,141,992
11	February-05	486.50	447.05	1,835,591	489.00	447.00	3,680,029
12	March-05	482.90	395.25	2,097,581	480.00	414.40	4,114,568

viii) Relative movement chart

The chart below gives the relative movement of the closing price of the Company's share and the BSE/ NSE Sensex relative to the closing price. The period covered is April 07, 2004 to March 31, 2005. The Biocon Management cautions that the stock price movement shown in the graph below should not be considered indicative of potential future stock price performance.



ix) Registrar and Transfer Agents : Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034

x) Share Transfer System : The shares of the Company are traded in the Compulsory DEMAT mode for all investors. The Share Transfer Committee approves the transfer of shares in the physical form as per the time limits specified in the Listing Agreement.

xi) Distribution of the Shareholding : The distribution of shareholding as on 31st March 2005, pursuant to clause 35 of the listing agreement is as under:

A. Shareholding per category

Categories	**No of Shares held**	**Percentage held**
A) Promoters' Holding		
1 Promoters		
- Indian Promoters	39,643,782	39.64
- Foreign Promoters	24,903,779	24.90
2. Persons acting in concert	780,415	0.78
Sub-total	65,327,976	65.33
B) Non Promoters Holding		
3. Institutional Investors		
- Mutual Funds and UTI	300,786	0.30
- Banks, FIs, Insurance Companies	487,599	0.49
- Foreign Institutional Investors	1,200,071	1.20
Sub-total	1,988,456	1.99
4. Others		
a) Pvt. Corporate Bodies	2,492,323	2.49
b) Indian Public	20,074,958	20.08
c) NRIs	7,25,758	0.73
d) Any other		
i) Trusts	7,131,431	7.13
ii) HUF	300,417	0.30
iii) Clearing Members	190,300	0.19
iv) Indian Venture Capital	267,337	0.27
v) Directors(s)	278,061	0.28
vi) Foreign Nationals	522,632	0.52
vii) Foreign Trusts	700,351	0.70
Sub-total	32,683,568	32.68
GRAND TOTAL	**100,000,000**	**100.00**

B. Distribution of shareholding by no. of shares

Distribution Schedule as on March 31,2005

Shares of Nominal Value of Rs	Number of Shareholders	%	Share Value (Rs.)	%
1 - 5000	124,675	98.71	50,271,030	10.05
5001 - 10000	855	0.68	6,367,080	1.27
10001 - 20000	392	0.31	5,575,030	1.12
20001 - 30000	117	0.09	2,903,360	0.58
30001 - 40000	49	0.04	1,719,470	0.34
40001 - 50000	26	0.02	1,218,315	0.24
50001 - 100000	72	0.06	5,014,215	1.00
100001 & Above	116	0.09	426,931,500	85.39
Total	126,302.	100.00	500,000,000	100.00

xii) Dematerialization of shares and liquidity:

Procedure for dematerialization/ rematerialization of scripts

Shareholders are required to submit demat/remat request to Depository Participants (DP) with whom they maintain a demat account. Depository send a request for demat of shares along with the physical share certificate to Registrar and Transfer Agents of the company. The Registrar liaison with Depository Participants (DP) and National Securities Depository Ltd(NSDL) Central Depository services (India) Ltd (CDSL) within 10 days from the date of log in of the request in system and acknowledges the receipt of physical shares for Demat and verifies the genuiness of the edit, list. After verification of edit list and effecting the corrections, if any, the Registrar updates the final Demat Register.

The Registrar forward the confirmation report to CDSL/NSDL or rejection report as the case may be. The Registrar does the reconciliation and confirmation of capital. The Registrar also correspond with the DP and shareholders in case of rejection .

As on March 2005 98.43% of the shares of company were in Electronic form

Consequent to the IPO of 10% of the Company's paid-up capital, in March 2004, 20,000,000 shares held by the Promoters of Biocon, representing 20.00% of the total paid-up share capital, is locked in for 3 years from the date of allotment under the IPO, i.e. till 31st March 2007, as per the SEBI (DIP) Guidelines, 2000.

xiii) Outstanding GDRs/ ADRs/Warrants and convertible instruments, conversion date and likely impact on equity:

Not applicable.

xiv) Plant locations:

i) 20th KM, Hosur Road,
Electronic City
Bangalore - 560 100

ii) Plot No 113/C2,
Bommasandra Industrial Area,
Bommasandra, Bangalore - 560 099

iii) Biocon Park
Plot No 2 & 3
Bommasundra – Jigani Link Road
Bangalore – 560 100

xv) Address for correspondence: Investor correspondence may be addressed to:

a) The Compliance Officer
Biocon Limited
20th KM, Hosur Road,
Electronic City,
Bangalore - 560 100

b) Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034

10. Compliance with Non- Mandatory requirements of clause 49 of the listing Agreement

The Company has complied with the non-mandatory requirements relating to remuneration commitee to the extent detailed above and has not complied with the other non-mandatory requirements.

AUDITORS' CERTIFICATE

To
The Members of Biocon Limited

We have examined the compliance of conditions of corporate governance by Biocon Limited ('the Company'), for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

As explained in point no.3 of the 'Corporate Governance Report', the company secretary has resigned from the Company as on January 31, 2005 and the Company is in the process of recruiting a company secretary. However, the President-Finance of the Company has acted as secretary of the audit committee/assumed the company secretary work in the absence of a company secretary.

Read with the above paragraph, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

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 S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

per **Prashant Singhal**
Partner
Membership No: 93283

Bangalore
April 20, 2005

AUDITORS' REPORT

To
The Members of Biocon Limited

1. We have audited the attached Balance Sheet of BIOCON LIMITED as at March 31, 2005 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 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;

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;

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

(c) 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
April 20, 2005

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re: **Biocon Limited**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation, of fixed assets. Fixed assets have been physically verified by the management during the year in accordance with a regular programme of verification, intended to cover all the fixed assets of the Company over a period of two years, 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.

2. The management has conducted physical verification of inventory at reasonable intervals during the year. The procedures of physical verification of inventory (except for goods in bond and in transit) 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.

3. As informed, the Company has granted unsecured loans to two companies listed in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was Rs 192,703,180 and the balance outstanding at March 31, 2005 was Rs 192,703,180. In our opinion and according to the information and explanation given to us, the loan given to one of its subsidiary is interest free, the rate of interest for the other loan and other terms and conditions of the loans given by the Company during the year, 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 granted by the Company to the companies listed in the register maintained under section 301 of the Companies Act, 1956. 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.

4. 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 and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

5. 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 Rupees five lakhs entered into during the financial year, because of the unique and specialized nature involved and absence of any comparable prices, we are unable to comment whether the transactions are made at prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public.

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

8. To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of section 209(1) of the Companies Act, 1956 for the products of the Company.

9. Undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess have been regularly deposited with the appropriate authorities (though there has been an instance of a delay in case of withholding tax). 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 records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Dispute in clarification of certain products	633,417	1994-1995	Assistant Collector of Central Excise
The Central Excise Act, 1944	Non-inclusion of freight in valuation of goods	3,986	2003-2004	Superintendent of Central Excise, Bangalore
The Central Excise Act, 1944	Non-inclusion of freight and insurance in valuation of goods	9,725	2003-2004	In process of application against demand notice
Income-tax Act, 1961	Assessment year 1994-1995	2,076,607*	1993-1994	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1995-1996	2,874,354*	1994-1995	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1996-1997	2,951,633*	1995-1996	Order has been passed by the ITAT. The Company has filed an appeal before the High Court.
Income-tax Act, 1961	Assessment year 1997-1998	3,878,830*	1996-1997	Case referred by CIT (Appeals) to assessing officer for re-computing the tax payable.
Income-tax Act, 1961	Assessment year 1997-1998	4,040,002*	1996-1997	Case referred by CIT (Appeals) to assessing officer for re-computing the tax payable.

* The amounts were paid in protest

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.

11. Based on our audit procedures and on 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.

12. 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.

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 (as amended) 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 (as amended) are not applicable to the Company.

15. 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.

16. The Company did not have any term loans during the year.

17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

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

19. The Company did not have any outstanding debentures during the year.

20. We have verified the end use of money raised by public issues is as disclosed in the notes to the financial statements.

21. 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
April 20, 2005

BIOCON LIMITED

BALANCE SHEET AS AT MARCH 31, 2005

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

	Notes	2005	2004 (Note 29)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	3	500,000	500,000
Reserves and surplus	2(k) & 4	6,459,384	4,916,314
		6,959,384	**5,416,314**
Loan Funds			
Secured loans	5	493,279	472,255
Unsecured loans	6	270,136	174,657
		763,415	**646,912**
Deferred Tax Liability	2(i) & 7	219,597	176,680
		7,942,396	**6,239,906**
APPLICATION OF FUNDS			
Fixed Assets	2(a), 2(h), 2(j), 2(n), 8 & 17		
Cost		2,702,017	1,912,290
Less: Accumulated depreciation		653,721	471,200
Net book value		2,048,296	**1,441,090**
Capital work-in-progress [including capital advances of Rs 47,417 (2004 -- Rs 100,990)]		3,100,026	543,125
		5,148,322	**1,984,215**
Investments	2(d) & 9	2,237,345	89,329
Current Assets, Loans And Advances			
Inventories	2(b) & 10	712,922	839,521
Sundry debtors	11	1,728,842	1,159,635
Cash and bank balances	12	34,201	3,175,114
Loans and advances	13	362,845	267,203
		2,838,810	**5,441,473**
Less: Current Liabilities And Provisions	2(e), 2(f), 2(i), 2(p), 14 & 23	2,282,081	1,275,111
Net Current Assets		556,729	**4,166,362**
		7,942,396	**6,239,906**

The accompanying notes 1 to 29 form an integral part of this balance sheet.

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

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 20, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

BIOCON LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

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

	Notes	2005	2004 (Note 29)
INCOME			
Gross sales		6,842,047	5,309,108
Less: Excise duty		378,423	290,284
Net sales	2(c) & 2(g)	6,463,624	**5,018,824**
Contract research fees	2(c) & 2(g)	1,474	6,382
Other income	15	156,513	9,256
		6,621,611	**5,034,462**
EXPENDITURE			
Manufacturing, contract research and other expenses	2(e), 2(f), 2(h) 2(k) & 16	4,535,670	3,405,453
Interest and finance charges	2(j), 2(m) & 18	19,931	15,677
		4,555,601	**3,421,130**
PROFIT BEFORE DEPRECIATION AND TAXES		**2,066,010**	**1,613,332**
Depreciation	2(a) & 8	182,521	140,200
Less: Amount transferred from revaluation reserve	2(a) & 4	1,606	1,670
		180,915	138,530
PROFIT BEFORE TAXES		**1,885,095**	**1,474,802**
Provision for income-tax			
Current taxes	2(i) & 21	98,298	194,453
Deferred taxes	2(i) & 7	42,917	33,623
NET PROFIT FOR THE YEAR		**1,743,880**	**1,246,726**
Balance brought forward from previous year		1,043,725	590,781
PROFIT AVAILABLE FOR APPROPRIATION		**2,787,605**	**1,837,507**
Issue of bonus shares		-	431,624
Proposed dividend on equity shares		200,000	100,000
Tax on proposed dividend		28,050	12,813
Transfer to general reserve		174,388	249,345
BALANCE, END OF THE YEAR		**2,385,167**	**1,043,725**
Earnings per share (equity shares, par value of Rs 5 each)			
Basic (in Rs)	2(l)	18.43	13.85
Diluted (in Rs)		18.00	13.85
Weighted average number of shares used in computing earnings per share			
Basic		94,597,811	90,027,322
Diluted		96,861,668	90,027,322

The accompanying notes 1 to 29 form an integral part of this balance sheet.

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

Prashant Singhal
Partner

Membership No: 93283
Bangalore
April 20, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

BIOCON LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

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

		2005	2004 (Note 29)
I. CASH FLOWS FROM OPERATING ACTIVITIES :			
Net profit before tax		1,885,095	1,474,802
Adjustments for			
Add: Non cash item/items required to be disclosed separately:			
Depreciation	180,915		138,530
Unrealised exchange (gain)/loss	(2,802)		(24,844)
Amortisation of employee compensation cost	23,396		19,934
Provision for bad and doubtful debts	2,443		10,155
Interest expense	26,863		24,620
Interest income (gross)	(9,124)		(9,640)
Dividend earned (gross)	(112,811)		(923)
Gain on sale of investments	(250)		-
Gain on sale of investment in mutual funds	(1,612)		-
Gain on assets sold	-		(562)
Write back of provision	(13,185)		-
		93,833	157,270
Changes in working capital and other provisions			
Inventories	126,599		(372,559)
Sundry debtors	(573,973)		(455,048)
Loans and advances	(98,627)		(108,570)
Current liabilities and provisions (incl book overdraft)	75,817		558,898
		(470,184)	(377,279)
		(376,351)	(220,009)
Cash generated from operations		1,508,744	1,254,793
Tax paid (net of refunds)		(99,169)	(196,702)
Net cash provided by operating activities		1,409,575	1,058,091
II. CASH FLOWS FROM INVESTING ACTIVITIES :			
Fixed assets			
Purchase	(2,511,714)		(844,628)
Sale	-		1,458
Interest received	8,521		10,093
Dividend received	112,811		923
Sale of investment	11,607,609		-
Purchase of investment	(13,753,763)		(4,500)
Net cash used for investing activities		(4,536,536)	(836,654)
III. CASH FLOWS FROM FINANCING ACTIVITIES :			
Proceeds from issuance of share capital	-		3,150,000
Share issue expenses	-		(151,411)
Short term borrowings from banks, net	20,384		217,059
Repayment of secured loans	(24)		(337,549)
Receipt of secured loans	-		32,000
Deferred sales tax credit	95,479		71,112
Repayment of unsecured loans	-		-
Dividend paid	(112,813)		-
Interest paid	(26,886)		(37,751)
Net cash used for financing activities		(18,410)	2,943,460
IV. NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)		(3,145,371)	3,164,897
V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,175,114	10,217
VI. CASH AND CASH EQUIVALENTS OF THE ESOP TRUST ACQUIRED DURING THE YEAR		4,458	-
VII. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V + VI)		**34,201**	**3,175,114**

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner

Membership No: 93283
Bangalore
April 20, 2005

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Background

Biocon Limited ('Biocon' or 'the Company'), promoted by Ms Kiran Mazumdar Shaw ('KMZ'), was incorporated at Bangalore in 1978 for manufacture of biotechnology products. On November 17, 2003, the name of the Company was changed from Biocon India Limited to Biocon Limited. The Company has its facilities at Hebbagodi and Bommasandra, Bangalore district, Karnataka and is engaged in manufacturing biotechnological products in the pharmaceutical and enzyme sectors through fermentation based technology. During the year ended March 31, 2005, the Company has made an entry into the formulations business.

In March 2002, the Company acquired 99.99 per cent of the share capital of Syngene International Private Limited ('Syngene'), a contract research company. Syngene was also promoted and controlled by KMZ and the consideration for such acquisition was the issue of 202,780 equity shares of Biocon of Rs 10 each, determined on the basis of fair values as approved by the statutory authorities.

Also, the Company, on March 31, 2001, acquired 100 per cent equity of Clinigene International Private Limited ('Clinigene'), a company that undertakes clinical research activities.

Biocon entered into an Agreement on February 22, 2002 to set up a Joint Venture Company, with CIMAB SA ('CIMAB'), a company organised and existing under the laws of Cuba and engaged in research, development, manufacturing and marketing of Biopharmaceuticals, to manufacture and market products using technology and to carry out research activities. Accordingly, Biocon Biopharmaceuticals Private Limited ('BBPL') was incorporated on June 17, 2002 and, on April 18, 2003, Biocon acquired a 51 per cent shareholding in BBPL.

In March 2004, the Company completed an Initial Public Offering ('IPO') and made a fresh issue of 10,000,000 equity shares of Rs 5 each at a price of Rs 315 per share. Consequently, on April 7, 2004, the equity shares of the Company were listed on the National Stock Exchange of India and The Stock Exchange, Mumbai. The proceeds of the issue will be used for setting up the new facilities to augment the existing capacities for the submerged fermentation and chemical synthesis operations (collectively referred to as 'the Project'), the Company has currently deployed the unutilised funds raised for the Project in liquid money market mutual fund investments [See Note 9].

2. Summary of significant accounting policies

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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 are consistent with those used in the previous year. In accordance with the revised Employee Stock Option Scheme and Stock Purchase Guidelines 1999 ('SEBI guidelines') issued by SEBI, the Company has consolidated the Biocon India Limited Employee Welfare Trust ('ESOP Trust').

a. Fixed assets and depreciation

Fixed assets are stated at cost, except for revalued freehold land and buildings, which are shown at, estimated replacement cost as determined by valuers, less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

Fixed assets, other than freehold land, but including revalued buildings, are depreciated pro rata to the period of use, on the straight line method at the annual rates based on the estimated useful lives.

	Per cent
Buildings	4.00
Plant and machinery	9.09 - 33.33
Research and development equipment	11.11
Furniture and fixtures	16.67
Vehicles	16.67

Leasehold land on a lease-cum-sale basis are capitalised at the allotment rates charged by the Municipal Authorities.

The depreciation charge over and above the depreciation calculation on the original cost of the revalued assets is transferred from the revaluation reserve to the profit and loss account.

The above rates are higher than the rates prescribed under Schedule XIV of the Companies Act,1956.

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

b. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all applicable overheads in bringing the inventories to their present location and condition. Excise duty arising on finished goods and customs duty on imported raw materials in stock are treated as part of the cost of inventories.

c. Revenue recognition

(i) Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purposes of the disclosure in these financial statements, sales are reflected gross and net of excise duty in the profit and loss account.
(ii) 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.

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. Retirement benefits

The Company has schemes of retirement benefits for provident fund, gratuity and superannuation, in respect of which, the Company's contributions are charged to the profit and loss account. The contributions towards provident fund are made to statutory authorities. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of gratuity, the liability is accrued based on an independent actuarial valuation at the year end. In respect of superannuation, the Company has accrued the liability, based on the schemes of the Company.

f. Leave encashment

Liability for leave encashment is in accordance with the rules of the Company and is provided on the basis of an actuarial valuation performed by an independent actuary at the year end.

g. 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.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

h. 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.

i. Income tax

Tax expense comprises both current and deferred taxes. Current income- 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 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.

j. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

k. 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.

l. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax for the year. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year and are adjusted for bonus shares and sub-division of shares for all years presented in these financial statements. 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 all dilutive potential equity shares.

m. Operating lease

Where the Company is a Lessee:

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.

Where the Company is a Lessor:

Assets subject to operating leases are included in fixed assets. Lease income are recognised on a straight line basis over the lease term. Costs, including depreciation are recognised as an expense. Initial direct costs such as legal costs, brokerage costs, etc are recognised immediately.

n. 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.

Effective April 1, 2004, the Company has adopted Accounting Standard 28, Impairment of Assets ('AS 28'), which has not given rise to any impairment loss to be recognised in the financial statements for the year ended March 31, 2005.

o. Segment reporting

Identification of segments:

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

Intersegment Transfers:

The Company generally accounts for inter-segment sales and transfers at an agreed marked-up price.

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.

p. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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.

3. Share capital	2005	2004
Authorised: 120,000,000 (2004 -- 120,000,000) equity shares of Rs 5 each (2004 -- Rs 5 each)	600,000	600,000
Issued, subscribed and paid-up: 100,000,000 (2004 -- 100,000,000) equity shares of Rs 5 each (2004 -- Rs 5 each), fully paid	500,000	500,000

(a) Of the above equity shares:
(i) 30,800 equity shares of Rs 100 each were allotted as fully paid bonus shares by capitalisation of general reserve in the year ended March 31, 1997. (ii) 23,471 equity shares of Rs 100 each were allotted as fully paid-up shares in the year ended March 31, 2000 pursuant to a contract for consideration other than cash.
(iii) On October 8, 2001, Biocon issued 12,153 equity shares of Rs 100 each to the ESOP Trust under an Employee Stock Option Plan ('ESOP Plan') and the ESOP Trust acquired 350 equity shares of Rs 100 each from certain individuals.
(iv) On March 30, 2002, Biocon acquired 99.9 per cent equity in Syngene through the issue of 202,780 equity shares of Rs 10 each. The consideration was determined on the basis of a fair valuation, as approved by the statutory authorities in India. The related share premium at Rs 403.8 per equity share has been credited to share premium account.
(v) On May 9, 2002, the Company has further issued 15,870 equity shares of Rs 10 each to the Trust under the ESOP Plan. The Trust on October 20, 2003 acquired 2,500 equity shares of Rs 10 each from certain individuals. The total shares issued to the Trust were 7,023,100 equity shares of Rs 5 each of which grants have been made for 3,884,768 equity shares of the Company under the ESOP Plan as at March 31, 2005. [Refer Note 19]
(vi) In March 2004, Biocon made an IPO of 10,000,000 fresh equity shares of Rs 5 each at a price of Rs 315 per share.

(b) The shareholders at the Extraordinary General Meeting ('EGM') of Biocon held on February 25, 2002, approved the sub-division of equity shares of face value of Rs 100 each into ten equity shares of face value of Rs 10 each. The Board of Directors in their meeting held on March 30, 2002 passed a resolution for effecting the sub-division. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 2,000,000 equity shares of Rs 10 each and the then issued, subscribed and paid-up capital of Rs 18,218 as at March 31, 2002 was divided into 1,821,780 equity shares of Rs 10 each.

(c) The shareholders at the EGM of Biocon held on November 11, 2003, approved the sub-division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each and increase in authorised capital from Rs 20,000 to Rs 600,000. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 4,000,000 equity shares of Rs 5 each and the issued, subscribed and paid -up capital of Rs 18,377, has been divided into 3,675,300 shares of Rs 5 each.

(d) Further, the shareholders at the EGM of Biocon held on November 11, 2003 approved the allotment of 86,324,700 equity shares of Rs 5 each as bonus shares in the ratio of 1 : 23.4877958 to the shareholders existing as on November 11, 2003, which was the approved record date for this purpose, by capitalisation of the balance in the profit and loss account of Rs 431,624.

4. Reserves and surplus	2005	2004
Revaluation Reserve		
Balance, beginning of the year	15,908	19,127
Less: Transfer on sale and disposal of land	-	1,549
Less: Transfer to profit and loss account	1,606	1,670
	14,302	**15,908**
Securities Premium		
Balance, beginning of the year	3,288,478	339,889
Received during the year	-	3,100,000
Utilised towards the share issue expenses	-	(151,411)
	3,288,478	3,288,478
ESOP trust		
Dividend and interest income, net	5,450	-
General Reserve		
Balance, beginning of the year	514,405	265,060
Add: Transfer from Profit and Loss Account	174,388	249,345
	688,793	514,405
Stock compensation adjustment (See note 2(k) & 19)		
Stock options outstanding	94,788	65,291
Additions during the year	-	32,115
Deletions during the year	(659)	(2,618)
	94,129	94,788
Less: Deferred employee stock compensation expense	(16,935)	(40,990)
	77,194	53,798
Balance in profit and loss account	2,385,167	1,043,725
	6,459,384	**4,916,314**

(i) Share premium includes an amount of Rs 81,881 received on the allotment of 202,780 equity shares of Rs 10 each on March 30, 2002 at a premium of Rs 403.8 per equity share (See note 3(a) (iv) (vi) and Rs 3,100,000 received on the allotment of 10,000,000 equity shares pursuant to the Company's IPO in March 2004 [See Note 3 (a) (vi)].

	2005	2004
(ii) Deferred employee stock compensation expense (see Note 19):		
Stock compensation expense outstanding	40,990	31,427
Stock options granted during the year	-	32,115
Stock options cancelled/forfeited during the year	(659)	(2,618)
Stock compensation expense amortised during the year	(23,396)	(19,934)
Closing balance of deferred employee stock compensation expense	**16,935**	**40,990**

(iii) The Company on November 11, 2003, issued 86,324,700 bonus shares of Rs 5 each through capitalisation of the balance in the profit and loss account to the extent of Rs 431,624.[See note 3(d)]

5. Secured loans	2005	2004
From banks		
Cash credit, packing credit, etc.	493,279	472,231
Term loans		
Payable within one year	-	24
	493,279	472,255

(a) Cash credit, packing credit, etc

(i) On May 10, 2004, the Company renewed its total rupee and foreign currency denominated fund based working capital facilities with State Bank of India ('SBI') of Rs 200,000 (2004 -- Rs 130,000). These facilities are repayable on demand, secured by a pari-passu first charge on current assets and carry an interest rate of 2 to 4 per cent per annum for foreign currency denominated loans and 7 to 13 per cent per annum for rupee loans. The Company has utilised Rs 41,567 (2004 -- Rs Nil) as of March 31, 2005 inclusive of foreign currency loans of Rs 41,245 (US$ 946) (2004 -- Rs Nil) as on March 31, 2005.

(ii) On August 23, 2004, the Company renewed its fund and non fund based working capital facilities with Hongkong and Shanghai Banking Corporation ('HSBC') for Rs 545,000 (2004 -- Rs 405,000). These facilities are repayable on demand, secured by pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 4 percent per annum for foreign currency denominated loans and 5 to 15 per cent per annum for rupee loans. The Company has utilised fund based limits of Rs 305,340 (2004 -- Rs 95,480) inclusive of foreign currency denominated loans of Rs 305,340 (US$ 7,000) [2004 -- Rs 95,480 (US$ 2,200)] as of March 31, 2005.

(iii) On August 26, 2004, the Company renewed its working capital facilities with Canara Bank ('CB') for Rs 200,000 (2004 -- Rs 130,000). These facilities are repayable on demand, secured by a pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 4 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs 15,512 (2004 -- Rs 116,443) as of March 31, 2005 inclusive of foreign currency denominated loans of Rs 14,451 (US$ 331) [2004 -- Rs 116,417 (US$ 2,682)].

(iv) On March 07, 2005, the Company renewed its working capital facility with Export Import Bank ('EXIM Bank') for Rs 310,000 (2004--Rs 309,860). These facilities are repayable on demand, secured by a pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 4 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs Nil (US$ Nil) [2004 -- Rs 260,308 (US$ 5,998)] as of March 31, 2005.

(v) On November 5, 2004, the Company renewed its fund and non fund based working capital facility with ABN Amro Bank for Rs 250,000 (2004 -- Rs Nil). These facilities are repayable on demand, secured by a pari passu second charge on the fixed assets of the Company and carry an interest rate of 2 to 4 percent for foreign currency denominated loans and 7 to 12 percent per annum for rupee loans. The Company has utilised Rs 130,860 (US$ 3,000) [2004 -- Rs Nil] as of March 31, 2005.

(b) Term loans

(i) On July 3, 2002, the Company entered into a term loan facility with Technology development Board ('TDB') for Rs 100,000 for funding its fixed asset acquisitions of the PlaFractor plant. These loans repayable in half yearly installments commencing from February 2004, were secured by a first pari passu mortgage and charge on the fixed assets of the Company and carry an interest rate of 5 per cent per annum. The Company had drawn upto Rs 97,000 (2004 -- Rs 97,000) from the above facility, and the Company made an early repayment of the loan to the extent of Rs 96,976 as at March 31, 2004 and the balance of Rs 24 was repaid in May 2004.

6. Unsecured loans	2005	2004
Deferred payment liability	270,136	174,657

(i) Under the Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 8 years with respect to sales from its Bommasandra manufacturing facility of the Company. Under the Order, the deferment amount should not exceed Rs 24,375, of which at March 31, 2005, the Company had utilised Rs 929 (2004 -- Rs 893).

(ii) Under the Agro Food Processing Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 12 years with respect to sales from Hebbagodi manufacturing facility of the Company. Under the order, the deferment amount should not exceed Rs 648,938 of which at March 31, 2005, the Company had utilised Rs 269,207 (2004 -- Rs 173,764).

7. Deferred tax liability	Deferred tax (asset)/liability as at April 1, 2004	Current year charge/(credit)	Deferred tax (asset)/liability as at March 31, 2005
Depreciation	196,750	41,006	237,756
Employee retirement benefits	(9,146)	(3,264)	(12,410)
Disallowance under section 43B	(5,514)	5,514	-
Provision for doubtful debts	(5,296)	(346)	(5,642)
Others	(114)	7	(107)
	176,680	**42,917**	**219,597**
Previous Year	143,057	33,623	176,680

(i) The Company effective August 26, 2003 received approval from the Cochin Special Economic Zone for the setting up of a 100 percent Export Oriented Unit ('EOU') for the manufacture and export of all types of statins on which, the Company claims exemption under section 10B of the Income tax Act, 1961 ('IT Act').

(ii) In accordance with the provisions of section 10B of the IT Act, effective August 26, 2003, the Company can avail of a tax deduction in respect of 100 per cent of all export income derived from the export sales arising out from that unit. Accordingly, the Company, has not recognised any additional deferred tax liabilty for this EOU as it expects the timing differences originating in this period to reverse out during the tax holiday period.

(iii) In accordance with its accounting policy, the Company has recomputed its deferred tax liability carried forward at March 31, 2005 based on the rate prescribed in the Finance Bill introduced in the Union Budget 2005. Accordingly, the current year charge is net of Rs 14,159 written back due to the proposed changes.

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8. Fixed assets

	Balance, beginning of the year	Additions/charge	Deletions/ Adjustments	Balance, end of the year
Cost/Valuation				
Land				
Freehold (revalued)	8,967	-	-	8,967
Freehold (others)	42,058	10,030	-	52,088
Leasehold	169,950	-	-	169,950
Buildings (revalued)	16,561	-	-	16,561
Buildings (others)	330,919	70,370	-	401,289
Plant and machinery	1,095,456	602,203	-	1,697,659
Research and development equipment	211,328	99,900	-	311,228
Furniture and fixtures	31,535	3,032	-	34,567
Vehicles	5,516	4,192	-	9,708
	1,912,290	**789,727**	-	**2,702,017**
Previous year	1,553,077	363,837	4,624	1,912,290
Accumulated depreciation				
Buildings (revalued)	9,620	1,606	-	11,226
Buildings (others)	47,212	14,323	-	61,535
Plant and machinery	352,678	132,376	-	485,054
Research and development equipment	50,253	27,723	-	77,976
Furniture and fixtures	9,310	4,888	-	14,198
Vehicles	2,127	1,605	-	3,732
	471,200	**182,521**	-	**653,721**
Previous year	333,179	140,200	2,179	471,200
Net book value				
Land				
Freehold (revalued)	8,967			8,967
Freehold (others)	42,058			52,088
Leasehold	169,950			169,950
Buildings (revalued)	6,941			5,335
Buildings (others)	283,707			339,754
Plant and machinery	742,778			1,212,605
Research and development equipment	161,075			233,252
Furniture and fixtures	22,225			20,369
Vehicles	3,389			5,976
	1,441,090			**2,048,296**
Previous year	1,219,898			1,441,090

Notes:

(a) Certain freehold land and buildings were revalued on November 1, 1994, based on the estimated replacement cost after considering depreciation upto that date, as per valuers reports and the resultant surplus of Rs 34,529 was credited to revaluation reserve. Of this reserve, Rs 20,227 (2004 -- Rs 18,621) has been transferred to the profit and loss account for depreciation on these assets or adjusted on the sale of these assets.

(b) The Company has capitalised net foreign exchange gains of Rs Nil (2004 -- Rs 1,403) during the year and adjusted net foreign exchange loss amounting to Rs Nil (2004 -- Rs 1,703) in capital work in progress.

(c) During the year, the Company has capitalised borrowing costs identifiable to qualifying assets of Rs Nil (2004 -- Rs 7,087) currently reflected as capital work-in-progress.

(d) On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating 26.75 acres to the Company for Rs 64,200 on a lease-cum sale basis for a period of 6 years. Further, during the previous year, the Company has acquired an additional 41.25 acres of land for Rs 99,417 from KIADB. The same is reflected at the current allotment rate, the final amount to be determined by KIADB on the completion of six years on fulfillment of certain conditions. One of the key conditions include commencement of commercial operations by the Company within 24 months of possession ie December 2002. The Company's subsidiary Syngene has commenced operations of its contract research services at this location beginning October 21, 2004 and the Company expects to commence operations of its new fermentation facility by the year ended March 31, 2006.

