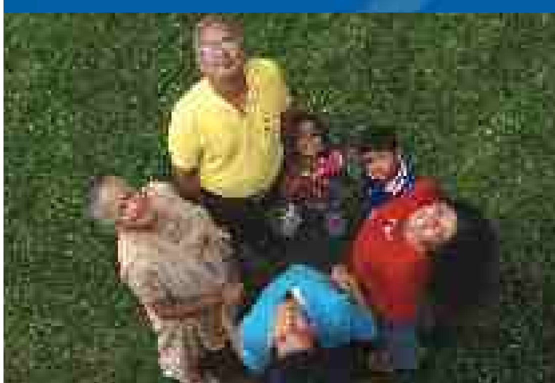
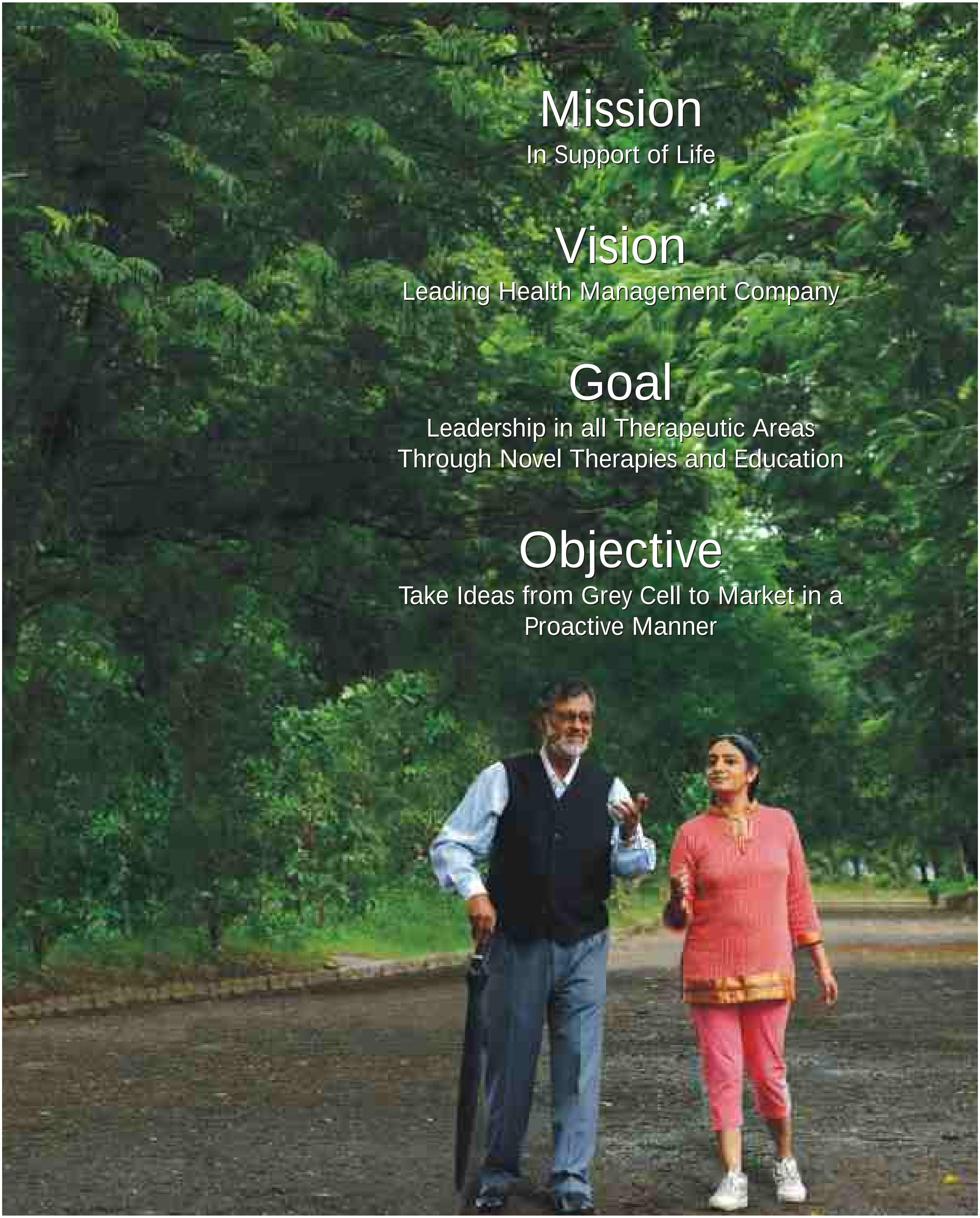
Panacea Biotec
In Support of Life



"In the final account happiness is all that matters"

Annual Report 2005-06



Mission

In Support of Life

Vision

Leading Health Management Company

Goal

Leadership in all Therapeutic Areas
Through Novel Therapies and Education

Objective

Take Ideas from Grey Cell to Market in a
Proactive Manner

BOARD OF DIRECTORS

Panacea Biotec
In Support of Life

(As on 20th July, 2006)

PROMOTER-DIRECTORS

Mr. Soshil Kumar Jain	Chairman
Mr. Ravinder Jain	Managing Director
Mr. Rajesh Jain	Joint Managing Director
Mr. Sandeep Jain	Joint Managing Director
Mr. Sumit Jain	Director - Operations & Projects

PROFESSIONAL DIRECTORS

Mr. Ashwani Jain	Director - Corporate Affairs

NON-EXECUTIVE DIRECTORS

Mr. R.L. Narasimhan	Director
Mr. N.N. Khamitkar	Director
Mr. Sunil Kapoor	Director
Mr. M.L. Kalra	Director
Mr. Gurmeet Singh	Director
Mr. K.M. Lal	Director
Dr. A.N. Saksena	Director

COMPANY SECRETARY

Mr. Vinod Goel

REGISTERED OFFICE

Ambala-Chandigarh Highway, Lalru - 140 501, Punjab, India.

CORPORATE, ADMINISTRATIVE & SECRETARIAL OFFICE

B-1 Extn./G-3, Mohan Co-operative Indl. Estate, Mathura Road,
New Delhi - 110 044. India.

WORKS

- Ambala-Chandigarh Highway, Lalru - 140 501, Punjab, India.
- B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044, India.
- A-241/242, Okhla Indl. Area, Phase - I, New Delhi - 110 020, India.
- Malpur, Baddi, Tehsil Nalagarh, Dist. Solan, Himachal Pradesh - 173 205, India.

STATUTORY AUDITORS

M/s S.R. Batliboi & Co., Chartered Accountants, New Delhi.

COST AUDITORS

M/s J.P. Gupta & Associates, Cost Accountants, New Delhi.

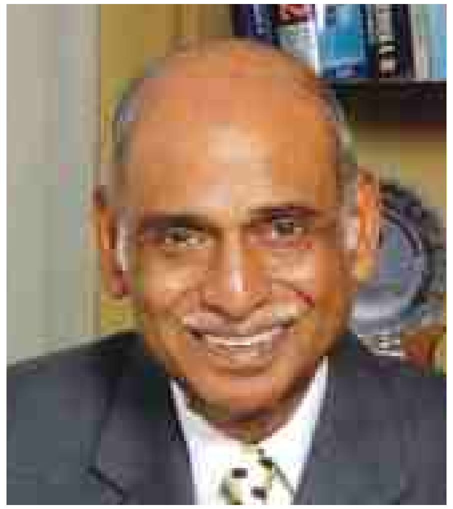
REGISTRAR & TRANSFER AGENTS

M/s Skyline Financial Services Pvt. Ltd., New Delhi.

FINANCIAL INSTITUTIONS/ BANKS

Bank of Bahrain & Kuwait B.S.C.
Export-Import Bank of India
Indian Overseas Bank
Industrial Development Bank of India Ltd.
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Mysore
State Bank of Travancore
Union Bank of India
UTI Bank Ltd.

Chairman's Message



Soshil Kumar Jain
Chairman

At, Panacea Biotec, we are committed to improve the value of our stakeholders. To develop a robust financial organisation, impatience for profits has always been our Company's core strength. Driving open, honest communication, sound business policies and practices that establish trust with our customers has remained hallmarks with the Company.

All of our business units and support groups operate according to common principles. They include high quality, timely disclosure, strong internal controls, regulation compliances and sound business ethics. Right from the inception, we've followed best practices in Research & Development, Marketing, Human Resource Development, disclosure, and internal controls. Our auditors test the soundness of these practices on a continuous basis.

We also foster integrity through our detailed Business Ethics Policy. We make it clear that we expect everyone associated with Panacea Biotec employees, Directors and associates to adhere to the highest principles of business conduct at all times.

Our Board of Directors is another strong source of inspiration within our Company. We value their experience, visionary leadership and innovative approaches. We share information with them and practice regular, open and candid communication. They are a great blessing to the Company for providing oversight of management and offering valuable advice and guidance.

With integrity as a guiding light, I see great promise for Panacea Biotec throughout in coming years. We look forward to achieve great financial results for our stakeholders and also ensure the confidence and respect of everyone who does business with our company.

Managing Director's Message

Ravinder Jain
Managing Director

Panacea Biotec is visualizing long-term strategies venturing into new growth opportunities in health and disease management with a special focus on biotechnology. The Company will have great attention and concerted efforts to become highly dynamic in the field of pharmaceuticals, vaccines and biologicals.

2005 has been a year for tough decisions, to re-invent and re-energise ourselves to show significant progress. In this year we made enormous strides forward. We have witnessed a cultural change and delivery of tangible outcomes in the form of impressive top-line sales growth and satisfactory bottom-line results. we are now better placed to listen to and respond to the needs of our customers and stakeholders swiftly and innovatively. We are now well on the way to seeing the re-energised Panacea Biotec emerge as a high-performance Company.

As a leading Health Management Company, we can most effectively deal with future challenges by keeping Research & Development at the centre of our work. Research is the life-blood of our Company and as such we are committed to introducing a steady flow of important, innovative technologically driven products and treatments.

Panacea Biotec already has an impressive new product pipeline and it is our aim to expand this pipeline further by targeting key therapeutic areas that will deliver new and innovative treatment therapies.

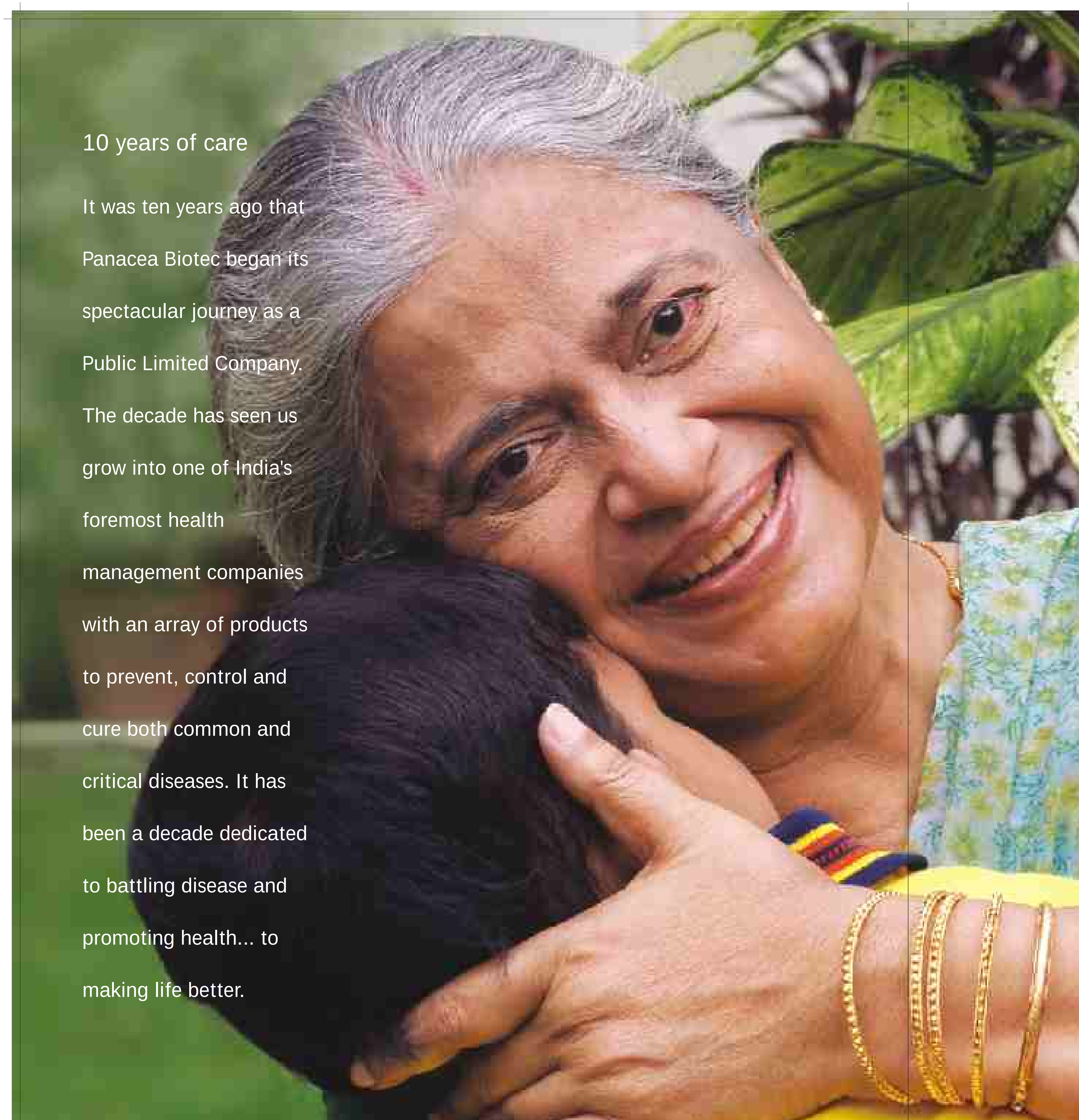
We have many challenges ahead of us as we continue to build a new kind of Health Management Company. Our progress has been positive and we are confident and optimistic to visualize a bright future. Executing everything we do with excellence will remain hallmark of the re-energised Panacea Biotec.

There is no doubt that the route of sustainable development is a long and hard one, for which there are no shortcuts. It is a journey we are committed to and shall continue to drive in partnership with our entire Panacea Biotec team.

As always, I encourage your feedback and comments, which assist us in our process of assessment.

10 years of care

It was ten years ago that Panacea Biotec began its spectacular journey as a Public Limited Company. The decade has seen us grow into one of India's foremost health management companies with an array of products to prevent, control and cure both common and critical diseases. It has been a decade dedicated to battling disease and promoting health... to making life better.



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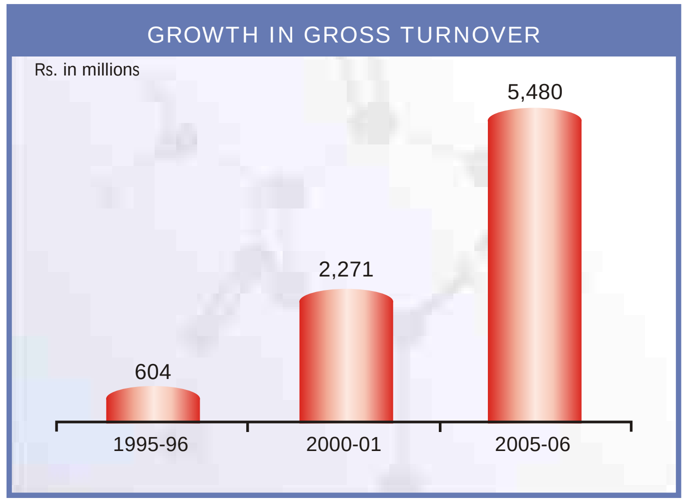
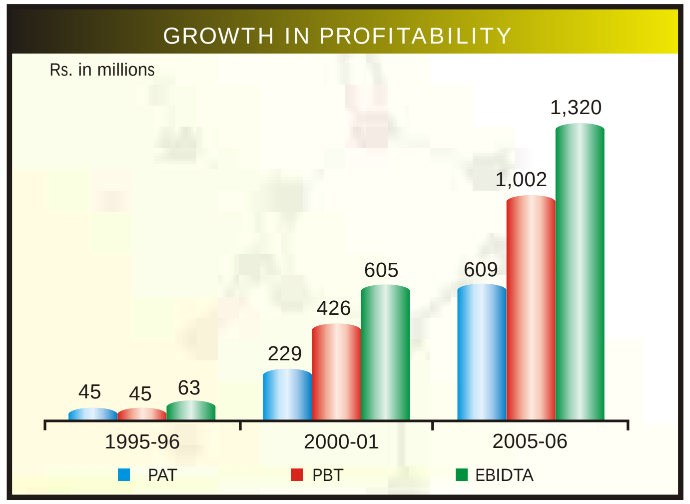
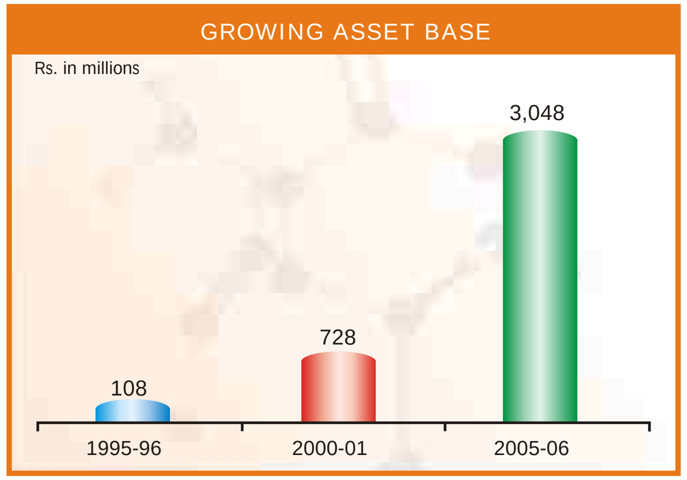
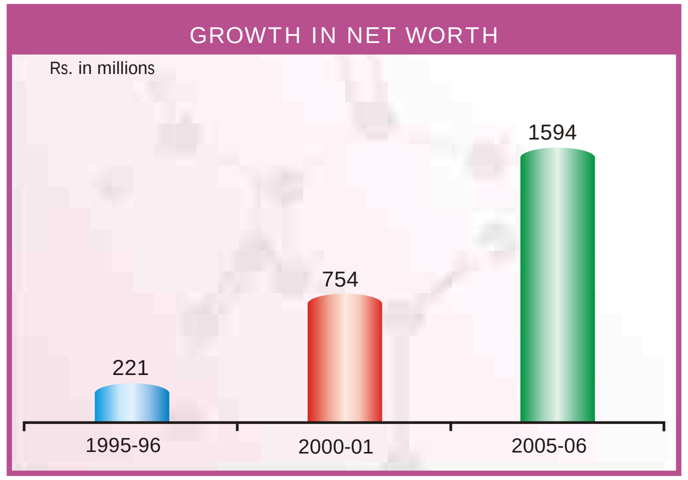
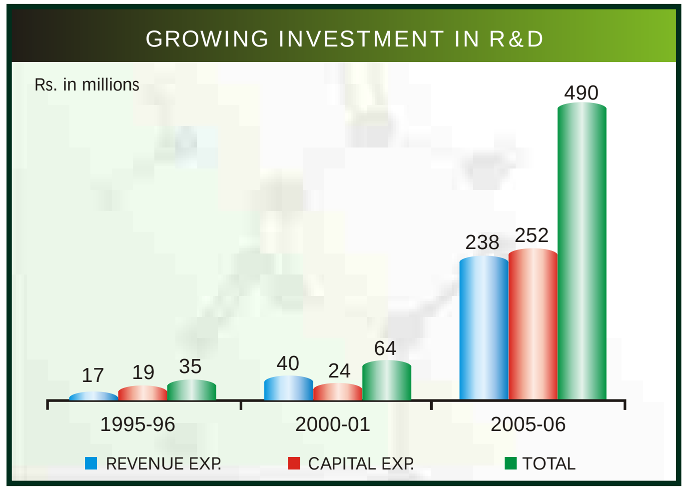
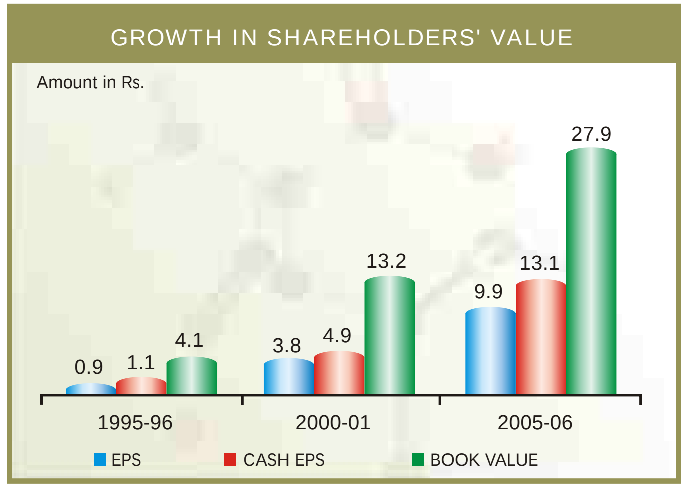












Panacea Biotec
In Support of Life

Ten Years' Financial Performance

(Amount in Rs. million)

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
Financial Performance Summary										
Net Turnover	5,363.5	3,255.4	2,616.2	2,691.5	2,739.3	2,176.7	1,866.3	1,062.0	891.4	916.6
Total Income	5,434.5	3,309.9	2,635.4	2,720.9	2,763.4	2,251.7	1,867.7	1,065.5	892.8	918.3
EBIDTA	1,319.9	721.4	424.3	551.4	588.8	604.9	430.6	177.0	142.4	128.0
PBT	1,002.1	429.4	217.1	336.3	406.4	426.1	329.3	115.1	95.4	91.6
Provision for Taxation	392.7	128.7	53.1	122.1	157.1	197.3	70.0	8.5	7.5	10.2
PAT	609.4	300.7	164.5	214.2	249.3	228.8	259.3	106.6	87.9	81.4
Cash Accruals	791.6	463.1	283.2	310.5	314.5	287.6	291.0	131.4	104.1	96.8
Balance Sheet Summary										
Equity Share Capital	57.2	57.2	57.2	57.2	57.2	57.2	57.2	57.1	57.1	57.0
Preference Share Capital	904.3	904.3	957.8	53.5	63.0	68.0	100.0	71.5	25.0	–
Reserves & Surplus	1,546.0	1,192.4	1,039.0	948.1	805.8	701.6	546.0	435.5	361.9	291.1
Net Worth	1,593.6	1,235.1	1,076.9	981.2	839.9	754.5	603.2	399.6	352.5	302.0
Loan Funds	5,866.5	1,610.4	1,680.2	1,292.2	1,060.1	719.8	681.3	349.2	332.1	104.9
Deferred Tax Liability	246.8	135.1	74.8	60.6	73.5	–	–	–	–	–
Total Liabilities	8,620.9	3,899.3	3,808.9	2,411.6	2,059.5	1,546.6	1,384.5	913.4	776.1	453.1
Net Fixed Assets	2,337.1	1,376.8	1,054.5	963.0	893.5	565.3	408.4	322.5	257.5	151.2
Investments	61.4	61.4	39.1	52.6	52.6	47.1	18.1	0.8	–	–
Net Current Assets	6,212.8	2,446.7	2,696.0	1,371.8	1,090.4	929.9	958.0	497.1	452.2	255.7
Miscellaneous Expenditure	9.6	14.5	19.3	24.1	23.1	4.3	–	93.0	66.5	46.1
Total Assets	8,620.9	3,899.3	3,808.9	2,411.6	2,059.5	1,546.6	1,384.5	913.4	776.1	453.1
Key Performance Indicators										
Profitability Ratios										
EBIDTA Margin	25%	22%	16%	20%	21%	28%	23%	17%	16%	14%
PBT Margin	19%	13%	8%	12%	15%	20%	18%	11%	11%	10%
PAT Margin	11%	9%	6%	8%	9%	11%	14%	10%	10%	9%
Shareholders related Ratios										
Equity Dividend (%) *	100%	150%	100%	100%	100%	100%	100%	30%	30%	20%
Dividend Payout Ratio	10%	34%	37%	28%	24%	26%	23%	17%	13%	14%
EPS (Basic, after Extra-ordinary Item) *	9.86	4.40	2.72	3.62	4.22	3.83	4.38	1.77	1.54	1.43
Cash EPS (Basic, after Extra-ordinary item) *	13.06	7.25	4.80	5.31	5.36	4.86	4.94	2.41	1.91	1.77
Book Value (Rs.) *	27.87	21.60	18.84	17.16	14.69	13.20	10.55	7.00	6.18	5.29
Return on Net Worth	35%	19%	14%	20%	29%	28%	40%	25%	25%	27%
Other Ratios										
Current Ratio	2.8	1.5	1.7	1.3	1.3	1.3	1.4	1.9	1.6	1.9
Debt Equity Ratio	3.0	0.3	1.0	0.3	0.4	0.1	0.2	0.4	0.3	0.1
Return on Capital Employed	16%	19%	11%	24%	30%	39%	31%	22%	20%	31%
Interest Coverage Ratio	9.9	6.3	4.8	4.6	5.0	5.0	6.2	4.8	4.6	6.1
Debt Service Coverage Ratio	2.5	2.2	1.7	2.9	3.1	1.6	5.2	4.5	4.4	5.6

* Per Equity Share of Re.1/- each

Management Discussion & Analysis

Industry Structure & Developments

The Vaccine Market

Vaccines are the most important and cost effective public health intervention available.

The outcome of immunization can be viewed as the greatest medical achievement of the 20th century.

Notwithstanding the rise of new problems and new pathogens, vaccines have provided a means to prevent many infectious diseases that had been principal causes of mortality and morbidity, and their use has contributed a major impact on public health.

Vaccination programs in children have had a dramatic effect on other previously common diseases.

In addition vaccination has a great social value, which can be depicted in terms of improved public health and in economic terms.

Immunization has achieved real success in the past 20 years and today vaccines protect nearly three-fourths of world's children against major childhood diseases. Yet, every year, more than 2 million children die from diseases that could have been prevented by vaccines.

The Gravity of situation - The immunization gap:

- 27 million children not reached by immunization services,
- 1.4 million children die yearly from basic vaccine preventive diseases.
- 1 million children die every year from pneumococcal disease, meningococcal disease and rotavirus diarrhoea.

A number of new vaccines with major potential for controlling infectious and non-infectious diseases are in advanced stages of development. Among the illnesses targeted are Rotavirus diarrhoea, Pneumococcal disease and Cervical Cancer, which together kill more than a million people each year, most of them in developing countries. In addition to these efforts against diseases of global importance, progress is being made on a vaccine for the regional menace posed by meningococcal meningitis Serogroup A, which causes frequent epidemics and high rates of mortality and disability in African countries. Intensive efforts are also under way to develop effective vaccines for AIDS, Malaria, Dengue, Leishmaniasis and Shigella Dysentery, among others.

Global Vaccine Market

As per industry estimates, the global vaccines market has grown from approx. US$ 3 billion in 1994 to US$ 8 billion in 2004 registering a compound annual growth rate ("CAGR") of around 10%. Further, industry analysts expect the market to grow to US$ 20 billion by 2010, representing a CAGR of around 17%.

While the size of the global market has prompted interest from many players, competition is limited to a few players due to significant entry barriers to this market. Compared to generics, biotechnological products have higher gestation periods, is more capital intensive, is highly R&D and technology driven and is more regulated.

Geographically, industry observers estimate approximately 42% of the revenues from the U.S. and 33% from the European Union. Further segmentation

can be based upon customer type, with pediatrics dominating the pie (42.3% of the market in 2004 and expected to grow at a CAGR of 20% till 2010, as per industry observers) and other segments being traveller's vaccines and government bio-terrorism stockpiles. The market can also be broadly classified as Government (or Public, comprising approximately 90% of volumes and 40% of revenues in 2004 as per industry observers) and private (which makes up for the balance of the market).

Indian Vaccine Market

The Indian biotechnology sector has, over the last two decades, taken shape through a number of scattered and sporadic academic and industrial initiatives. These initiatives have provided a strong base for creating a sustainable biotechnology industry. During the financial year 2006, the Indian biotechnology industry grew by 37.4% and registered total turnover of US$1.45 billion (around Rs.67 billion) out of which the biopharmaceutical sector comprising of Vaccines, Therapeutics and Diagnostics, contributed over US$1.05 billion. The biopharma sector has grown at 31.8% during FY06. Out of the top 10 biotech companies, 8 companies are Indian companies thereby signaling the strong capabilities of the Indian biotech industry. Total investment also increased in 2005-06 by 35.8% to reach over US$ 360 million. [Source: Bio Spectrum - ABLE Survey, 2006].

As per the vision and mission statement contained in the draft National Biotechnology Development Strategy of the Govt. of India, biotechnology as a business segment has the potential of generating revenues to the tune of US$ 5 billion and creating one million jobs by 2010 through products and services. This can propel India into a significant position in the global biotech sweepstakes. Biopharmaceuticals alone have the potential to be a US$ 2 billion market opportunity largely driven by vaccines and biogenerics. Clinical development services can generate in excess of US$1.5 billion whilst bioservices or outsourced research services can garner a market of US$1 billion over this time scale. The balance US$500 million is attributable to agricultural and industrial biotechnology.

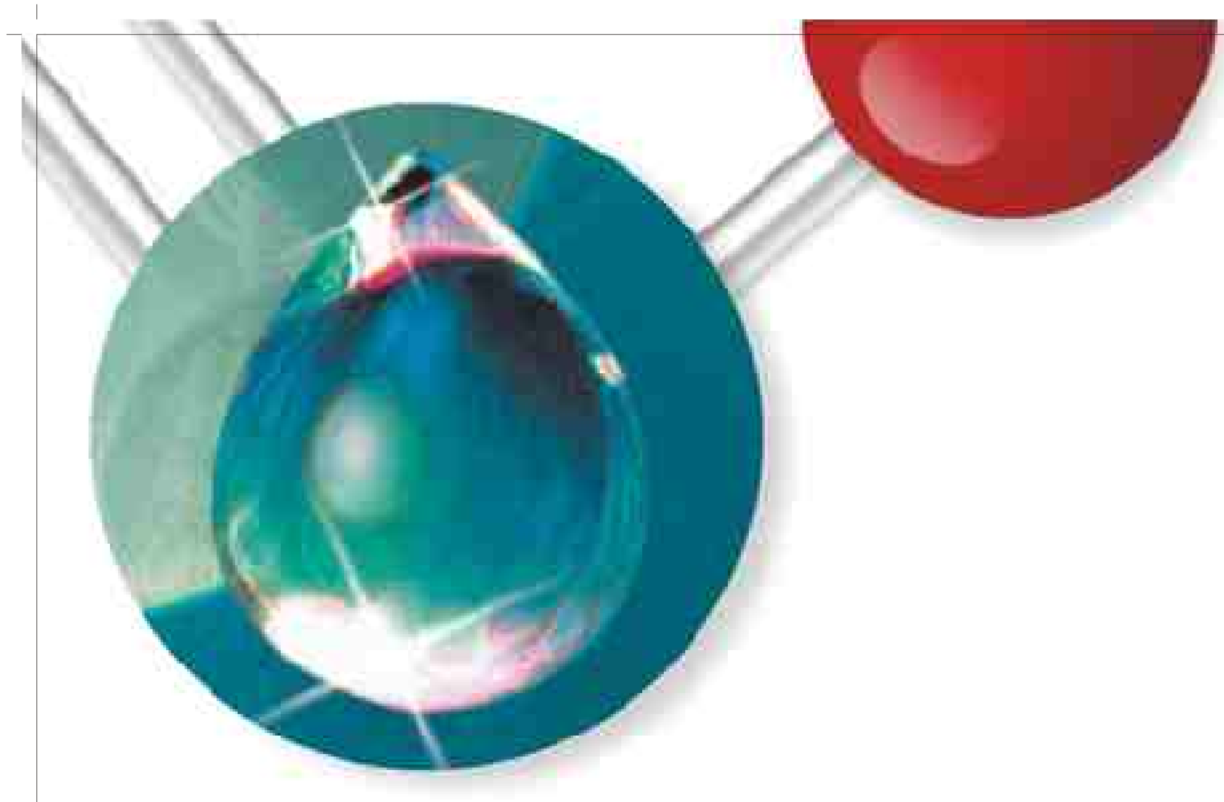
The Indian vaccine market is estimated to be around US$ 500 million with the private vaccine market accounting for around US$ 100 Million. The Indian vaccine market is dominated by traditional vaccines like Tetanus Toxoid, Polio, DPT, Typhoid and Hepatitis B. However, the private vaccine market is now witnessing a shift from single traditional vaccines to new innovative combination vaccines. Currently, as many as 22 companies both local and multinationals are marketing about 25 vaccines in the Indian market for different diseases.

The primary demand for vaccines is guided by the Government's immunization program. This is driven by India's vaccine policy which is largely in line with the universal immunization policy of the World Health Organisation (WHO). The WHO's policy recommended universal immunization of all children to reduce child mortality under its Expanded Program of Immunization ("EPI").

Since the primary demand driver has been the Government, the profitability for players has traditionally been low although revenues have been high and stable. This has led to the developing markets being ignored by most major global vaccine players. According to United Nations Children's Fund,

(UNICEF), between 1998 and 2001, 10 out of 14 manufacturers partially or totally stopped production of traditional vaccines, resulting in supply shortages for UNICEF and other Government immunization projects. This has resulted in increased vaccine prices which results in improved profitability for players established in these niches.

The proposed National Biotechnology Policy is expected to provide the much needed funding for augmenting start-ups and supporting product development. Given the right impetus, Indian companies could easily rank among the top ten biotech companies globally by 2015 with India positioning itself as the preferred global destination for biotechnology.



Polio – Global Scenario

Globally the polio eradication activities got fuelled in 1988 with the launch of WHO's Global Polio Eradication Initiative. Initially the program aimed at global eradication of polio by year 2000, however now the target is being revised to year 2008 to incorporate the solutions for practical difficulties faced during the past. Since its inception in 1988 the Global Polio Eradication Initiative has cut the transmission of polio by more than 99 percent. In 2005, the world confirmed fewer than 1900 cases of polio as against around 3,50,000 in 1988. There are now only four countries that are affected by polio – Nigeria, India, Pakistan and Afghanistan – the lowest number in history. In addition, almost 10 countries have reported cases of polio from persons migrated from other countries.[Source: Polioeradication.org].

Polio Immunization in India

Polio Immunization activities started in India in 1995 on state level in Delhi and was later on adopted at national level under the Pulse Polio Immunization Program by the Govt. of India in 1997-98. India registered significant achievements in polio eradication and the number of cases reduced from over 25,000 cases in 1988 to 134 in 2004 further reduced to just 66 cases in 2005.

WHO and UNICEF have been on the forefront with the Government of India in the polio eradication program. During the year 2005-06, in addition to the traditional Trivalent Polio Vaccine, two Monovalent Polio Vaccines for Type-I and Type-III viruses were also added in the immunization schedule. The demand for Polio Vaccine has increased during the past two years due to increase in the number of immunization days as well as introduction of Monovalent Polio Vaccines (mOPV Type-I and mOPV Type-III).

Global Pharmaceutical Market

The global pharmaceutical market registered a growth rate of 7% in 2005, down slightly from 2004 and passed another threshold to reach US$ 602 billion. [Source: imshealth.com].

In the 10 leading international markets combined, which account for 81% of world-wide sales, audited growth was just 5.7%, down from 7.2% in 2004. Emerging markets, however, such as China, South Korea, Brazil, Russia and Turkey all experienced double-digit growth – signalling the important shifts currently occurring in the global pharmaceutical market.