9. Investments	2005	2004
Long term investments (At cost)		
A) Non trade:		
Unquoted		
Nil (2004 -- 1000) equity shares of Rs 100 each of Xcyton Diagnostics Limited, fully paid up	-	100
Less: Provision for other than temporary diminution in value	-	100
	-	-
National Savings Certificates	13	13
	13	13
B) Trade investment:		
In subsidiary companies:		
Unquoted and fully paid up		
50,000 (2004 -- 50,000) equity shares of Rs 10 each of Clinigene	500	500
2,874,830 (2004 -- 2,874,830) equity shares of Rs 10 each of Syngene	84,328	84,328
In Joint Venture Company:		
Unquoted and fully paid up		
2,244,000 (2004 -- 448,800) equity shares of Rs 10 each of BBPL	22,440	4,488
In Other Companies: Unquoted and fully paid up		
3% Convertible Promissory Note of US$ 1,000,000 (2004 -- Nil) in Nobex Corporation, USA	43,966	-
3% Series B Convertible Promissory Note of US$ 1,000,000 in Vaccinex Inc., USA	44,735	-
2,000,000 (2004 --Nil) Common Stock at US$ 0.50 each, fully paid, par value US$ 0.001 each of Nobex Corporation, USA	45,640	-
645,161 (2004 --Nil) Series B1 Preferred Stock at US$ 1.55 each, fully paid, par value US $0.01 each of Vaccinex Inc., USA	45,100	-
	286,709	89,316

(i) The Company has entered into an 'Investment Agreement' with Nobex Corporation USA on October 20, 2004 to invest an amount of US$ 3.3 million (US$ 1 million in Common Stock and US$ 2.3 million in Convertible Promissory Notes). Further, the Company has entered into a 'Oral Insulin Joint Product Development Agreement' for development and commercialization of the Oral Insulin Product. In addition, Biocon will get the warrants of US$ 4.4 million convertible into US$ 3.3 million worth of common stock. During the year, the Company has invested US$ 1 million towards purchase of the common stock, an amount of US$ 1.0 million towards the convertible promissory note and has received the warrant entitling it to subscribe for 1.33 million common stock at an exercise price of US$ 0.75 each.

(ii) The Company has entered into a 'Securities Purchase Agreement' with Vaccinex Inc., USA on November 3, 2004 to invest an amount of US$ 4 million (US$ 1 million in Series B1 Convertible Preferred Stock and US$ 3 million in Series B Convertible Promissory Notes). Further, the Company has entered into a 'Research and Collaboration Agreement' to discover, develop, and commercialize human therapeutic monoclonal antibodies. During the year, the Company has invested US$ 1 million in the convertible preferred stock and an amount of US$ 1 million in the convertible promissory note.

(iii) Clinigene, incorporated on August 4, 2000, is engaged in undertaking clinical research activities and has entered into contracts with domestic and international companies to undertake research activities with respect to chronic diseases such as diabetes, osteoporosis, asthma etc and became a 100 per cent subsidiary of the Company on March 31, 2001. In the current year, Clinigene has incurred significant losses of Rs 29,453 (2004 -- Rs 18,331) resulting in a negative net worth of Rs 50,146 (2004 -- Rs 20,693) and a working capital deficiency of Rs 3,600 (2004 -- Rs 47,246) at March 31, 2005. In addition, the Company has granted a long term unsecured interest free loan of Rs 90,138 repayable within 6 years to Clinigene to fund its operations [(See Note 13 (i)]. The management of Clinigene is making aggressive marketing efforts to sell clinical research and has set up a human pharmacology unit in association with a leading hospital in India to expand its clinical research activities and has hired certain employees in this connection, and is confident of generating profits in its immediate future. During the year ended March 31, 2004, Clinigene had rendered services to Biocon for the insulin project and during the year ended March 31, 2005 has rendered services to BBPL and some of the other reputed pharma companies. (See Note 22). The Company, therefore, believes that this dimunition in the value of its investment is only temporary and efforts for certain financial restructuring is in progress, accordingly, no provision is made in these financial statements.

(iv) BBPL is a 51% joint venture between the Company and CIMAB SA, engaged in research, development, manufacturing and marketing of Biopharmaceuticals. At March 31, 2005, the aggregate amount of Biocon's interest in the assets and liabilities of BBPL is Rs 70,901 (2004 -- Rs 14,042) and Rs 9,484 (2004 -- Rs 12,030) respectively. During the year, the Company has granted a long term loan of Rs 102,565 to fund the operations of BBPL and charged interest on all such funding. [See Note 22 and 13(ii)]

	2005	2004
Current and unquoted (at lower of cost and fair market value)		
8,511,266 units (2004 -- Nil) of Rs 10 each in HSBC Cash Fund [Market Value Rs 85,241 (2004 -- Rs Nil)]	85,241	-
4,085,713 units (2004 -- Nil) of Rs 10 each in CanLiquid Fund [Market Value Rs 41,025 (2004 -- Rs Nil)]	41,025	-
	126,266	-
The following investments were purchased and sold during the year from April 1, 2004 to March 31, 2005:	Sale	
Purchase and Sale of 1,874,055 units of Rs 10 each in ING Vysya Liquid Fund	20,224	
Purchase and Sale of 3,022,418 units of Rs 10 each in DSP Merrill Lynch Fund	30,254	
Purchase and Sale of 3,730,184 units of Rs 10 each in LIC Liquid Fund	40,334	
Purchase and Sale of 3,019,010 units of Rs 10 each in Principal Asset Management Fund	30,234	
Purchase and Sale of 30,912 units of Rs 1,000 each in Franklin Templeton Fund	40,296	
Purchase and Sale of 945,539 units of Rs 10 each in HDFC Management Fund	10,057	
Purchase and Sale of 3,017,595 units of Rs 10 each in IL&FS Liquid Fund	30,176	
Purchase and Sale of 125,626,849 units of Rs 10 each in HSBC Cash Fund	1,287,407	
Investment of IPO funds		
4,169,432 units (2004 -- Nil) of Rs 10 each in Alliance Cash Manager [Market Value Rs 41,698 (2004 -- Rs Nil)]	41,698	-
5,012,424 units (2004 -- Nil) of Rs 10 each in ABN Amro Liquid Fund [Market Value Rs 50,124 (2004 -- Rs Nil)]	50,124	-
5,227,376 units (2004 -- Nil) of Rs 10 each in Can Liquid Fund [Market Value Rs 52,488 (2004 -- Rs Nil)]	52,488	-
10,393,287 units (2004 -- Nil) of Rs 10 each in Grindlays Cash Fund [Market Value Rs 104,040 (2004 -- Rs Nil)]	104,007	-
20,000,867 units (2004 -- Nil) of Rs 10 each in HSBC Cash Fund [Market Value Rs 200,329 (2004 -- Rs Nil)]	200,090	-
5,208,656 units (2004 -- Nil) of Rs 10 each in ING Vysya Liquid Fund [Market Value Rs 52,253 (2004 -- Rs Nil)]	52,220	-
30,495,573 units (2004 -- Nil) of Rs 10 each in Kotak Mutual fund [Market Value Rs 305,880 (2004 -- Rs Nil)]	305,724	-
8,060,298 units (2004 -- Nil) of Rs 10 each in LIC Liquid Fund [Market Value Rs 87,592 (2004 -- Rs Nil)]	87,085	-
22,711,805 units (2004 -- Nil) of Rs 10 each in Prudential ICICI Liquid Plan [Market Value Rs 269,313 (2004 -- Rs Nil)]	269,313	-
11,584,659 units (2004 -- Nil) of Rs 10 each in Principal Cash Management Fund [Market Value Rs 115,862 (2004 -- Rs Nil)]	115,862	-
32,650,510 units (2004 -- Nil) of Rs 10 each in Reliance Liquid Fund [Market Value Rs 498,889 (2004 -- Rs Nil)]	498,831	-
42,129 units (2004 -- Nil) of Rs 1000 each in TATA Liquid Fund [Market Value Rs 47,304 (2004 -- Rs Nil)]	46,915	-
	1,824,357	-
	1,950,623	-
	2,237,345	89,329

	2005	2004
The following investments were purchased and sold during the year from April 1, 2004 to March 31, 2005:		
Purchase and Sale of 31,219,251 units of Rs 10 each in Alliance Cash Manager	375,172	
Purchase and Sale of 61,435,692 units of Rs 10 each in Can Liquid Fund	617,750	
Purchase and Sale of 26,256,473 units of Rs 10 each in Deutsche Insta Cash Plus Fund	454,607	
Purchase and Sale of 29,502,924 units of Rs 10 each in DSP Merrill Lynch Liquidity Fund	353,978	
Purchase and Sale of 30,622,999 units of Rs 10 each in Grindlays Cash Fund	409,404	
Purchase and Sale of 8,543,943 units of Rs 10 each in HDFC Cash Management Fund	90,848	
Purchase and Sale of 115,784,849 units of Rs 10 each in HSBC Cash Fund	1,439,799	
Purchase and Sale of 20,919,620 units of Rs 10 each in ING Vysya Liquid Fund	271,441	
Purchase and Sale of 31,089,176 units of Rs 10 each in JM High Liquidity Fund	324,789	
Purchase and Sale of 1,183,089 units of Rs 1,000 each in Franklin Templeton Mutual Fund	1,550,574	
Purchase and Sale of 21,679,401 units of Rs 10 each in Kotak Mutual Fund	240,820	
Purchase and Sale of 6,911,805 units of Rs 10 each in LIC Mutual Fund	178,562	
Purchase and Sale of 25,889,880 units of Rs 10 each in ICICI Prudential Fund	503,658	
Purchase and Sale of 18,231,016 units of Rs 10 each in Principal Cash Management Fund	299,045	
Purchase and Sale of 23,316,433 units of Rs 10 each in TATA Liquid Fund	353,702	
Purchase and Sale of 45,662,853 units of Rs 10 each in Reliance Liquid Fund	841,486	
Purchase and Sale of 10,025,245 units of Rs10 each in ABN AMRO Dividend Plan	100,252	
Purchase and Sale of 45,404,171 units of Rs 10 each in Reliance Fixed Maturity Plan	1,712,490	
10. Inventories		
Raw materials	309,429	441,938
Goods-in-bond / goods-in-transit (Raw materials)	16,119	42,627
Packing materials	4,242	2,244
Work-in-progress	360,403	335,329
Finished goods	22,729	17,383
	712,922	839,521
11. Sundry debtors (unsecured)		
Debts outstanding for a period exceeding six-months		
Considered good	6,443	16,095
Considered doubtful	17,207	14,764
Other debts		-
Considered good	1,722,399	1,143,540
	1,746,049	1,174,399
Less: Provision for doubtful debts	17,207	14,764
	1,728,842	1,159,635
12. Cash and bank balances		
Cash on hand	1,410	493
Balances with scheduled banks:		
In current accounts	18,476	14,621
In deposit accounts	14,315	10,000
Deposit amount of unutilised IPO funds	-	3,150,000
	34,201	3,175,114

(a) The proceeds of the IPO funds were placed in short term deposits ranging from 7 days to 14 days, with five banks and was a restricted cash and bank balance as at March 31, 2004. As at March 31, 2005, these funds have been invested in certain mutual fund units and are disclosed as current investments [See Note 9].

(b Deposit account includes a deposit made of Rs 10,000 (2004 -- Rs 10,000) under the flexi-deposit account allowing the Company to avail overdraft facility of Rs 10,000 (2004 -- Rs 10,000) at an interest rate of 2 per cent above the fixed deposit rate. The Company has drawn Rs Nil (2004 -- Rs Nil) against this facility as at March 31, 2005.

(c) Balances with scheduled banks in current accounts include balance in unclaimed dividend account of Rs 252 (2004 -- Rs Nil).

(d) Balances with scheduled banks in current accounts and deposit account include the balances of the ESOP Trust of Rs 143 (2004 -- Rs Nil) and Rs 4,315 (2004 -- Rs Nil) respectively.

13. Loans and advances (Unsecured and considered good)	2005	2004
Advances recoverable in cash or in kind or for value to be received	29,958	73,811
Inter corporate deposits	192,703	-
Duty drawback receivable, net of provision of Rs 1,446 (2004 -- Rs Nil)	26,772	18,192
Deposits	35,372	30,112
Balances with Customs and Excise Authorities	72,973	140,567
Loan to ESOP Trust	-	1,259
Advance income-tax, net of provision	4,132	3,262
Shares held by ESOP trust	935	-
	362,845	267,203
Included under advances recoverable in cash or in kind or for value to be received are amounts due from:		
(i) Subsidiary companies		
Syngene	-	-
Maximum amount outstanding at any time during the year	-	3,156
Clinigene	-	34,062
Maximum amount outstanding at any time during the year	46,988	45,547
(ii) Joint Venture Company		
Biocon Biopharmaceuticals Private Limited	-	15,114
Maximum amount outstanding at any time during the year	19,964	19,394
(iii) Ms Kiran Mazumdar Shaw (Managing Director)		
Maximum amount outstanding at any time during the year	-	9,600
Included under Inter corporate deposits are amounts due from:		
Clinigene	90,138	-
Maximum amount outstanding at any time during the year	90,138	-
During the year, the Company entered into an agreement with Clinigene, to convert the current account balance of Rs 46,988 into an interest-free loan not exceeding Rs 100 million, to support its operational costs and capital expenditure and repayable over a period of 6 years.		
(ii) Joint Venture Company		
Biocon Biopharmaceuticals Private Limited	102,565	-
Maximum amount outstanding at any time during the year	102,565	-
During the year, the Company entered into an agreement with BBPL, to convert the current account balance of Rs 19,964 into an unsecured loan not exceeding Rs 900 million and carrying an interest rate of 6 per cent per annum, to support its operational costs and capital expenditure and repayable over a period of 5 years or convertible to equity.		
(iv) Biocon India Limited Employees Welfare Trust	-	1,259
Maximum amount outstanding at any time during the year	1,259	1,414

14. Current liabilities and provisions	2005	2004
Current liabilities		
Sundry creditors		
Capital	987,126	103,783
Others	831,611	872,258
Advances from customers	50,401	5,429
Interest accrued but not due	201	224
Unclaimed dividend	252	-
Other liabilities	109,607	150,644
	1,979,198	1,132,338
Provisions		
Proposed dividend	200,000	100,000
Tax on proposed dividend	28,050	12,813
Provision for employee retirement benefits	35,111	1,614
Provision for leave encashment	39,722	28,346
	302,883	142,773
	2,282,081	**1,275,111**

(a) Other liabilities include Rs 4,596 (2004 -- Rs 93) due to Ms Kiran Mazumdar Shaw, Managing Director and Rs Nil (2004 -- Rs Nil) to Mr JMM Shaw, Director and the maximum amount outstanding at any time during the year was Rs 4,596 (2004 -- Rs 2,745) and Rs 366 (2004 -- Rs 3,528) respectively.

	2005	2004
(b) Dues to small scale industrial undertaking included in Sundry creditors:	5,657	14,719

The names of small-scale industrial undertakings to whom amounts are outstanding for more than 30 days:

a. Acme Synthetic Chemicals
b. Anil Agro Products Pvt. Ltd.
c. Bangalore Genei Private Limited
d. Cauvery Mineral Water Private Limited
e. Drawcans Private Limited
f. Eskay Fine Chemicals
g. International Fibre Glass Products (P) Ltd.
h. Quantum Drugs & Chemicals
i. Ragukul Industries
j. Speciality Organics Private Limited

15. Other income	2005	2004
Interest income from investments ([gross of tax deducted at source - Rs 423 (2004 -- Rs 142)]	2,192	697
Dividend earned		
On investment of IPO funds	109,779	923
Other	3,032	-
Gain on investments sold, net	1,862	-
Gain on fixed assets sold, net	-	562
Write back of liability	13,185	-
Miscellaneous income	26,463	7,074
	156,513	9,256

16. Manufacturing, contract research and other expenses	2005	2004
Raw materials consumed, net of duty drawback of Rs 40,758 (2004 -- Rs 43,901)	3,443,920	2,692,371
Purchase of goods for resale	28,046	3,311
Employee costs		
Salaries, wages, bonus, etc	312,907	270,535
Group's contribution to provident and other fund	14,404	10,658
Gratuity, superannuation, leave encashment	42,824	24,045
Employee stock compensation expense (See Note 4 & 19)	23,396	19,934
Directors sitting fees	500	101
Welfare expenses	26,904	27,574
Operation and other expenses:		
Royalty and technical fees	1,087	-
Rent	2,170	2,401
Communication expenses	22,437	16,539
Travelling and conveyance	61,028	37,121
Professional charges	40,521	29,892
Power and fuel, net of recoveries of Rs 8,909 (2004 -- Rs 6,061)	245,990	171,125
Insurance	12,765	17,791
Rates, taxes and fees	6,540	10,301
Lab consumables	22,203	23,232
Repairs and maintenance		
Plant and machinery	72,138	58,855
Buildings	14,257	21,669
Others	18,175	26,505
Selling expenses		
Freight outwards and clearing charges	40,102	24,226
Sales promotion expenses	31,918	20,607
Commission and brokerage (other than sole selling agents)	52,709	39,718
Bad debts written off	-	5,660
Provision for bad and doubtful debts	2,443	10,155
Exchange fluctuation (net)	(24,620)	(32,675)
Loss/(gain) on forward cover contracts, net	(5,340)	(44,582)
Printing and stationery	10,731	9,295
Provision for dimunition of investments	121	-
Miscellaneous expenses	45,814	51,099
	4,566,090	3,547,463
(Increase)/decrease in inventories of finished goods and work-in-progress:		
Opening inventories:		
Finished goods	17,383	12,094
Work-in-progress	335,329	198,608
	352,712	210,702
Closing inventories:		
Finished goods	(22,729)	(17,383)
Work-in-progress	(360,403)	(335,329)
	(383,132)	(352,712)
	(30,420)	(142,010)
	4,535,670	3,405,453

17. Research and development expenses

Research and development expenses aggregating Rs 240,872 (2004 -- Rs 233,372) includes Rs 99,900 (2004 -- Rs 78,225) on research and development equipment and Rs 3,466 (2004 -- Rs 11,716) on buildings and the remaining expenses incurred by the Company have been disclosed under the appropriate account heads.

18. Interest and finance charges	2005	2004
Interest paid on :		
Term loans	-	12,985
Others	18,511	8,337
	18,511	21,322
Less : Interest received from suppliers	(6,932)	(8,943)
Less : Interest capitalised [See Note 2(k) & 9(c)]	-	(7,087)
	11,579	5,292
Bank charges	8,352	10,385
	19,931	15,677

19. Employee stock compensation

On September 27, 2001, Biocon's Board of Directors approved the Biocon Employee Stock Option Plan ('ESOP Plan 2000') for the grant of stock options to the employees of the Group. A compensation committee has been constituted to administer the plan through the ESOP Trust.

The Trust purchases equity shares of Biocon using the proceeds from the loan obtained from Biocon and will subscribe to such number of shares as is necessary for transferring to the employees. The total number of equity shares transferred to the Trust shall not exceed 250,000 equity shares (pre-bonus and pre-split) of Rs 10 each and shares transferred to each employee will not exceed 10,000 equity shares (pre-bonus and pre-split) of Rs 10 each. The Compensation Committee shall determine the exercise price which will not be less than the face value of the shares. The Compensation Committee had granted 71,510 options under the ESOP Plan 2000 to be exercised at a grant price of Rs 10 (pre-bonus and pre-split). The options will vest with the employees equally over a four year period from the grant date. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favour of the ESOP Trust.

Further, during the year the Compensation Committee has granted 142,100 options under the ESOP Plan 2000 effective January 1, 2004 to be exercised at a grant price of Rs 5. The options will vest with the employees equally over a four year period from January 1, 2005.

On January 18, 2004, the Borad of Directors announced the Biocon Employees Stock Option Plan (ESOP Plan 2004) for the grant of stock options to the employes of the Company, pursuant to which, the Compensation Committee on March 19, 2004 granted 422,000 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 315 being the issue price determined for the IPO through the book building process. The options will vest with the employees equally over a four year period from April 1, 2005.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines') which are applicable to stock option schemes for employees, of all listed companies. Biocon, though not listed on the date of the grants has followed these guidelines for accounting of ESOP costs [Refer Note 2]. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of the grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. For basic EPS purposes, the shares outstanding including the options exercised by the employees have been considered [Refer Note 2(k)]. For diluted EPS purpose, the shares, which are not yet eligible for exercise, have also been considered as outstanding to the extent these shares are diluted.

The Trust had 5,402,189 (2004 -- 6,181,186) equity shares of Rs 5 each as at March 31, 2005 and a summary of the activity of the Trust is as follows:

Particulars	Exercise price	2005	2004
Opening balance of equity shares not granted to employees and available with the Trust	Rs 5 each	3,082,240	3,398,402
Add: Acquired by the Trust		-	122,438
Less: Options granted during the year		-	(564,100)
Add: Options cancelled and lapsed		56,092	125,500
Closing balance of shares not granted to employees and available with the Trust		**3,138,332**	**3,082,240**
Options granted and exercised at year end		1,620,911	841,914
Options granted and eligible for exercise at year end		97,952	844,975
Options granted but not eligible for exercise at year end		2,165,905	2,253,971
Total employee stock compensation cost as at year end		**94,129**	**94,788**
Vesting period of options -- Primarily progressively over four years			
Employee stock compensation expense -- Amortised during the year		**23,396**	**19,934**

The fair values of the equity shares have been determined by management on the dates of the grants for ESOP 2000 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the IPO price, and accordingly no compensation cost has been recorded.

20. Reconciliation of basic and diluted shares used in computing earning per share	2005	2004
Basic weighted average shares outstanding	94,597,811	90,027,322
Add: Effect of dilutive shares not eligible for exercise under ESOP	2,263,857	-
Weighted average shares outstanding and potential shares outstanding	96,861,668	90,027,322

21. Current taxes

The tax charge of Rs 98,298 (2004 -- Rs 194,453) is based on the earnings for the year ended March 31, 2005 net of write backs.

22. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2004 to March 31, 2005	Balance as at March 31, 2005 (Payable)/receivable)	April 1, 2003 to March 31, 2004	Balance as at March 31, 2004 (Payable)/receivable)
1	Kiran Mazumdar Shaw	Managing Director	Rent expense	-	-	720	-
			Lease deposit paid/(received	-	-	(9,600)	-
			Salary and perquisites	10,261	(4,596)	10,859	(93)
			Land purchased	-	-	24,926	-
2	JMM Shaw	Director	Salary and perquisites	9,593	-	9,732	-
3	Syngene International Private Limited	Subsidiary company	Current account:				
			Due from Syngene	-	-	3,156	-
			Rent income	1,680	-	1,140	-
			Rent deposit received	(450)	(1,050)	-	(600)
			Power charges received	8,909	-	5,581	-
			Management charges received	2,400	2,400	600	-
4	Clinigene International Private Limited	Subsidiary company	Power charges received	480	-	480	-
			Rent income	240	-	240	-
			Management charges received	600	450	150	-
			Professional charges paid	(300)	-	(12,215)	-
			Unsecured Loan	90,138	90,138	-	-
			Current account:				
			Due from Clinigene	(46,988)	-	34,884	34,062
5	Biocon Biopharmaceuticals Private Limited [Joint venture company, from April 18, 2003]	Joint venture company	Interest income	2,925	-	237	-
			Rent income	708	-	-	-
			Rent deposit received	(590)	(590)	-	-
			Management charges received	600	600	-	-
			Unsecured Loan	98,932	102,565	-	-
			Current account:				
			Due from BBPL	(19,694)	-	19,157	15,114
6	Biocon India Limited Employee Welfare Trust	ESOP Trust	Administration of the ESOP plan Loan to the Trust/(repaid)	(1,259)	-	(155)	1,259

(a) The accumulated compensation cost as at March 31, 2005 include Rs 22,208 (2004 -- Rs 22,208) incurred towards employee compensation cost for options granted to employees of Syngene and Clinigene. The corresponding compensation cost amortised during the year is Rs 5,677 (2004 -- Rs 4,616). The Company has not charged this amortisation to Syngene and Clinigene.

(b) The Company has given corporate guarantees of Rs 217,500 (2004 -- Rs 80,000) to the Customs and Excise department ('CED') on behalf of Syngene and Syngene has furnished a corporate guarantee of Rs 315,000 (2004 -- Rs 165,000) on behalf of the Company to the CED.

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

(d) The Company has given corporate guarantee of Rs 46,239 (2004 -- Rs Nil) to the Customs and Excise Department ('CED') on behalf of BBPL.

23. Provisions	Balance as at April 1, 2004	Additions during the year	Amounts paid during the year	Balance as at March 31, 2005
Particulars				
Leave encashment	28,346	11,376	-	39,722
Gratuity	-	17,543	-	17,543
Proposed dividend	100,000	200,000	99,748	200,252
Tax on proposed dividend	12,813	28,050	12,813	28,050
	141,159	256,969	112,561	285,567

24. Supplementary profit and loss data	2005	2004
(i) Payments to auditors (included in professional and consultancy charges)		
a) Statutory audit	1,300	1,300
b) Tax audit	100	100
c) Other matters (IPO services)	-	2,500
d) Reimbursement of out-of-pocket expenses	175	54
	1,575	3,954
(ii) Managerial remuneration		
a) Remuneration to Managing Director		
Salary	5,875	5,551
Perquisites	930	1,238
Contribution to provident and superannuation funds	881	833
Statutory bonus	617	576
Performance bonus	1,958	2,661
	10,261	10,859
b) Remuneration to whole-time Director		
Salary	5,875	5,551
Perquisites	653	618
Contribution to superannuation fund	490	463
Statutory bonus	617	576
Performance bonus	1,958	2,524
	9,593	9,732
c) Computation of net profits in accordance with Section 349 of the Act		
Net profit for the year before tax	1,885,095	1,474,802
Add:		
Depreciation provided in the accounts	180,915	138,530
Managerial remuneration	19,854	20,591
Directors sitting fees	500	101
Provision for bad and doubtful debts	2,443	10,155
	2,088,807	1,644,179
Less:		
Depreciation under Section 350 of the Act	180,915	138,530
Profit on sale of assets	1,862	562
Profit on sale of investment	-	-
	182,777	139,092
Net Profit for Section 198 of the Act	1,906,030	1,505,087
Maximum remuneration payable to directors	190,603	150,509
Remuneration paid to Managing Director	10,261	10,859
Remuneration paid to whole time Director	9,593	9,732

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

(iii). Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 ('the Act'):

a) Licenced capacity, installed capacity and actual production :

Class of goods	Licenced Capacity Kg	Installed Capacity Kg.	Actual Production Current year Kg.	Actual Production Previous year Kg.
Biochemicals:				
Enzymes	*	**	3,595,428	2,438,739
Pharmaceutical	*	**	4,112,542	2,796,065

* Exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951 in terms of notification No.S.O.477(E) dated July 25, 1991.
** Installed capacity has not been disclosed as these are variable and subject to changes in product mix, and utilisation of manufacturing facilities, given the nature of operations.

b) Inventories and sales

Description	Opening Stock Quantity Kg.	Opening Stock Value Rs.	Sales Quantity Kg.	Sales Value Rs.	Closing Stock Quantity Kg.	Closing Stock Value Rs.
2005						
Biochemicals						
Manufacturing:						
Enzymes	17,029	6,733	3,597,961	887,795	4,496	1,750
Pharmaceutical	1,245	10,454	4,108,771	5,518,550	5,016	1,620
Others	-	-	-	48,956	-	18,992
Trading:						
Enzymes	2,028	192	29,595	8,187	2,993	366
Pharmaceutical	60	4	910	136	20	1
		17,383		6,463,624		22,729
2004						
Biochemicals						
Manufacturing:						
Enzymes	13,757	3,010	2,435,467	659,707	17,029	6,733
Pharmaceutical	9,740	5,897	2,804,560	4,352,217	1,245	10,454
Trading:						
Enzymes	4,457	611	28,565	5,458	2,028	192
Pharmaceutical	472	2,576	1,702	1,442	60	4
		12,094		5,018,824		17,383

c) Purchase of traded goods:

	2005 Quantity (Kg)	2005 Value	2004 Quantity (Kg)	2004 Value
Biochemicals	31,430	8,494	27,426	3,909

d) Details of consumption of raw materials, packing materials and stores:

	2005		2004	
	Quantity (Kg)	Amount	Quantity (Kg)	Amount
Enzymes & Chemicals	15,429,610	3,363,846	12,451,979	2,644,541
Packing materials	-	25,015	-	15,066
Others	-	55,059	-	32,764
	15,429,610	3,443,920	12,451,979	2,692,371

Consumption quantities and 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.

	2005		2004	
	Value	Percent	Value	Percent
Imported	2,703,415	78	2,112,09	78
Indigenous	740,505	22	580,352	22
	3,443,920	100	2,692,371	100

(iv) Value of imports calculated on C.I.F. basis :	2005	2004
Raw materials	2,244,335	1,949,478
Packing materials	934	232
Capital goods	571,084	161,973
	2,816,353	2,111,684
(v) Earnings in foreign currency:		
Export of goods on FOB basis	3,761,484	2,999,826
Research and development fees	807	4,582
Recovery of freight, insurance etc on exports	652	1,287
Others	17,432	-
	3,780,375	3,005,695
(vi) Dividend to non-resident shareholders :		
(remitted in foreign currency)		
Final		
Number of shareholders	769	-
Number of shares held	32,941,020	-
Dividend remitted (Rs in thousands)	32,941	-
Year to which it relates	2004	-
(vii) Expenditure in foreign currency :		
(On accrual basis)		
Sales commission	34,283	28,090
Interest on Foreign Currency Non-Resident loans	16,719	7,000
Travel and Conveyance	13,052	11,616
Patent fees	13,502	11,140
Others	55,349	38,634
	132,905	96,480

25. Commitments	2005	2004
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	982,897	1,229,329
(b) Operating lease commitments		
Where the Company is a lessee:		
(i) Rent		
The Company had entered into a lease agreement for land. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs Nil (2004 -- Rs 720). The Company has, on December 23, 2003 acquired the land and there are no committed lease rentals in future towards the lease of such land.		
(ii) Vehicles		
The Company has taken vehicles for certain employees under operating leases, which expire in March 2009. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 4,583 (2004 -- Rs 1,465). The committed lease rental in the future are:		
Not later than one year	3,963	1,574
Later than one year and not later than five years	8,515	3,458
Where the Company is a Lessor:		
(i) Rent		
The Company has leased out certain parts of its building and land on an operating lease, which expire over a period ranging from 2004 to 2011. Gross rental income for the year ended March 31, 2005 aggregated to Rs 2,624 (2004 -- Rs 1,380). There are no uncollectible minimum lease payments at the balance sheet date. Future minimum lease receipts under operating lease are as follows:		
Not later than one year	2,628	780
Later than one year and not later than five years	10,032	2,880
Later than five years	7,714	840
26. Contingent liabilities		
(a) Taxation matters under appeal	9895	7,631
(b) Corporate guarantee given in favour of the CED in respect of certain performance obligations of Syngene. The Company is informed that the necessary terms and conditions have been complied with and no liability has arisen	217,500	80,000
(c) Corporate guarantees given in favour of the CED in respect of certain performance obligations of BBPL. The Company has informed that the necessary terms and conditions have been complied with and no liability has arisen	46,239	-
(d) Claims against the Company not acknowledged as debts	2,170	2,170
(e) The Company has provided a letter of committment to fund the operations of its wholly owned subsidiary Clinigene. (See Note 9(iii))		
27. Details of utilisation of proceeds raised through public issue during the year		
Capital work-in-progress [Note 1(a)]	1,325,643	-
Current investments -- Liquid money market mutual funds [Refer Note 9]	1,824,357	-
	3,150,000	-

28. Segmental information

Business segments

The primary reporting of the Company has been performed on the basis of business segment. The Company is organised into two business segments, enzymes and active pharmaceutical ingredients ('Pharma'). Segments have been identified and reported based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems.

April 1, 2004 to March 31, 2005

Particulars	Enzyme	Pharma	Unallocated	Eliminations	Total
Revenues					
External sales, net	896,814	5,566,810	-	-	6,463,624
Inter-segment transfers	84,128	-	-	(84,128)	-
Total revenues	980,942	5,566,810	-	(84,128)	6,463,624
Costs					
Segment costs	(505,705	(3,407,711)	(36,354)	-	(3,949,770)
Inter-segment transfers	-	(84,128)	-	84,128	-
Result					
Segment result	475,237	2,074,971	(36,354)	-	2,513,854
Corporate expenses	-	-	(585,900	-	(585,900)
Other income	-	-	155,795	-	155,795
Interest income	-	-	2,192	-	2,192
Operating profit					2,085,941
Depreciation	(26,386)	(105,274)	(49,255)	-	(180,915)
Interest expense	-	-	(19,931)	-	(19,931)
Income taxes - Current and deferred	-	-	(141,215)	-	(141,215)
Net profit					1,743,880
Other information					
Segment assets	636,117	6,519,171		-	7,155,288
Unallocated corporate assets	-	-	3,069,189	-	3,069,189
Total assets					10,224,477
Segment liabilities	132,476	1,917,232	-	-	2,049,708
Unallocated corporate liabilities	-	-	1,215,385	-	1,215,385
Total liabilities					3,265,093
Capital expenditure	18,917	568,327	202,483	-	789,727

April 1, 2003 to March 31, 2004

Particulars	Enzyme	Pharma	Unallocated	Eliminations	Total
Revenues					
External sales	665,164	4,353,660	-	-	5,018,824
Inter-segment transfers	35,832	-	-	(35,832)	-
Total revenues	700,996	4,353,660	-	(35,832)	5,018,824
Costs			-		
Segment costs	(419,478)	(2,544,440)	-	-	(2,963,918)
Inter-segment transfers	-	(35,832)	-	35,832	-
Result			-		
Segment result	281,518	1,773,388	-	-	2,054,906
Corporate expenses	-	-	(441,535)	-	(441,535)
Other income	-	-	14,018	-	14,018
Interest income	-	-	1,620	-	1,620
Operating profit					1,629,009
Depreciation	(18,602)	(62,570)	(57,358)	-	(138,530)
Interest expense	-	(7,843)	(7,834)	-	(15,677)
Income taxes - Current and deferred	-	-	(228,076)	-	(228,076)
Net profit					1,246,726
Other information					
Segment assets	508,741	3,110,415	-	-	3,619,156
Unallocated corporate assets	-	-	3,895,861	-	3,895,861
Total assets					7,515,017
Segment liabilities	77,843	848,304	-	-	926,147
Unallocated corporate liabilities	-	-	1,172,556	-	1,172,556
Total liabilities					2,098,703
Capital expenditure	19,858	22,457	321,522	-	363,837

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The operations of the Company comprise export sales and contract reaserch fees contributing to approximately 58 percent (2004 -- 60 per cent). The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Company's sale by geographical markets

Revenues, net	2005	2004
India	2,702,140	2,018,998
Exports (on FOB basis)	3,761,484	2,999,826
Total	**6,463,624**	**5,018,824**

The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

Carrying amount of segment assets	2005	2004
India	9,376,550	6,882,336
Outside India	847,927	632,681
Total	10,224,477	7,515,017

Carrying amount of segment assets outside India represents receivables from export sales.