As growth in mature markets moderates, industry's attention is shifting to smaller, developing markets that are performing exceptionally well. Many of these countries are experiencing significant Gross Domestic Product growth – which helps finance improvements in their healthcare systems, increases patient access to medicines and fuels the double-digit growth for pharmaceutical Industry.

2005 Global pharma sales by region**

World Audited Market	2005 Sales ($bn)	% Global sales (%)	% Growth (constant $)
North America	265.7	47.0	+5.2
Europe	169.5	30.0	+7.1
Japan	60.3	10.7	+6.8
Asia, Africa and Australia	46.4	8.2	+11.0
Latin America	24.0	4.2	+18.5
TOTAL IMS Audited	565.9	100	+6.9

Source: IMS MIDAS Quantum, moving annual total (MAT) December 2005
**Note: excludes unaudited markets

The pharma industry off late is getting affected by the dynamic shifts in the international markets. New revenue models are resulting from activities such as parallel trade, the generic vs. originator fight, mergers & acquisitions (M&A), in-licensing & out-licensing, and the choice between semi block busters and block busters. The shift from chemical-based small molecules to biology-based large molecules like antibodies and proteins has also created new opportunities in the industry. Unlike 1990's style blockbusters, new molecules are niche drugs, cancer treatments and innovative mechanisms for troublesome yet high value targets.

Pharma companies are distinctly positioning themselves on the basis of their capabilities, banking on their R&D strength, marketing network and capitalization to decide their portfolio. Smaller Pharma companies are consolidating forming a "Supernet" of Pharma companies complementing their capabilities to each other. The big Pharma companies are consolidating to lead the league as "Super Pharmas". Niche players are marching towards M&A to safeguard their interests and achieve business goals.

For many pharmaceutical manufacturers, 2005 was a year of transition as they responded to cost-containment challenges, regulatory setbacks and safety issues. A combination of surging underlying demand driven by ageing populations, and successful innovation in areas of high unmet need, will continue to fuel growth.

IMS forecasts that the total pharmaceutical market will expand at a compound annual growth rate of 5-8% over the next five years. North America and Europe are each projected to grow at a 5-8% pace; Asia Pacific/Africa, 9-12%; Latin America, 7-10%; and Japan, 3-6% [Source: imshealth.com].

Indian Pharmaceutical Market

The Indian Pharmaceutical industry manufactures about 400 bulk drugs and almost the entire range of formulations. It, however, constitutes a mere 1% of the total global industry turnover, due to low price realisations resulting from price controls and the existence of branded generics & cut throat price competition. India's pharmaceutical market ranks 4th in the world in volume and 15th by value thereby representing high volume with significantly lower prices as compared to developed markets.

The industry has been showing a growth of 9% p.a., is worth US $5.5 billion (around Rs.250 billion) at present, and as per the industry estimates it is expected to touch US $13 billion (around Rs.600 billion) by 2008. It is also expected to become a US $ 25 billion (around Rs.1,200 billion) industry by 2010.

The industry is one of the globally competitive industries in India, with exports accounting for nearly 32% of the total revenue. Indian companies currently manufacture around 20% of the world's generics and pose a great threat to Western generic companies.

The USFDA has approved 60 manufacturing sites in India, which is more than any other country outside US. India is all set to become one of the top ten global pharmaceutical markets in the coming years with a rapidly growing population and increase in expenditure on health care.

The Indian Pharmaceutical Industry is highly fragmented with more than 20,000 players, of which, only about 250 are in the organised sector. The organised sector players control over 70% of the total market with no single company enjoying a market share of more than 8%. Such fragmentation is the result of various incentives granted to the small scale sector, leading to the emergence of many small companies, and large companies outsourcing their manufacturing activities from these small companies in order to take advantage of the low production cost and incentives.

The industry is also characteristed by branded generics market, Government Price Controls, low per capita income and medical expenditure and limited Healthcare Infrastructure.

Indian pharmaceutical industry is expected to substantially enlarge its pharmaceutical exports to regulated markets of US and Europe in generic drugs markets in which US $65 billion worth of drugs will go off patent, as per the findings of the Study undertaken by The Associated Chambers of Commerce and Industry of India (ASSOCHAM). The findings further revealed that the Indian pharmaceutical exports have tremendous potential to grow at around 18% by 2007-08 to take its total export to about Rs.300 billion as against Rs.182.9 billion in 2004-05.

Indian pharma companies can leverage their strength in terms of low cost of production and availability of quality manpower. Indian firms in view of ASSOCHAM, can take advantage of its low cost to score over others to grab a substantial market share in African & other countries.

Market Trends

- The Indian Pharma Market is at Rs.247 billion (ORG-IMS MAT Apr 06) growing at 16% in value.
- Of the 16% growth in value, new products contributed 6%, price increase contributed 2% and balance 8% was on account of volume growth.
- Acute care contributes 76% growing at 15% and chronic disease accounts for 24% growing at 17%.
- Rural Markets which contribute to about 19% of total market, have recorded the maximum growth of 34%.
- Amongst therapeutic categories Ant-infectives which contribute the highest of 18% and have recorded a growth of 19%.
- The therapeutic areas of Cardiology, Diabetes, CNS/Neuro, Dermatology & Gastro-intestinal have also recorded double digit growth.

Opportunities and Threats

With the introduction of new patent laws in 2005, the Indian pharmaceutical industry is poised for metamorphic change to respond to the opportunities and threats offered by the changing IPR regime in the country. In January 2005, India adopted a product patent regime in pharmaceuticals, transforming from a 35-year old regulatory environment, where only process patents for the manufacturing of pharmaceuticals were valid. This regulatory environment incentivized pharmaceutical companies to focus on manufacturing and formulation development, and fostered a vibrant, multi-source pharmaceutical industry, characterized by some of the lowest pharmaceutical prices in the world.

Since the mid-1990s, leading Indian companies actively started research activities, both in New Drug Delivery Systems (NDDS) and New Chemical Entities (NCEs), to respond to the impending change in the patent regime. This brought to fore India's inherent advantages in basic research as well as in clinical development of products. These advantages are based on:

- A large pool of trained chemists and biologists available at lower costs as compared to in developed economies

- A large English-speaking workforce, and
- Large populations of treatment-naïve patients in most disease areas.

Indian companies have followed a partnering strategy with global pharmaceutical companies - usually licensing out NCEs and NDDS for clinical development and commercialization.

India offers a compelling opportunity in R&D sourcing for global pharmaceutical majors. The global Companies can develop a comprehensive strategy to access innovations from the Indian pharmaceutical research to supplement their global R&D efforts.

Momentum is growing in the measures of global competitiveness and profitability.

The Challenges

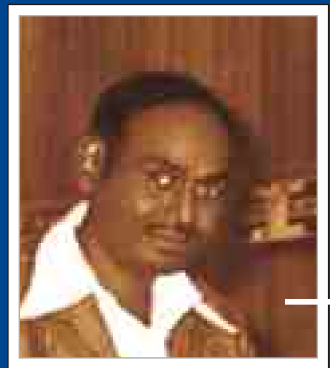
The Indian Pharmaceutical Industry is likely to face the following challenges affecting its overall growth:

- Low Per-capita Spending: Per-capita spending on health care is just 5.1% of India's Gross Domestic Product, or about US$ 28; US$ 3 per capita being spent on pharmaceuticals. By comparison, per-capita health spending in the United States in 2003 was US$ 5,635, while Organization for Economic Cooperation and Development (OECD) countries spending US$2,307. To put things into perspective, India accounts for almost 16% of the world population while the total size of industry is just 1% of the global pharma industry in value terms.
- Government Price Controls: Price controls continue to pose an obstacle to profitability essential for healthy breathing for industry. The Indian pharma companies are marred by the price regulation. Over a period of time, this regulation has reduced the pricing ability of companies. The National Pharmaceutical Pricing Authority(NPPA), which is the authority to decide various pricing parameters, sets prices of different drugs, which leads to lower profitability for the companies. A proposed approach to calculate ceiling prices of certain drugs is causing unrest among manufacturers and prospects for increased government funding to cover pharmaceutical costs seem doubtful.
- Low investment in R&D and other facilities: Prior to 2005, Indian companies were not spending much on R&D and innovations because of lower profitability and lack of Intellectual Property Rights (IPR) protection for NCEs. This resulted into the Global pharmaceutical players finding other ways to leverage India's low-cost structure, highly skilled human capital and technology expertise, including:
  - Incorporating India as part of global clinical trials.
  - Sourcing Active Pharmaceutical Ingredients (APIs) and contract manufacturing.
  - Conducting early-stage Research and Development (R&D).
  - Integrating India's low-cost information technology infrastructure for data processing and other shared services.
- Intense Competition: Due to very low barriers to entry, Indian pharma industry is highly fragmented, which makes Indian pharma market increasingly competitive. The industry witnesses price competition, which reduces the growth of the industry in value terms.
- Threats from other low cost countries like China and Israel exist. However, on the quality front, India is better placed relative to China. So, differentiation in the contract manufacturing side may wane.
- Non-Implementation of New Pharmaceutical Policy - Inability of the Government to implement the Pharmaceutical Policy announced in February 2002, which inter-alia, envisaged:
  – reducing the price control over drugs through revised criteria. The coverage was proposed to be reduced from 74 to 38 drugs;
  – doing away with Third Schedule to DPCO'95 which limits the profitability of the companies.

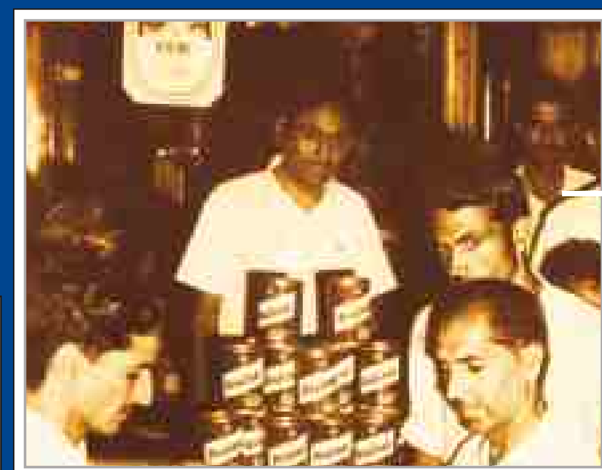
Panacea Biotec - Pivotal Progress

The Company has been focusing on two main streams of Health Management viz. the Prophylactic (prevention) and Therapeutic (treatment). The Prophylactic part is represented by the Vaccines portfolio and the Therapeutic part is represented by the Pharmaceutical Formulations. The Company has positioned itself as a leading research based health management company in India. Panacea Biotec is the 2nd largest Vaccine producer in India and has been ranked as the 3rd largest biotechnology company in India (ABLE Survey 2006). The pharmaceutical business stands at 50th rank as per the ORG-IMS (MAT March 2006). In both the business segments the company has achieved higher growth rate than the industry average growth.

A Legendary Journey

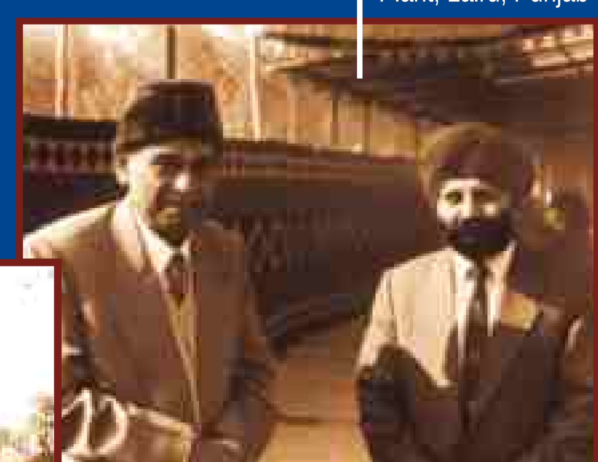


Mr Soshil Kumar Jain, Chairman,
Panacea Biotec in his younger days

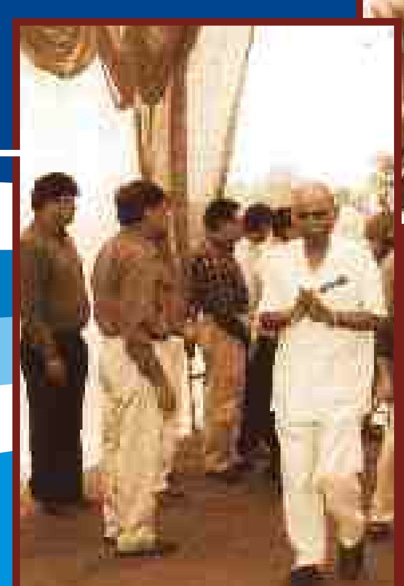


Mr Soshil Kumar Jain, at Radicura & Co, chemist retail shop at Chandni Chowk in Delhi

Mr Soshil Kumar Jain (extreme left) and Mr Ravinder Jain (extreme right)



Inauguration of R&D Center & Manufacturing Plant, Lalru, Punjab



Inauguration of Manufacturing Plant at Baddi, Himachal Pradesh

Panacea Biotec
In Support of Life

Achievements

- More than Ten Thousand Kidney Transplantation patients on Panimun Bioral, enjoy healthy living .
- Over 30 million Diabetic patients on the Company's Oral Diabetes Formulations, lead Happy & Healthy life.
- 500 million painful inflammatory and arthritis patients on Nimulid, enjoy better quality of life.
- Played a key role in eradicating polio cases by supplying more than 3 billion doses of Oral Polio Vaccine to Govt. of India & UNICEF.
- 2nd Largest Vaccine producer in India.
- 3rd Largest Biotechnology Company in India.
- One of the six Companies in the World, pre-qualified by WHO for Oral Polio Vaccine.
- Among top 50 Pharmaceutical Companies in India.
- 10 product patents valid in 60 countries world wide.
- 382 patent applications filed, 152 granted globally.
- Products reach more than 15 countries globally.
- Stupendous contribution to shareholders' value.
- Over 200 Scientists working in 4 state-of-the art R&D Centers.
- Production facilities complying with International Standards.
- Patient education & Public awareness focused portal www.bestonhealth.com
- A family of over 2,200 people working relentlessly in improving quality of life of billions of people across the globe.

Strengths

Panacea Biotec is strongly placed to consolidate its position as a leading, research based health management company with a clear objective to discover, develop and successfully market innovative products to cure diseases, to ease suffering and to enhance the quality of life of the people. To reach this objective Panacea Biotec has:

Established capabilities in R&D

The Company has established capabilities in the R&D of new Vaccines and NDDS based pharmaceutical formulations with extensive infrastructure from pre-clinical research to final development. The Company has also expanded its research activities to include drug discovery and biopharmaceuticals and now has 4 fully operational R&D Centers with over 200 scientists engaged in various research projects. For carrying out pre-clinical research, the Company has an animal house and facilities for undertaking in-vitro and in-vivo microbiology, pharmacology, safety, efficacy and toxicology studies. The Company is in the process of establishing one more R&D Center dedicated for advanced drug delivery systems. As a result of its innovative research contributions, the Company has been granted 10 international product patents valid in more than 60 countries including the U.S., U.K., China, Brazil and Russia.

Relationship with key business associates

Panacea Biotec has a long-standing relationship with its key partners including successful business record of over 6 years with UNICEF. It has been supplying Oral Polio Vaccines to UNICEF since fiscal 2000 and has steadily expanded and grown on this relationship. Sales to UNICEF in fiscal 2000 were Rs.658.4 million and have grown to Rs.3,951 million in fiscal 2006 registering a CAGR of 34.8%. In addition to long-standing relationship with its partners, the relationships with key collaborators like Novartis Vaccines (Formerly known as Chiron Vaccines), Sanofi Pasteur and PT. Bio Farma are also a source of its continuous growth.

WHO pre-qualification status

The Company is one of the six companies in the world to have successfully received WHO pre-qualification for Oral Polio Vaccines. This pre-qualified supplier status enables the Company to participate in WHO sponsored polio eradication programs around the world. The Company has recently obtained WHO pre-qualification for its Recombinant Hepatitis B Vaccine. The Company is also in the process of obtaining similar pre-qualifications for Combination Vaccines.

Collaborations and joint ventures with key industry players

Panacea Biotec has a rich tradition of collaborations and joint ventures with various industry players and has several business relationships with various national / international research institutes, academic universities and commercial corporations. These collaborations, ventures and relationships enable the Company to secure in-licensing, out-sourcing and other business opportunities, for developing strong product portfolio.

Qualified manpower and good relations with employees

Panacea Biotec believes that highly skilled and qualified manpower is the key to the success of a health management company. The Company's employees are qualified graduates, post-graduates, PhDs and doctoral research fellows. In addition, continuous in-house and out-sourced training is part of Company policy for constant development of its employees. The Company provides congenial work atmosphere to its employees and maintains healthy relations with them.

Established facilities, technologies and processes

Panacea Biotec has state-of-the-art manufacturing facilities for vaccines and pharmaceutical formulations complying with the international standards of US-FDA, UK-MHRA, SA-MCC & WHO cGMP. The manufacturing facilities are located at New Delhi, Lalru in Punjab and Baddi in Himachal Pradesh. The vaccine facility at New Delhi is approved by WHO for Oral Polio Vaccine. The Company is in the process of setting up a new vaccine formulation facility and dedicated facilities for herbal formulation and formulation of anti-TB Fixed Dose Combination Drugs at Baddi. Besides this, the herbal extraction facility and bulk vaccine facilities for bacterial and cell culture based vaccines are coming up at Lalru.

Established brand equity

Panacea Biotec has established brand equity in niche therapeutic areas like pain management, osteoporosis, diabetes management, organ transplant, gastro-intestinal disorders and paediatric immunization. The Company's two main brands, Glizid-M and Nimulid, are among the top 200 brands in India with Glizid-M ranked at 120 and Nimulid as a brand at 187 according to the secondary stockists audit by ORG IMS (MAT March 2006).

Marketing, Sales & Distribution Network

Pharmaceutical Formulations

Domestic: Panacea Biotec has divided its marketing and sales network for pharmaceutical formulations into strategic business units (SBUs), which presently comprise Critical Care, Diacar, Procare and Growcare.

The aim of each SBU is to attain leadership position in its respective markets and establish brand equity in respective therapeutic segment by implementing the concept of Customer Relationship Management (CRM) for better coverage and servicing of Panacea Biotec customers. The SBUs promote a portfolio of brands with a special focus on Orthopedicians, Cardiologists, Diabetologists, Physicians, Nephrologists, Pulmonologists, Surgeons, Dentists, ENT (Ear, Nose and Throat) specialists, Pediatricians and Gastro-enterologists.

Critical Care

Critical Care, a super specialty SBU of the Company, is focused on Nephrology in highly specialized organ transplantation and dialysis management segments. It offers a complete range of pre-transplant & post-transplant therapies. It has carved a niche for itself with two sub-divisions, Organcare and Rencare and enjoys a significant presence in this segment all over the country. Critical Care SBU stands at a leadership position in the related market segment.

The brand portfolio of this SBU includes Panimun Bioral (Cyclosporine) Capsules & Solution, Mycept (Mycophenolate Mofetil) Tablets & Capsules, Pangraf (Tacrolimus) Capsules, Overcom (Iron Sucrose) Injection and Fosbait (Lanthanum Carbonate) Tablets.

Diacar

Diacar is the fastest growing SBU of the Company with dedicated marketing and sales infrastructure for Diabetes and Cardiovascular management. It is well entrenched in the minds of customers and has become a high volume contributor. This SBU stands at 6th position in the oral anti-diabetic market and is valued at Rs.450 million (ORG IMS Mar'06 MAT). Diacar SBU promotes the brands exclusively to the target specialists in highly competitive market segments and has achieved a significant leadership position in this therapeutic segment with flagship brand Glizid M (Gliclazide & Metformin) Tablets ranking as no.1 brand in its respective product category and Glizid (Gliclazide) Tablets ranking as no.2 brand closely following the leader in its category. Moreover, Glizid M and Glizid as a brand occupy 4th and 6th position respectively amidst over 400 oral hypoglycaemic agents and are valued at Rs.260 million and Rs.116 million respectively. Pioryl (Pioglitazone & Glimepiride), Oglo (Pioglitazone), Betaglim (Glimepiride), Betaglim M (Glimepiride & Metformin) and Metlong (Metformin) Tablets are other key brands being marketed by this SBU.

Procare

Procare SBU of the Company endeavors to consolidate and strengthen its image in the field of Chronic Health Care Management including pain & arthritis management, osteoporosis and gastro-intestinal disorders. It promotes a portfolio of brands with a special focus on Orthopedicians, Surgeons, Dentists, ENT Specialists, Pediatricians & Gastro-enterologists apart from Consultant Physicians and General Physicians. Procare stands at 7th position in its market segment and is valued at Rs.271 million (ORG IMS Mar'06 MAT).

The major brands in the portfolio include Nimulid (Nimesulide) Tablets, Nimulid Nugel, Nimulid Safeinject, Willgo Tablets, Nimulid SP Capsules, Nimulid Suspension, Nimulid MD Kid Tablets, Calcom (Calcitriol & Calcium) Tablets, Alphadol (Alphacalcidol) & Alphadol C (Alphacalcidol & Calcium) Capsules, Ocimix (Ciprofloxacin & Ornidazole) Tablets, Livoluk 200 & 450 ml (Lactulose) Suspension, Giro (Ornidazole) Tablets, Nimulid MR Tablets, Cilamin (Penicillamine) Capsules and Kingcal (Calcium 250mg & Vitamin D3) Tablets. All these products are being well accepted among the medical fraternity.

Nimulid Tablet continues to occupy the 2nd position in its respective therapeutic segment and features among top 200 brands in India.

Growcare

Growcare SBU caters to clinicians across the country, which include Chest Physicians, Consultant Physicians and General Practitioners and promotes technology driven products. A specialty driven, professionally trained and well-equipped field force is the strength of this SBU. This SBU stands at 2nd position in its market segment and is valued at Rs.157 million (ORG IMS Mar'06 MAT).

The brand portfolio of this SBU includes innovative brands like Xeed 2, Xeed 3E & Xeed 4 Tablets Fixed Dose Combination (FDC) for Tuberculosis Management, Myser (Cycloserine) Tablets, Myobid (Ethionamide) Tablets, Nimulid MD & Nimulid MD Kid (Nimesulide Mouth-dissolving) Tablets, Nimulid Suspension, Livoluk 60 & 100 ml Suspension, Nimulid Transgel, Takeaway Inj. (Nimesulide Injection), Toff MD (mouth-dissolving tablets for common cold & cough) and UpRight (Aceclofenac & Paracetamol) Tablet for effective relief from severe pain and inflammation, which are well differentiated from the competitors in the respective market segments viz. tuberculosis, constipation, pain and arthritis management.

Your Company has tapped first-line Anti TB market through research-based patented new drug delivery Tablets Xeed, which has been developed through in-house innovative drug delivery technology. Xeed contains combination of drugs for the management of tuberculosis in a novel fixed dose tablet formulation and ensures site-specific release and enhanced bio-availability of Rifampicin leading to almost 100% cure rate in tuberculosis. The image of Myser and Myobid has also been intensified in overcoming multi-drug resistant (MDR) Tuberculosis.

It also promotes natural products developed through modern technology after extensive research. As a part of exercise in health management, a lot of emphasis is given on disease awareness and patient education on natural products therapy through innovative tools. The natural products being marketed by this SBU include ThankGod Piles Management System (ThankGod Relief Capsules and ThankGod Anytime Cream).

Mr. Rajesh Jain, Jt. MD, inaugurating Marketing Office at Mumbai

Sales & Distribution Network

The Company has a nationwide sales and marketing network covering approximately 450 districts in India and targets more than 1.1 million customers through a field force of more than 1,000 trained marketing and sales professionals and 23 Sales Depots/Carrying and Forwarding Agents all over India. The Company has its Marketing office and Central Warehouse at Mumbai and Mandoli (Delhi), respectively.

Besides this your Company also has expertise in cold chain management for storage and distribution of Vaccines under monitored conditions using a system of Vaccine Vial Monitors, Data Loggers, Ice Boxes, Coolant, Cold Rooms & Refrigerated Vehicles. This ensures that the Vaccines remain safe and effective against changes in the variant temperature conditions.

Market Research

Market Research team carries out primary research studies to understand the customers, products & competitors to enable the marketing & brand management team in evaluating strategic options and decision making. Various tailor-made & customized market studies are carried out through Management students outsourced from various Management Institutes across India, meeting the respondents at their clinics and at National Conferences.

In addition, the market research team consistently services the marketing teams with data from syndicated sources like ORG-IMS in terms of therapy, molecule & brand standing vis-a-vis. competition. The information on market share & rank is provided to field force on a monthly basis so as to enable marketing team to evolve local as well as corporate marketing strategies to achieve corporate objectives.

Brands Review

It is believed that brands are the life and soul of any organization and accordingly, various brand building campaigns are conducted regularly. The Company's brands are being well accepted by the medical fraternity and enjoy excellent market share in their respective therapeutic segments. There has been a substantial growth in the sales of well-accepted brands of the Company during the year under review as compared to the previous year. As per Stockist Secondary Audit of ORG (MAT Mar'06), two brands of your Company continue to feature among Top 200 ranks. Glizid M stands at 120th rank and 'Nimulid' as a brand stands at 187th rank.

During the year under review, Glizid M (anti-diabetic) Tablets has achieved record growth of 27% with sales of Rs. 258.4 million as against Rs. 203.4 million during previous year and continue to occupy the No. 1 position in the Gliclazide + Metformin category.

The Company's two major Brands, Nimulid and Glizid completed 10 years of their launch and special campaigns to celebrate the events were organised during the year. As a result of this campaign, the sales of these brands also increased significantly.

The following table depicts the performance of its key brands in some of its therapeutic categories and their ranking in India:

Brands	Market Share %	Ranking
Diabetes Management:		
Glizid-M	39.2	1
Glizid 80 mg	31.3	1
Glizid 40 mg	32.3	2
Glizid MR 60 mg	11.5	2
Glizid MR 30 mg	16.4	2
Organ Transplant:		
Panimun Bioral	98.1	1
Mycept	73.0	1
Pangraf	44.6	1
Pain Management:		
Nimulid MD	35.5	1
Nimulid MD Kid	29.5	1
Willgo	41.8	1
Nimulid Tablet	13.8	2
Nimulid SP	14.5	3
Nimulid Suspension	13.7	2
Nimulid Safeinject	14.5	3
Nimulid Transgel	21.7	3
Anti-Tubercular:		
Myobid	9.9	3
Myser	18.9	3
Constipation:		
Livoluk Suspension	12.2	2
Gastro Intestinal:		
Ocimix	57.3	1
Anti-Osteoporosis:		
Alphadol	9.3	3

Source: ORG IMS Secondary Stockists Audit, MAT March 2006

Apart from the above brands, Alphadol C Capsules, Cilamin Capsules, Giro Tablets, Xeed-4 Tablets, Nimulid MR Tablets, Oglo Tablets, Lower Tablets, Nimulid MR Tablets, Nimulid Nugel Ointment and Rosimet Tablets, feature among top 10 brands in their respective category.

New brands launched

With a view to gain continuous competitive edge and to discharge its commitment towards meeting the healthcare needs by providing innovative products, your Company has been continuously launching innovative and value-added brands. During the year under review, your Company has launched Monovalent Oral Polio Vaccines Type I & Type III, thereby further strengthening its commitment in combating the deadly polio disease.

In the formulation segment, the company has also launched several novel drug delivery based products during the year under review:

- ODPEP™ Tablets (Fixed Dose Combination of Pantoprazole and Domperidone) for Gastro Intestinal Disorders, a brand with an innovative technological advantage.

- FOSBAIT Tablets (Lanthanum Carbonate chewable tablets) for Renal Disease Management.
- UpRight Tablets (Aceclofenac and Paracetamol fixed dose combination) for Pain management.

During the current year, the Company launched the following brands:

- Softdiclo Tablets (Rabeprazole Sodium and Diclofenac Sodium) for Pain management.
- Kingcal Tablets (Calcium 250 mg and Vitamin D3) for Osteoporosis management.

As per the initial market reports, the new brands have been well accepted in the market and it is expected that these brands will give a significant boost to the growth of the Company in line with its long-term objectives and vision. In fact, Softdiclo & Kingcal have made a good initial impact as new products in Procare.

Further, in view of its continuous thrust to expand brand portfolio, your Company is aggressively pursuing R&D activities for development of new products and also exploring the opportunities for entering into licensing arrangements for commercial development and marketing of products based on the technology developed by premier Research Organisations in India and abroad.

Exports

Exports have been identified as a major thrust area by your Company and the Company has been adopting a strategy of increasing its international brand presence image for ensuring continuous growth in exports turnover. It has also obtained brand registration for more than 60 different brands in different countries and is actively exploring opportunities for launching as well as licensing out some of its patented products for manufacture/ marketing in developed countries in Europe, North America and Latin America.

The Company is exporting its branded pharmaceutical formulations in CIS countries, South East Asia and African countries. During the year under review, the export sales of formulations increased by 12.6% to Rs.165.7 million from Rs.147.1 million during fiscal 2005. The Company also achieved export turnover of Rs.267.3 million by way of supplies of Oral Polio Vaccines to various countries including Afghanistan, Angola, Ethiopia, Maldives, Nepal, Somalia and Yemen through UNICEF.

Panacea Biotec is poised to make inroads into international markets by increasing its market share in operating markets and establishing its ground work in new potential markets. One of the leading brands of the Company, 'Nimulid' has been successfully added a new *innovative parental dosage form* in its basket in Ukraine and is under registration in Russia. 'Nimulid' continued its triumph and contributed more than 50% of company's export turnover in formulation segment. Company's yet another flagship brands 'Toff Plus' – a cough & cold remedy and 'Giro' – a Gastrointestinal remedy made news in Russia with its remarkable growth rate of 90% and 126% respectively.

Panacea Biotec's representative office in Serbia & Montenegro (Former Yugoslavia) participated in one of the major exhibition in Serbia for International Exhibition for Medicine and Pharmaceutical Industry – (MEDIPHARM) and received an overwhelming response from medical fraternity of Serbia.

Panacea Biotec exhibiting in International Medipharm fair, Belgrade.

With a view to expand its cough & cold range your company successfully registered two more brands i.e. Awayke MD (for Allergic Rhinitis) & Toff MD (for Cough & Cold) in Ukraine.

Advertisement Panacea Biotec's one of the leading brand Toff Plus on Ukrainian Tram.

Your Company is also in the process of formalising the activities in several markets, the notable amongst them are Brazil, Mexico, South Africa, Phillipines, Costa Rica, and Malaysia.

Seminars & Conferences

The Company regularly participates in major national/ international conferences with a focus to enhance brand equity, sharing information, technology and knowledge and development of human resource. The participation also has a direct impact on strengthening customer database and exploring new opportunities for national and international co-operation leading to improved sales and profitability of the Company.

The Company, inter-alia, participated in the following conferences during the year:

- ESICON (Endocrine Society of India Conference) in Delhi.
- IDF (International Diabetes Federation) at Athens, Greece.
- IOACON (Indian Orthopaedics Association Conference), Mumbai, Dec 2006 - introduced the concept of “PAINOMETER” to the medical fraternity present there.
- NAPCON (National conference of chest physicians) at Kolkata.
- 'PEDICON' 06' (National conference of Pediatrics), New Delhi - launched unique concept of “EasyTrack”. The concept got exhilarating comments from the customers like “First Company to take care for our customer relation” “Revolutionary Concept”, ”You have redefined Customer Services” and “You have reduced our burden of reminding date to parents”, to name a few.

Manufacturing Facilities

Panacea Biotec has two manufacturing facilities in New Delhi and the others at Lalru in Punjab and at Baddi in Himachal Pradesh. The new manufacturing facility for pharmaceutical formulations (tablets, hard gelatin capsules, ointments and syrups) at Baddi, was commissioned during April, 2006 and a new pharmaceutical formulation facility for 'Soft Gelatin Capsules' at Baddi was inaugurated in July, 2006.

The Company has adequate electricity load sanctions from state electricity boards and back-up generation facilities at all its manufacturing facilities. It also has modern effluent treatment plant, solid waste management and pollution control equipments facilities at all its manufacturing facilities.

In order to meet its future manufacturing requirements and exports to developed markets, the Company is in the process of setting up new manufacturing facilities at Baddi, Himachal Pradesh for herbal formulations, anti-TB drug formulations. The Company is also in the process of setting up new manufacturing facilities for Vaccine Formulation & Filling at Baddi and for Bacterial Vaccine & Cell Culture based Vaccine at Lalru. The Company expects all of these facilities to be operational in fiscal 2007.

The Company's manufacturing expertise lies in various solid, semi solid & liquid oral dosage forms and vaccines.

- Oral-solids - Conventional tablets/capsules, Controlled/delayed release / enteric coating tablets and capsules, Tablet in Tablet, Tablet in Capsule, Multi Layered Capsules, Hard Gelatin/Soft Gelatin capsules, Mouth Dissolving / Chewable Tablets, Beads Encapsulation, Coating: Film, Sugar & Functional, Taste masking and fast-dissolving tablets.
- Semi-solids - Ointments/Creams/Gels
- Liquids - Suspensions/Syrups/Solutions
- Vaccines - Recombinant Vaccines, Combination Vaccines and Cell Culture based Vaccines

The regulatory requirements in the international markets demand cGMP (Current Good Manufacturing Practices) at all stages of development and manufacture. The Company's new state-of-the-art pharmaceutical formulations facility at Baddi (Himachal Pradesh) has been set-up in compliance with regulatory requirements of US FDA, UK MHRA, MCC (South Africa), WHO and other international standards. During current fiscal, the Company expects its Baddi formulation facility to be ready for inspections by international regulatory agencies like US FDA and UK MHRA as it plans to manufacture patented products scheduled to be launched in developed markets.

A view of manufacturing facility at Baddi

As a result of stringent measures, every finished product of Panacea Biotec in the market carries the assurance of excellent quality.

The Company also outsources the manufacture of some of its products on a loan license/ third party arrangement basis. Upon the commencement of operations at its soft gelatin and anti-TB drugs formulation facility at Baddi, Himachal Pradesh, in fiscal 2007, the Company intends to move the manufacturing of the majority of the above products to this facility.

Vaccines Formulation facility in New Delhi

Vaccines formulation facility in New Delhi is WHO cGMP approved facility with WHO pre-qualification for Oral Polio Vaccines and Recombinant Hepatitis B Vaccines. The facility has been designed, constructed and maintained to suit production of vaccines following GMP. The Company expects inspections in the future as a result of its plans to get WHO pre-qualifications for Combination Vaccines.

A view of Vaccines formulations facility at New Delhi

Recombinant Bulk Vaccines facility at Lalru, Punjab

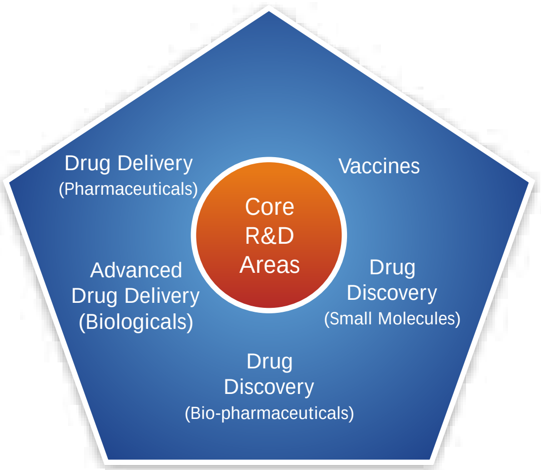
Recombinant Bulk Vaccines facility has been located, designed, constructed, adapted and maintained for production of Recombinant Hepatitis B Bulk Vaccine with Cuban Technology and other biotechnology based products following current Good Manufacturing Practices (cGMPs) prescribed by WHO and the US FDA. Recombinant Hepatitis B Bulk Vaccines and Antigens are produced at this plant.