Segment revenue and result

The expenses that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocated corporate expenses.

Inter-segment transfers

Segment revenue, segment costs and results include transfers between business segments. Such transfers have been made at cost. The inter-segment transfers have been eliminated on consolidation of the segments.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, investments and current assets Segment liabilities comprise of loan funds which can be identified directly against the respective segments and includes segment current liabilities and provisions. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

29. Prior year comparatives

The previous year's figures have been re-grouped, where necessary to conform to current year's classification.

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 20, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

Balance sheet abstract and Company's general business profile

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

(a)	Registration Details	
	Registration No.	3417
	State Code	08
	Balance Sheet Date	March 31, 2005
(b)	Capital raised during the year	
	Public Issue	Nil
	Right Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
(c)	Position of Mobilisation and Deployment of Funds	
	Total Liabilities and shareholders funds	10,224,477
	Total Assets	10,224,477
	Sources of Funds	
	Paid up Capital	500,000
	Reserves	6,459,384
	Secured Loans	493,279
	Unsecured Loans	270,136
	Deferred tax liability	219,597
	Application of Funds	
	Net Fixed Assets	2,048,296
	Capital work in progress	3,100,026
	Long term Investments	2,237,345
	Net Current Assets	556,729
(d)	Performance of the Company	
	Turnover	6,621,611
	Total expenditure	4,736,516
	Profit before tax	1,885,095
	Profit after tax	1,743,880
	Earnings per share in Rupees	18.43
	Dividend rate %	40%
(e)	Generic Name of principal products of the Company	
	Item Code No (ITC Code)	350,790
	Product Description	Enzymes for Pharmaceutical use
	Item Code No.(ITC Code)	280000 & 290000
	Product Description	Organic & Inorganic Chemicals

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Syngene International Private Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting their Twelfth Annual Report on the business and operations of the Company, along with its Audited Accounts, for the year ended 31st March 2005. The financial highlights for the year under review are given below:

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED:

	March 31, 2005	March 31, 2004 Rs. in Millions
Total revenues	661	385
Total expenditure	304	200
Profit before interest depreciation and tax	357	185
Depreciation & Interest	37	22
Profit before tax	320	163
Provision for tax	45	2
Profit after tax	275	161
Surplus brought forward from previous year	248	87
Profit available for Appropriation	523	248

Appropriated as follows:

	March 31, 2005	March 31, 2004
Transfer to General Reserve	-	-
Dividend – interim	-	-
Dividend – proposed	-	-
Corporate tax on proposed dividend	-	-
Balance carried to Balance Sheet	523	248

PERFORMANCE ANALYSIS:

For the Financial Year 2004-05, Syngene registered strong growth of 72 % in revenues from Rs. 385 million to Rs. 661 million, and 72 % at the profit after tax level from Rs. 161 million to Rs. 275 million.

Syngene has gained a strong leadership profile in the research services sector and continues to forge ahead. Syngene's new expansion facility is now fully operational and expects to drive strong growth this coming fiscal. The business of research services represents a significant growth opportunity for the future based on rapidly growing needs for outsourced research services. Syngene already enjoys an excellent reputation amongst the global pharma companies. During the year, Syngene enrolled a number of new customers, the most significant being Novartis which sees Syngene as an important research partner in its discovery-led programs.

PERSONNEL:

Syngene acknowledges the focused and collaborative efforts of its employees that have enabled the achievement of current level of growth and build a strong international reputation. The remuneration structure links rewards directly with performance. In addition, the Company continues to focus on training and development and performance management.

The total employee strength as on end of the financial year 2004-05 was 387, as against 277 at the end of the previous financial year.

DIRECTORS:

Dr. Neville Bain and Mr. J M M Shaw retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

AUDITORS:

The Company's Auditors M/s. S.R.Batliboi & Associates, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting, and are eligible for re-appointment.

FIXED DEPOSITS :

The Company has not accepted any fixed deposits and, as such, no principal or interest was outstanding on the date of the balance sheet.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A):

The information required to be furnished under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975 is annexed and is a part of this report.

Director's Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm as under:

i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) We have prepared the annual accounts on a going concern basis.

PARTICULARS OF RESEARCH & DEVELOPMENT, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.:

Syngene's primary business is Contract Research. The Company is a certified ISO 9001 company and all research projects are conducted in conformance with the ISO 9001 systems. With particular strengths in the areas of molecular biology and synthetic chemistry, Syngene's bio-diversity programme has provided proprietary advantages. This has in-turn enabled engagements with leading pharmaceuticals / bio-pharma players. The Department of Science & Industrial Research, Government of India has recognized Syngene as an approved Research Company.

The Company is committed to energy conservation and adheres to Good Laboratory Practice especially in terms of safety, health, environment, pollution control etc.

The Company has not bought any technology for absorption.

FOREIGN EXCHANGE EARNINGS & OUTFLOW:

Total earnings in foreign exchange during the year (Previous year Rs. 379 million)	-	Rs. 652 million
Total out flow of foreign exchange during the year (Previous year Rs. 53 million)	-	Rs. 189 million

For and on behalf of the Board

KIRAN MAZUMDAR SHAW
CHAIRMAN
April 19, 2005

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 & Companies (Particulars of Employees) Rules 1975

Details of Remuneration paid during the year ended 31st March 2005

Sl.No.	Name & Designation	Age	Remuneration Rs	Qualification & Experience	Date of Commencement of employment	Last employment
1	Dr. Goutam Das Chief Operating Officer	49	9,023,760	Ph. D 17 years	01.08.1994	Astra Research Centre Bangalore
2	Dr. Sambasivam Ganesh Chief Scientific Manager	40	3,646,079	Ph. D 11 Years	16.05.1994	-
3	Dr.Nita Roy Senior Scientific Manager	40	2,552,054	Ph.D 11 Years	01.08.1994	Astra Research Centre Bangalore

Note :

1. Remuneration shown above inlcudes Salary, Allowances, Bonus (based on receipt) , Company's contribution to P.F, Super Annuation and other perquisites valued as per Income Tax Rules, 1962.

2. Nature of employment in all cases is contractual. The other terms and conditions are as per Company's Rules.

3. None of the employees mentioned above is related to any Directors of the Company.

On behalf of Board of Directors

KIRAN MAZUMDAR SHA
CHAIRMAN

Place: Bangalore
Date : April 19, 2005

Auditors' Report

To
The Members of Syngene International Private Limited

1. We have audited the attached Balance Sheet of SYNGENE INTERNATIONAL PRIVATE LIMITED as at March 31, 2005 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 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;

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;

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

(c) 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
April 19, 2005

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re: Syngene International Private Limited

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. All fixed assets 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.

2. 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.

3. 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.

4. 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 and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

5. 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.

6. The Company has not accepted any deposits from the public.

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

8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.

9. According to the records of the Company, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, wealth tax, service tax, custom 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, income-tax, wealth-tax, service tax, sales-tax, customs 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, cess and customs duty which have not been deposited on account of any dispute. The provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company.

10.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.

11.Based on our audit procedures and on 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.

12.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.

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 (as amended) 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 (as amended) are not applicable to the Company.

15.According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its subsidiaries and associates from bank or financial institutions.

16. The Company did not have any term loans outstanding during the year.

17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has not made any preferential allotment of shares during the year.

19. The Company did not have any outstanding debentures during the year.

20.The Company has not raised any money through a public issue during the year.

21. 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
April 19, 2005

SYNGENE INTERNATIONAL PRIVATE LIMITED

BALANCE SHEET -- MARCH 31, 2005

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

	Notes	2005	2004 (Note 22)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share capital	3	28,750	28,750
Reserves and surplus	4	569,065	293,610
		597,815	322,360
DEFERRED TAX LIABILITY	2(h) & 5	14,809	-
		612,624	**322,360**
APPLICATION OF FUNDS			
FIXED ASSETS	2(a) & 6		
Cost		542,006	205,924
Less: Accumulated depreciation		97,193	61,112
Net book value		444,813	144,812
Capital work-in-progress [including capital advances of Rs 380 (2004 -- Rs 3,677)]		10,981	24,028
		455,794	168,840
INVESTMENTS	2(b) & 7	219,574	221,329
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	2(c) & 8	25,042	17,036
Sundry debtors	9	93,282	28,297
Cash and bank balances	10	13	23
Loans and advances	11	5,279	4,150
		123,616	49,506
LESS: CURRENT LIABILITIES AND PROVISIONS	2(e), 2(f), 2(h),2(k),12 & 17	186,360	117,315
NET CURRENT LIABILITIES		62,744	67,809
		612,624	**322,360**

The accompanying notes 1 to 22 form an integral part of this balance sheet.

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Bangalore
April 19, 2005

Murali Krishnan K N
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

SYNGENE INTERNATIONAL PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

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

	Notes	2005	2004 (Note 22)
INCOME			
Contract research fees	2(d)(i) & 2(g)	556,799	319,239
Sale of compounds	2(d)(ii) & 2(g)	94,983	60,003
Interest income		351	699
[gross of tax deducted at source - Rs 15 (2004 -- Rs 158)]			
Dividend income		7,989	4,928
Gain on Sale of investments		534	15
		660,656	**384,884**
EXPENDITURE			
Contract research and other operating expenses	2(e), 2(f), 2(j) & 14	303,940	200,288
Interest and finance charges	15	328	346
		304,268	**200,634**
PROFIT BEFORE DEPRECIATION AND TAX		356,388	184,250
Depreciation	2(a) & 6	36,081	21,480
PROFIT BEFORE TAX		**320,307**	**162,770**
Provision for taxation			
Current	2(h) & 13	30,043	2,263
Deferred	2(h) & 5	14,809	-
NET PROFIT FOR THE YEAR		**275,455**	**160,507**
Balance brought forward from previous year		247,817	87,310
BALANCE, END OF THE YEAR		**523,272**	**247,817**
Earnings per share (equity shares, par value Rs 10 each)	2(i)		
Basic and diluted (in Rs)		95.81	55.83
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 22 form an integral part of this account.

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

Bangalore
April 19, 2005

SYNGENE INTERNATIONAL PRIVATE LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

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

		2005	2004 (Note 22)
I CASH FLOWS FROM OPERATING ACTIVITIES :			
Net profit before tax		320,307	162,770
Adjustments for			
Less: Non cash item/items required to be disclosed separately :			
Depreciation	36,081		21,480
Unrealised exchange (gain)/loss	-		-
Amortisation of employee compensation cost	-		-
Provision for bad and doubtful debts	-		-
Interest expense	328		346
Interest income (gross)	(351)		(699)
Dividend earned (gross)	(7,989)		(4,928)
Gain on sale of investment	(250)		-
Gain on sale of invetsment in mutual funds	(284)		(15)
Gain on assets sold	-		(9)
		27,535	16,175
Changes in working capital and other provisions			
Inventories	(8,006)		(4,943)
Sundry debtors	(64,985)		(17,600)
Loans and advances	(1,164)		(74)
Current liabilities and provisions (incl book overdraft)	16,081		53,691
		(58,074)	31,074
		(30,539)	47,249
Cash generated from operations		289,768	210,019
Tax paid (net of refunds)		(20,082)	(679)
Net cash provided by operating activities		269,686	209,340
II CASH FLOWS FROM INVESTING ACTIVITIES :			
Fixed assets			
Purchase	(280,032)		(59,619)
Sale	-		46
Interest received	386		868
Dividend received	7,989		4,928
Sale of investment	596,900		368,118
Purchase of investment	(594,611)		(539,432)
Net cash used for investing activities		(269,368)	(225,091)
III CASH FLOWS FROM FINANCING ACTIVITIES :			
Interest paid	(328)		(346)
Net cash used for financing activities		(328)	(346)
IV NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)		(10)	(16,097)
V CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		23	16,120
VI CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)		13	23

As per our report of even date

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Background

Syngene International Private 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.

2. Summary of significant accounting policies

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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.

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, 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 period of purchase. The above rates are higher than the minimal rates prescribed in Schedule XIV of the Act.

b. Investments

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

c. Inventories

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

d. Revenue recognition

(i) Contract research fee

Contract research fees are recognised 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.

e. Retirement benefits

The Company has schemes of retirement benefits for provident fund, gratuity and superannuation, in respect of which, the Company's contributions are charged to the statement of profit and loss. The contributions towards provident fund are made to statutory authorities. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity and superannuation scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of gratuity, the liability is accrued based on an independent actuarial valuation at the period end. In respect of superannuation, the Company accrues for the liability, based on the schemes of the Company.

f. Leave encashment

Liability for leave encashment is in accordance with the rules of the Company and is provided on the basis of an actuarial valuation performed by an independent actuary.

g. 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.

h. Income tax

Tax expense comprises both current and deferred taxes. Current income- 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 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.

i. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax for the year. 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.

j. 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.

k. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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.

l. 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.

	2005	2004
3. Share capital		
Authorised:		
3,500,000 (2004 -- 3,500,000) equity shares of Rs 10 each	35,000	35,000
Issued, subscribed and paid up :		
2,875,000 (2004 -- 2,875,000) equity shares of Rs 10 each fully paid	**28,750**	**28,750**

Of the above, 2,874,830 (2004 -- 2,874,830) equity shares are held by Biocon, the holding company.

	2005	2004
4. Reserves and surplus		
General reserve	45,600	45,600
Share premium account	193	193
Balance in profit and loss account	523,272	247,817
	569,065	**293,610**

5. Deferred tax liability

	Deferred tax (asset)/liability as at April 1, 2004	Current year charge/(credit)	Deferred tax (asset)/liability as at March 31, 2005
Depreciation	-	17,846	17,846
Employee retirement benefits	-	(3,037)	(3,037)
	-	**14,809**	**14,809**

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.

6. Fixed Assets

	Balance at the beginning of the year	Additions/Charge	Deletions/Adjustments	Balance at the end of the year
Cost				
Buildings	17,209	101,537	-	118,746
Plant and machinery	177,656	227,497	-	405,153
Furniture and fixtures	9,306	7,048	-	16,354
Vehicles	1,753	-	-	1,753
	205,924	336,082	-	542,006
Previous year	171,076	34,894	46	205,924
Accumulated depreciation				
Buildings	2,713	2,491	-	5,204
Plant and machinery	52,896	31,432	-	84,328
Furniture and fixtures	4,481	1,866	-	6,347
Vehicles	1,022	292	-	1,314
	61,112	36,081	-	97,193
Previous year	39,641	21,480	9	61,112
Net book value				
Buildings	14,496			113,542
Plant and machinery	124,760			320,825
Furniture and fixtures	4,825			10,007
Vehicles	731			439
	144,812			444,813
Previous year	131,435			144,812

Note :

The Company has capitalised foreign exchange gain/(loss) of Rs Nil (2004 -- Rs 377) during the year.

	2005	2004
7. Investments		
Long term and non-trade		
Unquoted:		
Nil equity shares (2004 -- 1,000 equity shares) of Rs 100 each of Xcyton Diagnostics Limited, fully paid	-	100
Less: Provision for other than temporary dimunition in value	-	100
	-	-
Current and unquoted (at lower of cost and fair market value)		
1,712,547 units (2004 -- 1,477,111) of Rs 10 each in Reliance Mutual Fund [Market Value Rs 26,186 (2004 -- Rs 15,252)]	26,150	15,252
Nil units (2004 -- 5,017,850 units) of Rs 10 each in Reliance Fixed Term Scheme [Market Value Rs Nil (2004 -- Rs 50,323)]	-	50,179
2,935,137 units (2004 -- 2,836,075) of Rs 10 each in LIC Mutual Fund [Market Value Rs 31,896 (2004 -- Rs 30,563)]	31,553	30,480
Nil units (2004 -- 4,500,000) of Rs 10 each in JM Mutual Fund - FMP [Market Value Rs Nil (2004 -- Rs 45,118)]	-	45,000
Nil units (2004 -- 1,371,611) of Rs 10 each in TATA Mutual Fund [Market Value Rs Nil (2004 -- Rs 15,252)]	-	15,252
5,039,654 units (2004 -- 1,960,651) of Rs 10 each in HSBC Mutual Fund [Market Value Rs 52,614 (2004 -- Rs 19,976)]	52,615	19,973
2,101,906 units (2004 -- 2,018,578) of Rs 10 each in Alliance Manager Fund [Market Value Rs 21,023 (2004 -- Rs 20,186)]	21,019	20,186
Nil units (2004 -- 1,500,000) of Rs 10 each in Grindlays Fixed Term Scheme [Market Value Rs Nil (2004 -- Rs 15,000)]	-	15,000
Nil units (2004 -- 941,230) of Rs 10 each in HDFC Cash Management Fund [Market Value Rs Nil (2004 -- Rs 10,007)]	-	10,007
1,515,461 units (2004 -- Nil) of Rs 10 each in Grindlays Liquid Plan [Market Value Rs 15,623 (2004 -- Rs Nil)]	15,608	-
7,247,078 units (2004 -- Nil) of Rs 10 each in JM Mutual Fund - Liquid Plan [Market Value Rs 72,637 (2004 -- Rs Nil)]	72,629	-
	219,574	221,329
Aggregate amount of unquoted investments	219,574	221,329
The following investments were purchased and sold during the period from April 1, 2004 to March 31, 2005:		
Purchase and sale of 21,825,167 units of Rs 10 each in HSBC - Mutual Fund		226,636
Purchase and sale of 2,772,949 units of Rs 10 each in TATA Mutual Fund		15,673
Purchase and sale of 951,462 units of Rs 10 each in HDFC Cash Management Fund		109
Purchase and sale of 9,067,477 units of Rs 10 each in JM Mutual Fund - FMP		45,675
Purchase and sale of 5,090,650 units of Rs 10 each in Reliance Fixed Term Scheme		728
Purchase and sale of 4,183,926 units of Rs 10 each in Reliance Mutual Fund		56,551
Purchase and sale of 6,482,528 units of Rs 10 each in JM Mutual Fund - Liquid Plan		65,015
.Purchase and sale of 5,053,907 units of Rs 10 each of ABN AMRO Dividend Plan		50,539
8. Inventories		
Chemicals and reagents	25,042	17,036
9. Sundry debtors (unsecured and considered good)		
Debts outstanding for a period exceeding six-months	238	-
Other debts	93,044	28,297
	93,282	28,297

10. Cash and bank balances	2005	2004
Cash on hand	13	10
Balances with scheduled banks in:		
Current account	-	13
	13	23

The Company has also made a deposit of Rs 7,000 (2004 -- Rs 12,000) under the flexi-deposit account allowing the Company to avail overdraft facility upto Rs 7,000 (2004 -- Rs 12,000) at an interest rate of 2 per cent above fixed deposit rate. The Company has drawn Rs 13,083 (2004 -- Rs 19,774) against this facility as at March 31, 2005. The book overdarft net of deposit of Rs 6,083 (2004 -- Rs 5,797) is disclosed under current liabilities.

11. Loans and advances (unsecured and considered good)	2005	2004
Advances recoverable in cash or in kind or for value to be received	3,131	3,458
Balances with Customs and Excise Authorities	1,006	-
Deposits	1,142	692
	5,279	4,150

Included under Deposits is deposit of Rs 1,050 (2004 -- Rs 600) paid to Biocon.

12. Current liabilities and provisions		
Current liabilities:		
Sundry creditors	106,877	45,116
Advances from customers	14,759	31,271
Balance in current account with bank represents book overdraft	6,083	5,797
Other liabilities	24,865	25,380
	152,584	107,564
Provisions:		
For leave encashment	9,021	5,133
For retirement benefts	10,176	-
Taxation, net of advance tax	14,579	4,618
	33,776	9,751
	186,360	117,315
(a) Dues to small scale industrial undertaking included in sundry creditors	515	326

The names of small-scale industrial undertakings to whom monies outstanding greater than 30 days are:

(i) Evans India
(ii) Millenium Chem Pharma Private Limited
(iii)Herms Laboratories

(b) The maximum amount outstanding during the year to Biocon was Rs 8,625 (2004 -- Rs 3,156).

13. Taxation

The current tax charge of Rs 30,043 (2004 -- Rs 2,263) 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.

	2005	2004
14. Contract research and other operating costs		
Research material costs		
Chemicals and reagents consumed	131,085	79,237
Employee costs		
Salaries, wages, bonus and incentives	107,473	80,962
Contribution to provident fund	5,301	3,359
Gratuity, superannuation and leave encashment	14,175	6,780
Welfare expenses	3,381	2,755
Director's sitting fees	120	48
Selling, general and administrative expenses		
Rent	1,680	1,140
Communication	2,159	1,065
Travelling and conveyance	7,059	4,341
Professional charges	3,207	1,446
Power	8,909	5,581
Insurance	694	308
Rates, taxes and fees	108	84
Repairs and maintenance		
Plant and machinery	7,719	3,069
Buildings	515	722
Others	3,908	3,008
Selling expenses		
Freight outwards and clearing charges	2,511	1,571
Sales promotion	1,267	335
Printing and stationery	1,139	829
Exchange fluctuation (net)	(1,822)	3,029
Miscellaneous expenses	3,352	619
	303,940	200,288
15. Interest and finance charges		
Interest expense	(22)	47
Bank charges	350	299
	328	346

16. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2004 to March 31, 2005	Balance as at March 31, 2005 Payable/(receivable)	April 1, 2003 to March 31, 2004	Balance as at March 31, 2004 Payable/(receivable)
(a)	Biocon Limited	Holding Company	Current account: Due to Biocon	-	-	3,156	-
			Rent expense	1,680	-	1,140	-
			Management charges paid (Note (iii))	2,400	2,400	600	-
			Rent deposit paid	(450)	(1,050)	-	(600)
			Power charges paid	8,909	-	5,581	-

(b) Apart from the transactions specified above:

(i) Biocon has given corporate guarantees of Rs 217,500 (2004 -- Rs 80,000) to the Customs and Excise department ('CED') on behalf of the Company and the Company has furnished a corporate guarantee of Rs 315,000 (2004 -- Rs 165,000) 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. The corresponding compensation cost amortised during the year is Rs 5,272 (2004 -- Rs 4,616), which is recorded in the books of Biocon.

(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.

17. Provisions

Particulars	Balance as at April 1, 2004	Additions during the year	Balance as at March 31, 2005
Leave encashment	5,133	3,888	9,021
Gratuity	-	4,444	4,444
	5,133	**8,332**	**13,465**

18. Supplementary profit and loss data

	2005	2004
a. **Payment to auditors (included in professional charges)**		
Statutory audit	350	190
Tax audit	50	35
Other matters	6	148
	406	373

b. Consumption of laboratory chemicals

	2005		2004	
	Quantity	**Amount**	**Quantity**	**Amount**
Chemicals and reagents	*	131,085	*	79,237
	Percent	Amount	Percent	Amount
Imported	20	25,628	29	23,171
Indigenous	80	105,457	71	56,066
		131,085		79,237

* 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.

	2005	2004
c. **Value of imports on CIF basis**		
Chemicals and reagents	19,271	20,904
Capital goods	162,717	30,158
	181,988	**51,062**
d. **Expenditure in foreign currency** (on accrual basis)		
Travel	5,919	1,280
Others	1,123	226
	7,042	**1,506**
e. **Earnings in foreign exchange**		
Exports on FOB basis	94,897	60,003
Recovery of freight, insurance etc on exports	86	-
Contract research fees	556,799	319,239
	651,782	**379,242**

19. Commitments

	2005	2004
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	22,293	37,574

(b) Operating lease commitments

(i) Rent

The Company has entered into lease agreements which expires over a period ranging from 2004 to 2011. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 1,680 (2004 -- Rs 1,140). The committed lease rental in the future are:

	2005	2004
Not later than one year	1,680	590
Later than one year and not later than five years	6,720	2,160
Later than five years	4,882	840

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expire in December 2008. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 1,543 (2004 -- Rs 190). The committed lease rental in the future are:

Not later than one year	1,317	259
Later than one year and not later than five years	2,882	712

20. 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 315,000 (2004 -- Rs 165,000). The Company is informed that the necessary terms and conditions have been complied with and no liability has arisen till date (See Note 16).

21. 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.

22. Prior year comparatives

The previous year's figures have been re-grouped /reclassified, wherever necessary to conform to the current year's classification.

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan KN
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

Balance sheet abstract and Company's general business profile

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

(a)	**Registration Details**	
	Registration No.	**14937**
	State Code	**08**
	Balance Sheet Date	**March 31, 2005**
(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	798,984
	Total Assets	798,984
	Sources of Funds	
	Paid up Capital	28,750
	Reserves	569,065
	Secured Loans	-
	Unsecured Loans	-
	Deferred tax liability	14,809
	Application of Funds	
	Net Fixed Assets	444,813
	Capital work in progress	10,981
	Long term Investments	219,574
	Net Current Assets	(62,744)
(d)	**Performance of the Company**	
	Turnover	660,656
	Total expenditure	340,349
	Profit before tax	320,307
	Profit after tax	275,455
(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 PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

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

	Notes	2005	2004 (Note 22)
INCOME			
Contract research fees	2(d)(i) & 2(g)	556,799	319,239
Sale of compounds	2(d)(ii) & 2(g)	94,983	60,003
Interest income [gross of tax deducted at source - Rs 15 (2004 -- Rs 158)]		351	699
Dividend income		7,989	4,928
Gain on Sale of investments		534	15
		660,656	**384,884**
EXPENDITURE			
Contract research and other operating expenses	2(e), 2(f), 2(j) & 14	303,940	200,288
Interest and finance charges	15	328	346
		304,268	**200,634**
PROFIT BEFORE DEPRECIATION AND TAX		356,388	184,250
Depreciation	2(a) & 6	36,081	21,480
PROFIT BEFORE TAX		**320,307**	**162,770**
Provision for taxation			
Current	2(h) & 13	30,043	2,263
Deferred	2(h) & 5	14,809	-
NET PROFIT FOR THE YEAR		**275,455**	**160,507**
Balance brought forward from previous year		247,817	87,310
BALANCE, END OF THE YEAR		**523,272**	**247,817**
Earnings per share (equity shares, par value Rs 10 each)	2(i)		
Basic and diluted (in Rs)		95.81	55.83
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 22 form an integral part of this account.

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

Bangalore
April 19, 2005

SYNGENE INTERNATIONAL PRIVATE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

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

		2005	2004 (Note 22)
I CASH FLOWS FROM OPERATING ACTIVITIES :			
Net profit before tax		320,307	162,770
Adjustments for			
Less: Non cash item/items required to be disclosed separately :			
Depreciation	36,081		21,480
Unrealised exchange (gain)/loss	-		-
Amortisation of employee compensation cost	-		-
Provision for bad and doubtful debts	-		-
Interest expense	328		346
Interest income (gross)	(351)		(699)
Dividend earned (gross)	(7,989)		(4,928)
Gain on sale of investment	(250)		-
Gain on sale of invetsment in mutual funds	(284)		(15)
Gain on assets sold	-		(9)
		27,535	16,175
Changes in working capital and other provisions			
Inventories	(8,006)		(4,943)
Sundry debtors	(64,985)		(17,600)
Loans and advances	(1,164)		(74)
Current liabilities and provisions (incl book overdraft)	16,081		53,691
		(58,074)	31,074
		(30,539)	47,249
Cash generated from operations		289,768	210,019
Tax paid (net of refunds)		(20,082)	(679)
Net cash provided by operating activities		269,686	209,340
II CASH FLOWS FROM INVESTING ACTIVITIES :			
Fixed assets			
Purchase	(280,032)		(59,619)
Sale	-		46
Interest received	386		868
Dividend received	7,989		4,928
Sale of investment	596,900		368,118
Purchase of investment	(594,611)		(539,432)
Net cash used for investing activities		(269,368)	(225,091)
III CASH FLOWS FROM FINANCING ACTIVITIES :			
Interest paid	(328)		(346)
Net cash used for financing activities		(328)	(346)
IV NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)		(10)	(16,097)
V CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		23	16,120
VI CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)		13	23

As per our report of even date

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

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Director

Murali Krishnan K N
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Background

Syngene International Private 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.

2. Summary of significant accounting policies

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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.

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, 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 period of purchase. The above rates are higher than the minimal rates prescribed in Schedule XIV of the Act.

b. Investments

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

c. Inventories

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

d. Revenue recognition

(i) Contract research fee

Contract research fees are recognised 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.

e. Retirement benefits

The Company has schemes of retirement benefits for provident fund, gratuity and superannuation, in respect of which, the Company's contributions are charged to the statement of profit and loss. The contributions towards provident fund are made to statutory authorities. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity and superannuation scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of gratuity, the liability is accrued based on an independent actuarial valuation at the period end. In respect of superannuation, the Company accrues for the liability, based on the schemes of the Company.

f. Leave encashment

Liability for leave encashment is in accordance with the rules of the Company and is provided on the basis of an actuarial valuation performed by an independent actuary.

g. 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.

h. Income tax

Tax expense comprises both current and deferred taxes. Current income- 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 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.

i. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax for the year. 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.

j. 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.

k. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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.

l. 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.

	2005	2004
3. Share capital		
Authorised:		
3,500,000 (2004 -- 3,500,000) equity shares of Rs 10 each	35,000	35,000
Issued, subscribed and paid up :		
2,875,000 (2004 -- 2,875,000) equity shares of Rs 10 each fully paid	**28,750**	**28,750**

Of the above, 2,874,830 (2004 -- 2,874,830) equity shares are held by Biocon, the holding company.

	2005	2004
4. Reserves and surplus		
General reserve	45,600	45,600
Share premium account	193	193
Balance in profit and loss account	523,272	247,817
	569,065	**293,610**

5. Deferred tax liability	Deferred tax (asset)/liability as at April 1, 2004	Current year charge/(credit)	Deferred tax (asset)/liability as at March 31, 2005
Depreciation	-	17,846	17,846
Employee retirement benefits	-	(3,037)	(3,037)
	-	**14,809**	**14,809**

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.

6. Fixed Assets

	Balance at the beginning of the year	Additions/Charge	Deletions/Adjustments	Balance at the end of the year
Cost				
Buildings	17,209	101,537	-	118,746
Plant and machinery	177,656	227,497	-	405,153
Furniture and fixtures	9,306	7,048	-	16,354
Vehicles	1,753	-	-	1,753
	205,924	336,082	-	542,006
Previous year	171,076	34,894	46	205,924
Accumulated depreciation				
Buildings	2,713	2,491	-	5,204
Plant and machinery	52,896	31,432	-	84,328
Furniture and fixtures	4,481	1,866	-	6,347
Vehicles	1,022	292	-	1,314
	61,112	36,081	-	97,193
Previous year	39,641	21,480	9	61,112
Net book value				
Buildings	14,496			113,542
Plant and machinery	124,760			320,825
Furniture and fixtures	4,825			10,007
Vehicles	731			439
	144,812			444,813
Previous year	131,435			144,812

Note :

The Company has capitalised foreign exchange gain/(loss) of Rs Nil (2004 -- Rs 377) during the year.