Recombinant Bulk Vaccine manufacturing facility at Lalru

Biopharmaceuticals

The Company is currently expanding its core business activities to include biopharmaceuticals to deliver innovative health management solutions. The Company is working with prominent global institutions to develop novel technology based biopharmaceutical products and has set up a new Biopharmaceutical R&D center in New Delhi to support and strengthen its entry into the biopharmaceutical segment. The Company plans to develop new vaccines, recombinant proteins/peptides and human monoclonal anti-bodies.

It has recently in-licensed a peptide-based technology for alopecia (hair loss) management from National Institute of Health, USA. The technology, which is patent protected, stimulates hair growth and regenerates lost hair follicles. The Company plans to undertake further development of this technology and initiate Phase I trials in due course of time.



Research & Development - Pentagon

Research and Development

Panacea Biotec has four highly sophisticated ultra-modern R&D centers with over 200 qualified and highly experienced scientists for its various research projects. These R&D Centers are equipped to handle Vaccine Development, Biopharmaceuticals, Drug Delivery projects and Drug Discovery (small molecules), in compliance with international regulatory standards.

The company has been steadily increasing its expenditure on R&D, both revenue and capital expenditure, and has spent Rs.280.9 million (5.2% of net turnover) in fiscal 2006, as compared to Rs.140.6 million (4.3% of net turnover) in fiscal 2005, an increase of over 100% in absolute terms. The increase in R&D expenditure is in line with its strategy to use its R&D expertise to find novel therapies and drug delivery systems. Further, the Company has also invested an amount of Rs.252.3 million as capital expenditure on R&D up by 300% as compared to Rs.84.1 million in previous year.

SAMPANN Drug Delivery R&D Center

SAMPANN Drug Delivery R&D Centre, a state-of-the-art R&D Centre, is focused on :

- Development of value added drug delivery products that would address unmet medical needs, Increase patient convenience and compliance, augment the intellectual capital of the organization and contribute towards the organizational business goals.
- Identification and development of lead compounds from plant sources.

SAMPANN has demonstrated capabilities and ready products and technologies in numerous drug delivery research areas like Spatial Release System (tablet-in-tablet and inlay tablet), Hydrophillic Matrix System, Topical Transdermal Gel, Injectable System for Water Insoluble Drug, Gastroretentive System, Self Emulsifying Drug Delivery System in Softgels, Oromucoadhesive System, Orally Disintegrating System and Taste Masking.

Ongoing Projects: SAMPANN R&D center is developing products based on highly specialized drug delivery technologies including Site Specific Drug Delivery, Self Nano-emulsifying Injectable System, Depot Injectable Preparations, Pulmonary Drug Delivery and Oral Controlled Release Systems.

Collaborative research project with an European multinational company for drug delivery development of a NCE has successfully progressed through Phase I and Phase II clinical trials.

A number of new lead compounds from plant sources have been identified and are currently undergoing pre-clinical development.

Two new improved chemical entities have been designed, patent applications filed and currently under pharmacological evaluation.

Significant number of projects have been developed and cleared for commercialization and 23 new patent applications were filed during the year under review.

Facility : The state-of-the-art research facility is spread across 40,000 sq.ft. of lab space with specialized research facilities and manpower in the areas of:

- Pharmaceutics
- Pharmacology
- Analytical Chemistry
- Medicinal Chemistry
- Natural Products
- Information Science
- Intellectual Property Management

S.M. SAHA Center for Vaccines Research & Development

The Company's state-of-the art Research Center for development of Vaccines has been named as S.M. SAHA Center for Vaccines Research & Development, in recognition of the contribution made by late Mr. S.M. Saha, the pioneer in setting up the vaccine manufacturing plant for the Company at New Delhi.

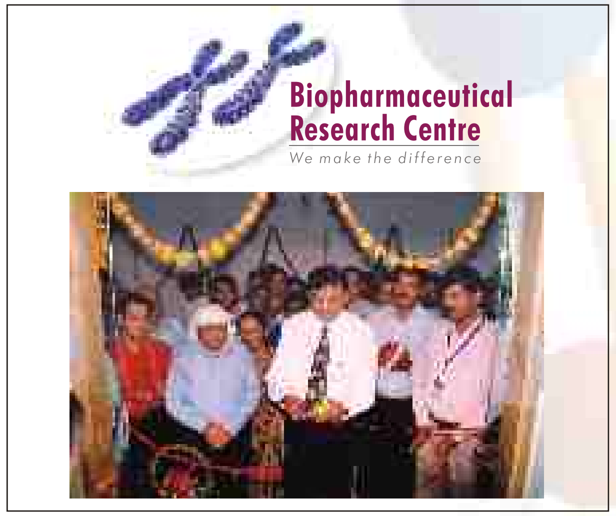
This center is working on developing various new vaccines which are at various stages of development.

LAKSH Drug Discovery R&D Center

The Company has recently set-up a state-of-the art Research Center for development of New Chemical Entities (small molecules). The R&D Center employs around 50 scientists and has commenced work in chemistry, biology, analytical research, bio-analytical research, pharmacokinetics, drug metabolism studies and intellectual property rights management. The therapeutic focus will be on development of NCEs for the treatment of metabolic disorders, diabetes and infectious diseases (resistant bacterial infections and infections of the respiratory tract).

Biopharmaceutical R&D Center

During the current financial year, the Biopharmaceutical R&D center has become operational and undertakes biopharmaceutical



Mr. Rajesh Jain, Jt MD inaugurating the Biopharmaceutical Research Center.

research. This center will utilize molecular biology & genomics tools and has around 30 hard core molecular biologists, immunologists, bio-chemists, microbiologists and cell biologists. The center will develop novel preventive & therapeutic vaccines, therapeutic fully human monoclonal antibodies and therapeutic peptides. The focus will include infectious diseases and lifestyle related disorders.

It also plans to undertake the development of a peptide-based technology for alopecia (hair loss) management recently in-licensed from National Institute of Health, USA and initiate Phase I trials. The technology, which is patent protected, stimulates hair growth and regenerates lost hair follicles.

GRAND™ R&D Centre

The Company is in the process of setting up its 5th R&D Center GRAND™ for Advanced Drug Delivery Systems. At this Center, the Company plans to develop new and advanced NDDS based products. This center is expected to be operational during fiscal 2007.

Quality Assurance

Quality is among the most important reasons to persuade a customer to buy a product. Total Quality Management has always been the cornerstone of your Company which has resulted in achieving greater milestones in the past couple of years. At Panacea Biotec, Quality is in-built in products & services and it is integrated in each step of R&D, Production, Packaging, Storage, Marketing, Sales & Distribution. Your Company is committed to adhere to the highest quality standards for products it manufactures and is ensuring this through a highly qualified, techno innovative & dedicated team, quality material and best machinery & equipments.

To ensure the consistent quality of the product and to continuously meet the customer's requirements, your Company has stringent Quality Assurance Systems in place for monitoring and controlling the overall quality systems. The control of the product quality during production is maintained by in-process quality tests and quality audits. A continuing employee training program, equipment and process validation and a self-inspection program are part of the Company's approach to Quality Assurance. Special emphasis is placed on thorough documentation (SOPs, Master formulae, Specifications, validation protocols etc.) and review of entire manufacturing and control process.

The Quality Assurance systems are supported by Quality Policy and Quality Manual, which have been compiled as per cGMP directives & guidelines and the directives of various international regulatory bodies like the USFDA, UKMHRA and the EC.

Intellectual Property

Panacea Biotec has an in-house intellectual property management department which supports its development of patent applications, files patents, identifies potential new products and markets for its vaccines and pharmaceutical formulations and provides support to its research activities.

As at March 31, 2006, your Company had filed 382 patent applications in various parts of the world including 82 patent applications & 20 PCT (Patent Co-operation Treaty) Applications with the Indian patent office. Of these, 152 patents have been granted, 75 have been dropped and others are under various stages of examination or publication by the patent authorities.

Besides Product Patents, the Company also has Process Patents in India, for Anti-Spasmodic, Piperine, Cisapride, Migraine, Nap Zinc, Fast Mouth Dissolving Nimesulide, Nimesulide Effervescent, Cycloserene & Euphorbia Prostrata and the Process for the Preparation of India Sabin Strain Derived Inactivated Polio Vaccine.

In addition to patents, the Company relies upon confidentiality agreements with its principal suppliers, employees and customers to protect its trade secrets, non-patented proprietary know-how and technological innovations.

Besides this, the Company has filed 123 applications for registration of Copyrights out of which 77 have been granted and 46 are pending. Around 400 applications for registration of Trade Marks filed out of which 223 were registered and 41 have been withdrawn. 12 International Trade Mark Applications were filed out of which 8 were granted 1 was rejected and 3 are pending. Moreover, 3 Design Applications were filed and all were granted.

Joint Ventures and Subsidiaries

Panacea Biotec has the following joint ventures and subsidiaries:

Chiron Panacea Vaccines Pvt. Ltd. ("Chiron Panacea"): Chiron Panacea is a joint venture company incorporated in fiscal 2005 in India with Chiron Corporation, U.K. ("Chiron") for marketing of combination and other vaccines in India. The Company has invested Rs.22.9 million in Chiron Panacea for a 50.0% equity stake. Chiron, which is world's 5th largest Vaccine group and has recently been taken over by Novartis, holds the remaining 50.0%.

This Joint Venture Company began operations in January, 2005 by way of marketing and distribution of Combination and other Vaccines (other than Oral Polio Vaccines) in India and has made available, innovative vaccines to reduce the burden of various diseases in the country in the area of pediatric infectious diseases. It became profitable in its first full year of operations registering a turnover of Rs.211.1 million and net profit of Rs.10.0 million during FY06. The JV Company now commands 18% market share in the Pediatric Combination Vaccines market in India.

Apart from launching innovative vaccines, the JV Company has forwarded one more step towards redefining pediatric vaccination in India, by introducing innovative SMS concept of EASYtrack, with a view to create a Value differentiator and provide a value added service to the customer. The idea is to remind the doctor's patients before every vaccination date and the best part is that the reminder messages are personalised in the doctor's name.

Panheber Biotec Pvt. Ltd. ("Panheber"): Panheber is a 50:50 joint venture company incorporated in fiscal 1999 in India with Heber Biotec S.A, Cuba ("Heber"), an affiliate of the Center for Genetic Engineering and Biotechnology, for the production of recombinant Hepatitis B Vaccine in bulk form. Panacea Biotec has leased out the Recombinant Bulk Vaccine production plant at Lalru to Panheber for production purposes.

The JV company is meeting the requirement of Recombinant Hepatitis B Bulk Vaccine and Antigen for the manufacture of Hepatitis B and Combination Vaccines by your Company. WHO pre-qualification for Recombinant Hepatitis B Vaccine has been received recently. This pre-qualification would generate avenues for supply of the Hepatitis B Vaccine to UNICEF for the latter's global needs.

Radicura & Co. Ltd. ("Radicura"): Panacea Biotec acquired Radicura during fiscal 1999 and is holding 100% shareholding in Radicura. It was established for trading and distribution of pharmaceutical products. The Company has an investment of Rs.11.4 million in Radicura. Radicura has, during the year under review, discontinued its trading operations due to non-economical size of operations.

Best On Health Ltd. ("BOH"): The Company acquired BOH during fiscal 2000 and is holding 100% shareholding in BOH. BOH owns the Company's corporate office premises and has given the same on lease to the Company. The Company has invested approximately Rs.22.9 million in this subsidiary.

Collaborations and Tie-ups

Panacea Biotec has important business relationships with various leading research institutes, academic universities and commercial corporations, including:

Cambridge Biostability Ltd., U.K. The Company has a collaboration with Cambridge Biostability Ltd., U.K. ("CBL") for developing thermostable vaccines applying CBL's patented "Stable Liquid Technology" over its existing range of vaccines. The "Stable Liquid Technology" eliminates the need for cold chain and refrigeration for vaccine storage and distribution. The

Mr. Rajesh Jain, Jt. MD seen with Mr. Paul Rewrie, COO of Cambridge Biostability after signing of agreement.

technology will enable the vaccine industry to achieve significant savings in the storage, distribution and refrigeration which forms a significant part of the total cost of selling the vaccines.

National Institute of Immunology, India. The Company has an exclusive ten-year license agreement with National Institute of Immunology, India for in-licensing of technology and processes for production of tissue culture derived formalin inactivated, Japanese Encephalitis Vaccine. The technology transfer and training of scientists has been completed and scale-up production for clinical trial purposes and optimization of various analytical and biological test methods, is under progress.

Biotech Consortium India Ltd. The Company has a ten-year in-licensing arrangement with Biotech Consortium India Ltd. for the development, manufacture and marketing of Anthrax Vaccine developed by Jawahar Lal Nehru University, India. The Phase I/IIa of human trials of Recombinant Anthrax Vaccine have been completed. The Company plans to file application for Phase III trials shortly.

National Institute of Health, USA. The Company has an in-licensing arrangement with National Institute of Health, USA, for use of a peptide based product for generation of hair follicles and hair growth. Pre-clinical toxicology studies will be shortly initiated.

National Research Development Corporation (NRDC), India. In fiscal 2006, the Company entered into an in-licensing arrangement with NRDC to manufacture and market the Foot and Mouth Disease (FMD) Vaccine developed by Indian Veterinary Research Institute (IVRI).

Mr. Rajesh Jain, Jt MD announcing the collaboration with NRDC in the presence of other dignitories from NRDC and IVRI.

Dr. Reddy's Laboratories Ltd. The Company has a license and supply agreement with Dr. Reddy's Laboratories for the supply of the Company's patented product, Nimesulide Injection, for marketing in India. The Company has also signed another license and supply agreement with Dr. Reddy's Laboratories for another patented product, Nimesulide Transdermal Gel, for marketing, distribution and sale in Russian Federation.

Nederlands Vaccin Instituut (NVI), Netherlands. The Company has entered into an agreement with NVI for manufacturing and marketing of Inactivated Polio Vaccine in global markets except Netherlands, Denmark, Norway and Finland.

PT. Bio Farma, Indonesia. The Company has recently entered into an agreement with PT. Bio Farma, Indonesia to manufacture & market the Measles Vaccine and plans to supply the Vaccine to UNICEF, PAHO and CIS, African, LATAM and Asian countries, in furtherance to the current WHO and UNICEF Global Measles Reduction Strategy.

Mr. Thijs Veerman, General Director of NVI & Mr. Rajesh Jain, Jt MD signing the collaboration agreement.

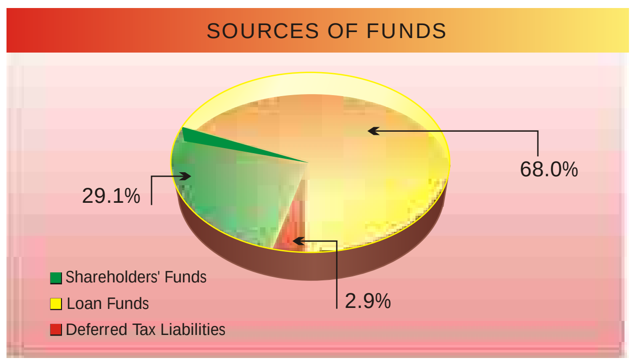
Mr. Marzuki Abdullah, President Director of PT. Bio Farma announcing the collaboration with the Company.

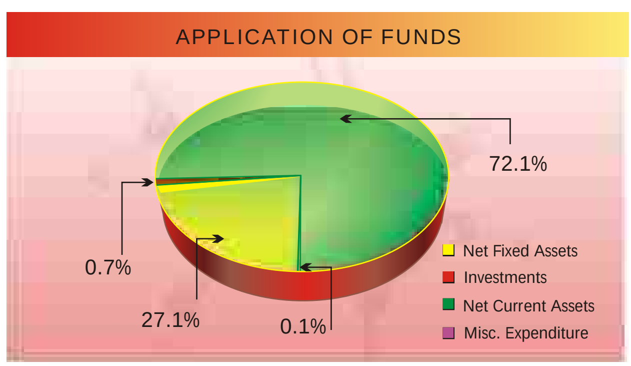
Financial Highlights

Balance Sheet

Rs.in millions

Liabilities	Amount	Assets	Amount
Shareholders' Funds	2,507.6	Net Fixed Assets	2,337.1
Loan Funds	5,866.5	Investments	61.4
Deferred Tax Liabilities	246.8	Net Current Assets	6,212.8
		Misc. Expenditure	9.6
Total Liabilities	8,620.9	Total Assets	8,620.9





Net Worth : The Net Worth of your Company has improved to Rs.1,593.6 million from Rs.1,235.1 million as at the end of previous year registering a growth of around 29%.

Loan Funds : The total loan funds as at 31st March, 2006, have increased by Rs.4,256.2 million on account of issue of FCCBs of US$ 100 million during Feb'06.

Fixed Assets : The net fixed assets have grown to Rs.2,337.1 million as against Rs.1,376.8 million as at the end of the previous year on account of capital expenditure on ongoing expansion/new projects.

Profit & Loss Account

Turnover : The Company achieved net turnover of Rs. 5,363.5 million during the year as compared to Rs.3,255.4 million for fiscal 2005, registering an increase of 64.8%. In fiscal 2006, the vaccines segment's turnover grew by 87.2% and contributed Rs.4,066.9 million or 75.8% of net turnover, as compared to Rs.2,172.9 million or 66.7% of net turnover for fiscal 2005. The pharmaceutical formulations segment's turnover grew by 19.6% and contributed Rs.1,288.8 million or 24.0% of net turnover, as compared to Rs.1,077.7 million or 33.1% of the net turnover for fiscal 2005.

The turnover for fiscal 2006 also includes income from R&D services which contributed Rs.7.8 million, as compared to Rs.4.8 million in fiscal 2005.

During the year under review, the Company generated 91.4% of its net turnover from sales within India, including deemed exports of Rs.3,693.9 million or 68.9% of net turnover.

Expenditure : Materials, Manufacturing & Operating Expenses: The materials, manufacturing & operating expenses and finished goods purchases increased by 67.2% to Rs.3,202.4 million during the year under review from Rs.1,915.3 million for fiscal 2005. However as a percentage of net turnover, the materials, manufacturing & operating expenses increased by 0.9% in fiscal 2006 to 59.7% from 58.8% in fiscal 2005. The increase in operating expenses was on account of normal increase in expenses due to inflation during fiscal 2006.

Personnel Expenses: During the year under review, the personnel expenses increased by 21.0% to Rs.429.7 million from Rs.355.1 million for fiscal 2005. This increase was mainly attributable to an increase in the total number of employees during fiscal 2006. As a percentage of total turnover, the personnel expenses decreased to 8.0% in fiscal 2006 from 10.9% in fiscal 2005 due to relatively higher growth in turnover.

Mr. Sumit Jain, Director, highlighting the Company's financial performance at a function at New Delhi

Selling & Distribution Expenses: The Selling & distribution expenses increased by 20.3% to Rs.239.8 million for fiscal 2006 from Rs.199.3 million for fiscal 2005. This increase was attributable to overall turnover growth during fiscal 2006. As a percentage of total turnover, the Selling & Distribution expenses decreased to 4.5% in fiscal 2006 from 6.1% in fiscal 2005 as a result of relatively higher growth in turnover.

Research & Development (R&D) Expenses: The R&D expenses doubled to Rs.280.9 million for fiscal 2006 from Rs.140.6 million for fiscal 2005. This increase was attributable to an increase in the personnel cost of R&D employees, research related costs and depreciation on R&D assets. As a percentage of net turnover, R&D expenses increased to 5.2% during fiscal 2006 from 4.3% in fiscal 2005.

Interest and Finance Charges: Interest and finance charges increased by 16.9% to Rs.133.3 million for fiscal 2006 from Rs.114.1 million for fiscal 2005. This increase was attributable to the increase in the borrowing level as the company has raised US$ 100 million by issue of Foreign Currency Convertible Bonds (FCCB) in February'06. As a percentage of net turnover, the interest and finance charges decreased to 2.5% in fiscal 2006 from 3.5% in fiscal 2005.

Depreciation and Amortization: Depreciation (excluding depreciation on R&D assets) and amortization increased by 2.3% to Rs.144.0 million for fiscal 2006 from Rs.140.8 million for fiscal 2005. This increase was attributable to an increase in the depreciable asset block. As a percentage of net turnover, depreciation and amortization decreased to 2.7% in fiscal 2006 from 4.3% in fiscal 2005.

Profit/Margins

The increased revenues coupled with optimum utilization of resourses have resulted in better profit margins on all fronts.

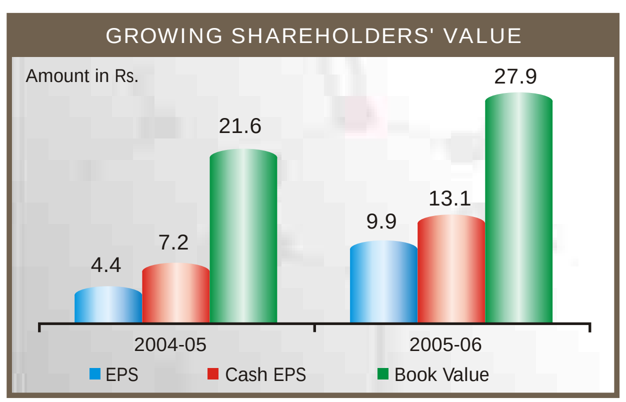
Earnings Before Interest, Tax, Depreciation & Amortisations ("EBITDA"): The EBITDA increased by 84.0% to Rs.1,319.9 million for fiscal 2006 from Rs.721.4 million for fiscal 2005. The increase in EBITDA was primarily due to increase in overall turnover without a corresponding increase in expenditures. The EBITDA margins also improved to 24.6% during fiscal 2006 from 22.2% in fiscal 2005.

Earnings Before Interest & Tax ("EBIT"): The EBIT increased by 103.6% to Rs.1,137.7 million for fiscal 2006 from Rs.558.9 million for fiscal 2005. The increase in EBIT reflects the increase in overall turnover with a lesser increase in expenditures. The EBIT margins also improved to 21.2% during fiscal 2006 from 17.2% in fiscal 2005.

Profit before Tax and Extra-ordinary/Prior Period items : Profit before tax and prior period items increased by 125.8% to Rs.1,004.4 million for fiscal 2006 from Rs.444.8 million for fiscal 2005. The increase is due to improvement in overall operations and significant growth in turnover. As a percentage of net turnover, the profit before tax and prior period items increased to 18.7% in fiscal 2006 from 13.7% in fiscal 2005.

Provision for Tax : Provision for tax (including deferred tax) was Rs.366.7 million for fiscal 2006 as compared to Rs.127.3 million for fiscal 2005. During the fiscal 2006, the company has also made a provision of Rs.25.0 million towards the fringe benefit tax which came into force during the year under review.

Profit after Tax (PAT) : As a result of the foregoing, the profit after tax increased by 102.7% to Rs. 609.4 million during fiscal 2006 as compared to Rs. 300.7 million in fiscal 2005. The PAT margin also improved from 9.2% in fiscal 2005 to 11.4% in fiscal 2006.



Cash Flow Statement

The following table summarizes our statements of cash flows:

(Rs. in Millions)

Cash Flows from:	Fiscal 2006	Fiscal 2005	Change
Operating Activities	1,584.5	295.8	1,288.7
Investing Activities	(1,116.1)	(504.8)	(611.3)
Financing Activities	3,818.2	(352.8)	4,171.0
Net Cash Flows	4,286.6	(561.8)	4,848.4

Cash Flow from Operating Activities : The liquidity position of the company improved significantly with cash generation from operating activities increased by over 400% during fiscal 2006 as compared to fiscal 2005. As a percentage of net turnover, the cash generation from operating activities also improved to 29.5% during fiscal 2006 from 9.1% during fiscal 2005. The increase in cash generation from operating activities is attributable to relatively higher growth in turnover without corresponding increase in operational expenditures and also on account of improved working capital position.

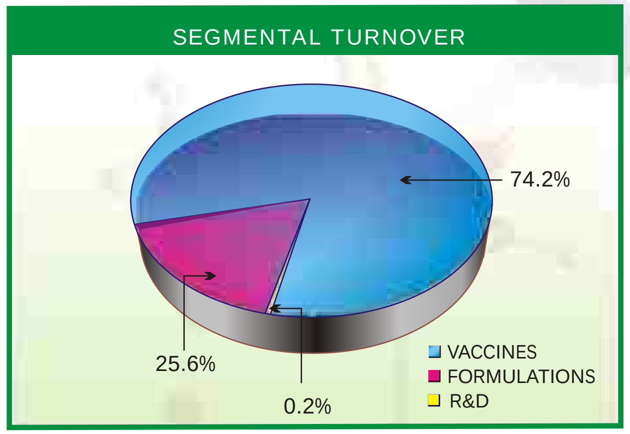
Cash Flow from Investment Activities : Net cash used in investment activities also increased by over 120% mainly due to an increase in capital expenditure for new manufacturing facility at Baddi, Himachal Pradesh, expenditure on modernization at the vaccine plant at Okhla, New Delhi, setting-up of R&D centers in New Delhi & Mohali, Punjab and expansion of R&D Centre at Lalru, Punjab.

Cash Flow from Financing Activities : The Company has positive cash generation of Rs.3,818.2 million during fiscal 2006 as against Rs.352.5 million cash used during fiscal 2005. The cash generation from financing activities is attributed to the raising of US$ 100 million (Rs.4,462.5 million) by way issue of FCCBs in February'06. The net proceeds from FCCB issue are being will be used for the purposes of financing the new projects including setting up of new projects and/or modernization of existing units, R&D Centers etc. besides other purposes mentioned in the Offering Circular issued in relation to the issue.

Segment-wise Performance

The Company manufactures and sells vaccines and branded pharmaceutical formulations. The following table sets forth gross turnover for the Company's business segments as a percentage of total turnover for the periods indicated:

Fiscal	2006		2005	
	Rs. (Millions)	%	Rs. (Millions)	%
Vaccines	4,066.9	74.2	2,172.9	64.7
Pharmaceutical Formulations	1,405.0	25.6	1,179.9	35.1
Research & Development	7.8	0.2	4.8	0.2
Total	5,479.7	100.0	3,357.6	100.0



Vaccines

Panacea Biotec manufactures and sells paediatric vaccines, including the Trivalent, Monovalent (Type I and Type III) Oral Polio Vaccine, Enivac HB (Hepatitis B) Vaccine and innovative Combination Vaccines such as Ecovac4 (Hepatitis B and DTP), Easyfour (Haemophilus Influenza type B (Hib) and DTP) and Easyfive (Hib, DTP and Hepatitis B). The Company has registered 87.2% growth in the turnover of vaccine segment which is contributed by the Monovalent Polio Vaccines supplied to UNICEF as well as growth in supplies to the domestic private vaccine market through the joint venture company, Chiron Panacea Vaccines Pvt. Ltd.

During the year under review, the Company for the first time, made supplies of Oral Polio Vaccines to various countries including Afghanistan, Angola, Ethiopia, Maldives, Nepal, Somalia and Yemen through UNICEF against their global tenders and achieved a turnover of Rs.267.3 million by export of vaccines to these markets.

Pharmaceutical Formulations

Pharmaceutical formulations, also referred to as finished dosages, are finished pharmaceutical products ready for consumption by the patient. Branded pharmaceutical formulations are those which are sold under a specific brand name. The Company has established brand equity in many therapeutic areas including pain management, diabetes management and organ transplant. Its leading brands are amongst the top 5 positions in their respective therapeutic segments. Its 2 main brands are amongst the top 200 brands in India with Glizid-M ranked at 120 and Nimulid as a brand at 187 according to the secondary stockists audit by ORG IMS (MAT March, 2006).

The following table set forth the Company's gross turnover (inclusive of excise duty) from pharmaceutical formulations in various categories and as a percentage of total pharmaceutical formulations turnover for each of fiscal 2005 and 2006:

Fiscal	2006 Turnover		2005 Turnover	
Category	(Rs. Millions)	%	(Rs. Millions)	%
Pain Management	375.9	26.8	322.1	27.3
Diabetes Management	435.7	31.0	361.2	30.6
Renal Disease Management	342.5	24.4	279.0	23.6
Anti-Osteoporosis	54.0	3.8	49.9	4.2
Anti-Tubercular	46.0	3.3	42.0	3.6
Gastro Intestinal	40.4	2.9	27.0	2.3
Constipation	49.2	3.5	41.5	3.5
Other Segments	61.3	4.3	57.2	4.9
Total	1,405.0	100.0	1,179.9	100.0

Future Growth Drivers

Panacea Biotec's goal is to become a leading global research based health management company with an established leadership in niche therapeutic areas and with a strong focus on R&D. The Company intends to accomplish its goal by:

- Entering the developed markets of Europe and USA through export of patented products.
- Diversifying into new vaccines
- Continuing and expanding its therapeutic focus on high growth, lifestyle segments
- Introducing biopharmaceuticals in the domestic and international markets
- Increasing exports to semi-regulated markets
- Expanding institutional business with WHO/UNICEF and commencing business with PAHO
- Exploring outsourcing opportunities
- In-licensing of technologies/products from national and international research agencies/ international institutions

Internal Control and Audit

Your Company's internal control systems and procedures are in line with its size of operations. The Company believes that these internal control systems provide, among other things, a reasonable assurance that transactions are executed with Management authorization and they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of the Company are adequately safe-guarded against significant misuse or loss.

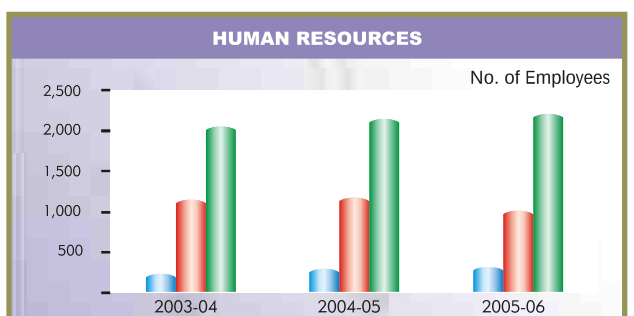
An independent internal audit function is an important element of your Company's internal control system. The internal control systems are supplemented through an extensive internal audit programme and periodic review by Audit Committee.

During the year under review, M/s. Dass Gupta & Associates, Chartered Accountants, M/s. S.K. Badjatya & Co., Chartered Accountants and M/s. K.K. Garg & Associates, Chartered Accountants, acted as the Internal Auditors of the Company. The internal auditors independently evaluate adequacy of internal controls and audit the majority of the transactions in value terms. Post audit reviews are carried out to ensure that audit recommendations have been implemented.

The Audit Committee of the Board of Directors comprising of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor, reviews Internal Audit Reports and the adequacy of the Internal Controls. The Auditors & Director (Finance)/ DGM (Accounts & Finance) are invited to attend the Audit Committee Meetings.

Human Resources

Your Company continued its commitment for acquiring, developing and enhancing its talented and professional human capital. As at March 31, 2006, the Company had 2,220 permanent employees which included corporate and managerial staff, sales staff and staff located at its manufacturing facilities as against 2,162 employees as at March 31, 2005. Of these permanent employees, 319 are engaged in R&D Centers, 609 are engaged in manufacturing and 1,029 are engaged in sales and marketing.



	2003-04	2004-05	2005-06
R&D	232	296	319
MARKETING	1,145	1,185	1,029
TOTAL	2,059	2,162	2,220

Panacea Biotec's human capital constitutes a diverse pool of knowledge, a judicious mix of youth, imagination, risk-taking ability and seasoned experience. The Company enjoys good relations with its employees with no work disruptions, strikes, lock-outs or other employee unrest.

With a view to provide for an all round development of its employees, your Company follows the policy of building employee relations and ensures a good and harmonious working culture. To achieve these objectives, various measures have been taken by your Company over the years, e.g. provision of Staff Buses/Cabs at Lalru, Baddi and in New Delhi for their commuting to and from the office, Canteen facilities at subsidised rates with a view to provide hygienic, sumptuous, nutritious and balanced diet and arranging risk insurance by way of Group Mediclaim & Personal Accident Insurance Policies.

The Company has also set-up an Employees' Group Gratuity Trust for their benefits with LIC's Group Gratuity Scheme. One special feature of the scheme is the provision of substantial life cover payable on untimely death of the employee which will be larger than what would have been payable as per the conventional Gratuity Scheme. Moreover, as a gesture of goodwill, the Company is also providing additional financial support from time to time to the family members of its deceased employees.

The Company conducts regular technical and refresher training programs for all its employees and continuously focuses on shaping employees' career paths, including promotions and cross-functional movements, enabling employees to gain a holistic view of the business and the organisation. The **coffee with JMD** activity, where the Jt. Managing Director interacted with top performers of each zone, not only motivated those invited but also kindled the fire in others to reach at higher levels of performance.

Ban-na Hai Dhruv

The company initiated a self target based program for all its employees named as Ban-na-hai-Dhruv. The

program was aimed at motivating each individual employee to identify his strength areas, to excel skills and to become a shining star in his field like the "Dhruv". The program was conducted at Mumbai, New Delhi & Panchkula and received overwhelming response from all attendees. All the employees of the company pledged their support and took oath to work in the direction of becoming a Dhruv star by achieving their goals.

Annual Day Celebrations

The company celebrated its tenth anniversary of becoming a listed public limited company on 25th September 2005 and marked the day September 25 as its annual day. The event was inaugurated by Mr. Rajesh Jain, Joint Managing Director. The department heads of various manufacturing facilities, marketing SBUs and R&D centers also gave their departmental presentation during the event.

Group photo of Annul Day Celebration on Sept. 25, 2005

Information Technology

Escalating competitive forces are compelling companies to use IT as differentiator in the market place. IT infrastructure has become a major source of competitive advantage. The IT platform no longer simply serves a company, it has become the business, the value proposition. The increasingly important role is transforming IT from being a simple support function within the organisation to a key player of the organisation. Today more than ever before, IT is helping to define the core business process, which ultimately measures the Company's value.

As a research based organization, your Company's recognition of Science as the driver of its envisioned journey, is fundamental to the ethos of the global infotech team. The Company is continuously investing huge funds in the information technology as well as communication facilities so as to enhance the knowledge base available to each of its employee, enable faster scanning and monitoring of the external environment and improve both the employees' and the organization's knowledge of best practices and relevant leading-edge technologies.

As a persistent effort towards implementation and leveraging of technology initiatives to improve the efficiency and effectiveness of various departments, your Company has implemented System Analysis and Product in Data Processing (SAP) during the year under review.

Your company has also implemented Oracle clinical trial software to manage, standardize and control clinical data for fast study setup and consistent interpretation of data in compliance with regulatory requirements.

Your company is also implementing Microsoft Exchange and Share point portal solution for messaging and collaboration, which will address the internal and external communication and workflow needs. Your company's sales depots and manufacturing facilities are very well connected through secure and robust Virtual Private Network (VPN) which was extended to new facilities during the year under review.

The Company's health portal "www.bestonhealth.com", developed with a concept of total health management is continuously addressing the needs of medical fraternity and patients. It has been well appreciated by the medical fraternity and the general public and had been an excellent source of patient education and furthering the ultimate objective of a healthy world.

Corporate Social Responsibility

Safety, Health and Environmental Protection

Your Company undertakes all its operations with a high concern for safety and environment and is committed to maintaining high standards in the areas of health, safety and environment. Substantial investments have been made in setting up Effluent Treatment Plant and in developing a "Green Belt" and green land scaping at the manufacturing sites at Lalru & Baddi to prevent possible adverse environmental impact on the community.