	2005	2004
7. Investments		
Long term and non-trade		
Unquoted:		
Nil equity shares (2004 -- 1,000 equity shares) of Rs 100 each of Xcyton Diagnostics Limited, fully paid	-	100
Less: Provision for other than temporary dimunition in value	-	100
	-	-
Current and unquoted (at lower of cost and fair market value)		
1,712,547 units (2004 -- 1,477,111) of Rs 10 each in Reliance Mutual Fund [Market Value Rs 26,186 (2004 -- Rs 15,252)]	26,150	15,252
Nil units (2004 -- 5,017,850 units) of Rs 10 each in Reliance Fixed Term Scheme [Market Value Rs Nil (2004 -- Rs 50,323)]	-	50,179
2,935,137 units (2004 -- 2,836,075) of Rs 10 each in LIC Mutual Fund [Market Value Rs 31,896 (2004 -- Rs 30,563)]	31,553	30,480
Nil units (2004 -- 4,500,000) of Rs 10 each in JM Mutual Fund - FMP [Market Value Rs Nil (2004 -- Rs 45,118)]	-	45,000
Nil units (2004 -- 1,371,611) of Rs 10 each in TATA Mutual Fund [Market Value Rs Nil (2004 -- Rs 15,252)]	-	15,252
5,039,654 units (2004 -- 1,960,651) of Rs 10 each in HSBC Mutual Fund [Market Value Rs 52,614 (2004 -- Rs 19,976)]	52,615	19,973
2,101,906 units (2004 -- 2,018,578) of Rs 10 each in Alliance Manager Fund [Market Value Rs 21,023 (2004 -- Rs 20,186)]	21,019	20,186
Nil units (2004 -- 1,500,000) of Rs 10 each in Grindlays Fixed Term Scheme [Market Value Rs Nil (2004 -- Rs 15,000)]	-	15,000
Nil units (2004 -- 941,230) of Rs 10 each in HDFC Cash Management Fund [Market Value Rs Nil (2004 -- Rs 10,007)]	-	10,007
1,515,461 units (2004 -- Nil) of Rs 10 each in Grindlays Liquid Plan [Market Value Rs 15,623 (2004 -- Rs Nil)]	15,608	-
7,247,078 units (2004 -- Nil) of Rs 10 each in JM Mutual Fund - Liquid Plan [Market Value Rs 72,637 (2004 -- Rs Nil)]	72,629	-
	219,574	221,329
Aggregate amount of unquoted investments	219,574	221,329
The following investments were purchased and sold during the period from April 1, 2004 to March 31, 2005:		
Purchase and sale of 21,825,167 units of Rs 10 each in HSBC - Mutual Fund		226,636
Purchase and sale of 2,772,949 units of Rs 10 each in TATA Mutual Fund		15,673
Purchase and sale of 951,462 units of Rs 10 each in HDFC Cash Management Fund		109
Purchase and sale of 9,067,477 units of Rs 10 each in JM Mutual Fund - FMP		45,675
Purchase and sale of 5,090,650 units of Rs 10 each in Reliance Fixed Term Scheme		728
Purchase and sale of 4,183,926 units of Rs 10 each in Reliance Mutual Fund		56,551
Purchase and sale of 6,482,528 units of Rs 10 each in JM Mutual Fund - Liquid Plan		65,015
.Purchase and sale of 5,053,907 units of Rs 10 each of ABN AMRO Dividend Plan		50,539
8. Inventories		
Chemicals and reagents	25,042	17,036
9. Sundry debtors (unsecured and considered good)		
Debts outstanding for a period exceeding six-months	238	-
Other debts	93,044	28,297
	93,282	28,297

10. Cash and bank balances	2005	2004
Cash on hand	13	10
Balances with scheduled banks in:		
Current account	-	13
	13	23

The Company has also made a deposit of Rs 7,000 (2004 -- Rs 12,000) under the flexi-deposit account allowing the Company to avail overdraft facility upto Rs 7,000 (2004 -- Rs 12,000) at an interest rate of 2 per cent above fixed deposit rate. The Company has drawn Rs 13,083 (2004 -- Rs 19,774) against this facility as at March 31, 2005. The book overdarft net of deposit of Rs 6,083 (2004 -- Rs 5,797) is disclosed under current liabilities.

11. Loans and advances (unsecured and considered good)	2005	2004
Advances recoverable in cash or in kind or for value to be received	3,131	3,458
Balances with Customs and Excise Authorities	1,006	-
Deposits	1,142	692
	5,279	4,150

Included under Deposits is deposit of Rs 1,050 (2004 -- Rs 600) paid to Biocon.

12. Current liabilities and provisions		
Current liabilities:		
Sundry creditors	106,877	45,116
Advances from customers	14,759	31,271
Balance in current account with bank represents book overdraft	6,083	5,797
Other liabilities	24,865	25,380
	152,584	107,564
Provisions:		
For leave encashment	9,021	5,133
For retirement benefts	10,176	-
Taxation, net of advance tax	14,579	4,618
	33,776	9,751
	186,360	117,315
(a) Dues to small scale industrial undertaking included in sundry creditors	515	326

The names of small-scale industrial undertakings to whom monies outstanding greater than 30 days are:

(i) Evans India
(ii) Millenium Chem Pharma Private Limited
(iii)Herms Laboratories

(b) The maximum amount outstanding during the year to Biocon was Rs 8,625 (2004 -- Rs 3,156).

13. Taxation

The current tax charge of Rs 30,043 (2004 -- Rs 2,263) 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.

	2005	2004
14. Contract research and other operating costs		
Research material costs		
Chemicals and reagents consumed	131,085	79,237
Employee costs		
Salaries, wages, bonus and incentives	107,473	80,962
Contribution to provident fund	5,301	3,359
Gratuity, superannuation and leave encashment	14,175	6,780
Welfare expenses	3,381	2,755
Director's sitting fees	120	48
Selling, general and administrative expenses		
Rent	1,680	1,140
Communication	2,159	1,065
Travelling and conveyance	7,059	4,341
Professional charges	3,207	1,446
Power	8,909	5,581
Insurance	694	308
Rates, taxes and fees	108	84
Repairs and maintenance		
Plant and machinery	7,719	3,069
Buildings	515	722
Others	3,908	3,008
Selling expenses		
Freight outwards and clearing charges	2,511	1,571
Sales promotion	1,267	335
Printing and stationery	1,139	829
Exchange fluctuation (net)	(1,822)	3,029
Miscellaneous expenses	3,352	619
	303,940	200,288
15. Interest and finance charges		
Interest expense	(22)	47
Bank charges	350	299
	328	346

16. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2004 to March 31, 2005	Balance as at March 31, 2005 Payable/(receivable)	April 1, 2003 to March 31, 2004	Balance as at March 31, 2004 Payable/(receivable)
(a)	Biocon Limited	Holding Company	Current account: Due to Biocon	-	-	3,156	-
			Rent expense	1,680	-	1,140	-
			Management charges paid (Note (iii))	2,400	2,400	600	-
			Rent deposit paid	(450)	(1,050)	-	(600)
			Power charges paid	8,909	-	5,581	-

(b) Apart from the transactions specified above:

(i) Biocon has given corporate guarantees of Rs 217,500 (2004 -- Rs 80,000) to the Customs and Excise department ('CED') on behalf of the Company and the Company has furnished a corporate guarantee of Rs 315,000 (2004 -- Rs 165,000) 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. The corresponding compensation cost amortised during the year is Rs 5,272 (2004 -- Rs 4,616), which is recorded in the books of Biocon.

(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.

17. Provisions

Particulars	Balance as at April 1, 2004	Additions during the year	Balance as at March 31, 2005
Leave encashment	5,133	3,888	9,021
Gratuity	-	4,444	4,444
	5,133	8,332	13,465

18. Supplementary profit and loss data

	2005	2004
a. Payment to auditors (included in professional charges)		
Statutory audit	350	190
Tax audit	50	35
Other matters	6	148
	406	373

b. Consumption of laboratory chemicals

	2005		2004	
	Quantity	Amount	Quantity	Amount
Chemicals and reagents	*	131,085	*	79,237
	Percent	Amount	Percent	Amount
Imported	20	25,628	29	23,171
Indigenous	80	105,457	71	56,066
		131,085		79,237

* 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.

	2005	2004
c. Value of imports on CIF basis		
Chemicals and reagents	19,271	20,904
Capital goods	162,717	30,158
	181,988	51,062
d. Expenditure in foreign currency		
(on accrual basis)		
Travel	5,919	1,280
Others	1,123	226
	7,042	1,506
e. Earnings in foreign exchange		
Exports on FOB basis	94,897	60,003
Recovery of freight, insurance etc on exports	86	-
Contract research fees	556,799	319,239
	651,782	379,242

19. Commitments

(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	22,293	37,574

(b) Operating lease commitments

(i) Rent

The Company has entered into lease agreements which expires over a period ranging from 2004 to 2011. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 1,680 (2004 -- Rs 1,140). The committed lease rental in the future are:

Not later than one year	1,680	590
Later than one year and not later than five years	6,720	2,160
Later than five years	4,882	840

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expire in December 2008. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 1,543 (2004 -- Rs 190). The committed lease rental in the future are:

Not later than one year	1,317	259
Later than one year and not later than five years	2,882	712

20. 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 315,000 (2004 -- Rs 165,000). The Company is informed that the necessary terms and conditions have been complied with and no liability has arisen till date (See Note 16).

21. 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.

22. Prior year comparatives

The previous year's figures have been re-grouped /reclassified, wherever necessary to conform to the current year's classification.

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan KN
President - Group Finance

J Sridevi
Company Secretary

Bangalore
April 19, 2005

Balance sheet abstract and Company's general business profile

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

(a)	Registration Details	
	Registration No.	**14937**
	State Code	**08**
	Balance Sheet Date	**March 31, 2005**
(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	798,984
	Total Assets	798,984
	Sources of Funds	
	Paid up Capital	28,750
	Reserves	569,065
	Secured Loans	-
	Unsecured Loans	-
	Deferred tax liability	14,809
	Application of Funds	
	Net Fixed Assets	444,813
	Capital work in progress	10,981
	Long term Investments	219,574
	Net Current Assets	(62,744)
(d)	Performance of the Company	
	Turnover	660,656
	Total expenditure	340,349
	Profit before tax	320,307
	Profit after tax	275,455
(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

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Clinigene International Private Limited

DIRECTORS' REPORT

Your Directors take great pleasure in presenting their Fifth Annual Report on the business and operations of the Company, along with its Audited Accounts, for the year ended 31st March 2005.

FINANCIAL HIGHLIGHTS :

The Financial Results for year ended:

	March 31, 2005	March 31, 2004 Rs. in Millions
Total revenues	14	13
Total expenditure	37	29
Profit / (Loss) before interest depreciation and tax	(23)	(16)
Depreciation & Interest	6	2
Profit / (Loss) before tax	(29)	(18)
Provision for tax	-	-
Profit / (Loss) after tax	(29)	(18)
Surplus brought forward from previous year	(22)	(4)
Profit available for appropriation	(52)	(22)

Appropriated as follows:

	March 31, 2005	March 31, 2004
Transfer to General Reserve	-	-
Dividend – interim	-	-
Dividend – proposed	-	-
Corporate tax on proposed dividend	-	-
Balance carried to Balance Sheet	(52)	(22)

FINANCIAL ANALYSIS:

For the current financial year, Clinigene incurred a loss of Rs.29 million as against a loss of Rs. 18 million in the previous year.

Clinigene has been focused on building its capability base, and today is in a strong position to launch itself as a third party clinical services organization. Clinigene plans to offer a range of services encompassing bioequivalence, bioavailability studies as well as undertaking Phase I to IV human clinical trials. During the year Clinigene's Human Pharmacology Unit completed several Bioequivalence and Bioavailability studies for a number of international pharmaceutical companies. After successfully completing Phase III Clinical Trials for Recombinant Human Insulin on behalf of Biocon, Clinigene is currently conducting Phase IIB Clinical Trials for a novel Enti-EGFr Monoclonal Antibody for head and neck cancers. This is the first such study being undertaken for a new antibody in India.

Clinigene is now in a key position to profile itself as the preferred CRO for new drug molecules.

PERSONNEL:

The Company acknowledges the sincere and committed efforts of its team that have enabled the successful implementation of its various business initiatives.

DIRECTORS:

Mr. J M M Shaw retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

AUDITORS:

The Company's Auditors M/s S.R. Batliboi & Associates, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

FIXED DEPOSITS :

The Company has not accepted any fixed deposits and, as such, no principal or interest was outstanding on the date of the balance sheet.

PARTICULARS OF EMPLOYEES U/S 217 (2A):

The information required to be furnished under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, and 1975 is not applicable, as there were no employees in the Company who were in receipt of remuneration in excess of the limit specified therein.

DIRECTORS' RESPONSIBILITY STATEMENT:

i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) We have prepared the annual accounts on a going concern basis.

PARTICULARS OF RESEARCH & DEVELOPMENT, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.:

The Company's primary business is Clinical Trials and Research. All clinical trials are being carried out in compliance with the ICH guidelines. Laboratory data meets CAP specifications. A state of the art Human Pharmacology Unit has been set up to conduct Phase I, Bioequivalence and Bioavailability studies. The Company is also endeavouring to identify new biomarkers in the area of Diabetics and Oncology. The Department of Science and Industrial Research, Government of India has recognised Clinigene as an approved Research Company.

The Company is committed to energy conservation and adheres to international standards in terms of hygiene, health, safety, environment, and pollution control.

The Company has not bought any technology for absorption.

FOREIGN EXCHANGE EARNINGS & OUTFLOW:

Total earnings in foreign exchange during the year (Previous Year Rs. Nil)	- Rs. 1 Million
Total out flow of foreign exchange during the year (Previous Year Rs. 5 Million)	- Rs. 19 Million

For and on behalf of the Board

KIRAN MAZUMDAR SHAW
CHAIRMAN
April 19, 2005

AUDITORS' REPORT

To
The Members of Clinigene International Private Limited

1. We have audited the attached Balance Sheet of CLINIGENE INTERNATIONAL PRIVATE LIMITED as at March 31, 2005 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 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, 2005;

(ii) in the case of the Profit and Loss account, of the loss 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
April 19, 2005

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re: Clinigene International Private Limited

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. All fixed assets 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 disposal of fixed asset during the year.

2. 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) ('the Order') is not applicable to the Company.

3. The Company has taken a loan from a company listed in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was Rs 90,137,700 and the balance outstanding at March 31, 2005 was Rs 90,137,700 repayable over a period of 6 years. 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 is 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.

4. 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 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.

5. 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.

6. The Company has not accepted any deposits from the public.

7. The provisions relating to internal audit are not applicable to the Company.

8. To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of section 209(1) of the Companies Act, 1956.

9. According to the records of the Company, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, wealth tax, service tax, custom 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, income-tax, wealth-tax, service tax, sales-tax, customs 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, cess and customs duty which have not been deposited on account of any dispute.

10. The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.

11. Based on our audit procedures and on 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.

12. 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.

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 Order 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 Order are not applicable to the Company.

15. 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.

16. Based on the information and explanations given to us by the management, term loan was applied for the purpose for which the loan obtained.

17. 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.

18. 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.

19. The Company did not have outstanding debentures during the year.

20. The Company has not raised any money through a public issue during the year.

21. 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
April 19, 2005

CLINIGENE INTERNATIONAL PRIVATE LIMITED

BALANCE SHEET -- MARCH 31, 2005

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

	Notes	2005	2004
			(Note 17)
SOURCES OF FUNDS			
Shareholder's Funds			
Share capital	3(a)	500	500
Reserves and surplus	3(b)	1,003	1,003
		1,503	1,503
LOAN FUNDS			
Unsecured loan	4	90,138	-
		91,641	**1,503**
APPLICATION OF FUNDS			
FIXED ASSETS	2(a) & 5		
Cost		53,768	25,255
Less: Accumulated depreciation		10,219	3,816
Net book value		43,549	21,439
Capital work-in-progress [including capital advance of Rs Nil (2004 -- Rs 182)]		43	5,114
		43,592	26,553
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	2(e) & 6	7,344	489
Cash and bank balances	7	18	2
Loans and advances	8	1,759	1,932
		9,121	2,423
LESS: CURRENT LIABILITIES AND PROVISIONS	2(c), 2(d), 2(e) & 9	12,721	49,669
NET CURRENT LIABILITIES		3,600	47,246
PROFIT AND LOSS ACCOUNT		51,649	22,196
		91,641	**1,503**

The accompanying notes 1 to 17 form an integral part of this balance sheet.

As per our report of even date

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 19, 2005

CLINIGENE INTERNATIONAL PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

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

	Notes	2005	2004 (Note 17)
INCOME			
Contract research fees	2(b)	14,085	13,328
Other income		10	6
		14,095	**13,334**
EXPENDITURE			
Contract research and other operating expenses	2(c), 2(d), 2(e), 2(h) & 10	37,131	29,627
Interest and finance charges	11	14	66
		37,145	29,693
LOSS BEFORE DEPRECIATION AND TAXATION		**23,050**	**16,359**
Depreciation	2(a) & 5	6,403	1,972
LOSS FOR THE YEAR		**29,453**	**18,331**
Provision for taxation			
Current	2(f)	-	-
Deferred	2(f)	-	-
LOSS AFTER TAXES		**29,453**	**18,331**
Balance brought forward from previous year		22,196	3,865
BALANCE, END OF THE YEAR		**51,649**	**22,196**
Loss per share (equity shares, par value Rs 10 each)	2(g)		
Basic and diluted (in Rs)		589.06	366.62
Weighted average number of shares used in computing earnings per share, basic and diluted		50,000	50,000

The accompanying notes 1 to 17 form an integral part of this account.

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

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 19, 2005

CLINIGENE INTERNATIONAL PRIVATE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

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

			2005	2004 (Note 17)
I	**CASH FLOWS FROM OPERATING ACTIVITIES :**			
	Loss before tax		29,453	18,331
	Adjustments for -			
	Add: Non cash item/items required to be disclosed separately :			
	Depreciation	6,403		1,972
	Provision for doubtful debts	(1,194)		1,194
	Interest and finance charges	14		66
	Other income	(10)		(6)
			5,213	3,226
	Changes in working capital and other provisions:			
	Sundry debtors	(5,661)		3,456
	Loans and advances	173		216
	Current liabilities and provisions (including book overdraft)	(31,622)		29,040
			(37,110)	32,712
			(31,897)	35,938
	Cash provided by/(used in) operations		(61,350)	17,607
	Taxes paid		(835)	(38)
	Net cash provided by/(used in) operations		(62,185)	17,569
II	**CASH FLOWS FROM INVESTING ACTIVITIES :**			
	Purchase of fixed assets		(27,923)	(17,502)
	Net cash used in investing activities		(27,923)	(17,502)
III	**CASH FLOWS FROM FINANCING ACTIVITIES :**			
	Conversion to unsecured loan, net		90,138	-
	Interest and finance charges paid		(14)	(66)
	Net cash provided by/(used in) financing activities		90,124	(66)
IV	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)**		16	1
V	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		2	1
VI	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V)**		18	2

As per our report of even date

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 19, 2005

CLINIGENE INTERNATIONAL PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Background

Clinigene International Private Limited ('Clinigene or 'the Company') was incorporated on August 4, 2000 and became a subsidiary of Biocon Limited (formerly Biocon India 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 has incurred a loss of Rs 29,453 for the year ended March 31, 2005 resulting in a negative net worth of Rs 50,146 and a working capital deficiency of Rs 3,600 at March 31, 2005. The Company is making aggressive marketing efforts to sell clinical research and during the year ended March 31, 2004 had set up a human pharmacology unit in association with a leading hospital in India to expand its clinical research activities, and hired certain employees in this connection, and is confident of generating profits in its near future. In September 2004, the Company had entered into a contract with Biocon Biopharmaceuticals Private Limited ('BBPL'), a joint venture company of Biocon, to conduct clinical trails. Biocon, the holding company, 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 mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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 except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

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 as follows:

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

The rates used above are higher than the depreciation rates prescribed in Schedule VI of the Companies Act, 1956.

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. 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:

(i) Time and material management

Revenues are recognised as services are rendered, in accordance with contractual agreements.

(ii) Fixed price arrangement

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

c. Retirement benefits

The Company has schemes of retirement benefits for provident fund, gratuity and superannuation, in respect of which, the Company's contributions are charged to the statement of profit and loss. The contributions towards provident fund are made to statutory authorities. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity and superannuation scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of gratuity, the liability is accrued based on an independent actuarial valuation at the year-end. In respect of superannuation, the Company has accrued for the liability, based on the schemes of the Company.

d. Leave encashment

Liability for leave encashment is in accordance with the rules of the Company and is provided on the basis of an actuarial valuation performed by an independent actuary.

e. 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.

f. Income tax

Tax expense comprises both current and deferred taxes. Current income- 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 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.

g. Loss per share

Loss considered in ascertaining the Company's loss per share comprise of the net loss 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.

h. 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.

i. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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.

	2005	2004
3(a) Share capital		
Authorised:		
500,000 (2004 -- 500,000) equity shares of Rs 10 each	5,000	5,000
Issued, subscribed and paid-up:		
50,000 (2004 -- 50,000) equity shares of Rs 10 each, fully paid	500	500
At March 31, 2005, the entire share capital of the Company was held by Biocon, the holding company and its nominee.		
3(b) Reserves and surplus		
General reserve	1,003	1,003
4. Unsecured loan		
Unsecured loan from Biocon	90,138	-

During the year ended March 31, 2005, the Company entered into an agreement with Biocon, the holding company, to convert its current account balance into an interest-free loan not exceeding Rs 100 million, to support its operational costs and capital expenditure, and the loan repayable over a period of 6 years. The Company utilised Rs 90,138 of this facility as at March 31, 2005.

5. Fixed Assets

	Balance, beginning of the year	Additions/Charge	Balance, end of the year
Cost			
Leasehold Improvements	1,857	105	1,962
Plant and machinery	17,704	26,195	43,899
Air conditioners	983	1,282	2,265
Furniture and fixtures	2,719	931	3,650
Computers	1,992	-	1,992
	25,255	28,513	53,768
Previous year	9,639	15,615	25,254
Accumulated depreciation			
Leasehold Improvements	76	392	468
Plant and machinery	2,634	4,554	7,188
Air conditioners	88	360	448
Furniture and fixtures	261	582	843
Computers	757	515	1,272
	3,816	6,403	10,219
Previous year	1,844	1,972	3,816
Net book value			
Leasehold Improvements	1,781		1,494
Plant and machinery	15,070		36,711
Air conditioners	895		1,817
Furniture and fixtures	2,458		2,807
Computers	1,235		720
	21,439		43,549
Previous year	7,795		21,438

The Company has capitalised foreign exchange losses of Rs Nil (2004 --Rs 19) during the year and at March 31, 2005. Net foreign exchange gain included in Capital work-in-progress amount to Rs Nil (2004 -- Rs 28).

	2005	2004
6. Sundry debtors		
Unsecured, considered good and outstanding for less than six months	7,344	1,683
	7,344	1,683
Less: Provision for doubtful debts	-	1,194
	7,344	489

The above includes unbilled revenues of Rs 5,000 (2004 - Rs Nil) with respect to services rendered to BBPL, associate company.

	2005	2004
7. Cash and bank balances		
Cash on hand	18	2
8. Loans and advances (unsecured, considered good)		
Advances recoverable in cash or in kind		
or for value to be received	52	240
Balances with Customs and Excise Authorities	30	-
Advance to suppliers	130	-
Prepaid expenses	452	597
Deposits	1,095	1,095
	1,759	1,932
9. Current liabilities and provisions		
Current liabilities		
Sundry creditors	1,993	6,488
Advance from customers	3,356	-
Balance due to Biocon	-	34,062
Balance in current account with bank represents book overdraft	957	1,657
Other liabilities	3,730	5,059
	10,036	47,266
Provisions		
For leave encashment	445	161
For retirement benefits	842	-
Taxation, net of advance tax	1,398	2,242
	2,685	2,403
	12,721	**49,669**

(a) There are no amounts due to Small Scale Industrial undertakings.

(b) The maximum amount outstanding on the current account during the year to Biocon was Rs 90,138 (2004 -- Rs 45,547). Refer Note 4, for further details.

10. Contract research and other operating expenses	2005	2004
Chemicals and reagents consumed	4,551	4,875
Consultancy fees	7,635	7,841
Employee costs		
Salaries, wages, bonus, etc	12,051	9,090
Contribution to provident fund	626	432
Gratuity, superannuation and leave encashment	1,126	322
Welfare expenses	462	282
Power	828	513
Rent	739	360
Communication	259	184
Travelling and conveyance	1,943	1,133
Professional charges	1,031	367
Insurance	40	30
Rates and taxes	72	32
Lease rentals	324	159
Exchange differences	140	147
Repairs and maintenance		
Buildings	11	304
Others	561	707
Sales promotion	93	69
Provision for bad and doubtful debts	(1,194)	(1,194)
Bad debts written off	200	-
Printing and stationery	389	333
Other Clinical trial costs	2,866	-
Miscellaneous expenses	2,378	1,253
	37,131	**29,627**
11. Interest and finance charges		
Bank charges	14	66

12. Income taxes

During the year, the Company has incurred book losses of Rs 29,453 resulting in a tax loss carry-forward situation (accumulated losses at March 31, 2005 -- Rs 51,649). Based on the above, the Company has not recognized the net deferred tax asset resulting from the tax loss carry forward as at March 31, 2005, as currently, although the management is confident of achieving profitablility, there is no virtual certainty that it would reverse the tax loss carry forwards.

13. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2004 to March 31, 2005	Balance as at March 31, 2005 Payable/(receivable)	April 1,2003 to March 31, 2004	Balance as at March 31, 2004 Payable/(receivable)
1	Biocon Limited	Holding company	Current account: Due to Biocon	(46,988)	-	34,884	34,062
			Unsecured loan	90,138	90,138	-	-
			Management charges paid (Note (ii))	600	450	150	-
			Professional services rendered (Note (iii))	(300)	-	(12,215)	-
			Rent paid	240	-	240	-
			Power charges paid	480	-	480	-
2	Biocon Biopharmaceutical Private Limited	Associate company	Professional services rendered (Note (iv))	5,000	5,000	-	-

Notes:

(i) Biocon has given stock options in Biocon to certain employees of the Company in respect of which no charges have been made by Biocon. The corresponding compensation cost amortised during the year is Rs 404 (2004 -- Rs 115), which is recorded in the books of Biocon.

(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) During the year ended March 31, 2004, the Company entered into an agreement with Biocon to provide professional services in the nature of clinical trials for Biocon's insulin project. The current year billing for those services amount to Rs 300 (2004 -- Rs 12,215).

(iv) As fully discussed in Note 1, the Company has performed clinical trials for Biocon Biopharmaceuticals Private Limited.

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14. Provisions

Particulars	Balance as at April 1, 2004	Additions during the year	Balance as at March 31, 2005
Leave encashment	161	284	445
Gratuity	-	288	288
	161	572	733

	2005	2004
15. Supplementary profit and loss data		
(a) Payments to auditors (included in Professional charges)		
Statutory audit	100	100
Tax audit	50	25
Other matters	3	7
	153	132
(b) Value of imports on CIF basis		
Capital goods	17,502	4,928
(c) Earnings in foreign currency		
Contract research fees	1,190	-
(d) Expenditure in foreign currency		
Travel expenses	875	-
Others	909	118
	1,784	118
16. Commitments		
(a) Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	50	17,763

(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, 2005 aggregated to Rs 720 (2004 -- Rs 360). The committed lease rental in the future are:

	2005	2004
Not later than one year	720	810
Later than one year and not later than five years	2,190	2,970

(ii) Vehicles

The Company has taken vehicles for certain employees under operating leases, which expire in December 2008. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 324 (2004 -- Rs 159). The committed lease rental in the future are:

	2005	2004
Not later than one year	150	
Later than one year and not later than five years	329	

17. Prior year comparatives

The previous year's figures have been re-grouped, where necessary to conform to this year's classification.

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 19, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 19, 2005

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, 2005
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	52,713
Total assets	52,713
Sources of funds	
Paid up capital	500
Reserves & surplus	1,003
Application of funds	
Net fixed assets	43,549
Capital work in progress	43
Net current liabilities	3,600
Accumulated losses	51,649
Performance of the Company	
Turnover	14,095
Total expenditure	43,548
Loss before tax	(29,453)
Loss after tax	(29,453)
Loss per share in Rupees	589.06
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.	

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Biocon Biopharmaceuticals Private Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting the Third Annual Report, and the Audited Accounts of the Company, for the period ended 31st March 2005.

HIGHLIGHTS:

The Company is a 51:49 Joint Ventures between Biocon Ltd and CIMAB S.A.

The Company proposes to manufacture monoclonal antibodies and Erythropoietin (EPO) by animal cell culture and Granulocite Colony Stimulating Factor (gCSF) through E.coli. The monoclonal antibody is a NBE (New Biological Entity) for the treatment of head and neck Cancer and represents a significant initiative in the Company's foray into original molecules.

During the year the Company entered into 2 more product development agreements with CIMAB S.A. for development of a range of cancer vaccines, a monoclonal antibody for treatment of Rheumatoid Arthritis and a monoclonal antibody for prevention of rejection in Organ Transplant.

Construction of a state of the art Biologicals facility for the above-mentioned products is underway and the project is expected to be completed by September 2005. Validation is expected to be completed by the end of the year.

The Company is in a development stage and had no revenues for the FY 2004-05. Expenses incurred by the company towards salaries, travel, etc have been charged off resulting in a net loss of Rs.21 million.

SHARE CAPITAL:

The equity capital of the Company has been enhanced from Rs.8.8 million to Rs. 44.0 million by issue and allotment of additional shares to the promoters of the company viz. Biocon Ltd and CIMAB SA Cuba. Out of the enhanced share capital, 51% of shares amounting to 22,44,000 shares were allotted to Biocon Ltd by converting the balance in the current account (payable to Biocon) by way of cash consideration and the balance 49% shares amounting to 2,156,000 equity shares of Rs. 10 each were allotted to CIMAB SA Cuba by way of non cash consideration, in view of technology transfer.

In order to give effect to the above increase in issued share capital, during the year, the Authorised Share Capital of the Company was enhanced from 10 Million (1,000,000 equity shares of Rs. 10 each) to Rs. 132 million (13,200,000 equity shares of Rs. 10 each).

DIRECTORS:

Mr. John Shaw and Dr. Joaquin Manuel Villan Guerra retire at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS:

The Company's Auditors M/s. S. R. Batliboi & Associates, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting, and are eligible for re-appointment.

PERSONNEL:

The information required to be furnished under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, and 1975 is not applicable, as there were no employees in the Company who were in receipt of remuneration in excess of the limit specified therein.

FIXED DEPOSITS:

Your Company has not accepted any fixed deposits and, as such, no principal or interest was outstanding as on date- of -balance sheet.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm as under:

i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) We have prepared the annual accounts on a going concern basis.

PARTICULARS OF RESEARCH & DEVELOPMENT, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.:

The Company is yet to commence operations or any research and development activities. However, it is in the process of finalising the transfer of technology from CIMAB S.A. to the Company.

Information pertaining to conservation of energy is not applicable and has not been furnished, as the Company is yet to commence commercial operations.

FOREIGN EXCHANGE EARNINGS & OUTFLOW:

Total earnings in foreign exchange during the year (Previous Year Rs. Nil)	- Rs. Nil
Total out flow of foreign exchange during the year (Previous Year Rs. Nil)	- Rs. 11 Million

For and on behalf of the Board

KIRAN MAZUMDAR SHAW
CHAIRMAN
April 16, 2005

AUDITORS' REPORT

To
The Members of Biocon Biopharmaceuticals Private Limited

1. We have audited the attached Balance Sheet of Biocon Biopharmaceuticals Private Limited as at March 31, 2005 and also the Profit and Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 and Profit and Loss account dealt with by this report are in agreement with the books of account.

iv. In our opinion, the Balance Sheet and Profit and Loss account 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 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;

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005; and

(b) in the case of the Profit and Loss account, of the loss for the year ended on that date.

For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 16, 2005

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re: Biocon Biopharmaceuticals Private Limited

1.The Company has maintained proper records showing full particulars including quantitative details and situation of its only fixed asset, which is a computer system, which has been physically verified during the year. There were no disposals of fixed assets during the year.

2.The Company is in the start-up stage and has no inventory, hence, clause 4(ii) of the companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

3.The Company has taken a loan from a company listed in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was Rs 102,565,480 and the balance outstanding at March 31, 2005 was Rs 102,565,480 repayable within 5 years form the date of commercialization. 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 rate of interest and other terms and conditions of the loan taken by the Company during the year, is 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.

4.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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of this area.

5.According to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered. In respect of the transactions made in pursuance of such contracts or arrangements exceeding value Rupees five lakhs entered into during the financial year are reasonable having regard to the prevailing market prices at the relevant time in respect of loan taken and in respect of other transactions, because of the unique and specialized nature involved and absence of any comparable prices, we are unable to comment whether the transactions are made at prevailing market prices at the relevant time.

6.The Company has not accepted any deposits from the public.

7.The provisions relating to internal audit are not applicable to the Company.

8.To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of section 209(1) of the Companies Act, 1956.

9.The Company is regular in depositing with appropriate statutory authorities undisputed statutory dues including provident fund, income-tax, service tax, custom 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, income tax, service tax, customs 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, service tax, custom duty, which have not been deposited on account of any dispute.

10.The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.

11.Based on our audit procedures and on 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.

12.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.

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

15.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.

16.Based on the information and explanations given to us by the management, term loan was applied for the purposes for which the loan obtained.

17.According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.

18. 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.

19.The Company did not have any outstanding debentures during the year.

20.The Company has not raised any money through a public issue during the year.