Your Company has installed Modern Fire Hydrant System with sprinkler system and smoke detection and sensing devices at its all major facilities, for an early detection and extinguishing of fire.

The Company also provides suitable training to the Company's employees about the importance of safety in day-to-day life in general and work in particular. The integration of environment friendly measures and cleaner production practices in the business process has resulted in better efficiency of operations.

Social Responsibility

In line with its philosophy of creating happier and healthier society, the Company works closely towards the development of society. Its main thrust is for working at the company level on key initiatives and supporting local activities in the sphere of health management.

Your Company aims to create benefits on key social issues that relate directly to its business by helping others to help themselves. In this regard, the Company is regularly providing financial assistance/ sponsorship for pursuing post graduates / doctorate studies, attending International Conferences and carrying on Research Projects being undertaken by Research Associates in various Institutes & Universities.

Your Company installed Diabetic Awareness Corners meant for education of diabetic patients for better self-management at more than 3,200 doctors' clinics across the country. Diabetic detection camps are also a regular feature of your Company, which are supplemented by education to the patients through easy to comprehend pictorial slides. The Company also arranged lipid profiling to dyslipidaemic diabetic patients thereby facilitating early detection and better management of Diabetes.

The Company regularly arranges camps for Bone Mineral Densitometry Tests for facilitating early detection and better management of Osteoporosis, a silent killer responsible for high morbidity and mortality of patients.

The Company is also conducting hands-on workshop in 16 cities across India in association with Indian Arthroscopy Society, to train over 1,000 Orthopedicians in basics of Arthroscopy, a brand of Orthopedic surgery, that allows surgeries with less pain and quicker recovery. Many Orthopedicians have expressed their willingness to take up this patient friendly surgical procedures after participating in the workshop.

Further, your Company also participates in various Patient Education Programmes on Renal Support/Renal Transplantation organised by premier Medical Institutes from time to time. Also, as a gesture of compassion towards social cause, the Company arranges medical facilities for the Company's poor employees and their family members in case of acute diseases.

For the first time in the history of health care industry, during 2004, your Company initiated expressing its gratitude towards the medical fraternity on "Doctors' Day" i.e 1st July. Since then, your Company issues press releases and encourages general public to convey their gratitude to their doctors for helping maintaining good health, on the occasion of Doctors' Day. In an attempt to popularise the event, the Company also invites the general public to leave their messages at the Company's web-site, which is delivered to their Doctors on Doctors' Day with flower bouquets. The Company's initiative has received overwhelming response from the medical fraternity and the public countrywide.

Cautionary Note

Certain statements in the "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. These statements and expectations envisaged by the management are only estimates in nature and the actual results could be materially different from such expectations. These statements involve known and unknown risks, uncertainties and other factors including, but not limited to, changes in economic conditions, the Company's ability to successfully implement its strategy for growth and expansion, demand for its products, technological changes and exposure to market risks.

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting the 22nd Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March, 2006 and Auditors' Report thereon.

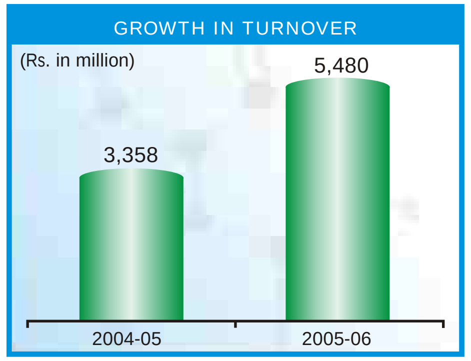
Performance Review

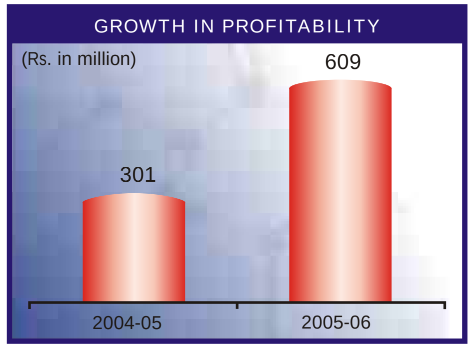
The Company's performance during the year under review, is summarized below:

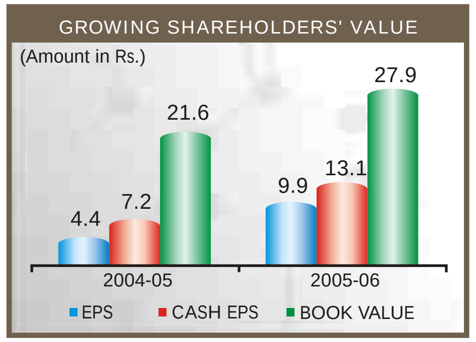
(Rs. in million)

Particulars	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Gross Turnover	5,479.7	3,357.6
Other Income	70.9	54.5
Total Income	5,434.5	3,309.9
Profit before Interest, Depreciation & Tax	1,319.9	721.4
Financial Expenses	133.3	114.1
Profit before Depreciation & Tax	1,186.6	607.3
Depreciation	182.2	162.5
Profit before Tax & Extra-ordinary Items/ Prior Period expenses	1,004.4	444.8
Extra-ordinary Items / Prior period expenses	2.3	15.4
Profit before Tax	1,002.1	429.4
Provision for Taxation	392.7	128.7
Profit after Tax	609.4	300.7
Appropriations:		
Dividend Paid/Proposed		
– On Equity Shares	57.1	85.6
– On Preference Shares	40.7	43.9
Tax on Dividend	13.7	17.8
Transfer to Capital Redemption Reserve	-	53.8
Transfer to/(from) Debenture Redemption Reserve	-	(13.3)
Transfer to General Reserve	60.9	100.0
Basic EPS after Extra-ordinary Item (Rs.)*	9.9	4.4
Cash EPS (Rs.)*	13.1	7.3
Book Value (Rs.)*	27.9	21.6
Dividend on Equity Shares	100%	150%

* Per Equity Share of Re.1/-







Panacea Biotec
In Support of Life

Share Capital

During the year under review, there has been no change in the share capital except that the Company had re-issued 1,49,000 Equity Shares which were forfeited earlier for non-payment of allotment money. The re-issued shares are held in the name of employees in trust for facilitating sale thereof through stock exchanges on behalf of the Company .

Dividend

As per the terms of issue of 9,04,34,914 - 4.5% Non-Convertible Redeemable Cumulative Preference Shares (Series III) of Rs.10/- each issued to Chervil South East Asia Pte Ltd, the dividend @ 4.5% for the financial year ended 31st March, 2006 has been paid as Interim Dividend as declared by the Board on 25th March, 2006. As such no further dividend is payable on Preference Shares for the Financial Year ended 31st March, 2006.

Further, continuing with the trend of rewarding its shareholders and simultaneously keeping in view the requirement of funds for the operations and growth of the Company, your Directors are pleased to recommend a dividend of 100% on Equity Share Capital of the Company for the Financial Year ended 31st March, 2006.

The dividend as above on the Equity and Preference Shares is placed before you for your approval at the ensuing Annual General Meeting and if approved, will absorb an amount of Rs.57.1 million and Rs.40.7 million, respectively.

Foreign Currency Convertible Bonds

During the year under review, your Company has successfully raised funds by way of issue of Foreign Currency Convertible Bonds (FCCBs) worth US$100 million (Rs.4,462.5 million) comprising of US$ 50 million 4.5% Convertible Bonds due 2011 (Tranche 1) and US$ 50 million Zero Coupon Convertible Bonds due 2011 (Tranche 2) for its future expansion in India and offshore. The issue opened on 8th February, 2006 and closed on 13th February, 2006 with an overwhelming response from investors outside India. The Bonds are listed at the Singapore Stock Exchange.

The Tranche 1 & Tranche 2 Bonds are convertible into fully paid Equity Shares of Re.1/- each of the Company, at any time after August 13, 2006 and February 13, 2007 respectively. Unless previously converted, redeemed or repurchased and cancelled, the bonds will be redeemed on February 14, 2011.

As per the requirements of FEMA guidelines, the net proceeds of US$ 96.9 million, after payment of fees and expenses of lead manager and international legal advisor, was parked overseas and placed in fixed deposits with State Bank of India in London. The requisite amount is being remitted to India as per the requirement of funds for meeting capital expenditure on various projects from time to time.

The details of utilization of issue proceeds as on 31st March, 2006 is as under:

Particulars	Amount (US$ Million)
Funds raised by issue of FCCBs	100.0
Issue related Expenses	3.1
Amount used for Capital Expenditure	3.3
Balance in Current Account with State Bank of India and UTI Bank, New Delhi in INR	0.2
Fixed Deposits with SBI, London	93.4

The funds lying in bank accounts in India and abroad are proposed to be utilized over a period of time as per the objects of issue mentioned in the Offering Circular issued at the time of the FCCB issue.

Credit Rating

During the previous year, your Company was assigned

"P1" (pronounced "P One") rating by CRISIL for its Commercial Paper Programme of Rs.1,650 million vide their letter dated 3rd June, 2004. This rating indicates that the degree of safety with regard to the timely payment of interest and principal on the instrument is very strong. However, the Company did not opt for renewal of credit rating due to the change in its funding strategy.

Report on Corporate Governance

As required pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance is provided in the Annual Report. As required pursuant to Section 292A of the Companies Act, 1956, the details of composition of Audit Committee are given in such report.

Management Discussion & Analysis Report

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed Management Discussion and Analysis Report forms part of the Annual Report.

Joint Ventures and Subsidiaries

Your Company's Joint Venture Company ("JV Company"), Panheber Biotec Pvt. Ltd. ("Panheber"), jointly with M/s. Heber Biotec S.A., Cuba, an arm of the world renowned bio-technology research facility, Center for Genetic Engineering and Biotechnology (CIGB), is meeting requirement of Recombinant Hepatitis B Bulk Vaccine and Antigen for the manufacture of Hepatitis B and combination vaccines of your Company. WHO pre-qualification for Recombinant Hepatitis B Vaccine has been received recently. This pre-qualification would generate avenues for supply of Recombinant Hepatitis B Vaccine to the UNICEF for the latter's global needs.

Another JV Company, viz. Chiron Panacea Vaccines Pvt. Ltd. ("Chiron Panacea"), in joint venture with world's 5th largest Vaccine group, viz. Chiron Corporation, which began its operations in January, 2005 by way of marketing and distribution of Combination & other Vaccines in India, has made available innovative paediatric vaccines to reduce the burden of various diseases in the country. Chiron Panacea became profitable in its first full year of operations and now commands 18% market share in the paediatric combination vaccines segment in India. Chiron Corporation was taken over by Novartis on April 20, 2006.

The Company's wholly-owned subsidiary namely Radicura & Co. Ltd. ("Radicura"), which was engaged in trading and distribution of pharmaceutical products, has, during the current fiscal, discontinued its operations due to non-economical size of operations. Another wholly-owned subsidiary of the Company namely Best On Health Ltd. ("Best On Health") which owns a prime immovable property in close proximity of the Company's erstwhile Corporate Office, has made available to your Company a larger premise for its Corporate Office.

Consolidated Financial Statements

As required pursuant to Clause 41 of the Listing Agreement with Stock Exchanges, the Consolidated Financial Statements of the Company (including therein Audited Annual Accounts for the year ended 31st March, 2006 of its subsidiaries, viz. Radicura and Best On Health and its JV Company, Panheber and the Unaudited Financial Statements for the year ended 31st March, 2006 of the JV Company, Chiron Panacea) are attached with the Annual Accounts of the Company. These statements have been prepared in compliance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of Interest in Joint Ventures'.

The Auditors of the Company have also given their report on the Consolidated Financial Statements.

Listing of Equity Shares

The Equity Shares of the Company are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange, Mumbai (BSE). Listing Fees for the financial year 2006-07 has been paid to these Stock Exchanges.

As approved by the shareholders in the Annual General Meeting of the Company held on 20th September, 2003, applications were made for approval for delisting of the Equity Shares of the Company with the Stock Exchanges at Delhi, Kolkata, Chennai & Ludhiana, as per the SEBI (Delisting of Securities) Guidelines, 2003. The Stock Exchanges at Chennai, Delhi and Ludhiana approved the delisting of Equity Shares in the previous financial year. The delisting approval from the Stock Exchange at Kolkata was received during the year under review vide their letter dated 29th August, 2005.

Public Deposits

During the year under review, your Company has not invited or accepted any deposits from the public pursuant to the provisions of Section 58A of the Companies Act, 1956 and no amount of principal or interest was outstanding in respect of deposits from the public as of the date of balance sheet. However, during the year under review, the Company continued to accept deposits from the Company's Directors, their relatives, associates and the Company's employees without inviting deposits from them.

Insurance

All properties and insurable assets of the Company, including Building, Plant & Machinery and Stocks have been adequately insured, wherever necessary. The Company also has a product liability insurance policy to cover the risk on account of claims, if any, filed against the Company.

Directors

Mr. K.M. Lal, a retired IAS officer, was appointed as an additional Director w.e.f. 28th April, 2005 and was subsequently appointed as Director liable to retire by rotation in the Shareholders' Annual General Meeting held on 20th August, 2005. Dr. A.N. Saksena, a retired IRAS officer, was appointed as an additional Director w.e.f. 22nd December, 2005. As per the provisions of section 260 of the Companies Act, 1956, he holds the office until the date of the ensuing Annual General Meeting and is proposed to be appointed as Director liable to retire by rotation in the said meeting.

Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Mr. Rajesh Jain, Mr. Sandeep Jain, Mr. Ashwani Jain and Mr. Sunil Anand were re-appointed as Whole-time Director designated as Chairman, Managing Director, Joint Managing Director, Joint Managing Director, Whole-time Director designated as Director (Materials Management) and Whole-time Director designated as Director (Finance), respectively for a period of 5 years w.e.f. 1st April, 2006, subject to the approval of shareholders in the forthcoming general meeting.

However, Mr. Sunil Anand and Mr. Ashwani Jain have, vide their letters dated 15th June, 2006 and 17th July, 2006, respectively, tendered resignation from office as Whole-time Director and director on the Board. Their resignation were accepted by the Board w.e.f. 16th June, 2006 and 29th September, 2006, respectively. The Board places on record its appreciation for the services and support rendered by them during their tenure of services as Whole-time Director of the Company.

In accordance with the provisions of Companies Act, 1956, Mr. N.N. Khamitkar, Mr. R.L. Narasimhan and Mr. Sunil Kapoor, Directors of the Company, are liable to retire by rotation and being eligible offer themselves for re-appointment.

Statutory Auditors

As per the provisions of the Companies Act, 1956, M/s. S.R. Batliboi & Co., Chartered Accountants, hold office as Statutory Auditors of your Company till the conclusion of the ensuing Annual General Meeting and have shown their willingness to be re-appointed as the Auditors of the Company.

Your Company has received the Certificate from M/s. S.R. Batliboi & Co., Chartered Accountants, as required under Section 224(1B) of the Companies Act, 1956, to the effect that their re-appointment, if made, will be within the limits as prescribed under the provisions thereof. Your Directors recommend their re-appointment as the Auditors of the Company for the financial year 2005-06.

As regards the Auditors' observation in their report regarding slight delay in deposit of tax deducted at source in few cases, where amount involved was not significant, the said delays were due to operational difficulties and the amount was deposited together with applicable interest thereon for such delayed period.

As regards the Auditors' observation in the CARO Report regarding undisputed dues in respect of Central Sales Tax of Rs.93.63 million outstanding at the year end for a period of more than 6 months from the date they became payable, the amount has been provided in the books on the principle of conservatism for inter-state sales to United Nations Organization. Even though the amount has been provided in the books, the same has not been paid as the management believes that it may be an inadvertent omission while drafting and implementing the law. The sale to UN was exempt until 31st March, 2005 and has been notified to be exempt from 13th May, 2005 and the Govt. of India would not change its stand on a treaty in respect of supplies to UN and that too for a short period of 42 days.

The Company is pursuing the matter with lawyers and has been advised that the inadvertent omission of notification should not preside over the intention of law which would mean that the sales to UN which enjoyed exemption prior to the enactment of law and the status of which was restored after a gap of 42 days should continue to do so during the intervening period. The management plans to take necessary steps to get the issue resolved.

As regards the Auditors' observation in their report on the Consolidated Financial Statements regarding Unaudited Financial Statements of Chiron Panacea, the said Company has confirmed that as it is having foreign directors on its Board, the meeting of the Board of Directors for approving its Annual Accounts, could not be held earlier. The Annual Accounts have now been audited and approved by its Board of Directors in its meeting held on 13th June, 2006.

The notes to the accounts and other observations in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

Cost Auditors

In terms of the provisions of Section 233B of the Companies Act, 1956, M/s J.P. Gupta & Associates, Cost Accountants, have been appointed as the Cost Auditors to conduct the audit of the Company's Cost Records in respect of formulations for the year ended 31st March, 2006 with the approval of the Central Government. They have also been appointed as the Cost Auditors for the financial year 2006-07 subject to the approval of Central Government.

Disclosures under Section 217 of the Companies Act, 1956

Except as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of report.

As required under Section 217(2) of the Companies Act, 1956, the Board of Directors inform the members that during the financial year there has been no change:

- in the nature of Company's business,
- in the Company's subsidiaries or in the nature of business carried out by them, except those stated in this report,
- in the classes of business in which the Company has an interest.

Energy Conservation, Technology Absorption & Foreign Exchange

Information as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings & outgo, is given in Annexure A, forming part of this Report.

Information regarding Employees

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees covered under these Rules are set out in Annexure B, forming part of this Report.

Directors' Responsibility Statement

The Directors hereby confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) that the directors had selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for that period;

iii) that the directors had 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; and

iv) that the directors had prepared the annual accounts on a going concern basis.