21.Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financials 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
April 16, 2005

BIOCON BIOPHARMACEUTICALS PRIVATE LIMITED

BALANCE SHEET -- MARCH 31, 2005

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

	Notes	2005	2004 (Note 13)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	44,000	8,800
		44,000	8,800
LOAN FUNDS			
Unsecured loan	4	102,565	-
		146,565	**8,800**
APPLICATION OF FUNDS			
FIXED ASSETS	2(a) & 2(e)		
Cost		93	93
Less: Accumulated depreciation		60	29
Net book value		33	64
Capital work in progress [including capital advances Rs 8,323 (2004 -- Rs 5,804)]		137,690	27,467
		137,723	27,531
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and bank balances	5	5	2
Loans and advances	6	1,293	-
		1,298	2
LESS: CURRENT LIABILITIES AND PROVISIONS	2(b), 2(c), 2(j) & 7	18,596	23,589
NET CURRENT LIABILITIES		17,298	23,587
PROFIT AND LOSS ACCOUNT		26,140	4,856
		146,565	**8,800**

The accompanying notes 1 to 13 form an integral part of this balance sheet.

As per our report of even date

For and on behalf of the Board of Directors

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 16, 2005

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 16, 2005

BIOCON BIOPHARMACEUTICALS PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

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

	Notes	2005	2004 (Note 13)
INCOME		-	-
		-	-
EXPENDITURE			
Research Cost	2(h)	14,126	-
Travel and conveyance		2,536	895
Rates and taxes		905	660
Legal and professional fees		916	273
Salaries, bonus and other benefits	2(b) & 2(c)	2,316	1,146
Directors sitting fees		100	40
Rent [net of rent capitalised Rs 708 (2004 -- Rs Nil)]		7	-
Printing and Stationery		192	36
Depreciation	2(a)	31	29
Interest and bank charges [net of interest capitalised Rs 2,847 (2004 -- Rs 103)]	2(e)	87	137
Exchange Loss	2(d)	23	-
Miscellaneous expenses		45	10
		21,284	3,226
Loss, beginning of the year		4,856	1,630
Loss, end of theyear		26,140	4,856
Loss per Share (equity shares, par value of Rs 10 each)			
Basic and Diluted (in Rs)	2(g)	8.05	133.11
□ eighted Average number of shares in computing earnings per share			
Basic and Diluted		2,644,822	24,235

The accompanying notes 1 to 13 form an integral part of this account.

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 16, 2005

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 16, 2005

BIOCON BIOPHARMACEUTICALS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Background

Biocon Biopharmaceuticals Private Limited ('the Company') was incorporated in India on June 17, 2002 primarily to carry on the business of manufacture and marketing a select range of biopharmaceutical and biotechnology products.

Biocon Limited ('Biocon'), entered into a collaboration agreement with CIMAB S.A., Cuba ('CIMAB') on February 22, 2002 to set up a joint venture company to carry on the business of research, development, manufacturing and marketing of biopharmaceuticals. The equity participation by Biocon and CIMAB was agreed to be 51 per cent and 49 per cent, respectively.

The Company received the approval from the Foreign Investment Promotion Board ('FIPB'), Government of India on February 26, 2003 for foreign equity participation of 49 per cent in the paid up capital of the Company in lieu of technology transferred to the Company. On April 18, 2003, Biocon acquired the shares from the subscribers to the memorandum and the Company issued further shares to Biocon and CIMAB resulting in equity participation of 51 per cent and 49 per cent, respectively.

The Company is in the start-up and as at March 31, 2005, is in the process of setting up production facilities at Bommasandra, Bangalore, on land taken from Biocon on rent.

The Company has incurred a loss of Rs 21,284 (accumulated loss of Rs 26,140) for the year ended March 31, 2005, and has a working capital deficiency of Rs 17,375. The shareholders are committed to provide financial and operational support, conceptual design and technology support required for setting up the biotechnological plant.

2. Summary of significant accounting policies

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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 except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

a. Fixed assets and depreciation

Fixed assets are stated at cost less 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 as follows:

	Percent
Computers	33.33

Assets costing less than Rs 5 are fully depreciated in the year of purchase. The above rates are higher than the minimal rates prescribed under Schedule XIV of the Act.

b. Retirement benefits

The Company has schemes of retirement benefits for gratuity and superannuation, in respect of which, the Company's contributions are charged to the profit and loss account. The gratuity and superannuation fund benefits of the Company are administered by a trust formed for this purpose through the group gratuity and superannuation scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of gratuity, the liability is accrued based on an independent actuarial valuation at the year end. In respect of superannuation, the Company has accrued for the liability, based on the schemes of the Company.

c. Leave encashment

Liability for leave encashment is in accordance with the rules of the Company and is provided on the basis of an actuarial valuation performed by an independent actuary.

d. 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 cost of fixed asset.

e. Borrowing costs
Borrowing costs that are attributable to the acquisition and construction of a qualifying fixed asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

f. Income taxes
Tax expense comprises both current and deferred taxes. Current income- 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 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.

g. Loss per share
Loss considered in ascertaining the Company's loss per share comprises of the net loss for the year. 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.

h. 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.

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 when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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.

3. Share capital

	2005	2004
Authorised:		
13,200,000 (2004 -- 1,000,000) equity shares of Rs 10 each	132,000	10,000
Issued, subscribed and paid-up:		
4,400,000 (2004 -- 880,000) equity shares of Rs 10 each, fully paid	44,000	8,800

Of the above equity shares:

(i) Biocon holds 2,244,000 equity shares and CIMAB holds 2,156,000 equity shares of Rs 10 each, respectively.

(ii) On March 30, 2004, 421,400 equity shares of Rs 10 each were alloted to CIMAB, as fully paid up shares, for consideration other than cash, in connection with the transfer of technology, pursuant to a joint venture agreement.

(iii) On September 30, 2004, the Company has further issued 1,724,800 equity shares of Rs 10 each to CIMAB, as fully paid up shares, for consideration other than cash, in connection with the transfer of technlogy, pursuant to the joint venture agreement.

4. Unsecured loan

	2005	2004
Unsecured loan	102,565	-

During the year, the Company entered into an agreement with Biocon, to convert its current account balance into an unsecured loan facility not exceeding Rs 900 million and carrying an interest rate of 6 per cent per annum, to support its operational costs and capital expenditure and repayable over a period of 5 years from the date of commercialization of the Company's project or converted to equity. The Company availed Rs 102,565 of this facility as at March 31, 2005.

	2005	2004
5. Cash and bank balances		
Cash on hand	5	2
6. Loans and advances (unsecured, considered good)		
Balances with Customs and Excise Authorities	703	-
Deposit with Biocon	590	-
	1,293	-
7. Current liabilities and provisions		
Capital creditors	11,188	4,501
Other liabilties	7,170	1,710
Balance in current account with bank represents book overdraft	-	2,239
Payable to Biocon	-	15,114
Provision for leave encashment	70	25
Provsion for retirement benefits	168	-
	18,596	23,589

a) The maximum amount outstanding during the year to Biocon was Rs 34,808 (2004 -- Rs 19,394).

b) Other liabilities includes management charges payable to Biocon.

c) There are no amounts due to small scale industrial undertakings.

8. Income taxes

During the year ended March 31, 2005, the Company has incurred losses of Rs 21,284 (accumulated losses at March 31, 2005, Rs. 26,140).
The Company is in the start up stage and is in the process of setting its business. Based on the above, none of the expenses incurred upto the period the business is set-up can be claimed as a tax deductible expense, hence, the Company has not recognised any deferred tax asset as at March 31, 2005, as the accumulated losses do not result in a tax loss carry forward as at March 31, 2005.

9. Related party transactions

Name of the related party	Description	April 1, 2004 to March 31, 2005	Balance as at March 31, 2005 Payable/(receivable)	April 1, 2003 to March 31, 2004	Balance as at March 31, 2004 Payable/(receivable)
Biocon Limited [Joint Venture company, holding 51% of the share capital]	Interest expense	2,925	-	237	-
	Rent	708	-	-	-
	Rent deposit paid	(590)	(590)	-	-
	Management charges (Note (i))	600	600	-	-
	Unsecured loan	98,932	102,565	-	-
	Due to Biocon	(19,964)	-	19,157	15,114
CIMAB [Joint Venture Partner]	Purchase of vials	502	-	-	-
	R&D Fees	9,011	-	-	-
Clinigene International Private limited (Associate company)	Professional services received [Note (ii)]	5,000	5,000	-	-

(i) Effective April 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.

(ii) During the year, the Company entered into an agreement with Clinigene International Private Limited ('Clinigene') to receive professional services in the nature of clinical trials for its project. In the current year, the Company has accrued for research cost based on the above agreement.

10. Provisions

Particulars	Balance as at April 1, 2004	Additions during the year	Balance as at March 31, 2005
Leave encashment	25	45	70
Gratuity	-	59	59
	25	104	129

11. Supplementary profit and loss data

	2005	2004
(a) Payments to Auditors (included in Legal and professional fees)		
Statutory audit	250	250
Other matters	9	-
	259	250
(b) Value of imports on CIF basis		
Capital goods	1,913	-
(c) Expenditure in foreign currency (on accrual basis)		
R & D Fees	9,011	-
Others	502	-

12. Commitments	2005	2004
(a) Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	362,585	70,115

(b) Operating lease commitments

Rent

The Company has entered into lease agreements which expire in 2015. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 708 (2004 -- Rs Nil). The committed lease rental in the future are:

Not later than one year	708	-
Later than one year and not later than five years	2,832	-
Later than five years	2,832	-

13. Prior year comparatives

The previous year's figures have been re-grouped, wherever necessary to conform to this year's classification.

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Prashant Singhal
Partner
Membership No: 93283

Bangalore

April 16, 2005

For and on behalf of the Board of Directors

Kiran Mazumdar Shaw
Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore

April 16, 2005

Balance sheet abstract and Company's general business profile

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

(a)	Registration Details	
	Registration No.	030643
	State Code	08
	Balance Sheet Date	31-Mar-2005
(b)	Capital raised during the period	
	Public issue	-
	Right issue	-
	Bonus issue	-
	Private placement	35,200
(c)	Position of Mobilisation and Deployment of Funds	
	Total liabilities and shareholders funds	139,021
	Total assets	139,021
	Sources of funds	
	Paid up capital	44,000
	Application of Funds	
	Net fixed assets	33
	Capital work in progress	137,690
	Net current liabilities	17,298
	Profit and loss account	26,140
(d)	Performance of the Company	
	Turnover	-
	Total expenditure	21,284
	Loss before Tax	(21,284)
	Loss after Tax	(21,284)
	Loss per share in Rupees	8.05
	Dividend rate	-
(e)	Generic names of principal products of the Company	
	Item Code No (ITC Code)	Not applicable.
	Product Description	(Yet to commence production)

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Biocon Limited and Subsidiaries INDIAN GAAP

Auditors' Report

To
The Board of Directors of Biocon Limited

1. We have audited the attached consolidated balance sheet of Biocon Limited, its subsidiaries, Syngene International Private Limited and Clinigene International Private Limited and its joint venture, Biocon Biopharmaceuticals Private Limited [together referred to as 'the Group' as described in Note 2 (a)] as at March 31, 2005, the consolidated profit and loss account for the year then ended and consolidated cash flow statement for the year then ended annexed thereto, prepared in accordance with accounting principles generally accepted in India. These consolidated financial statements are the responsibility of the Group'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 the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated 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. We report that the consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India

4. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2005;
(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
(c) in the case of the consolidated 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
April 20, 2005

BIOCON LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005

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

	Notes	2005	2004 (Note 29)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	3	500,000	500,000
Reserves and surplus	2(a), 2(l) & 4	6,905,242	5,130,602
Less : Loan to Biocon India Limited Employee Welfare Trust ('the ESOP Trust')	20	-	(1,259)
		7,405,242	**5,629,343**
Minority Interest	5	8,786	21
Loan Funds			
Secured loans	6	493,279	472,255
Unsecured loans	7	270,136	174,657
		763,415	**646,912**
Deferred Tax Liability	2(j) & 8	234,406	176,680
		8,411,849	**6,452,956**
APPLICATION OF FUNDS			
Fixed Assets	2(b), 2(i), 2(k), 2(o) & 9		
Cost		3,300,033	2,145,665
Less: Accumulated depreciation		763,344	538,293
Net book value		**2,536,689**	**1,607,372**
Capital work-in-progress [including capital advances of Rs 56,120 (2004 -- Rs 107,809)]		3,245,132	586,225
		5,781,821	**2,193,597**
Investments	2(e) & 10	2,349,651	221,342
Current Assets, Loans And Advances			
Inventories	2(c) & 11	737,964	856,558
Sundry debtors	12	1,824,469	1,188,421
Cash and bank balances	13	34,238	3,175,140
Loans and advances	14	170,889	226,991
		2,767,560	**5,447,110**
Less: Current Liabilities And Provisions	2(f), 2(g), 2(j), 2(q) & 15	2,487,183	1,409,093
Net Current Assets		**280,377**	**4,038,017**
		8,411,849	**6,452,956**

The accompanying notes 1 to 29 form an integral part of this balance sheet.

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Bangalore
April 20, 2005

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

BIOCON LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

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

	Notes	2005	2004 (Note 29)
INCOME			
Gross sales		6,842,047	5,309,108
Less Excise Duty		378,423	290,284
Net sales	2(d) & 2(h)	6,463,624	5,018,824
Contract research fees	2(d) & 2(h)	662,040	387,586
Other income	16	156,247	12,662
		7,281,911	5,419,072
EXPENDITURE			
Manufacturing, contract research and other expenses	2(f), 2(g), 2(h), 2(i), 2(l), (2(n) & 17	4,887,081	3,623,441
Interest and finance charges	2(k) & 19	20,282	16,092
		4,907,363	3,639,533
PROFIT BEFORE DEPRECIATION AND TAXES		2,374,548	1,779,539
Depreciation	2(b) & 9	225,051	164,498
Less: Amount transferred from revaluation reserve	2(b) & 4	1,606	1,670
		223,445	162,828
PROFIT BEFORE TAXES		2,151,103	1,616,711
Provision for income-tax			
Current taxes	2(j) & 22	128,341	196,716
Deferred taxes	2(j) & 8	57,726	33,623
PROFIT FOR THE YEAR		1,965,036	1,386,372
Minority interest	5	10,414	(10)
NET PROFIT FOR THE YEAR		1,975,450	1,386,362
Balance brought forward from previous year		1,239,916	647,336
PROFIT AVAILABLE FOR APPROPRIATION		3,215,366	2,033,698
Issue of bonus shares		-	431,624
Proposed dividend on equity shares		200,000	100,000
Tax on proposed dividend		28,050	12,813
Transfer to general reserve		174,388	249,345
BALANCE, END OF THE YEAR		2,812,928	1,239,916
Earnings per share (equity shares, par value of Rs 5 each)	2(m) & 21		
Basic (in Rs)		20.88	16.37
Diluted (in Rs)		20.39	15.95
Weighted average number of shares used in computing earnings per share			
Basic		94,597,811	84,691,111
Diluted		96,861,668	86,945,082

The accompanying notes 1 to 29 form an integral part of this balance sheet.

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Bangalore
April 20, 2005

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

BIOCON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

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

		2005	2004 (Note 29)
I CASH FLOWS FROM OPERATING ACTIVITIES :			
Net profit before tax		2,151,103	1,616,711
Adjustments for			
Less: Non cash item/items required to be disclosed separately:			
Depreciation	223,445		163,659
Unrealised exchange (gain)/loss	(2,802)		(24,844)
Amortisation of employee compensation cost	23,396		19,934
Provision for bad and doubtful debts	1,249		11,348
Interest expense	27,290		25,103
Interest income (gross)	(9,551)		(10,288)
Dividend earned (gross)	(120,800)		(5,852)
Gain on sale of investment	(500)		(23)
Gain on sale of investment in mutual funds	(1,796)		-
Gain on assets sold	-		(563)
Write back of provision	(13,185)		-
		126,746	178,474
Changes in working capital and other provisions			
Inventories	118,595		(377,503)
Sundry debtors	(639,621)		(469,192)
Loans and advances	65,315		(76,604)
Current liabilities and provisions (incl book overdraft)	22,247		612,004
		(433,464)	(311,295)
		(306,718)	(132,821)
Cash generated from operations		1,844,385	1,483,890
Tax paid (net of refunds)		(120,097)	(197,424)
Net cash provided by operating activities		1,724,288	1,286,466
II CASH FLOWS FROM INVESTING ACTIVITIES :			
Fixed assets			
Purchase	(2,850,390)		(927,735)
Sale	-		1,497
Interest received	8,983		10,909
Dividend received	120,800		5,852
Sale of investment	12,204,505		368,120
Purchase of investment	(14,330,518)		(539,439)
Net cash used for investing activities		(4,846,620)	(1,080,796)
III CASH FLOWS FROM FINANCING ACTIVITIES :			
Proceeds from issuance of share capital	-		3,150,000
Share issue expenses	-		(151,411)
Proceeds from employees for share purchase through ESOP Trust	1,259		155
Short term borrowings from banks, net	20,384		217,059
Repayment of secured loans	(24)		(337,549)
Receipt of secured loans	-		32,000
Deferred sales tax credit	95,479		71,112
Repayment of unsecured loans	-		-
Interest paid	(27,313)		(38,234)
Corporate dividend tax	(112,813)		-
Net cash used for financing activities		(23,028)	2,943,132
IV NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III)		(3,145,360)	3,148,802
V CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,175,140	26,338
VI CASH AND CASH EQUIVALENTS OF THE ESOP TRUST ACQUIRED DURING THE YEAR		4,458	-
VII CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV + V + VI)		34,238	3,175,140

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

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Bangalore
April 20, 2005

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

BIOCON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Background

(a) Incorporation and history
Biocon Limited ('Biocon' or 'the Company'), promoted by Ms Kiran Mazumdar Shaw ('KMZ'), was incorporated at Bangalore in 1978 for manufacture of biotechnology products. On November 17, 2003, the name of the Company was changed from Biocon India Limited to Biocon Limited. Syngene International Private Limited ('Syngene') promoted by KMZ, was incorporated at Bangalore in 1993. At March 30, 2002, Biocon acquired 99.99 per cent of the equity shares of Syngene and, resultantly, the company became the subsidiary of Biocon. Clinigene International Private Limited ('Clinigene') was incorporated on August 4, 2000 at Bangalore and became a wholly owned subsidiary of Biocon on March 31, 2001.

Biocon entered into an Agreement on February 22, 2002 to set up a Joint Venture Company, with CIMAB SA ('CIMAB'), a company organised and existing under the laws of Cuba and engaged in research, development, manufacturing and marketing of Biopharmaceuticals, to manufacture and market products using technology and to carry out research activities. Accordingly, Biocon Biopharmaceuticals Private Limited ('BBPL') was incorporated on June 17, 2002 and, on April 18, 2003, Biocon acquired a 51 per cent shareholding in BBPL.

In March 2004, the Company completed an Initial Public Offering ('IPO') and made a fresh issue of 10,000,000 equity shares of Rs 5 each at a price of Rs 315 per share. Consequently, on April 7, 2004, the equity shares of the Company were listed on the National Stock Exchange of India and The Stock Exchange, Mumbai. The proceeds of the issue will be used for setting up the new facilities to augment the existing capacities for the submerged fermentation and chemical synthesis operations (collectively referred to as 'the Project'), the Company has currently deployed the unutilised funds raised for the Project in liquid money market mutual fund investments [See Note 10 & 27].

Biocon, together with its subsidiaries, Syngene and Clinigene and the joint venture company, BBPL hereinafter is collectively referred to as 'the Group'.

(b) Operations
Biocon is engaged in the manufacture of biotechnology products in the pharmaceutical and enzyme sectors through fermentation based technology; Syngene is primarily engaged in providing contract research services to overseas customers in the field of synthetic chemistry and molecular biology, it also sells products arising from research activities carried out on behalf of its customers; and Clinigene undertakes clinical research activities on discovering new biomarkers and is extending its activity to discovering new diseases subsets and novel data based on pharmacogenomics. The Group has its facilities located at Hebbagodi and Bommasandra, Bangalore district, Karnataka. During the year ended the Company has made an entry into the formulations business.

2. Summary of significant accounting policies

a. Basis of presentation and consolidation
The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and to comply in all material respects with the generally accepted accounting principles in India including the mandatory accounting standards issued by the Institute of Chartered Accountants of India ('ICAI') to reflect the financial position and the results of operations of Biocon together with its subsidiary companies, Syngene and Clinigene and joint venture company, BBPL.

Further, the financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act'). However, as these financial statements are not statutory financial statements, full compliance with the above Act is not required and so they do not reflect all the disclosure requirements of the Act.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flows of Biocon, Syngene, Clinigene and BBPL as at March 31, 2005.

Effective April 1, 2004, the Group on account of revision in Accounting Standard 27, 'Financial Reporting of Interests in Joint Ventures', ('AS 27') has accounted for BBPL, the joint venture company, as a subsidiary and computed the minority interest, separately, both for the balances as at April 1, 2004 and for the losses for year ended March 31, 2005. For the year ended March 31, 2004, BBPL was accounted as per the proportionate consolidation method as per the prevailing AS 27, at that time.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

In accordance with the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines') issued by Securities and Exchange Board of India ('SEBI'), the Company has also consolidated the ESOP Trust [See Note 20].

The significant accounting policies adopted by the Group in respect of the consolidated financial statements are detailed as follows:

b. Fixed assets and depreciation

Fixed assets are stated at cost, except for revalued freehold land and buildings, which are shown at, estimated replacement cost as determined by valuers less impairment loss, if any, and accumulated depreciation. The Group capitalises all costs relating to the acquisition and installation of fixed assets.

Fixed assets, other than freehold land, but including revalued buildings, are depreciated pro rata to the period of use, on the straight line method at the annual rates based on the estimated useful lives.

	Per cent
Buildings	4.00
Plant and machinery	9.09 - 33.33
Research and development equipment	11.11
Furniture and fixtures	16.67
Vehicles	16.67

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

Leasehold land on a lease-cum-sale basis are capitalised at the allotment rates currently charged by the Municipal Authorities. Leasehold improvements are being depreciated over the lease term or useful life whichever is lower.

The depreciation charge over-and-above the depreciation calculation on the original cost of the revalued assets is transferred from the revaluation reserve to the consolidated profit and loss account.

The above rates are higher than the rates prescribed under Schedule XIV of the Companies Act,1956.

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

c. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all applicable overheads in bringing the inventories to their present location and condition. Excise duty arising on finished goods and customs duty on imported raw materials in stock are treated as part of the cost of inventories.

d. Revenue recognition

(i) Sale of pharmaceuticals, enzymes and compounds

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of disclosure in these consolidated financial statements, sales is reflected gross and net of excise duty in the consolidated profit and loss account.

(ii) Contract research agreements

The Group enters into two basic types of contract research agreements and the revenues therefrom are recognised on the following basis:

(a) Time and material management

Revenues are recognised as services are rendered, in accordance with contractual agreements.

(b) Fixed price arrangements
Revenues relating to fixed price contracts are recognised based on the percentage of completion method.

e. 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.

f. Retirement benefits
The Group has schemes of retirement benefits for provident fund, gratuity and superannuation, in respect of which, the Group's contributions are charged to the consolidated profit and loss account. The contributions towards provident fund are made to statutory authorities. The gratuity and superannuation fund benefits of the Group are administered by a trust formed for this purpose through the group gratuity and superannuation scheme with Birla Sun Life Insurance Company Limited ('Birla Sunlife'). In respect of gratuity, the liability is accrued on an independent actuarial valuation at the year end. In respect of superannuation, the Group has accrued the liability, based on the schemes of the Group.

g. Leave encashment
Liability for leave encashment is in accordance with the rules of the Group and is provided on the basis of an actuarial valuation performed by an independent actuary at the year end.

h. 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 Group'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 Group'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 cost of fixed assets.

Forward Exchange Contracts not intended for trading or speculation purposes
The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

i. 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.

j. Income tax

Tax expense comprises both current and deferred taxes. Current income 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 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. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

l. 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.

m. Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise of the net profit after tax for the year. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year and are adjusted for bonus shares and sub-division of shares for all periods presented in these consolidated financial statements. 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 all dilutive potential equity shares.

The shares issued to the ESOP Trust have been considered as outstanding for basic earnings per share purposes, to the extent these shares have been allocated to the employees' pursuant to the ESOP scheme and are eligible for exercise. For dilutive EPS purpose, the shares, which are not yet eligible for exercise, have been considered as dilutive potential equity shares.

n. 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.

o. 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.

Effective April 1, 2004, the Group has adopted Accounting Standard 28, Impairment of Assets ('AS 28'), which has not given rise to any impairment loss to be recognised in the financial statements for the year ended March 31,2005.

p. Segment reporting

Identification of segments:

The Group's operating businesses are organized and managed separately according to the nature of products manufactured/traded, with each segment representing a strategic business unit that offers different products to different markets. The analysis of geographical segments is based on the areas in which the Group's products are sold.

Intersegment Transfers:
The Group generally accounts for intersegment sales and transfers at an agreed marked-up price.

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.

q. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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.

3. Share capital	2005	2004
Authorised: 120,000,000 (2004 -- 120,000,000) equity shares of Rs 5 each (2004 -- Rs 5 each)	600,000	600,000
Issued, subscribed and paid-up: 100,000,000 (2004 -- 100,000,000) equity shares of Rs 5 each (2004 -- Rs 5 each), fully paid	500,000	500,000

(a) Of the above equity shares:
(i) 30,800 equity shares of Rs 100 each were allotted as fully paid bonus shares by capitalisation of general reserve in the year ended March 31, 1997.
(ii) 23,471 equity shares of Rs 100 each were allotted as fully paid-up shares in the year ended March 31, 2000 pursuant to a contract for consideration other than cash.
(iii) On October 8, 2001, Biocon issued 12,153 equity shares of Rs 100 each to the ESOP Trust under an Employee Stock Option Plan ('ESOP Plan') and the ESOP Trust acquired 350 equity shares of Rs 100 each from certain individuals.
(iv) On March 30, 2002, Biocon acquired 99.9 per cent equity in Syngene through the issue of 202,780 equity shares of Rs 10 each. The consideration was determined on the basis of a fair valuation, as approved by the statutory authorities in India. The related share premium at Rs 403.8 per equity share has been credited to share premium account.
(v) On May 9, 2002 Biocon has further issued 15,870 equity shares of Rs 10 each to the Trust under the ESOP Plan. The Trust on October 20, 2003 acquired 2,500 equity shares of Rs 10 each from certain individuals. The total shares issued to the Trust were 7,023,100 equity shares of Rs 5 each of which grants have been made for 3,884,768 equity shares of the Company under the ESOP Plan as at March 31, 2005.
(vi) In March 2004, Biocon made an IPO of 10,000,000 fresh equity shares of Rs 5 each at a price of Rs 315 per share.

(b) The shareholders at the Extraordinary General Meeting ('EGM') of Biocon held on February 25, 2002, approved the sub-division of equity shares of face value of Rs 100 each into ten equity shares of face value of Rs 10 each. The Board of Directors in their meeting held on March 30, 2002 passed a resolution for effecting the sub-division. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000 has been divided into 2,000,000 equity shares of Rs 10 each and the then issued, subscribed and paid-up capital of Rs 18,218 as at March 31, 2002 was divided into 1,821,780 equity shares of Rs 10 each.

(c) The shareholders at the EGM of Biocon held on November 11, 2003, approved the sub-division of equity shares of face value of Rs 10 each into 2 equity shares of Rs 5 each and increase in authorised capital from Rs 20,000 to Rs 600,000. Subsequent to this sub-division, the authorised equity share capital of Rs 20,000,000 has been divided into 4,000,000 equity shares of Rs 5 each and the issued, subscribed and paid -up capital of Rs 18,377 has been divided into 3,675,300 shares of Rs 5 each.

(d) Further, the shareholders at the EGM of Biocon held on November 11, 2003 approved the allotment of 86,324,700 equity shares of Rs 5 each as bonus shares in the ratio of 1 : 23.4877958 to the shareholders existing as on November 11, 2003, which was the approved record date for this purpose, by capitalisation of the balance in the profit and loss account of Rs 431,624.

4. Reserves and surplus	2005	2004
Capital Reserve	17,094	17,094
Revaluation Reserve		
Balance, beginning of the year	15,908	19,127
Less: Transfer on sale and disposal of land	-	1,549
Less: Transfer to profit and loss account	1,606	1,670
	14,302	15,908
Securities Premium		
Balance, beginning of the year	3,288,478	339,889
Received during the year	-	3,100,000
Utilised towards the share issue expenses	-	(151,411)
	3,288,478	3,288,478
General Reserve		
Balance, beginning of the year	515,408	266,063
Add: Transfer from Profit and Loss Account	174,388	249,345
	689,796	515,408
ESOP trust		
Dividend and interest income, net	5,450	-
Stock compensation adjustment (See note 2(l) & 20		
Stock options outstanding	94,788	65,291
Additions during the year	-	32,115
Deletions during the year	(659)	(2,618)
	94,129	94,788
Less: Deferred employee stock compensation expense	(16,935)	(40,990)
	77,194	53,798
Balance in profit and loss account	2,812,928	1,239,916
	6,905,242	5,130,602

(i) Biocon acquired 99.99 per cent in Syngene on March 30, 2002, through the issue of 202,780 equity shares of Rs 10 each. Biocon's shares were fair valued at Rs 907 at the transaction date. Further, as of March 30, 2002 the net assets of Syngene were Rs 101,422 resulting in capital reserve of Rs. 17,094.

(ii) Share premium includes an amount of Rs 81,881 received on the allotment of 202,780 equity shares of Rs 10 each on March 30, 2002 at a premium of Rs 403.8 per equity share [(See Note 3(a) (iv)] and Rs 3,100,000 received on the allotment of 10,000,000 equity shares pursuant to the Company's IPO in March 2004 [See Note 3(a) (vi)].

(iii) Deferred employee stock compensation expense (See Note 20):

	2005	2004
Stock compensation expense outstanding	40,990	31,427
Stock options granted during the year	-	32,115
Stock options cancelled/forfeited during the year	(659)	(2,618)
Stock compensation expense amortised during the year	(23,396)	(19,934)
Closing balance of deferred employee stock compensation expense	16,935	40,990

(iv) Biocon on November 11, 2003 issued 86,324,700 bonus shares of Rs 5 each through capitalisation of the balance in the profit and loss account to the extent of Rs 431,624. [See note 3(d)]

5. Minority interest

Minority interest represents that part of the net results of operations and of the net assets of Syngene to the extent of 170 shares (0.01 per cent) and BBPL to the extent of 2,156,000 shares (49 per cent) of the share capital, which are attributable to interests which are not owned, directly or indirectly by Biocon.

The share of the net results of operations attributabe to the minority shareholders is as follows:

	2005	2004
As per last balance sheet	21	11
Opening minority share of BBPL, arising on account of revision in AS-27 [See Note 2(a)].	1,933	-
Additional capital issued to JV partner	17,246	-
Profit/(loss) for the year	(10,414)	10
	8,786	21

6. Secured loans

From banks		
Cash credit, packing credit, etc.	493,279	472,231
Term loans		
Payable within one year	-	24
	493,279	472,255

(a) Cash credit, packing credit, etc

(i) On May 10, 2004, the Company renewed its total rupee and foreign currency denominated fund based working capital facilities with State Bank of India ('SBI') of Rs 200,000 (2004 -- Rs 130,000). These facilities are repayable on demand, secured by a pari-passu first charge on current assets and carry an interest rate of 2 to 4 per cent per annum for foreign currency denominated loans and 7 to 13 per cent per annum for rupee loans. The Company has utilised Rs 41,567 (2004 -- Rs Nil) as of March 31, 2005 inclusive of foreign currency loans of Rs 41,245 (US$ 946) (2004 -- Rs Nil) as on March 31, 2005.

(ii) On August 23, 2004, the Company renewed its fund and non fund based working capital facilities with Hongkong and Shanghai Banking Corporation ('HSBC') for Rs 545,000 (2004 -- Rs 405,000). These facilities are repayable on demand, secured by pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 4 percent per annum for foreign currency denominated loans and 5 to 15 per cent per annum for rupee loans. The Company has utilised fund based limits of Rs 305,340 (2004 -- Rs 95,480) inclusive of foreign currency denominated loans of Rs 305,340 (US$ 7,000) [2004 -- Rs 95,480 (US$ 2,200)] as of March 31, 2005.

(iii) On August 26, 2004, the Company renewed its working capital facilities with Canara Bank ('CB') for Rs 200,000 (2004 -- Rs 130,000). These facilities are repayable on demand, secured by a pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 4 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs 15,512 (2004 -- Rs 116,443) as of March 31, 2005 inclusive of foreign currency denominated loans of Rs 14,451 (US$ 331) [2004 -- Rs 116,417 (US$ 2,682)].

(iv) On March 07, 2005, the Company renewed its working capital facility with Export Import Bank ('EXIM Bank') for Rs 310,000 (2004 -- Rs 309,860). These facilities are repayable on demand, secured by a pari-passu first charge on current assets of the Company and carry an interest rate of 2 to 4 per cent for foreign currency denominated loans and 7 to 12 per cent per annum for rupee loans. The Company has utilised Rs Nil (US$ Nil) [2004 -- Rs 260,308 (US$ 5,998)] as of March 31, 2005.

(v) On November 5, 2004, the Company renewed its fund and non fund based working capital facility with ABN Amro Bank for Rs 250,000 (2004 -- Rs Nil). These facilities are repayable on demand, secured by a pari passu second charge on the fixed assets of the Company and carry an interest rate of 2 to 4 percent for foreign currency denominated loans and 7 to 12 percent per annum for rupee loans. The Company has utilised Rs 130,860 (US$ 3,000) [2004 -- Rs Nil] as of March 31, 2005.

(b) Term loans

(i) On July 3, 2002, the Company entered into a term loan facility with Technology development Board ('TDB') for Rs 100,000 for funding its fixed asset acquisitions of the PlaFractor plant. These loans repayable in half yearly installments commencing from February 2004, were secured by a first pari passu mortgage and charge on the fixed assets of the Company and carry an interest rate of 5 per cent per annum. The Company had drawn upto Rs 97,000 (2004 -- Rs 97,000) from the above facility, and the Company made an early repayment of the loan to the extent of Rs 96,976 as at March 31, 2004 and the balance of Rs 24 was repaid in May 2004.

7. Unsecured loans	**2005**	**2004**
Deferred payment liability	270,136	174,657

(i) Under the Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 8 years with respect to sales from its Bommasandra manufacturing facility of the Company. Under the Order, the deferment amount should not exceed Rs 24,375, of which at March 31, 2005, the Company had utilised Rs 929 (2004 -- Rs 893).

(ii) Under the Agro Food Processing Industrial Policy of the Government of Karnataka, the Company on November 18, 2000 obtained an order from Karnataka Sales Tax Authority for allowing deferment of sales tax (including turnover tax) for a period upto 12 years with respect to sales from Hebbagodi manufacturing facility of the Company. Under the order, the deferment amount should not exceed Rs 648,938 of which at March 31, 2005, the Company had utilised Rs 269,207 (2004 -- Rs 173,764).

8. Deferred tax liability	Deferred tax (asset)/liability as at April 1, 2004	Current year charge/(credit)	Deferred tax (asset)/liability as at March 31, 2005
Depreciation	196,750	58,850	255,600
Employee retirement benefits	(9,146)	(6,300)	(15,446)
Disallowance under section 43B	(5,514)	5,515	1
Provision for doubtful debts	(5,296)	(346)	(5,642)
Others	(114)	7	(107)
	176,680	57,726	234,406
Previous Year	143,057	33,623	176,680

(i) The Company, effective August 26, 2003 received approval from the Cochin Special Economic Zone for the setting up of a 100 per cent Export Oriented Unit ('EOU') for the manufacture and export of all types of statins on which, the Company claims deduction under section 10B of the Income-tax Act, 1961 ('IT Act'). The Company has another EOU which was set up in 2000 on whose profits the Company is eligible to claim deduction under 10B of the IT Act.

In accordance with the provisions of section 10B of the IT Act, effective August 26, 2003 the Company can avail of a tax deduction in respect of 100 per cent of all export income derived from the export sales arising out of its EOUs. Accordingly, the Company, has not recognised any additional deferred tax liabilty for the EOUs as it expects the timing differences originating in this period to reverse out during the tax holiday period.

(ii) Syngene, 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'). Syngene 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.

(iii) During the year, Clinigene has incurred book losses of Rs 29,453 resulting in a tax loss carry-forward situation (accumulated losses at March 31, 2005 -- Rs 51,649). Based on the above, Clinigene has not recognized the net deferred tax asset resulting from the tax loss carry forward as at March 31, 2005, as currently, although the management is confident of achieving profitablility, there is no virtual certainty that it would reverse the tax loss carry forwards.

(iv) During the year ended March 31, 2005, BBPL has incurred losses of Rs 21,284 (accumulated losses at March 31, 2005, Rs 26,140). BBPL is in the development stage and is in the process of setting its business. Based on the above, none of the expenses incurred upto the period the business is set-up can be claimed as a tax deductible expense, hence BBPL has not recognised any deferred tax asset as at March 31, 2005, as the accumulated loss does not result in a tax loss carry forward as at March 31, 2005.

(v) In accordance with its accounting policy, the Company has recomputed its deferred tax liability carried forward at March 31, 2005 based on rates prescribed in the Finance Bill introduced in the Union Budget 2005. Accordingly the current year charge is net of Rs 14,159 written back due to the proposed changes.

9. Fixed assets

	Balance, beginning of the year	Additions/charge	Deletions/ Adjustments	Balance, end of the year
Cost/Valuation				
Goodwill	1,143	-	-	1,143
Land				
Freehold (revalued)	8,967	-	-	8,967
Freehold (others)	42,059	10,030	-	52,089
Leasehold	169,950	-	-	169,950
Buildings (revalued)	16,561	-	-	16,561
Buildings (others)	348,824	171,908	-	520,732
Leasehold improvements	1,857	105	-	1,962
Plant and machinery	1,294,147	857,222	-	2,151,369
Research and development equipment	211,329	99,900	-	311,229
Furniture and fixtures	43,559	11,011	-	54,570
Vehicles	7,269	4,192	-	11,461
	2,145,665	**1,154,368**	-	**3,300,033**
Previous year	1,735,110	415,225	4,670	2,145,665
Accumulated depreciation				
Goodwill	1,143	-	-	1,143
Freehold (revalued)	-	-	-	-
Freehold (others)	-	-	-	-
Leasehold land	-	-	-	-
Buildings (revalued)	9,620	1,606	-	11,226
Buildings (others)	50,621	16,814	-	67,435
Leasehold improvements	76	392	-	468
Plant and machinery	409,379	169,284	-	578,663
Research and development equipment	50,253	27,723	-	77,976
Furniture and fixtures	14,052	7,335	-	21,387
Vehicles	3,149	1,897	-	5,046
	538,293	**225,051**	-	**763,344**
Previous year	375,982	164,498	2,187	538,293
Net book value				
Goodwill	-			-
Land				
Freehold (revalued)	8,967			8,967
Freehold (others)	42,059			52,089
Leasehold	169,950			169,950
Buildings (revalued)	6,941			5,335
Buildings (others)	298,203			453,297
Leasehold improvements	1,781			1,494
Plant and machinery	884,768			1,572,706
Research and development equipment	161,076			233,253
Furniture and fixtures	29,507			33,183
Vehicles	4,120			6,415
	1,607,372			**2,536,689**
Previous year	1,359,128			1,607,372

Notes:

(a) Biocon acquired 100 per cent shareholding in Clinigene on March 31, 2001, at a consideration of Rs 500. As of March 31, 2001, the net assets of Clinigene were Rs 188 resulting in a goodwill of Rs 312. The goodwill was fully amortised during the year ended March 31, 2001.

(b) Biocon acquired 51 per cent shareholding in BBPL on April 18, 2003, at a consideration of Rs 102. As of April 18, 2003, Biocon's share of the negative networth of BBPL was Rs 729 resulting in a goodwill of Rs 831. The goodwill was fully amortised during the year ended March 31, 2004.

(c) Certain freehold land and buildings were revalued on November 1, 1994, based on the estimated replacement cost after considering depreciation upto that date, as per valuers reports and the resultant surplus of Rs 34,529 was credited to revaluation reserve. Of this reserve, Rs 20,227 (2004 -- Rs 18,621) has been transferred to the profit and loss account for depreciation on these assets or adjusted on the sale of these assets.

(d) The Company has capitalised net foreign exchange gains of Rs Nil (2004 -- Rs 1,761) during the year and adjusted net foreign exchange loss amounting to Rs Nil (2004 -- Rs 1,674) in capital work in progress.

(e) During the year, the Company has capitalised borrowing costs identifiable to qualifying assets of Rs Nil (2004 -- Rs 7,087), currently reflected as capital work-in-progress.

(f) On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating 26.75 acres to the Company for Rs 64,200 on a lease-cum sale basis for a period of 6 years. Further, during the previous year, the Company has acquired an additional 41.25 acres of land for Rs 99,417 from KIADB. The same is reflected at the current allotment rate, the final amount to be determined by KIADB on the completion of six years on fulfillment of certain conditions. One of the key conditions include commencement of commercial operations by the Company within 24 months of possession ie December 2002. The Company's subsidiary Syngene has commenced operations of its contract research services at this location beginning October 21, 2004 and the Company expects to commence operations of its new fermentation facility during the year ended March 31, 2006.

10. Investments (At cost)	2005	2004
Long term investments		
A) Non trade:		
Unquoted		
2,000 (2004 -- 2000) equity shares of Rs 100 each of Xcyton Diagnostics Limited, fully paid	-	200
Less: Provision for other than temporary dimunition in value	-	200
	-	-
National Savings Certificates	13	13
	13	13
B) Trade investment:		
In Other Companies:		
Unquoted and fully paid up		
3% Convertible Promissory Note of US$ 1,000,000 (2004 -- Nil) in Nobex Corporation, USA	43,966	-
3% Series B Convertible Promissory Note of US$ 1,000,000 in Vaccinex Inc., USA	44,735	-
2,000,000 (2004 --Nil) Common Stock at US$ 0.50 each, fully paid, par value US$ 0.001 each of Nobex Corporation, USA	45,640	-
645,161 (2004 --Nil) Series B1 Preferred Stock at US$ 1.55 each, fully paid, par value US$ 0.01 each of Vaccinex Inc., USA	45,100	-
	179,441	-

(i) The Company has entered into an 'Investment Agreement' with Nobex Corporation USA on October 20, 2004 to invest an amount of US$ 3.3 million (US$ 1 million in Common Stock and US$ 2.3 million in Convertible Promissory Notes). Further, the Company has entered into a 'Oral Insulin Joint Product Development Agreement' for development and commercialization of the Oral Insulin Product. In addition, Biocon will get the warrants of US$ 4.4 million convertible into US$ 3.3 million worth of common stock. During the year, the Company has invested US$ 1 million towards purchase of the common stock, an amount of US$ 1.0 million towards the convertible promissory note and has received the warrant entitling it to subscribe for 1.33 million common stock at an exercise price of US$ 0.75 each.

(ii) The Company has entered into a 'Securities Purchase Agreement' with Vaccinex Inc., USA on November 3, 2004 to invest an amount of US$ 4 million (US$ 1 million in Series B1 Convertible Preferred Stock and US$ 3 million in Series B Convertible Promissory Notes). Further, the Company has entered into a 'Research and Collaboration Agreement' to discover, develop, and commercialize human therapeutic monoclonal antibodies. During the year, the Company has invested US$ 1 million in the convertible preferred stock and an amount of US$ 1 million in the convertible promissory note.

	2005	2004
Current and unquoted (at lower of cost and fair market value)		
1,712,547 units (2004 -- 1,477,111) of Rs 10 each in Reliance Mutual Fund [Market Value Rs 26,186 (2004 -- Rs 15,252)]	26,150	15,252
Nil units (2004 -- 5,017,850 units) of Rs 10 each in Reliance Fixed Term Scheme [Market Value Rs Nil (2004 -- Rs 50,323)]	-	50,179
2,935,137 units (2004 -- 2,836,075) of Rs 10 each in LIC Mutual Fund [Market Value Rs 31,896 (2004 -- Rs 30,563)]	31,553	30,480
Nil units (2004 -- 4,500,000) of Rs 10 each in JM Mutual Fund - FMP [Market Value Rs Nil (2004 -- Rs 45,118)]	-	45,000
Nil units (2004 -- 1,371,611) of Rs 10 each in TATA Mutual Fund [Market Value Rs Nil (2004 -- Rs 15,252)]	-	15,252
13,550,920units (2004 -- 1,960,651) of Rs 10 each in HSBC Mutual Fund [Market Value Rs 137,856 (2004 -- Rs 19,976)]	137,856	19,973
2,101,906 units (2004 -- 2,018,578) of Rs 10 each in Alliance Manager Fund [Market Value Rs 21,023 (2004 -- Rs 20,186)]	21,019	20,186
Nil units (2004 -- 1,500,000) of Rs 10 each in Grindlays Fixed Term Scheme [Market Value Rs Nil (2004 -- Rs 15,000)]	-	15,000
Nil units (2004 -- 941,230) of Rs 10 each in HDFC Cash Management [Market Value Rs Nil (2004 -- Rs 10,007)]	-	10,007
1,515,461 units (2004 -- Nil) of Rs 10 each in Grindlays Liquid Plan [Market Value Rs 15,623 (2004 -- Rs Nil)]	15,608	-
7,247,078 units (2004 -- Nil) of Rs 10 each in JM Mutual Fund - Liquid Plan [Market Value Rs 72,637 (2004 -- Rs Nil)]	72,629	-
4,085,713 units (2004 -- Nil) of Rs 10 each in CanLiquid Fund [Market Value Rs 41,025 (2004 -- Rs Nil)]	41,025	-
Aggregate amount of unquoted investments	345,840	221,329

	2005	2004
The following investments were purchased and sold during the period from April 1, 2004 to March 31, 2005:		
Purchase and Sale of 1,874,055 units of Rs 10 each in ING Vysya Liquid Fund	20,224	
Purchase and Sale of 3,022,418 units of Rs 10 each in DSP Merill Lynch Fund	30,254	
Purchase and Sale of 3,730,184 units of Rs 10 each in LIC Liquid Fund	40,334	
Purchase and Sale of 3,019,010 units of Rs 10 each in Principal Asset Management Fund	30,234	
Purchase and Sale of 30,912 units of Rs 1,000 each in Franklin Templeton Fund	40,246	
Purchase and sale of 955,771 units of Rs 10 each in HDFC Cash Management Fund	10,166	
Purchase and Sale of 3,017,595 units of Rs 10 each in IL&FS Liquid Fund	30,176	
Purchase and sale of 131,309,164 units of Rs 10 each in HSBC Cash Fund	1,514,043	
Purchase and sale of of 1,401,338 units of Rs 10 each in TATA Mutual Fund	15,673	
Purchase and sale of of 4,567,477 units of Rs 10 each in JM Mutual Fund - FMP	45,675	
Purchase and sale of of 72,800 units of Rs 10 each in Reliance Fixed Term Scheme	728	
Purchase and sale of 4,183,926 units of Rs 10 each in Reliance Mutual Fund	56,551	
Purchase and sale of 6,482,528 units of Rs 10 each in JM Mutual Fund - Liquid Plan	65,015	
Purchase and sale of 5,053,907 units of Rs 10 each of ABN AMRO Dividend Plan	50,539	
Investment of IPO funds		
4,169,432 units (2004 -- Nil) of Rs 10 each in Alliance Cash Manager [Market Value Rs 41,698 (2004 -- Rs Nil)]	41,698	
5,012,424 units (2004 -- Nil) of Rs 10 each in ABN Amro Liquid Fund [Market Value Rs 50,124 (2004 -- Rs Nil)]	50,124	
5,227,376 units (2004 -- Nil) of Rs 10 each in Can Liquid Fund [Market Value Rs 52,488 (2004 -- Rs Nil)]	52,488	
10,393,287 units (2004 -- Nil) of Rs 10 each in Grindlays Cash Fund [Market Value Rs 104,040 (2004 -- Rs Nil)]	104,007	-
20,000,867 units (2004 -- Nil) of Rs 10 each in HSBC Cash Fund [Market Value Rs 200,329 (2004 -- Rs Nil)]	200,090	-
5,208,656 units (2004 -- Nil) of Rs 10 each in ING Vysya Liquid Fund [Market Value Rs 52,253 (2004 -- Rs Nil)]	52,220	-
30,495,573 units (2004 -- Nil) of Rs 10 each in Kotak Mutual fund [Market Value Rs 305,880 (2004 -- Rs Nil)]	305,724	-
8,060,298 units (2004 -- Nil) of Rs 10 each in LIC Liquid Fund [Market Value Rs 87,592 (2004 -- Rs Nil)]	87,085	-
22,711,805 units (2004 -- Nil) of Rs 10 each in Prudential ICICI Liquid Plan [Market Value Rs 269,313 (2004 -- Rs Nil)]	269,313	-
11,584,659 units (2004 -- Nil) of Rs 10 each in Principal Cash Management Fund [Market Value Rs 115,862 (2004 -- Rs Nil)]	115,862	-
32,650,510 units (2004 -- Nil) of Rs 10 each in Reliance Liquid Fund [Market Value Rs 498,889 (2004 -- Rs Nil)]	498,831	-
42,129 units (2004 -- Nil) of Rs 1000 each in TATA Liquid Fund [Market Value Rs 47,304 (2004 -- Rs Nil)]	46,915	-
Aggregate amount of unquoted investments	1,824,357	-
	2,170,197	221,329
Aggregate amount of unquoted investments	2,349,651	221,342
The following investments were purchased and sold during the period from April 1, 2004 to March 31, 2005:		
Purchase and Sale of 37,507,795 units of Rs 10 each in Alliance Cash Manager	375,172	
Purchase and Sale of 61,517,500 units of Rs 10 each in Can Liquid Fund	617,750	
Purchase and Sale of 45,067,411 units of Rs 10 each in Deutsche Insta Cash Plus Fund	454,607	
Purchase and Sale of 29,502,924 units of Rs 10 each in DSP Merrill Lynch Liquidity Fund	353,978	
Purchase and Sale of 40,917,600 units of Rs 10 each in Grindlays Cash Fund	409,404	
Purchase and Sale of 8,543,943 units of Rs 10 each in HDFC Cash Management Fund	90,848	
Purchase and Sale of 141,237,540 units of Rs 10 each in HSBC Cash Fund	1,439,799	
Purchase and Sale of 26,320,956 units of Rs 10 each in ING Vysya Liquid Fund	271,441	
Purchase and Sale of 32,423,604 units of Rs 10 each in JM High Liquidity Fund	324,789	
Purchase and Sale of 1,411,911 units of Rs 1,000 each in Franklin Templeton Mutual Fund	1,550,574	
Purchase and Sale of 21,679,401 units of Rs 10 each in Kotak Mutual Fund	240,820	
Purchase and Sale of 16,451,017 units of Rs 10 each in LIC Mutual Fund	178,562	
Purchase and Sale of 42,492,920 units of Rs 10 each in ICICI Prudential Fund	503,658	
Purchase and Sale of 29,889,448 units of Rs 10 each in Principal Cash Management Fund	299,045	
Purchase and Sale of 27,164,543 units of Rs 10 each in TATA Liquid Fund	353,702	
Purchase and Sale of 55,083,311 units of Rs 10 each in Reliance Liquid Fund	841,486	
Purchase and Sale of 10,025,245 units of Rs10 each in ABN AMRO Dividend Plan	100,252	
Purchase and Sale of 167,762,419 units of Rs 10 each in Reliance Fixed Maturity Plan	1,712,490	

11. Inventories	2005	2004
Raw materials	334,471	458,975
Goods-in-bond / goods-in-transit (Raw materials)	16,119	42,627
Packing materials	4,242	2,244
Work-in-progress	360,403	335,329
Finished goods	22,729	17,383
	737,964	**856,558**

12. Sundry debtors (unsecured)		
Debts outstanding for a period exceeding six-months		
Considered good	6,681	16,095
Considered doubtful	17,207	15,957
Other debts		
Considered good	1,817,788	1,172,326
	1,841,676	1,204,378
Less: Provision for doubtful debts	17,207	15,957
	1,824,469	**1,188,421**

13. Cash and bank balances		
Cash on hand	1,447	506
Balances with scheduled banks:		
in current accounts	18,476	14,634
In deposit accounts	14,315	10,000
Deposit amount of unutilised IPO funds	-	3,150,000
	34,238	**3,175,140**

(a) The proceeds of the IPO funds were placed in short term deposits ranging from 7 days to 14 days, with five banks and was a restricted cash and bank balance as at March 31, 2004. As at March 31, 2005, these funds have been invested in certain mutual fund units and are disclosed as current investments [See Note 10].

(b) Deposit accounts includes a deposit made of Rs 10,000 (2004 -- Rs 10,000) under the flexi-deposit account allowing Biocon to avail overdraft facility upto Rs 10,000 (2004 -- Rs 10,000) at an interest rate of 2 per cent above fixed deposit rate. Biocon has drawn Rs Nil (2004 -- Rs Nil) against this facility as at March 31, 2005.

(c) Balances with scheduled banks in current accounts include balance in unclaimed dividend account of Rs 252 (2004 -- Rs Nil).

(d) Balances with scheduled banks in current accounts and deposit account include the balances of the ESOP Trust of Rs 143 (2004 -- Rs Nil) and Rs 4,315 (2004 -- Rs Nil) respectively..

14. Loans and advances (Unsecured and considered good)	2005	2004
Advances recoverable in cash or in kind		
or for value to be received	30,273	36,334
Duty drawback receivable, net of provision of Rs 1,446 (2004 -- Rs Nil)	26,772	18,192
Deposits	38,198	31,899
Balances with Customs and Excise Authorities	74,711	140,566
Shares held by ESOP trust	935	-
	170,889	**226,991**

15. Current liabilities and provisions	2005	2004
Sundry creditors		
Capital	1,075,285	131,624
Others	860,635	898,458
Advances from customers	68,516	36,699
Balance in current account with bank represents book overdraft	7,040	8,596
Interest accrued but not due	201	224
Unclaimed dividend	252	-
Other liabilities	139,804	181,812
	2,151,733	**1,257,413**
Proposed dividend	200,000	100,000
Tax on proposed dividend	28,050	12,813
Provision for employee retirement benefits	46,298	1,614
Provision for leave encashment	49,258	33,654
Provision for taxation, net of advance tax	11,844	3,599
	335,450	151,680
	2,487,183	**1,409,093**

Syngene has also a deposit of Rs 7,000 (2004 -- Rs 12,000) under the flexi-deposit account allowing Syngene to avail overdraft facility upto Rs 7,000 (2004 -- Rs 12,000) at an interest rate of 2 per cent above fixed deposit rate. The Company has drawn Rs 13,083 (2004 -- Rs 17,797) against this facility as at March 31, 2005. The book overdarft net of deposit of Rs 6,083 (2004 -- Rs 5,797) is disclosed under current liabilities.

Other liabilities include Rs 4,596 (2004 -- Rs 93) due to Ms Kiran Mazumdar Shaw, Managing Director and Rs Nil (2004 -- Rs Nil) to Mr JMM Shaw, Director and the maximum amount outstanding at any time during the year was Rs 4,596 (2004 -- Rs 2,745) and Rs 366 (2004 -- Rs 3,528) respectively.

16. Other income	2005	2004
Interest income from investments ([gross of tax deducted at source - Rs 438 (2004 -- Rs 300)]	2,543	1,275
Dividend income		
On investment of IPO funds	109,779	5,852
Others	11,021	-
Profit on sale of investments	2,296	23
Gain on fixed assets sold, net	-	563
Write back of liabilities	13,185	-
Miscellaneous income	17,423	4,949
	156,247	**12,662**

17. Manufacturing, contract research and other expenses	2005	2004
Raw materials consumed, net of duty drawback of Rs 40,758 (2004 -- Rs 43,901)	3,579,555	2,776,483
Purchase of goods for resale	28,046	3,311
Employee costs		
Salaries, wages, bonus, etc	435,784	361,093
Group's contribution to provident and other fund	20,329	14,449
Gratuity, superannuation, leave encashment	57,785	31,199
Employee stock compensation expense (See Note 2 (a), 4 & 20)	23,396	19,934
Directors sitting fees	720	169
Welfare expenses	30,879	30,639
Operation and other expenses:		
Royalty and technical fees	1,087	-
Rent	2,675	2,521
Communication expenses	24,887	17,794
Travelling and conveyance	72,560	43,052
Professional charges	43,581	38,934
Power and fuel	255,726	177,219
Insurance	13,499	18,129
Rates, taxes and fees	7,628	10,759
Lab consumables	22,203	23,232
Repairs and maintenance		
Plant and machinery	79,986	62,005
Buildings	14,784	22,696
Others	22,607	30,171
Selling expenses		
Freight outwards and clearing charges	42,714	25,892
Sales promotion expenses	33,164	20,898
Commission and brokerage	52,722	39,734
Bad debts written off	200	5,660
Provision for bad and doubtful debts	1,249	11,348
Exchange fluctuation (net)	(26,278)	(29,500)
Loss/(gain) on forward cover contracts, net	(5,340)	(44,582)
Printing and stationery	12,451	10,477
Provision for dimunition of investments	127	-
Miscellaneous expenses	68,775	41,735
	4,917,501	**3,765,451**
(Increase)/decrease in inventories of finished goods and work-in-progress:		
Opening inventories:		
Finished goods	17,383	12,094
Work-in-progress	335,329	198,608
	352,712	**210,702**
Closing inventories:		
Finished goods	(22,729)	(17,383)
Work-in-progress	(360,403)	(335,329)
	(383,132)	**352,712)**
	(30,420)	(142,010)
	4,887,081	**3,623,441**

18. Research and development expenses

Research and development expenses aggregating Rs 245,526 (2004 -- Rs 233,372) includes Rs 99,900 (2004 -- Rs 78,225) on research and development equipment and Rs 3,466 (2004 -- Rs 11,716) on buildings and the remaining expenses incurred by the Company have been disclosed under the appropriate account heads.

19. Interest and finance charges	2005	2004
Interest paid on :		
Term loans		
Others	-	12,985
	18,564	8,454
	18,564	**21,439**
Less : Interest received from suppliers	(7,008)	(9,012)
Less : Interest capitalised [See Note 2 (k) & 9(e)]	-	(7,087)
	11,556	**5,340**
Bank charges	8,726	10,752
	20,282	**16,092**

20. Employee stock compensation

On September 27, 2001, Biocon's Board of Directors approved the Biocon Employee Stock Option Plan ('ESOP Plan 2000') for the grant of stock options to the employees of the Group. A compensation committee has been constituted to administer the plan through the ESOP Trust.

The Trust purchases equity shares of Biocon using the proceeds from the loan obtained from Biocon and will subscribe to such number of shares as is necessary for transferring to the employees. The total number of equity shares transferred to the Trust shall not exceed 250,000 equity shares (pre-bonus and pre-split) of Rs 10 each and shares transferred to each employee will not exceed 10,000 equity shares (pre-bonus and pre-split) of Rs 10 each. The Compensation Committee shall determine the exercise price which will not be less than the face value of the shares. The Compensation Committee had granted 71,510 options under the ESOP Plan 2000 to be exercised at a grant price of Rs 10 (pre-bonus and pre-split). The options will vest with the employees equally over a four year period from the grant date. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favour of the ESOP Trust.

Further, during the year the Compensation Committee has granted 142,100 options under the ESOP Plan 2000 effective January 1, 2004 to be exercised at a grant price of Rs 5. The options will vest with the employees equally over a four year period from the grant date.

On January 16, 2004, the Borad of Directors announced the Biocon Employees Stock Option Plan (ESOP Plan 2004) for the grant of stock options to the employes of the Company, pursuant to which, the Compensation Committee on March 19, 2004 granted 422,000 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 315 being the issue price determined for the IPO through the book building process. The options will vest with the employees equally over a four year period from the grant date.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines') which are applicable to stock option schemes for employees of all listed companies. Biocon, though not listed has followed these guidelines for accounting of ESOP costs [Refer Note 2(a)]. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of the grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. For basic EPS purposes, the shares outstanding including the options exercised by the employees have been considered [Refer Note 2(m)]. For diluted EPS purpose, the shares, which are not yet eligible for exercise, have also been considered as outstanding to the extent these shares are diluted. The loan granted to the ESOP trust has been presented as a separate component of shareholders' funds.

The Trust had 5,402,189 (2004 -- 6,181,186) equity shares of Rs 5 each as at March 31, 2005 and a summary of the activity of the Trust is as follows:

Particulars	Exercise Price	2005	2004
Opening balance of equity shares not granted to employees and available with the Trust	Rs. 5 each	3,082,240	3,398,402
Add: Acquired by the Trust		-	122,438
Less: Options granted during the year		-	64,100
Add: Options cancelled and lapsed		56,092	125,500
Closing balance of shares not granted to employees and available with the Trust		3,138,332	3,082,240
Options granted and exercised at year end		1,620,911	841,914
Options granted and eligible for exercise at year end		97,952	844,975
Options granted but not eligible for exercise at year end		2,165,905	2,253,971
Total employee stock compensation cost as at year end		**94,129**	**94,788**
Vesting period of options			
-- Primarily progressively over four years			
Employee stock compensation expense			
-- Amortised during the year		**23,396**	**19,934**

The estimated fair values of the equity shares have been determined by management on the dates of the grants for ESOP 2000 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the price determined for the IPO through the book building process for the options granted on March 19, 2004. Accordingly no compensation cost has been recorded, as the exercise price equals the fair value of the shares on the date of the IPO.

21. Reconciliation of basic and diluted shares used in computing earning per share

	2005	2004
Basic weighted average shares outstanding	94,597,811	84,691,111
Add: Effect of dilutive shares not eligible for exercise under ESOP	2,263,857	2,253,971
Weighted average shares outstanding and potential shares outstanding	96,861,668	86,945,082

22. Current taxes

The current tax charge of Rs 128,341 (2004 -- Rs 196,716) is based on the earnings for the year ended March 31, 2005, net of write backs.

23. Related party transactions

Sl No	Name of the related party	Relationship	Description	April 1, 2004 to March 31, 2005	Balance as at March 31, 2005 (Payable)/receivable	April 1, 2003 to March 31, 2004	Balance as at March 31, 2004 (Payable)/receivable
1	Kiran Mazumdar Shaw	Managing Director	Rent expense	-	-	720	-
			Lease deposit paid/(received)	-	-	(9,600)	-
			Salary and perquisites	10,261	(4,596)	10,859	(93)
			Land purchased	-	-	24,926	-
2	JMM Shaw	Director	Salary and perquisites	9,593	-	9,732	-
3	Biocon India Limited Employee Welfare Trust	ESOP Trust	Administration of the ESOP plan				
			Loan to the Trust/(repaid)	(1,259)	-	(155)	1,259

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24. Provisions	Balance as at April 1, 2004	Additions during the year	Amounts paid during the year	Balance as at March 31, 2005
Particulars				
Leave encashment	33,653	15,605	-	49,258
Gratuity	-	22,334	-	22,334
Proposed dividend	100,000	200,000	99,748	200,252
Tax on proposed dividend	12,813	28,050	12,813	28,050
	146,466	265,989	112,561	299,894

25. Commitments	2005	2004
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	1,367,825	1,320,425
(b) Operating lease commitments		
(i) Rent : Land The Company had entered into a lease agreement for land. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs Nil (2004 -- Rs 720). The Company has, on December 23, 2003 acquired the land and there are no committed lease rentals in future towards the lease of such land.		
(ii) Rent : Office space Clinigene has entered into a lease agreement which expires in 2008. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 480 (2004 -- Rs 120). The committed lease rental in the future are:		
Not later than one year	480	570
Later than one year and not later than five years	1,710	2,250
(iii) Vehicles : The Group has taken vehicles for certain employees under operating leases, which expire in March 2009. Gross rental expenses for the year ended March 31, 2005 aggregated to Rs 6,450 (2004 -- Rs 1,814). The committed lease rental in the future are:		
Not later than one year	5,430	1,833
Later than one year and not later than five years	11,726	4,170
26. Contingent liabilities		
(a) Taxation matters under appeal	9,895	7,631
(b) Corporate guarantees		
(i) Corporate guarantee given by Biocon in favour of CED in respect of certain performance obligations of Syngene.	217,500	80,000
(ii) Corporate guarantee given by Syngene in favour of CED in respect of certain performance obligations of Biocon.	315,000	165,000
The Group is informed that the necessary terms and conditions have been complied with and no liability has arisen.	532,500	245,000
(c) Corporate guarantees given in favour of the CED in respect of certain performance obligations of BBPL. The Company has informed that the necessary terms and conditions have been complied with and no liability has arisen	46,239	-
(d) Claims against the Group not acknowledged as debts	2,181	2,170
(e) The Company has provided a letter of committment to fund the operations of its wholly owned subsidiary Clinigene.		
27. Details of utilisation of proceeds raised through public issue during the year		
Capital work-in-progress [Note 1(a)]	1,325,643	-
Current investments -- Liquid money market mutual funds [Refer Note 10]	1,824,357	-
	3,150,000	-

28. Segmental information

Business segments

The primary reporting of the Group has been performed on the basis of business segment. The Group is organised into three business segments, enzymes, active pharmaceutical ingredients ('Pharma') and contract research services. Segments have been identified and reported based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems.

April 1, 2004 to March 31, 2005

Particulars	Enzyme	Pharma	Contract Research	Joint Venture	Unallocated	Eliminations	Total
Revenues							
External sales	896,814	5,566,810	662,040	-	-	-	7,125,664
Inter-segment transfers	84,128	-	-	-	-	(84,128)	-
Total revenues	980,942	5,566,810	662,040	-	-	(84,128)	7,125,664
Costs							
Segment costs	(505,705)	(3,407,711)	(336,158)	-	(36,354)	-	(4,285,928)
Inter-segment transfers	-	(84,128)	-	-	-	84,128	-
Result							
Segment result	475,237	2,074,971	325,882	-	(36,354)	-	2,839,736
Corporate expenses	-	-	-	(20,569)	(580,584)	-	(601,154)
Other income	-	-	-	-	153,704	-	153,704
Interest income	-	-	-	-	2,543	-	2,543
Operating profit							2,394,829
Depreciation	(26,386)	(105,274)	(42,484)	(31)	(49,270)	-	(223,445)
Interest expense	-	-	(342)	(8)	(19,932)	-	(20,282)
Income taxes - Current and deferred	-	-	-	-	(186,067)	-	(186,067)
Minority Interest	-	-	-	-	10,414	-	10,414
Net profit							1,975,449
Other information							
Segment assets	636,117	6,519,171	851,700	139,019	-	-	8,146,007
Unallocated corporate assets	-	-	-	-	2,753,025	-	2,753,025
Total assets							10,899,032
Segment liabilities	132,476	1,917,232	213,895	18,596	-	-	2,282,199
Unallocated corporate liabilities					1,202,805		1,202,805
Total liabilities							3,485,004
Capital expenditure	18,917	568,327	364,594	-	202,530	-	1,154,368

April 1, 2003 to March 31, 2004

Particulars	Enzyme	Pharma	Contract Research	Joint Venture	Unallocated	Eliminations	Total
Revenues							
External sales	665,164	4,353,660	387,586	-	-	-	5,406,410
Inter-segment transfers	35,832	-	-	-	-	(35,832)	-
Total revenues	700,996	4,353,660	387,586	-	-	(35,832)	5,406,410
Costs							
Segment costs	(419,478)	(2,544,440)	(224,534)	-	-	-	(3,188,452)
Inter-segment transfers	-	(35,832)	-	-	-	35,832	-
Result							
Segment result	281,518	1,773,388	163,052	-	-	-	2,217,958
Corporate expenses	-	-	-	(1,561)	(433,429)	-	(434,990)
Other income	-	-	-	-	11,387	-	11,387
Interest income	-	-	-	-	1,275	-	1,275
Operating profit							1,795,630
Depreciation	(18,602)	(62,570)	(23,452)	(15)	(58,189)	-	(162,828)
Interest expense	-	(7,843)	(412)	(70)	(7,766)	-	(16,091)
Income taxes - Current and deferred	-	-	-	-	(230,339)	-	(230,339)
Minority Interest	-	-	-	-	(10)	-	(10)
Net profit							1,386,362
Other information							
Segment assets	508,741	3,110,415	468,651	14,042	-	-	4,101,849
Unallocated corporate assets	-	-	-	-	3,760,200	-	3,760,200
Total assets							7,862,049
Segment liabilities	77,843	836,273	132,922	-	-	-	1,047,038
Unallocated corporate liabilities	-	-	-	-	1,185,647		1,185,647
Total liabilities							2,232,685
Capital expenditure	19,858	22,457	21,697	47	351,165	-	415,224

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The operations of the Group comprise export sales and contract research fees contributing to approximately 54 per cent (2004 -- 63 per cent). The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Group's sale by geographical markets

Revenues, net	**2005**	**2004**
India	2,710,718	2,011,094
Exports (on FOB basis)	4,414,946	3,395,315
Total	7,125,664	5,406,409

Assets and additions to fixed assets by geographical area - The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

Carrying amount of segment assets	**2005**	**2004**
India	9,963,442	7,200,803
Outside India	935,590	661,246
Total	10,899,032	7,862,049

Carrying amount of segment assets outside India represents receivables from export sales.

Segment revenue and result

The expenses that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocated corporate expenses.

Inter-segment transfers

Segment revenue, segment costs and results include transfers between business segments. Such transfers have been made at cost. The inter-segment transfers have been eliminated on consolidation of the segments.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, investments and current assets Segment liabilities comprise of loan funds which can be identified directly against the respective segments and includes segment current liabilities and provisions. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

29. Prior year comparatives

The previous year's figures have been re-grouped, where necessary to conform to current year's classification.

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

Prashant Singhal
Partner
Membership No: 93283

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Bangalore
April 20, 2005

Murali Krishnan K N
President - Group Finance

Bangalore
April 20, 2005

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Biocon Limited and Subsidiaries US GAAP

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of Biocon Limited:

We have audited the accompanying consolidated balance sheets of Biocon Limited (the "Company") as of March 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2005 and 2004 and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Ernst & Young

Bangalore, India
April 20, 2005

BIOCON LIMITED

CONSOLIDATED BALANCE SHEET

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

	March 31, 2005 In US$	March 31, 2005 In Rs.	March 31, 2004 In Rs.
ASSETS			
Current assets			
Cash and cash equivalents	453	19,780	15,139
Investments in marketable securities	49,794	2,172,018	221,414
Restricted time deposits	229	10,000	3,154,203
Trade receivables, net	41,827	1,824,469	1,188,421
Employee receivables	125	5,425	6,263
Inventories	16,918	737,964	856,558
Deferred Income tax asset	428	18,680	14,557
Prepaid expenses and other current assets	2,893	126,176	203,713
Total current assets	**112,667**	**4,914,512**	**5,660,268**
Goodwill	505	22,002	22,002
Property, plant and equipment, net	128,612	5,610,068	2,140,685
Other invetsments	4,114	179,441	-
Loan to Joint Venture company	2,352	102,565	-
Employee receivables	292	12,755	15,731
Other assets	557	24,313	1,644
TOTAL ASSETS	**249,099**	**10,865,656**	**7,840,330**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	47,232	2,060,282	1,199,889
Advance from customers	1,571	68,516	36,699
Short term borrowings	11,470	500,319	475,030
Accrued employee benefits	1,930	84,209	35,844
Income taxes payable	273	11,901	3,599
Other current liabilities	5	201	224
Total current liabilities	**62,481**	**2,725,428**	**1,751,285**
Deferred income taxes, net	7,851	342,451	219,239
Deferred sales taxes liability	6,193	270,136	174,657
Total liabilities	**76,525**	**3,338,015**	**2,145,181**
Stockholders' equity			
Common stock, (Rs 5 par value;120,000,000 equity shares authorised: 100,000,000 equity shares issued and outstanding)	11,463	500,000	500,000
Additional paid-in capital	76,928	3,355,602	3,356,261
Deferred compensation cost	(388)	(16,935)	(40,990)
Loan to trust	-	-	(1,259)
Other comprehensive income	42	1,821	-
Retained earnings	84,529	3,687,153	1,881,137
Total shareholders' equity	**172,574**	**7,527,641**	**5,695,149**
Total Liabilities and stockholders' equity	**249,099**	**10,865,656**	**7,840,330**

See accompanying notes

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Bangalore
April 20, 2005

BIOCON LIMITED

CONSOLIDATED STATEMENT OF INCOME

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

	March 31, 2005 In US$	March 31, 2005 In Rs.	March 31, 2004 In Rs.
REVENUES			
Sale of products, net of excise duty of Rs 378,423 (2004 - Rs 290,284) and sales tax of Rs 131,578 (2004 - Rs 90,374)	148,180	6,463,624	5,018,824
Contract research services	15,178	662,040	387,585
	163,358	**7,125,664**	**5,406,409**
Cost of revenues			
Cost of products sold	89,716	3,913,416	2,963,917
Cost of contract research services	7,707	336,158	229,151
Gross profit	**65,935**	**2,876,090**	**2,213,341**
Research and development expenses	3,362	146,632	132,065
Selling, general and administrative expenses	10,915	476,117	373,956
Depreciation	5,048	220,196	158,648
INCOME FROM OPERATIONS	**46,610**	**2,033,145**	**1,548,672**
Interest expense	465	20,282	16,091
Interest income	(58)	(2,543)	(1,275)
Other income, net	(3,221)	(140,519)	(11,473)
Foreign exchange gain	(725)	(31,618)	(74,082)
Share of losses in Joint Venture	488	21,284	3,227
INCOME BEFORE INCOME TAXES	**49,661**	**2,166,259**	**1,616,184**
Provision for income tax, net	5,672	247,429	264,437
NET INCOME	**43,989**	**1,918,830**	**1,351,747**
Earnings per share			
Basic	0.46	20.26	15.96
Diluted	0.46	19.86	15.55
Weighted average number of common shares used in computing earnings per share			
Earnings per share			
Basic	94,695,763	94,695,763	84,691,111
Diluted	96,621,084	96,621,084	86,945,082

See accompanying notes

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

Bangalore
April 20, 2005

BIOCON LIMITED

CONSOLIDATED STATEMENTS OF STOCK HOLDERS' EQUITY

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

	Common Stock							Indian Rupees
	No. of Shares	Par Value	Additional paid-in capital	Deferred compensation cost	Loan to Trust	Other comprehensive income	Retained earnings	Total stockholders' equity
Balance as of March 31, 2003	90,000	18,377	375,540	(31,427)	(1,414)	-	961,013	1,322,089
Repayment of loan by Trust	-	-	-	-	155	-	-	155
Cancellation/forfeiture of stock option grants	-	-	(2,618)	2,618	-	-	-	-
Compensation related to stock option grants	-	-	34,750	(32,115)	-	-	-	2,635
Amortisation of compensation costs	-	-	-	9,934	-	-	-	19,934
Bonus shares issued	-	431,623	-	-	-	-	(431,624)	(1)
Common stock issued for cash	10,000	50,000	3,100,000	-	-	-	-	3,150,000
IPO related expenses	-	-	(151,411)	-	-		-	(151,411)
Comprehensive income								
Net income for the year	-	-	-	-	-	-	1,351,747	1,351,747
Comprehensive income								1,351,747
Balance as of March 31, 2004	100,000	500,000	3,356,261	(40,990)	(1,259)	-	1,881,136	5,695,148
	-	-	-	-	-	-	-	-
Repayment of loan by Trust	-	-	-	-	1,259	-	-	1,259
Forfeiture of stock option grants	-	-	(659)	659	-	-	-	-
Amortisation of compensation costs	-	-	-	23,396	-	-	-	23,396
Comprehensive income								
Net income for the year	-	-	-	-	-	-	1,918,830	1,918,830
Unrealised gain on securities available for sale	-	-	-	-	-	1,821	-	1,821
Dividends paid (including dividend tax)	-	-	-	-	-	-	(112,813)	(112,813)
Comprehensive income								1,807,838
Balance as of March 31, 2005	100,000	500,000	3,355,602	(16,935)	-	1,821	3,687,153	7,527,641
								US $
Balance as of March 31, 2005	100,000	11,463	76,928	(388)	-	42	84,529	172,574

See accompanying notes

Kiran Mazumdar Shaw
Managing Director

Bangalore
April 20, 2005

JMM Shaw
Director

BIOCON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	March 31, 2005 In US$	March 31, 2005 In Rs.	March 31, 2004 In Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	43,990	1,918,830	1,351,747
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,048	220,196	158,648
Amortisation of employee compensation cost	536	23,396	19,934
Shares issued to non-employees	-	-	2,635
Provision for doubtful receivables	29	1,250	11,348
Gain on assets sold	-	-	(571)
Gain on sale of investment	(53)	(2,296)	(100)
Dividened on mutual fund units	(2,769)	(120,800)	(5,852)
Deferred tax assets and liabilities	2,730	119,089	67,722
	49,510	**2,159,665**	**1,605,511**
Changes in assets and liabilities:			
Trade receivables	(14,663)	(639,621)	(469,193)
Employee receivables	87	3,815	(660)
Inventories	2,719	118,595	(377,503)
Prepaid expenses and other assets	1,258	54,868	(85,281)
Dues from related parties	-	-	9,600
Current liabilities and non current liabilities	253	11,021	578,467
Net cash provided by operating activities	39,164	1,708,343	1,260,941
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in marketable securities	(324,415)	(14,150,992)	(539,434)
Sale of marketable securities	279,791	12,204,505	368,120
Investment in time deposits	-	-	5,000
Purchase of other investments	(4,114)	(179,441)	-
Dividend on mutual funds	2,769	120,800	5,852
Investment in restricted time deposits	72,082	3,144,203	(3,134,203)
Purchase of property and equipment	(62,952)	(2,745,936)	(912,949)
Sale of property and equipment	-	-	1,505
Net cash (used in) investing activities	(36,839)	(1,606,861)	(4,206,109)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital	-	-	3,150,000
Share issue expenses	-	-	(151,411)
(Loan)/repayment to/by Trust	29	1,259	155
Loan to Joint Venture company	(2,351)	(102,565)	
Receipt of short-term borrowings from banks	565	24,625	219,506
Repayment of long term debt	(1)	(24)	(337,549)
Receipt of long term debt	-	-	32,000
Deferred sales tax credit	2,189	95,479	71,112
Dividends and dividend tax paid	(2,586)	(112,813)	-
Net cash provided by financing activities	(2,155)	(94,039)	2,983,813
Net change in cash and cash equivalents	170	7,443	38,645
Effect of gain on exchange rate change on cash and cash equivalents	(64)	(2,802)	(24,844)
Cash and cash equivalents at the beginning of the year	347	15,139	1,338
Cash and cash equivalents at the end of the year	**453**	**19,780**	**15,139**
SUPPLEMENTARY DISCLOSURE FOR CASH ACTIVITIES			
Cash paid for interest	482	21,024	38,235
Cash paid for income taxes	1449	63,207	197,424

See accompanying notes

Kiran Mazumdar Shaw
Managing Director

JMM Shaw
Director

April 20, 2004
Bangalore

BIOCON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

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

1. Company overview and description of business

1.1 Incorporation and history

Biocon Limited ('Biocon' or 'the Company') was incorporated in 1978 under the laws of India and controlled by Ms Kiran Mazumdar Shaw ("KMZ"), along with her husband Mr John M M Shaw ("JMM") and her brother Mr Ravi Mazumdar ("RM") directly and through Glentec International Limited ("Glentec"), a company incorporated under the laws of Mauritius and controlled by the above persons. KMZ, JMM, RM and Glentec are collectively hereinafter referred to as "the Control Group" . The Company has its registered office at 20th KM, Hosur Road, Electronic City PO, Bangalore, India.

In March 2004, the Company completed an Initial Public Offering ("IPO") and issued 10,000,000 equity shares of Rs 5 each at a price of Rs 315 per equity share and listed on the National Stock Exchange of India and the The Stock Exchange, Mumbai, India.

As of March 31, 2005, the Company has a controlling interest in the following entities:

• Syngene International Private Limited ("Syngene"), a 99.99 per cent owned subsidiary company incorporated in November 1993 under the laws of India.

• Clinigene International Private Limited ("Clinigene"), a 100 per cent owned subsidiary company incorporated in August 2000 under the laws of India.

Biocon entered into an Agreement on February 22, 2002 to set up a Joint Venture Company, Biocon Biopharmaceuticals Private Limited ("BBPL") with CIMAB SA ("CIMAB"), a company organised and existing under the laws of Cuba and engaged in research, development, manufacturing and marketing of biopharmaceuticals, manufacture and market products using CIMAB technology and to carry out research activities. Biocon holds 51% of BBPL`s equity. Biocon and CIMAB have equal participation rights, in the operations of BBPL, therefore the investment in the joint venture BBPL has been accounted based on the equity method. BBPL has not yet commenced revenue-generating operations. Biocon is responsible for financing of the capital expenditure requirements of BBPL. It is expected that the joint venture partner will provide their share of the capital invested by Biocon in the form of technology and design transfers.

Biocon, together with its subsidiaries, Syngene and Clinigene are hereinafter collectively referred to as "the Group".

1.2 Operations

The Group's principal areas of operations are as follows:

Pharmaceuticals

The pharmaceuticals business comprises the manufacture and development of bulk drugs, with focus on products involving fermentation and/or synthetic conversion. The pharmaceuticals business primarily seeks to leverage from the expiry of product patents for Simvastatin, Lovastatin, Atorvastatin and Pravastatin ("Statins") that expire between 2001 and 2009, through research capabilities and fermentation and synthetic chemistry skills that have been developed over the years within the Group.

Enzymes

The enzymes business comprises the development, manufacture and sale of single component enzymes, proprietary formulations and enzyme systems to cater to the demand of a number of diverse industries including food and beverages, textiles, starch, brewing, distilling etc.

Contract research

The Group provides contract research services to overseas and domestic customers and is primarily engaged in the following areas of such research:

• Molecular biology;
• Synthetic chemistry;
• Bio informatics; and
• Clinical research on well-defined and characterised patients suffering from chronic diseases such as, diabetes, osteoporosis, asthma etc.

2. Significant Accounting Policies

2.1. Principles of consolidation

The Group accounts for investments in the joint venture, BBPL by the equity method of accounting as its joint venture partner has participating rights over the operating and financing policies of BBPL. The Group has recognised the entire accumulated loss of BBPL, amounting to Rs 26,140 and Rs 3,227 as at March 31, 2005 and 2004, respectively, in these consolidated financial statements as it is entirely responsible for funding the operating cash flow requirements. The carrying value of the investment in BBPL was Rs Nil and Rs 430 as at March 31, 2005 and 2004, respectively.

2.2. Basis of presentation

(a) The accompanying consolidated financial statements of the Group are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") to reflect the consolidated financial position and the consolidated results of operations of the Group. All material transactions and balances between the Group entities have been eliminated.

(b) For the convenience of readers, the balance sheet as of March 31, 2005 and the statement of income for the year then ended have been translated into United States Dollars ('US$') using the Federal Reserve Bank of New York's noon buying rate as confirmed by Hong Kong and Shanghai Banking Corporation ('HSBC') as of March 31, 2005 which was 1US$ = Rs 43.62. The convenience translation should not be construed as a representation that the Rs amounts or the US$ amounts referred to in these financial statements have been, could have been, or could in the future be, converted into US$ or Rs, as the case may be, at this or at any other rate of exchange, or at all.

(c) The company had the following stock bonus / stock split through March 31, 2005:

Bonus / Stock Split	Date	Ratio
Bonus	November 11, 2003	1:23.49
Stock split	November 11, 2003	1:2
Stock split	March 30, 2002	1:10

Accordingly all shares and per share amounts both recorded and disclosed herein have been, respectively, adjusted.

(d) The Group also separately prepares its consolidated financial statements for the same period in accordance with accounting principles generally accepted in India ("Indian GAAP"). The principle differences between Indian GAAP and US GAAP relate to the treatment of certain deferred tax items, the method of charging depreciation, accruing for vacation pay and gratuity and the accounting for joint venture.

(e) Certain reclassifications have been made to conform prior period data to the current presentation. These reclassifications had no effect on reported earning.

2.3. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates.

2.4. Foreign currency transactions

Monetary assets and liabilities in foreign currencies are remeasured into functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are remeasured into functional currency at the rates of exchange prevailing at the date of the transaction. All foreign exchange gains and losses are recorded in the consolidated statements of income.

2.5. Revenue recognition

The Group has two revenue streams, the sale of products and contract research services. The respective accounting policies are as follows:

(i)Revenue from sale of products

Revenue is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue is recognised when the following criteria are met:

– Persuasive evidence of an arrangement exists;
– The price to the buyer is fixed and determinable; and
– Collectibility of the sales price is reasonably assured.

Revenue from domestic sales is recognised on despatch of the products to customers, from the factories of the Group. Revenue from export sales is recognised on shipment of products. Revenues do not include shipping and handling charges reimbursed by the customers amounting to Rs 4,970 and Rs 4,161 during the year ended March 31, 2005 and 2004, respectively.

(ii) Contract research revenues
Revenues from contract research services comprise fees received for research activities carried out for customers in the fields of molecular biology and synthetic chemistry. Research activities are based on contracts that specify the nature of activity to be carried out, basis of billings, manner of payments and are typically in the nature of time and material contracts. Revenues are recognised as services are rendered, in accordance with the terms of the contracts.

2.6. Cost of revenues
Cost of products sold comprises costs of direct labour, amortisation of deferred stock compensation, material costs and other direct costs incurred in producing bulk drugs and enzymes but exclude depreciation. Costs of contract research services comprise costs of direct labour, amortisation of deferred stock compensation, material costs and other direct costs related to the Groups' research activities but excludes depreciation.

2.7. Research and development costs
Research and development costs are expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses, are capitalised as property, plant and equipment and depreciated over their economic useful life. Costs of acquired technology/know-how having no alternate use are expensed as incurred.

2.8. Cash and cash equivalents
All highly liquid investments with original maturities of ninety days or less are considered to be cash equivalents.

2.9. Marketable securities
Management determines the appropriate classification of marketable securities at the time of purchase and re-evaluates such designation at each balance sheet date. As of March 31, 2005, all marketable securities were classified as available-for-sale and consisted of units of highly liquid mutual funds whose cost closely approximates the fair market value.

Available-for-sale securities are carried at fair market value and changes in the fair market value are recorded, net of taxes as comprehensive income (loss) and reported in accumulated other comprehensive income (loss), as a separate component of stockholders equity. A decline in the fair market value below original cost is recorded in the income statement when it is considered to be other than temporary.

2.10. Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis for all categories of inventories. Cost in the case of raw materials and packing materials comprises the purchase price and attributable direct costs, less trade discounts. Cost in the case of work-in-progress and finished goods comprises material costs, direct labour, and production overheads.

Inventories are reviewed on a regular basis for identification of slow-moving and obsolete inventory, which are written down in the period of identification and are included in cost of products sold.

2.11. Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Equipment held under capital leases are stated at the present value of minimum lease payments at the inception of the leases. Advances paid towards acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date are classified as capital work-in-progress.

The interest cost incurred for funding an asset during its construction period is capitalised based on the actual investment in the asset and the average cost of funds. The capitalised interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Depreciation is computed using the straight-line method over the estimated useful lives of assets. Depreciation of equipment held under capital leases is computed using the straight-line method over the shorter of the assets' estimated lives and the lease term.

Costs of normal repairs and maintenance are charged to income as incurred. Major replacements or betterment of property, plant and equipment are capitalised. During the year ended March 31, 2005 and 2004 the Group has incurred Rs 94,770 and Rs 84,701, respectively, towards normal repairs and maintenance.

2.12. Impairment of long-lived assets

The Group reviews long-lived assets for impairment, whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The carrying values of long-lived assets are assessed for recoverability by reference to the estimated future undiscounted cash flows associated with them. Where this assessment indicates a deficit, the assets are written down to market value. For assets, which do not have a readily determinable market value, the assets are written down to their estimated market value, calculated by reference to the estimated future discounted cash flows. Assets to be disposed are reported at the lower of the written down value and the fair value, less the cost to sell.

2.13. Goodwill

Goodwill represents the excess of cost over the fair value of net tangible and identifiable intangible assets of acquired businesses. Effective April 1, 2002, the Group adopted Statement of Financial Accounting Standards ("SFAS") No. 142 – 'Goodwill and Intangible Asset'. Under SFAS No. 142, goodwill arising on business combinations consummated after June 30, 2001 will not be amortised to expense, but is instead subjected to a periodic impairment test at least annually.

The impairment test is conducted at the reporting unit level by comparing the fair value of the reporting unit with its carrying value. Fair value is primarily determined by computing the future discounted cash flows expected to be generated by the reporting unit. If the carrying value exceeds the fair value, goodwill may be impaired. If this occurs, the fair value of the reporting unit is then allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. This implied fair value is then compared with the carrying amount of the reporting unit goodwill, and if it were less, an impairment loss would be recognized for the difference.

2.14. Other Investments

Investments in unquoted equity where the Group owns less than 20% of the voting interest and debt securities held to maturity are accounted for at cost. A decline in fair value below original cost is recorded in the income statement when it is considered to be other than temporary.

2.15. Operating leases

Lease rental expenses on operating leases are charged to expense over the lease term on a straight-line basis.

2.16. Employee benefits

In accordance with Indian law, all employees of the Group, are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Group, contribute monthly at a determined rate (currently 12 per cent of the employees' base salary). These contributions are made to the Government Provident Fund.

The Superannuation Plan is a defined contribution pension plan for all employees of the Group. The Group contributes to employees' superannuation fund at 15 per cent of the employee's base salary. The superannuation schemes of the Group are administered by a trust formed for this purpose through the superannuation scheme with Birla Sunlife Insurance Company Limited ('Birla Sunlife').

The Group has no further obligation under the Provident Fund or Superannuation Plan, beyond its contributions. Contributions to defined contribution plans are charged to income in the period in which they accrue.

In accordance with Indian law, the Group provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering all its employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement or on termination of employment of an amount based on the respective employees' salary and the years of employment with the Group. The gratuity plan fund benefits of the Group are administered by a trust formed for this purpose and managed by Birla Sunlife. Gratuity benefit cost for the year is calculated on an actuarial basis. Current service costs for the Gratuity Plan are accrued in the year to which they relate. Actuarial gains or losses or prior service costs, if any, resulting from amendments to the plans are recognised and amortised over the remaining period of service of the employees.

The company's liability towards compensated absences is determined on an actuarial valuation basis for the vacation balance standing to the credit of each employee as at year end.

2.17. Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to each entity in the Group. Deferred income taxes are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carry forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date. Deferred tax assets are recognised subject to a valuation allowance, when it is more likely than not that asset would be realised.

2.18. Comprehensive income

SFAS No. 130, "Reporting Comprehensive Income" establishes rules for the reporting of comprehensive income and its components. Comprehensive income is defined as all changes in equity from non-owner sources. The unrealised gains on marketable securities for the year ended March 31, 2005 for Rs1,821 have been reported as other comprehensive income and that of March 2004 was insignificant, hence have been recorded as a component of operations.

2.19. Stock-based compensation

The Group accounts for stock-based compensation using the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Compensation cost for stock options is 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 is recognised in a graded manner on the basis of weighted period of services. 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.

SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Group has elected its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure", an amendment of SFAS No. 123.

Had compensation cost for the Group's stock based compensation been determined based on the fair value at the grant dates for awards under those plans consistent with the method of FASB Statement 123, the impact on the Group's net income of Rs 1,918,830 and Rs 1,351,747 for the year ended March 31, 2005 and 2004, respectively, would have been immaterial.

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during the year is given in the table below. The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	March 31, 2005	March 31, 2004
Expected dividend yield	20.0 %	0.0 %
Expected volatility	40.0 %	40.0 %
Risk-free interest rate	5.0 %	5.0 %
Expected life	3.0 years	2.5 years

	Fair value (in Rs)
ESOP 2000 – Grant 1 in April 2002	18.58
ESOP 2000 – Grant 2 in January 2004	226.57
ESOP 2004 – Grant 1 in March 2004	18.23

2.20. Derivative instruments and hedging activities

During the current year the Group entered into forward foreign exchange contracts where the counter party is a bank. The Group purchases forward foreign exchange contracts to mitigate the risks of change in foreign exchange rate on accounts receivable denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS 133 as amended. As per SFAS 133, the changes in the fair value of derivatives that are either not designated as a hedge or is so designated but ineffective, is recognized in the income statement. The amount of open foreign currency contracts as of March 31, 2005 is US$ 12,000, which expires over the next three months. The Group has recorded Rs 5.3 million as forward foreign exchange gain for the year ended March 31, 2005.

2.21. Earnings per share

Basic earning per share is computed by dividing the net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the weighted average of common and dilutive common equivalent shares outstanding during the year, using the treasury stock method for shares which have been granted to employees pursuant to the Employees Stock Option Purchase adopted by the Group, except where the result would be anti-dilutive.

2.22. Recent accounting pronouncements

In September 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position ('FSP') Emerging Issues Task Force (EITF) Issue 03-1-1, Effective Date of Paragraphs 10–20 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments", which delays the effective date for the recognition and measurement guidance in EITF Issue No. 03-1. In addition, the FASB has issued a proposed FSP to consider whether further application guidance is necessary for securities analyzed for impairment under EITF Issue No. 03-1. The Group believes that the adoption of FSP will not have a material impact on Group's financial statements.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Non-monetary Assets, which eliminates the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS No. 153 will be effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Group believes that the adoption of SFAS No. 153 will not have a material impact on Group's financial statements.

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment, which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. This standard requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This eliminates the exception to account for such awards using the intrinsic method previously allowable under APB Opinion No. 25. SFAS No. 123(R) will be effective for interim or annual reporting periods beginning on or after June 15, 2005. The Group continues to assess the potential impact that the adoption of SFAS No. 123(R) could have on its financial statements.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB NO. 43, chapter 4 (SFAS 151). SFAS 151 amends ARB 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) be recognized as current period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect to have a material impact on the Company's financial statements upon adoption.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances available in current accounts.

	March 31, 2005 in US$	March 31, 2005 in Rs.	March 31, 2004 in Rs.
Cash on hand	30	1,447	506
Bank balances	423	18,333	14,633
	453	19,780	15,139

4. Restricted and Other Time Deposits

Restricted time deposits as at March 31, 2005 include Rs 10,000 and Rs 22,000 as at March 31, 2005 and 2004, respectively, maturing over the next 2 to 5 months. These deposits are used as a lien executed for availing an overdraft facility of Rs 10,000 and Rs 22,000 during the year ended March 31, 2005 and 2004, respectively, to finance working capital, repayable on demand, carrying an interest rate of 2 per cent above the time deposit rate, per annum. The Group has utilised the facility during the year and the overdrawn balances as of March 31, 2005 and March 31, 2004 aggregate Rs Nil and Rs 17,797, respectively. Restricted time deposits also include a deposit of unutilized IPO funds aggregating Rs 3,150,000 as at March 31, 2004, which matured by April 14, 2004. As at March 31, 2005, these funds have been invested in certain mutual fund units and are disclosed as current investments [See Note 5].

5. Marketable Securities, Available for Sale

	March 31, 2005 Cost In Rs.	March 31, 2005 Fair value In Rs.	March 31, 2004 Cost In Rs.	March 31, 2004 Fair value In Rs.
JM Mutual Fund	-	-	45,000	45,000
LIC Mutual Fund	31,553	31,896	30,480	30,563
TATA Mutual Fund	-	-	15,252	15,252
Reliance Fixed Term Scheme	-	-	50,179	50,178
Reliance Mutual Fund	26,150	26,186	15,259	15,252
HSBC Mutual Fund	137,856	137,856	19,973	19,976
HDFC Cash Management Fund	-	-	10,008	10,007
Alliance Mutual Fund	21,019	21,023	20,188	20,186
Grindlays Fixed Term Scheme	-	-	15,000	15,000
Grindlays Liquid Plan	15,608	15,623	-	-
JM Mutual Fund Liquid Plan	72,629	72,637	-	-
CanLiquid Fund	41,025	41,025	-	-
Alliance Cash Manager	41,698	41,698	-	-
ABN Amro Liquid Fund	50,124	50,124	-	-
Can Liquid Fund	52,488	52,488	-	-
Grindlays Cash Fund	104,007	104,040	-	-
HSBC Cash Fund	200,090	200,329	-	-
ING Vysya Liquid Fund	52,220	52,253	-	-
Kotak Mutual Fund	305,724	305,880	-	-
LIC Liquid Fund	87,085	87,592	-	-
Prudential ICICI Liquid Plan	269,313	269,313	-	-
Principal Cash Management Fund	115,862	115,862	-	-
Reliance Liquid Fund	498,831	498,889	-	-
TATA Liquid Fund	46,915	47,304	-	-
	Rs 2,170,197	Rs 2,172,018	Rs 221,339	Rs 221,414
	$ 49,752	$ 49,794	$ 5,100	$ 5,102

These are highly liquid mutual funds where the cost approximates the fair market value. The gross realized gains in the form of dividend on marketable securities for the year ended March 31, 2005 and 2004 amounting to Rs 120,800 and Rs 5,852, respectively, has been included as a part of Other Income, unrealised gain of Rs 1,821 and Rs Nil for the year ended March 31, 2005 and 2004, respectively, has been included in Stock holder's equity as part of other comprehensive income.

6. Trade Receivables, Net

	March 31, 2005 In US$	March 31, 2005 In Rs.	March 31, 2004 In Rs.
Trade receivables	42,221	1,841,676	1,204,378
Less: Provision for doubtful receivables	394	17,207	15,957
	41,827	**1,824,469**	**1,188,421**

During the year ended March 31, 2005 and 2004 the Group had written off Rs 200 and Rs 5,660, respectively, being irrecoverable amounts from identified customers. The net provision for doubtful receivables of Rs 1,250 and Rs 11,348 made during the year ended March 31, 2005 and 2004, respectively, has been made on the basis of specific customer identification.

7. Inventories

	March 31, 2005 In US$	March 31, 2005 In Rs.	March 31, 2004 In Rs.
Raw materials	7,668	34,471	458,975
Goods-in-transit and in bond	370	16,119	42,627
Packing materials	97	4,242	2,244
Work-in-progress	8,262	360,403	335,329
Finished goods	521	22,729	17,383
	16,918	**737,964**	**856,558**

During the year ended March 31, 2005 and 2004, the Group has written off Rs Nil and Rs 14,525, respectively, towards identified obsolete and slow moving inventory.

8. Goodwill

The following table presents the changes in goodwill during the year ended March 31, 2005 and 2004:

	Amount In US$	Amount In Rs.
Balance as at April 1, 2004	505	22,202
Acquired during the year	-	-
Balance as at March 31, 2004	505	22,202
Acquired during the year	-	-
Balance as at March 31, 2005	505	22,202

9. Property, Plant and Equipment, Net

	Estimated useful life (In Years)	March 31 2005 In US$	2005 In Rs.	2004 In Rs.
Land		962	41,951	41,951
Advance paid towards acquisition of Land		4,123	179,843	169,812
Buildings	25	11,875	517,981	346,073
Plant, machinery and equipment	3 – 11	49,175	2,145,014	1,287,727
Research and development equipment	9	7,085	309,061	209,161
Furniture and fixtures	6	1,292	56,341	45,225
Vehicles	6	260	11,352	7,159
Capital work-in-progress		71,238	3,107,415	572,302
		146,010	6,368,958	2,679,410
Accumulated depreciation		(17,398)	(758,890)	(538,725)
Property, plant and equipment, net		**128,612**	**5,610,068**	**2,140,685**

During the year ended March 31 2005 and 2004, the Group has capitalised borrowing costs identifiable to property, plant and equipment of Rs Nil and Rs 7,087, respectively.

On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating 26.75 acres to the Company for Rs 64,200 on a lease-cum sale basis for a period of 6 years. Further, during the year ended March 31, 2004, the Company was allotted an additional 41.25 acres of land for Rs 99,417 from KIADB. The same is reflected at the current allotment rate, the final amount to be determined by KIADB on the completion of six years on fulfillment of certain conditions.

The Company is required to comply with conditions as defined, which include a condition to commence commercial operations within 24 months of possession ie December 2002. The company's subsidiary Syngene has commenced operations of its contract research service at this location beginning October 21, 2004 and the company expects to commence operations of it s new fermentation facility during the year ended March 31, 2006

Capital work in progress includes capital advances of Rs 56,120 and Rs 106,299 as on March 31, 2005 and 2004, respectively.

10. Other Investments

Other investments comprise:

	March 31 2005 In US$	2005 In Rs.	2004 In Rs.
Equity securities – Unquoted			
Nobex Corporation, USA	1,046	45,640	-
	1,046	**45,640**	-
Held to maturity debt securities			
Vaccinex Inc., USA- Series B1 Preferred stock	1,034	45,100	-
Vaccinex Inc.,- 3% Convertible Promissory Note	1,026	44,735	-
Nobex Corporation, USA – 3% Convertible Promissory Note	1,008	43,966	-
	3,068	**133,801**	-
	4,114	**179,441**	-

Nobex Corporation, USA ("Nobex"):

Nobex has technology related to Oral insulin product and this technology will be used by the Company to develop the technology further and for commercialization. The Company has entered into an 'Investment Agreement' with Nobex on October 20, 2004 to invest an amount of US$ 3.3 million (US$ 1 million in Common Stock and US$ 2.3 million in Convertible Promissory Notes). Further the Company has entered into a 'Oral Insulin Joint Product Development Agreement' for development and commercialization of the Oral Insulin Product. In addition, Biocon will get the warrants of US$ 4.4 million convertible into 3.3 million worth of common stock.

The Company has ownership interest of 4.4% as of March 31, 2005. The investment in the promissory note will be of 5 years term from the date of issue and are convertible into common stock at the option of the Company or the investee. In addition to above, the Company has received the warrant entitling it to subscribe for 1.33 million common stock at an exercise price of US$ 0.75 each.

Vaccinex Inc., USA ("Vaccinex"):

Vaccinex has proprietary technology for the discovery of human therapeutic monoclonal antibodies, which will be used by the Company and Vaccinex to develop the technology further and commercialize it. The Company has entered into a 'Securities Purchase Agreement' with Vaccinex on November 3, 2004 to invest an amount of US$ 4 million (US$ 1 million in Series B1 Convertible Preferred Stock and US$ 3 million in Series B Convertible Promissory Notes). Further the Company has entered into a 'Research and Collaboration Agreement' to discover, develop, and commercialize human therapeutic monoclonal antibodies.

The Company does not have any ownership interest in Vaccinex as at March 31, 2005. The investment in the preferred stock is convertible into common stock at the option of the Company and investment in Promissory Note will mature on October 31, 2009 or is convertible into Series B 1 Preferred stock at the option of either the Company or investee after a certain date.

11. Financial Instruments

11.1. Fair value of financial instruments

The fair values of the Group's current assets and current liabilities (exclusive of related party amounts discussed below) approximate their carrying values because of their short maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.

Long-term employee receivables are loans given to employees to acquire assets such as property and vehicles. Such loans are repayable over fixed periods ranging from three to eight years and are interest-free in nature. The fair value, determined using market rate of interest, for loans to employees of Rs 12,755 and Rs 15,731 as on March 31, 2005 and 2004 is Rs 10,219 and Rs 12,834, respectively.

The Group pays interest on long term loans at a rate, which closely approximates the market rate and hence, the fair value of the long-term loan closely approximates its carrying value in the financial statements. During the year ended March 31, 2005, the Company has repaid all its long term loans.

As more fully discussed in Note 16, deferred sales taxes liability represents deferment of the sales tax liability of the Company for a period of 8 to 12 years. These amounts are interest free in nature and are repayable over a 5 year term after the end of the deferment period. The fair value, of the amount of deferred sales tax, carried in the financial statements at Rs 270,136 and Rs 174,657 as on March 31, 2005 and 2004, respectively, determined using market rates of interest is Rs 140,019 and Rs 95,623 as on March 31, 2005 and 2004, respectively.

11.2. Concentration of credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash equivalents, marketable securities, time deposits, restricted time deposits and trade receivables. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties.

The Group's cash and cash equivalents and time deposits are invested with banks with high investment grade credit ratings. As of March 31, 2005, 93 per cent of cash and cash equivalents were placed with a bank. As of March 31, 2005, 100 per cent of the restricted time deposits were placed with the bank. To reduce credit risk, investments are made in a diversified portfolio of mutual funds, as described in Note 5, which are periodically reviewed.

Trade receivables are typically unsecured and are derived from revenues earned from customers. The Group monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business. The Company has a customer in China and Canada who individually accounted for 5% and 3% per cent of the trade receivables, respectively and 16% and 6% per cent, respectively, of the total sale of products during the year ended March 31, 2005.

In management's opinion, as of March 31, 2005, there was no significant risk of non-performance of the counter parties to these financial instruments, other than the amounts already provided for in the financial statements.

12.Short Term Borrowings

Short term borrowings from bank comprises of:

	March 31		
	2005 In US$	**2005 In Rs.**	**2004 In Rs.**
Cash credit and packing credit	11,309	493,279	472,231
Balance in current account	161	7,040	2,799
	11,470	500,319	475,030

The cash credit and packing credit borrowings are repayable on demand and carry an interest rate of 2 to 4 percent per annum for foreign currency denominated loans and 5 to 15 percent for rupee loans, and secured by pari-passu first charge on current assets of the Company except for the loan from ABN Amro Bank which is secured by pari passu second charge on the fixed assets of the Company.

Details of cash credit and packing credit:

	March 31	
		2004
	In Rs.	In Rs.
State Bank of India		
Fund and non- fund based working capital facilities	200,000	130,000
Total utilization	41,567	-
Utilisation of foreign currency denominated loans out of above	41,245	-
Hongkong and Shanghai Banking Corporation		
Fund and non- fund based working capital facilities	545,000	405,000
Total utilization	305,340	95,480
Utilisation of foreign currency denominated loans out of above	305,340	95,480
Canara Bank		
Fund and non- fund based working capital facilities	200,000	130,000
Total utilization	15,512	116,443
Utilisation of foreign currency denominated loans out of above	14,451	116,417
Export Import Bank		
Fund based working capital facilities	310,000	309,860
Total utilization	-	260,308
Utilisation of foreign currency denominated loans out of above	-	260,308
ABN Amro Bank		
Fund and non- fund based working capital	250,000	-
Total utilization	130,860	-
Utilisation of foreign currency denominated loans out of above	130,860	-
Total		
Total utilization	493,279	472,231
Utilisation of foreign currency denominated loans out of above	491,896	472,205

The total interest expense incurred for the total short term borrowings aggregated Rs 27,290 and Rs 19,206 for the year ended March 31, 2005 and 2004, respectively, excluding interest received from suppliers amounting to Rs 7,008 and Rs 9,012 for the year ended March 31, 2005 and 2004, respectively.

13. Employee Benefit Plans

The Group has employee benefit plans in the form of certain statutory and welfare schemes covering substantially all of its employees. The Group's cost related to defined contribution plans and vacation pay is as follows:

	March 31		
	2005 In US$	**2005 In Rs.**	**2004 In Rs.**
Provident fund	466	20,329	14,449
Superannuation	451	19,673	16,118
Vacation pay	360	15,704	5,763
	1,277	**55,706**	**36,330**

The change in benefit obligation and funded status of the gratuity plan for the year ended March 31, 2005 are as follows:

	March 31		
	2005 In US$	**2005 In Rs.**	**2004 In Rs.**
Accumulated benefit obligation	592	25,827	20,547
Change in benefit obligation			
Benefit obligation at the beginning of the year	1,020	44,497	36,279
Service cost	160	6,962	5,354
Interest cost	51	2,205	1,798
Benefits paid	(15)	(658)	(1,006)
Actuarial loss	258	11,267	2,073
Benefit obligation at the end of the year (A)	**1,474**	**64,273**	**44,498**
Change in plan assets			
Fair value of plan assets at beginning of year	792	34,532	25,463
Return on plan assets	(33)	(1,451)	6,179
Actual contribution	219	9,558	3,896
Benefits paid	(15)	(658)	(1,006)
Fair value of plan assets at end of year (B)	**963**	**41,981**	**34,532**
Unfunded status (A-B)	(511)	(22,292)	(9,966)
Unrecognized net transition obligation	-	-	-
Unrecognized net actuarial loss/(gain)	273	11,923	(2,752)
Accrued benefit cost	**(238)**	**(10,369)**	**(12,718)**

Net gratuity cost for the year ended March 31, 2005 and year ended March 31, 2004 includes the following components:

	March 31		
	2005 In US$	2005 In Rs.	2004 In Rs.
Components of net benefit cost			
Service cost	160	6,962	5,354
Interest cost	51	2,205	1,798
Expected return on plan assets	(45)	(1,957)	(1,354)
Net gratuity cost	**166**	**7,210**	**5,798**

The assumptions used in accounting for the gratuity plan for the year ended March 31, 2005 and 2004 are below:

	March 31	
	2005	2004
Discount rate	5%	5 %
Expected return on plan assets	5%	5 %
Rate of compensation increase	7%	6 %

The Group evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2006, is approximately Rs 15,000.
The nature of the asset allocation of the fund is only debt based mutual funds of high credit rating.

The expected benefit payments from the fund over the next ten years are below:

Period ending March 31	In US$	In Rs.
2006	22	941
2007	81	3,523
2008	32	1,397
2009	46	2,008
2010	51	2,219
Up to 2015	833	36,355

14. Other Income

Other income comprises of the following:

	March 31		
	2005 In US$	2005 In Rs.	2004 In Rs.
Dividend on mutual fund units	2,769	120,800	5,852
Profit on sale of investment	53	2,296	100
Gain on fixed assets sold, net	-	-	571
Miscellaneous income	399	17,423	4,950
	3,221	**140,519**	**11,473**

15. Provision For Income Taxes

	March 31		
	2005 In US$	2005 In Rs.	2004 In Rs.
Current taxes	2,942	128,340	196,715
Deferred taxes	2,730	119,089	67,722
Provision for income tax	**5,672**	**247,429**	**264,437**
Deferred tax liabilities:			
Depreciation on property, plant and equipment	6,314	275,407	193,002
Undistributed profit of subsidiary	1,537	67,044	31,751
Total deferred tax liabilities	7,851	342,451	224,753
Deferred tax assets:			
Provision for employee benefits	284	12,430	9,146
Entry tax and technical know how fees	-	-	5,515
Provision for doubtful debts	141	6,134	5,296
Others	3	116	114
Total deferred tax assets	428	18,680	20,071
Net deferred tax liability	**7,423**	**323,771**	**204,682**

The net deferred tax asset/(liability) is presented in the balance sheet as follows:

Net non-current deferred tax asset/ (liability):			
Deferred tax asset	-	-	5,515
Deferred tax liability	(7,851)	(342,451)	(224,754)
	(7,851)	(342,451)	(219,239)
Net current deferred tax asset/(liability):			
Deferred tax asset	428	18,680	14,557
Deferred tax liability	-	-	-
	428	18,680	14,557
Net deferred tax liability	(7,423)	(323,771)	(204,682)

The following is a reconciliation of the income tax at the statutory tax rate under the Indian Income-tax Act, 1961 ('IT Act') and the provision for income taxes:

Net income before taxes	49,661	2,166,259	1,616,184
Enacted tax rates in India	36.5925%	36.5925%	35.875%
Computed tax expense	18,173	792,688	579,806
Effect of tax rate change	138	5,996	3,261
Adjustment related to prior years	(492)	(21,447)	-
Undistributed profits of subsidiary	809	35,292	31,751
Permanent differences:			
Non taxable export income	(11,765)	(513,199)	(325,976)
Stock compensation costs	196	8,561	7,151
Weighted deduction on research and development expenses	(770)	(33,590)	(27,385)
Share issue expenses	(257)	(11,194)	(10,864)
Losses of subsidiary and joint venture	426	18,565	7,471
Dividend income	(1,016)	(44,313)	(1,768)
Others	230	10,070	990
Provision for income taxes	**5,672**	**247,429**	**264,437**

Biocon, Syngene, Clinigene and BBPL file separate tax returns as per the applicable tax laws in India.

On July 1, 2002, Biocon received an approval from the Department of Scientific and Industrial Research to claim a weighted deduction of 150 per cent on the expenditure incurred on scientific research or in-house research and development facility under section 35(2AB) of the IT Act retroactively from financial year ended March 31, 2000.

Biocon effective August 26, 2003 received approval from the Cochin Special Economic Zone for the setting up of a 100 percent Export Oriented Unit for the manufacture and export of all types of statins on which, the Company claims exemption under section 10B of the IT Act.

Under the IT Act, the profits of certain units of Syngene and that of Biocon are exempt from income taxes being profits attributable to earnings from a 100 per cent export oriented unit. Under this tax holiday, Syngene can utilise the deduction for a period of 10 consecutive years starting from April 1, 1998. Syngene has opted for this exemption for the years ended March 31, 1999 to March 31, 2008. On February 24, 2003, Syngene obtained an approval from the Department of Scientific and Industrial Research for exemption of profits for further five year ie upto financial year 2013. Further, each of the constituent entities in the Group is eligible for a deduction from Indian income taxes for profits attributable to export operations, subject to meeting the related conditions.

During the year ended March 31, 2005, Syngene 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 whcih do not reverse during the tax holiday.

The accumulated profits of Syngene as of March 31, 2005 are available for distribution to Biocon (the holding company) at the applicable tax rate for dividend distribution. For the year ended March 31, 2005 the Group has recognised the deferred tax liability for the excess of the financial reporting basis over the tax basis of its investment in Syngene.

During the year ended March 31, 2004, Clinigene obtained an approval from the Department of Scientific and Industrial Research for exemption of profits under section 80-IB (8A) of the IT Act.

Temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases arose due to difference in depreciation rates of property, plant and equipment and provision for superannuation, leave encashment, gratuity, provision for entry tax and technical know how fees which are allowable on a payment basis under the IT Act. Since export turnover of the Group qualifies for a deduction from taxable income, a substantial portion of the temporary differences would not have any tax consequences, as they will reverse within the tax holiday period and, accordingly, no deferred tax assets and liabilities have been recognised relating to such temporary differences.

16. Deferred Sales Taxes Liability

The Company has obtained the benefit of deferring its sales tax liability for its manufacturing facilities in Bommasandra and Hebbagodi, to an extent of Rs 24,375 and Rs 648,938, in accordance with the Agro Food Processing Industrial Policy of the Government of Karnataka, for a period of 8 years and 12 years, respectively. In accordance with the Government Order, the Group has deferred its sales tax liabilities aggregating Rs 270,136 and Rs 174,657 as on March 31, 2005 and 2004, respectively, which is to be repaid over various dates commencing from September 2009.

17. Stockholders' Equity

The Group has only one class of common stock referred to herein as equity shares. Each holder of equity shares is entitled to one vote per share.

Dividends proposed by the Board of Directors are payable when formally approved by the shareholders, who have the right to decrease but not increase the amount of the dividend recommended. The Company accrues for dividend upon obtaining shareholders approval. Dividend on equity share issued during a fiscal year is paid from the date of issue of these shares. The Company paid cash dividends of Rs Nil during the year ended March 31, 2005 and Rs 100,000 (Rs 1 per share) during the period ended March 31, 2004. During the year ended March 31, 2005, the Company paid Rs Nil as dividend tax and during the period ended March 31, 2004 the Company has paid Rs 12,813 as dividend tax.

Under the Indian Companies Act, all Indian Companies are mandatorily required to restrict certain portion of its retained earnings for distribution of dividend and transfer such amount to general reserve. General reserves for the Company as at March 31, 2005 amounted to Rs 689,796 and March 31, 2004 amounted to Rs 515,408.

18. Employee Stock Option Plan ('ESOP')

On September 27, 2001, the Board of Director's approved the Biocon ESOP 2000 ('ESOP 2000') for the grant of stock options to the employees of Biocon and its subsidiaries. A compensation committee has been constituted to administer the plan through the Biocon India Ltd Employee Welfare Trust ('the Trust').

The Trust purchases equity shares of Biocon using the proceeds from the loan obtained from Biocon and will subscribe to such number of shares as is necessary for transferring to the employees. The total number of equity shares transferred to the Trust shall not exceed 12,243,898 equity shares and shares transferred to each employee will not exceed 489,756 equity shares. The Compensation Committee shall determine the exercise price, which will not be less than the face value of the shares.

The options will vest with the employees equally over a four-year period. In accordance with the plan during the year ended March 31, 2003, the Company had granted 3,502,260 options to the eligible employees of the Company and its subsidiaries. 25 per cent each of the total options granted under the plan will vest to the eligible employees on the completion of 12, 24, 36 and 48 months and is subject to the continued employment of the employee with the Company or its subsidiaries.

Further, during January 2004, the Compensation Committee granted 142,100 options under the ESOP 2000 effective January 1, 2004 to be exercised at a price of Rs 5. The options will vest with the employees equally over a four year period from the grant date. On January 18 2004, the Board of Directors announced the Biocon Employees Stock Option Plan ('ESOP 2004') for the grant of stock options to the employees of the Group, pursuant to which, the Compensation Committee on March 19, 2004 granted 422,000 options under the ESOP Plan 2004 to be exercised at a price of Rs 315 being the issue price determined for the IPO through the book building process. The options will vest with the employees equally over a four year period from the grant date.

In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favour of the ESOP Trust.

The Group applied APB Opinion 25 and related Interpretations in accounting for these plans. In accordance with APB Opinion 25, the compensation cost has been recognised for the differential between the exercise price and the fair value of value of the shares on the date of the grant. The compensation cost is recognized in the financial statements over the vesting period. The percentage to be recognized in each year is based on the aggregate percentage accrued to the employee at the end of each year.

18. Employee Stock Option Plan ('ESOP') (Continued)

The Trust had 5,402,189 equity shares of Rs 5 each as of March 31, 2005 of which 3,138,332 shares have not been granted and a summary of the activity of the Trust is as follows:

Particulars	March 31			
	2005 No of options	Weighted average price	2004 No of options	Weighted average price
Outstanding at the beginning of the year	3,098,946	43.29	3,502,260	0.2
Granted during the year	-	-	564,100	236.91
Exercised during the year	(778,997)	0.42	(841,914)	0.2
Forfeited during the year	(56,092)	238.89	(125,500)	0.2
Outstanding at the end of the year	2,263,857	53.19	3,098,946	43.29

Price range for the options outstanding are as follows:

Grant price (Rs)	No. of options outstanding March 31, 2005	No. of options outstanding March 31, 2004
0 – 5	1,841,857	2,676,946
300 – 320	422,000	422,000

The total stock compensation cost recognised in the consolidated statements of income for the year ended March 31, 2005 and year ended March 31, 2004 is as follows:

	March 31, 2005 In US$	March 31, 2005 In Rs.	March 31, 2004 In Rs.
Cost of products sold	143	6,250	6,038
Cost of contract research services	130	5,677	4,616
Research and development expenses	62	2,685	2,038
Selling, general and administrative expenses	201	8,784	7,242
	536	23, 396	19,934

Shares allocated to the employees have been considered as outstanding for basic EPS to the extent they are vested. Shares held by the Trust, which have been allocated but not vested have been included for diluted EPS. The loan granted to the Trust has been presented as a separate component of stockholders' equity and repayments of the loan, by way of exercise of the shares by the employees has been applied towards this loan.

During March 2004, 8,500 equity shares were transferred to the members of the Scientific Advisory Board and certain consultants (collectively referred to as 'the consultants') from the Biocon India Limited Employees Welfare Trust ('Welfare Trust'). The Welfare Trust, which is managed by the promoters KMZ and JMM and key management personnel and is separate from the trust, which administers the ESOP. The shares held by the Welfare Trust is to be distributed to the beneficiaries of the Group who have been defined to include employees, directors and consultants of Biocon its subsidiaries and other persons. These shares were issued by the Welfare Trust at face value of Rs 5 to the consultants. The Group has recorded a compensation cost equal to the market value of Rs 315 less the face value, of these shares transferred amounting to Rs 2,635, which has been included as a part of 'Selling, general and administrative expenses'.

The following is a reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per equity share:

	March 31	
	2005	2004
Weighted average number of common shares used for computing basic EPS	94,695,763	84,691,111
Dilutive component of shares that are not eligible for exercise	1,925,321	2,253,971
Weighted average number of shares used for diluted EPS	96,621,084	86,945,082

19. Leases

The Company had entered into an operating lease agreement for certain land for the factory (Refer to Note 20). Gross rental expenses for the year ended March 31, 2005 and 2004 aggregated to Rs Nil and Rs 720, respectively. However, the Company has on December 23, 2003 purchased the land and hence, there are no further committed lease rentals during the year towards the lease of such land.

The Group has entered into a lease agreement for certain of its office premises, which expires in December 2008. Gross rental expenses for the year ended March 31, 2005 and 2004 aggregated to Rs 480 and Rs 120, respectively. The committed lease rentals in the future are:

March 31	In US$	In Rs.
2006	11	480
2007	14	600
2008	14	600
2009	12	510
	51	2,190

The Group has taken vehicles for use by certain employees under operating leases, which expire in March 2009. Gross rental expenses for the year ended March 31, 2005 and 2004 aggregated to Rs 6,520 and Rs 1,814, respectively. The committed future minimum lease rental payments are:

March 31	In US$	In Rs.
2006	124	5,430
2007	124	5,430
2008	124	5,430
2009	20	866
	392	17,156

20. Related Party Transactions

The Group had entered into transactions with the principal stockholder KMZ, for the lease of a portion of the factory land. The rental expense paid to KMZ for the lease of land amounts to Rs Nil and Rs 720 for the year ended March 31, 2005 and 2004, respectively. However, the Company has on December 23, 2003 purchased the land for a total consideration of Rs 24,926. In addition, the Company had given KMZ, a refundable deposit for such land, which has been fully refunded during December 2003.

The remuneration paid to KMZ and JMM in accordance with the agreement entered into by them with the Company for the year ended March 31, 2005 and 2004 was Rs 19,854 and Rs 20,591, respectively.

During the year the Company has funded the operations of the joint venture, BBPL as long term loan to the extent of Rs 102,565 and the loan outstanding as of March 31, 2005 was Rs 102,565, of which Rs 2,925 relates to interest payable to the Company on such funding.

21. Commitments and Contingencies

a) Capital commitments

The Group had committed to spend approximately Rs 1,367,825 and Rs 1,320,425 as at March 31, 2005 and 2004, under agreements to purchase property, plant and equipment. This amount is net of advances paid in respect of these purchases (Refer Note 9).

During the year, the Company entered into an agreement with BBPL, to convert the current account balances of Rs 19,964 into an unsecured loan not exceeding Rs 900 million and carrying an interest rate of 6 percent per annum, to support its operational costs and capital expenditure and repayable over a period of 5 years or convertible to equity.

b) Guarantees

Guarantees provided by banks on behalf of the Group amounted to Rs 578,739 and Rs 245,000 as at March 31, 2005 and 2004, respectively, which mature over periods upto March 2015. The guarantees are primarily in the nature of performance guarantees and were provided to Indian Government agencies. The Group has concluded that the risk of the guarantees being called is remote and accordingly no provision has been made.

c) Claims against the Group
The Group accounts for loss contingencies when the likelihood of the underlying adverse event occurring is probable and the loss can be reasonably estimated.

(i) Taxation matters under appeal

Biocon has received demand notices from the Income tax authorities in respect of assessments made in the year 1993 to 1998 aggregating Rs 9,895 and Rs 7,631 till March 31, 2005 and 2004, respectively. Biocon has appealed these assessments and management does not anticipate incurring a liability in respect of these amounts.

(ii) Other claims against the Group not acknowledged as obligations amount to Rs 2,181 and Rs 2,170 as of March 31, 2005 and 2004, respectively.

d) Other commitments
Some of the Group's operations are carried out from five units registered as a 100 per cent export oriented unit under the Special Economic Zone ('SEZ') scheme. Under this scheme the registered units have export obligations, which are based on the formula provided by the notifications/circulars issued by the SEZ authorities from time to time.

The consequence of not meeting the above commitments would be a retroactive levy of import duty on items previously imported duty free for these units. Additionally, the respective authorities have rights to levy penalties for any defaults on a case-by-case basis. Management believes that it would meet the required export obligations.

22 Segmental information

Business segments

The primary reporting of the Group has been performed on the basis of business segment. The Group is organised into three business segments, enzymes, active pharmaceutical ingredients ('Pharma') and contract research services. Segments have been identified and reported based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems.

April 1, 2004 to March 31, 2005

Particulars	Enzyme	Pharma	Contract Research	Unallocated	Eliminations	Total
Revenues						
External sales	Rs 896,814	Rs 5,566,810	Rs 662,040	Rs -	Rs -	Rs 7,125,664
Inter-segment transfers	84,128	-	-	-	(84,128)	-
Total revenues	**980,942**	**5,566,810**	**662,040**	**-**	**(84,128)**	**7,125,664**
Cost of revenues						
Segment costs	(505,705)	(3,407,711)	(336,158)	(36,354)	-	(4,285,928)
Inter-segment transfers	-	(84,128)	-	-	84,128	-
Gross profit	**475,237**	**2,074,971**	**325,882**	**(36,354)**	**-**	**2,839,736**
Selling, General and administrative expenses	-	-	-	(586,395)	-	(586,395)
Depreciation	(26,386)	(105,274)	(42,484)	(46,052)	-	(220,196)
Income from operations	Rs **448,851**	**Rs 1,969,697**	**Rs 283,398**	**Rs (668,801)**	**Rs -**	**Rs 2,033,145**
Share of losses in BBPL	-	-	-	(21,284)	-	(21,284)
Interest income	-	-	-	2,543	-	2,543
Interest expense	-	-	(342)	(19,940)	-	(20,282)
Other income	-	-	-	172,137	-	172,137
Income before provision for income taxes						2,166,259
Provisions for income taxes	-	-	-	(247,429)	-	(247,429)
Net income						1,918,830
Other information						
Segment assets	Rs 636,117	Rs 6,519,171	Rs 851,700	Rs 2,858,668	Rs -	Rs 10,865,656
Segment liabilities	Rs 32,476	Rs 1,917,232	Rs 213,895	Rs 1,165,912	Rs -	Rs 3,429,515
Capital expenditure	Rs 18,917	Rs 568,327	Rs 364,594	Rs 202,530	Rs -	Rs 1,154,368

April 1, 2004 to March 31, 2005

Particulars	Enzyme	Pharma	Contract Research	Unallocated	Eliminations	Total
Revenues						
External sales	$ 20,560	$ 127,621	$ 5,177	$ -	$ -	$ 163,358
Inter-segment transfers	1,929	-	-	-	(1,929)	-
Total revenues	**22,489**	**127,621**	**15,177**	**-**	**(1,929)**	**163,358**
Cost of revenues						
Segment costs	(11,593)	(78,123)	(7,708)	(833)	-(98,257)	
Inter-segment transfers	-	(1,929)	-	-	1,929	-
Gross profit	**10,896**	**47,569**	**7,469**	**(833)**	**-**	**65,101**
Selling, General and administrative expenses	-	-	-	(13,443)	-(13,443)	
Depreciation	(605)	(2,413)	(974)	(1,056)	-	(5,048)
Income from operations	**$ 10,291**	**$ 45,156**	**$ 6,495**	**$ (15,332)**	**$ -**	**$ 46,610**
Share of losses in BBPL	-	-	-	(488)	-	(488)
Interest income	-	-	-	58	-	58
Interest expense	-	-	(8)	(457)	-	(465)
Other income	-	-	-	3,946	-	3,946
Income before provision for income taxes						**49,661**
Provisions for income taxes	-	-	-	(5,672)	-	(5,672)
Minority Interest	-	-	-	-	-	
Net income						**$ 43,989**
Other information						
Segment assets	$ 14,583	$ 149,454	$ 19,525	$ 65,537	-	$ 249,100
Segment liabilities	$ 3,037	$ 43,953	$ 4,904	$ 26,730	-	$ 78,624
Capital expenditure	$ 434	$ 13,029	$ 8,358	$ 4,643	-	$ 26,464

April 1, 2003 to March 31, 2004

Particulars	Enzyme	Pharma	Contract Research	Unallocated	Eliminations	Total
Revenues						
External sales	Rs 65,164	Rs 4,353,660	Rs 387,585	-	Rs -	Rs 5,406,409
Inter-segment transfers	35,832	-		-	(35,832)	-
Total revenues	700,996	4,353,660	387,585	-	(35,832)	5,406,409
Cost of revenues						
Segment costs	(419,477)	(2,544,440)	(229,151)	-	-	(3,193,068)
Inter-segment transfers	-	(35,832)	-	-	35,832	-
Gross profit	Rs 281,519	Rs 1,773,388	158,434	Rs -	Rs -	2,213,341
Selling, General and administrative expenses	-	-	-	(506,021)	-	(506,021)
Depreciation	(18,602)	(62,570)	(23,452)	(54,024)	-	(158,648)
Income from operations	Rs 262,917	Rs 1,710,818	Rs 134,982	Rs (560,045)	-	Rs 1,548,672
Share of losses in BBPL	-	-	-	(3,227)	-	(3,227)
Other income/expenses, net	-	-	-	85,555	-	85,555
Interest expense	-	(7,843)	(412)	(7,836)	-	(16,091)
Interest income	-	-	-	1,275	-	1,275
Income before provision for income taxes	262,917	1,702,975	134,570	(484,278)	-	1,616,184
Provisions for income taxes	-	-	-	(264,437)	-	(264,437)
Net income						1,351,747
Other information						
Segment assets	Rs 508,741	Rs 3,110,415	Rs 468,651	Rs 3,752,523	-	Rs 7,840,330
Segment liabilities	Rs 77,843	Rs 848,304	Rs 132,922	Rs 1,086,112	-	Rs 2,145,181
Capital expenditure	Rs 19,858	Rs 22,457	Rs 21,697	Rs 351,212	-	Rs 415,224

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The operations of the Group comprise export sales and contract research fees contributing to approximately 54 per cent (2004 -- 63 per cent). The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Group's sale by geographical markets

Revenues, net	2005	2004
India	2,711,746	2,011,094
Exports - (on FOB basis)	4,413,918	3,395,315
Total	7,125,664	5,406,409

Assets and additions to fixed assets by geographical area - The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

Carrying amount of segment assets	2005	2004
India	9,930,066	7,179,084
Outside India	935,590	661,246
Total	10,865,656	7,840,330

Carrying amount of segment assets outside India represents receivables from export sales.

Segment revenue and result

The expenses that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocated corporate expenses.

Inter-segment transfers

Segment revenue, segment costs and results include transfers between business segments. Such transfers have been made at cost. The inter-segment transfers have been eliminated on consolidation.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, investments and current assets
Segment liabilities comprise of loan funds which can be identified directly against the respective segments and includes segment current liabilities and provisions.
Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

Glossary

ANDA	Abbreviated New Drug Application
Mab	Monoclonal Antibodies
API	Active Pharmaceutical Ingredient
BSE	Mumbai Stock Exchange
CAP	College of American Pathologists
cGMP	Current Good Manufacturing Practices
COS	Certificate of Suitability
CRC	Custom Research Company
CRO	Contract Research Organisation
DMF	Drug Master File
DPCO	Drug Price Control Order
EDQM	European Directorate for Quality of Medicines
EGFR	Epidermal Growth Factor Receptor
EPS	Earnings Per Share
ESOP	Employees Stock Options Plan
ETP	Effluent Treatment Plant
FTE	Full Time Equivalent
GCP	Good Clinical Practice
ICAI	Institute of Chartered Accountants of India
Indian GAAP	Indian Generally accepted Accounting principles
IPR	Intellectual Property Rights
MMF	Mycophenolate Mofetil
MRP	Mutual Recognition Procedure
NCEs	New Chemical Entities
OHSAS	Occupational Health Safety Assesment Series
OTC	Over the Counter
PCT	Patent Co-operation Treaty
R&D	Research and Development
ROW	Rest of the world
SEBI	Securities Exchange Board of India
TGA	Therapeutics Good Adminstration
TRIPS	Trade Related Aspects of Intellectual Property Rights
US GAAP	United States Generally Accepted Accounting Principles
USFDA	United States Food and Drug Aminstration
WTO	World Trade Organisation