Acknowledgments

Your Directors express sincere thanks to Banks, Financial Institutions, Government Agencies, International Health Organisations and business associates for their continued assistance, support and co-operation and also to the members of medical profession for their efforts to provide high quality ethical therapeutic products within India and abroad. The Directors also place on record their deep sense of appreciation to the employees, who are committed to high standards & ethics, excellence in performance, professionalism, commendable team work and have thrived in a challenging environment.

Your Directors also take this opportunity to express sincere thanks to the medical fraternity and patients for their continued co-operation, patronage and trust reposed on the Company and its products. Finally, the Directors wish to express gratitude to the Shareholders as well as Foreign Institutional Investors for their firm support and trust in the Company and its management. The Board looks forward to having continued support of all concerned in its endeavour to help people lead healthier lives in the years to come. Your Directors shall always continue to work "In Support of Life".

For and on behalf of the Board

New Delhi
20th July, 2006

Soshil Kumar Jain
Chairman

ANNEXURE A

Statement of particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

I. Conservation of Energy

1. Energy Conservation measures taken

The Company continues its policy of priority to energy conservation measures including regular review of energy consumption and effective control on utilization of energy. The Company had devised its production lines and other facilities keeping in view the objective of minimum energy losses. The following are a few of the energy conservation measures implemented during the year under review:

- Installation of VFD control system in Chemistry labs at all locations for auto adjustment of CFM for optimum energy operations and minimizing load on Airconditioning system, thus ensuring efficient working of fuming hoods and vapour free environment in the lab conforming to international standards.
- All utility equipments installed at all locations have PLC controls to optimize operations with respect to electrical load.
- In the administrative blocks, all rooms have been provided with individual water cooled roof mounted cassette units for air conditioning which use 10-15% less energy.
- Electronic chokes and CFL lights have been installed at all locations to conserve power.

Apart from the above said measures, the following other measures were implemented in past few years to achieve energy conservation and thereby savings in energy cost:

- Installation of Energy saving system at its Plant at New Delhi, thereby saving energy cost on lighting load.
- Implementation of System for Utilization of reject RO water for cooling towers at its plant at New Delhi, to eliminate the use of soft water and minimize scaling problems in various utilities.
- Corrective & preventive action were taken for avoiding energy loss on account of frequent breakdown of compressors KF-4, motors, expansion valves, lube oils, filters, dryers, refrigerant, gas leakages, and other parts of the old cold room at its plant at New Delhi, resulting into a saving of around 500 units per day, i.e. saving around Rs.1 million per annum.
- Centrifugal Lube Oil filters installed on Diesel Generators (DG) sets to save the cost of lube oils and filters in running DG sets.
- Variable Frequency Drive (VFD) installed on Air Handling Units (AHU).
- Compact Fluorescent Lamps (CFL)/ high lux tube rods (36W) are being used instead of 40W (normal) tube rods, thereby saving electricity all over its plants and offices in India.
- High efficiency motors are used resulting in consumption of less power than normal motor rating of the same capacity.
- Condensate steam recovery system has been installed.
- Process for recycling of vial washing machine purified water installed.
- Hot water system installed for controlling relative humidity.
- Critical Air Handling Units (AHUs) converted from air-cooled system to water based cooling system thereby conserving energy.
- Water flow circulation adjusted in cooling tower thereby conserving energy.
- Pipelines modified with a view to save the frictional losses of pipe lines and bends.

2. Additional Investments/ Proposals, if any, for reduction of Energy Consumption

Continuous efforts are being made to further reduce expenditure on power & fuel in the times to come.

3. Impact of measures taken and impact on cost of production of goods

The energy conservation measures indicated above have resulted into reduction in total energy cost.

FORM A

The particulars of consumption of energy, are given below:

	Current Year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (Nos.)	70,03,236	54,91,425
Total Amount (Rs.)	3,22,63565	3,07,57,003
Rate/Unit (Rs.)	4.61	5.60
(b) Own generation		
(i) Through Diesel Generator		
Units (Nos.)	20,04,997	38,41,496
Unit per litre of Diesel Oil	3.28	3.20
Cost/Unit (Rs.)	8.45	7.39
(ii) Through Steam/Turbine Generator	Nil	Nil
Units (Nos.)		
Unit per litre of Fuel Oil/ Gas		
Cost/Unit		
2. Coal	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average Rate		
3. Furnace Oil	Nil	Nil
Quantity (Litres)		
Total Amount		
Average Rate/litre		
4. Others/Internal generation	Nil	Nil
Quantity		
Total Cost		
Rate/Unit		
B. Consumption per unit of production		
Tablets		
Production (Nos. in thousand)	3,22,899	3,00,654
Electricity Consumption (Units per thousand)	3.02	1.46
Capsules		
Production (Nos. in thousand)	27,493	22,299
Electricity Consumption (Units per thousand)	3.39	2.17
Syrups		
Production (Ml. in thousand)	2,93,718	2,46,165
Electricity Consumption (Units per thousand)	0.70	0.46
Gels		
Production (Gm. in thousand)	45,249	57,253
Electricity Consumption (Units per thousand)	1.96	0.99
Vaccines		
Production (No. of vials in thousand)	48,784	33,721
Electricity Consumption (Units per thousand)	69.37	60.98
Husk		
Production (Packs in thousand)	4	-
Electricity Consumption (Units per thousand)	71.25	-
Kit		
Production (Nos. in thousand)	11	-
Electricity Consumption (Units per thousand)	108.04	-

II. Technology Absorption

FORM B

Form for disclosure of particulars with respect to Technology Absorption

Research & Development (R&D)

1. Specific areas in which R&D carried out by the Company

The Research is being pursued by the Company, inter-alia, in the following areas:

- Advanced Drug Delivery Research
- Natural Products Research
- Chemicals Research
- Pharmacology Research
- Analytical Research
- Bio-analytical Research
- Packaging Research
- Biopharmaceutical Research
- Drug Discovery Research (Small Molecules)
- Vaccines Development

2. Benefits derived as a result of above R & D

- Novel drug delivery products
- Competitively priced products
- Improved product quality leading to customer satisfaction
- Waste minimisation
- Safe and environment friendly processes
- Grant of Indian as well as Global Patents
- Import substitution leading to lower cost of goods
- Enhanced global presence
- Export of QualityProducts
- Development of new innovative injectable combination vaccines.

3. Future plan of Action

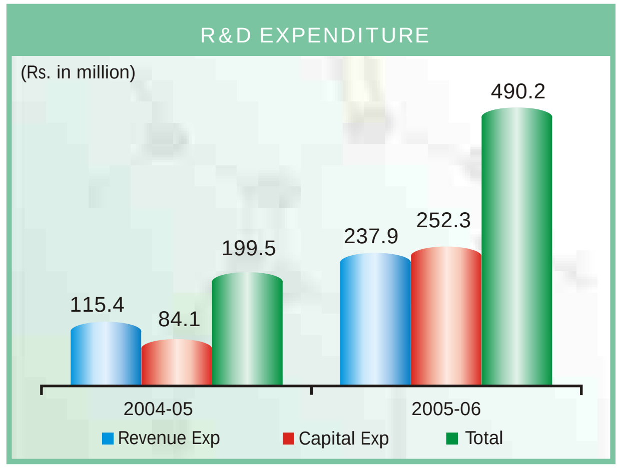
The Company will focus its Research & Development activities for growing its top & bottom lines, inter-alia, in the following areas:

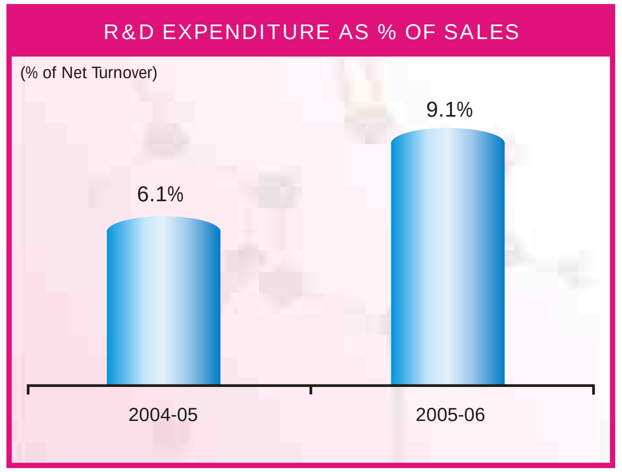
- Drug Discovery Research
- Advanced Drug Delivery Research
- Biopharmaceuticals Research
- Thermo-stabilization of vaccines in collaboration with Cambridge Biostability, U.K.
- Natural Products Research
- Chemical Research & Development
- Development of various Vaccines.

4. Expenditure on R & D

(Rs. in million)

	2005-06	2004-05
a) Capital	252.3	84.1
b) Revenue (Recurring)	237.9	115.4
c) Total	490.2	199.5
d) Total R&D expenditure as a percentage of total turnover	9.1%	6.1%





Technology absorption, adaptation and Innovation

1. Efforts, in brief, made towards technology adaptation and innovation	The Company has in-house R&D Centres for developing new products and technologies. It has developed indigenous technologies in respect of the products manufactured by it. Further, in-licensing arrangements have been made for technologies and development of (a) Japanese Encephalitis (JE) Vaccine and, (b) peptide based product for generation of hair follicles and hair growth. Technology for JE vaccine has been successfully transferred and our scientists are currently working at site for the development/ upscaling of the process. The hair growth peptide has been synthesized. The data relating to physical/chemical and its efficacy (in animals) has been generated as per the regulatory requirements.
2. Benefit derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	Competitive products, Product quality improvement, Product Development, Import Substitution and development of innovative combination vaccines. With in-licensing arrangements, the Company will be able to commercialise these products in domestic and international markets thereby contributing to top & bottom lines.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
a) Technology imported	Technology for use of peptide based products for generation of hair follicles and hair growth.
b) Year of import	2004-05
c) Has technology been fully absorbed	No
d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action	The technology is being worked upon at the Company's Biopharmaceutical Research Centre. Arrangements are also made on contractual basis to conduct pre-clinical toxicology as a part of drug development.

III. Foreign Exchange Earnings and Outgo

1. Activities relating to exports

Your Company has continued to be enthused by opportunities ahead in the international branded products market and its efforts on the brand building have continued to show positive results. During the year under review, the export turnover has increased to Rs.4,146.0 million (including deemed exports of Rs.3,693.9 million) as against Rs.2,309.8 million (including deemed exports of Rs.2,140.8 million) registering a phenomenal growth of more than 79% as compared to the previous financial year.

2. Initiatives taken to increase export

With a view to increasing revenues from export markets, the Company has broadened its global presence by exporting products to countries like Afganistan, Angola, Somalia, Mauritius, South Africa, Nepal, Maldives, Sudan, Yemen and Seychelles etc. besides carving a niche in its existing export markets in CIS, African, Middle East and Asian Sub-continent region. Various new products were also registered in the countries of interest to increase the volume of exports business.

During the year under review, the Company has for the first time, made supplies of Oral Polio Vaccines to various countries including Afghanistan, Angola, Ethiopia, Maldives, Nepal, Somalia and Yemen through UNICEF against their global tenders and achieved a turnover of Rs.267.3 million by export of vaccines to these markets.

3. Development of new export markets for products and Export Plans

In order to expand its marketing base in more countries, the Company has exported its products to new markets and intends to make marketing & distribution alliance with buyers in these countries. The Company is also planning to introduce other branded formulations and herbal products in the developed as well as developing markets.

The Company is targeting Latin American countries as these countries have vast potential for Panimun Bioral (Cyclosporine). The registration is under process in Brazil and the export thereof will commence immediately after its registration. With the commissioning of new formulation facility set-up at Baddi in compliance with the regulatory requirements of USFDA, MHRA, MCC (South Africa), WHO and other regulatory agencies of the world, your Company will be filing for registration of more products in due course in Latin American & other markets.

The registration of additional products in pharmaceuticals in various countries and penetration in new markets will create scope for additional volume of business, which will further strengthen your Company's export revenues in the coming years. Further, the recent WHO Pre-qualification for Recombinant Hepatitis B Vaccine will generate avenues for supply of Hepatitis B Vaccine to the UNICEF for the latter's global needs.

4. Total foreign exchange earned and used (Rs. in million)

	2005-06	2004-05
Foreign Exchange Earned		
F.O.B. value of Exports (including deemed export of Rs.3,693.9 million (Previous Year Rs.2,140.8 million))	4,112.5	2,277.4
R & D Technology Services	13.9	7.4
Interest on Exchange Earners' Foreign Currency Deposits	28.1	-
Total	4,154.5	2,284.8
Foreign Exchange Used		
Import of Raw Materials & Packing Materials	2,095.9	1,436.8
Import of Capital Goods	198.9	43.8
Patents, Trade marks & Product registration	14.4	10.8
Know-how Fee	6.8	0.4
Interest	30.1	32.5
Professional & Consultation fees	9.8	3.2
Expenditure on issue of Foreign Currency Convertible Bonds	139.0	-
Other Expenses	50.3	26.6
Total	2,545.2	1,554.1

For and on behalf of the Board

New Delhi
20th July, 2006

Soshil Kumar Jain
Chairman

ANNEXURE B

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2006

S. No.	Name	Designation and Nature of Duties	Remuneration received (Rs.)	Qualifications	Experience (Years)	Date of Commencement of Employment	Age (Yrs.)	Particulars of Last Employment Name of Employer, Designation, Period of Service (Years)
A.	Persons employed throughout the Financial Year ended 31st March, 2006, who were in receipt of remuneration for the year in which the aggregate was not less than Rs.2,400,000/-.							
1.	Mr. Soshil Kumar Jain	Chairman*	9,100,495	Pharmacist	51	02.02.84	73	None, NA, NA
2.	Mr. Ravinder Jain	Managing Director**	9,664,613	Matriculate	26	15.11.84	49	None, NA, NA
3.	Mr. Rajesh Jain	Joint Managing Director+	4,093,648	B.Sc., PGDBM & Advanced Diploma in Management Research	22	15.11.84	42	None, NA, NA
4.	Mr. Sandeep Jain	Joint Managing Director++	4,072,411	B. Com	21	15.11.84	40	None, NA, NA
5.	Dr. Amarjit Singh	President R&D (Pharmaceutical Research)	5,513,409	PHD, M.Pharma	26	01.03.05	48	Sun Pharmaceutical Industries Ltd., CSO & Executive Vice President (R&D),2 years
6.	Dr. K.C. Jindal	Executive Vice President R&D	4,514,298	PHD, M.Pharma	28	18.06.03	55	Orchids Chemicals & Pharmaceutical Ltd., VP-Pharma Research, 2 years
7.	Dr. Sanjay Trehan	Sr. Vice President Drug Discovery	3,879,414	PHD, M.Sc. (H)	18	01.07.04	47	Dr. Reddy's Laboratories Ltd., Research Director, 3 years
8.	Mr. N.K. Juneja	Vice President (Operations)	3,557,051	M. Pharma	27	19.06.03	50	Unichem Laboratories Ltd. General Manager, 7 years
9.	Mr. R.A. Garg	General Manager Production	2,574,995	M. Pharma	21	26.08.96	46	Core Healthcare Ltd., Works Manager, 1 year
B.	Persons employed for a part of the Financial Year ended 31st March, 2006, who were in receipt of remuneration for any part of the year, at the rate which in the aggregate was not less than Rs.200,000/- per month.							
10.	Mr. Narayan B. Gad	Chief Executive Formulations (Marketing)	6,211,903	B. Sc, D. Pharma, MBA	30	26.10.05	55	Nicholas Piramal India Ltd., President Mktg. & Org. Dev., 4 years
11.	Dr. V.K. Vinayak	President-Biopharmaceutical (R&D)	1,546,010	PH.D, M.Sc, FICAI, FRSTMH (London)	35	01.10.05	63	Dept. of Biotechnology, Govt. of India, Sr. Advisor, 11 years
12.	Dr. M. Sitaram Kumar	Vice President (Biology) - Drug Discovery	2,581,807	PH.D, M. Sc	30	17.06.05	56	Dr. Reddy's Laboratories Ltd. Sr. Director, 4.5 years
13.	Mr.Karunakar J.Shetty	Head of Operations-India (Marketing)	909,065	B.Com	21	01.01.06	47	Nicholas Piramal India Ltd. Vice President (S&M), 4.5 years

*Strategic planning, vision and formulation of strategies.

**Overall supervision of day-to-day operations with emphasis on finance, strategic planning and business development.

+Overall supervision of day-to-day operations with emphasis on R&D, business development and marketing.

++Overall supervision of day-to-day operations with emphasis on international marketing, business development and regulatory affairs.

Notes:

1. Remuneration includes salary, house rent allowance, bonus, Company's contribution to Provident Fund, Leave Travel Allowance, Medical Assistance and all allowances paid in cash and monetary value of perquisites wherever applicable and also includes provisions for Gratuity and Leave Encashment Benefits.
2. There was no employee who was employed either throughout the financial year or part thereof, who was holding either by himself or along with the spouse and dependent children 2% or more of the Shares of the Company and drawing remuneration in excess of the remuneration drawn by Managing Director / Joint Managing Director / Whole-time Director.
3. The terms and conditions of employees at Sl. No. 1 to 4 are as approved by the Board of Directors and Shareholders. The employees at Sl. No. 5 to 13 are paid remuneration as per the policy/rules of the Company.
4. All the above said appointments are contractual.
5. None of the above employees is related to any of the Directors except that Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Mr. Rajesh Jain and Mr. Sandeep Jain are related to each other.

For and on behalf of the Board

New Delhi
20th July, 2006

Soshil Kumar Jain
Chairman

REPORT ON CORPORATE GOVERNANCE

1. **Company's Philosophy on Corporate Governance**

The concept of Corporate Governance has slowly and gradually entered a phase of global recognition and acceptability. The principal driver to this has been an ongoing recognition on the part of Corporates coupled with regulation driven initiatives which have made fairness, accountability, transparency and ethical conduct hallmarks of maximizing stakeholder value.

At Panacea Biotec, our pursuit towards achieving good governance is an ongoing process, as a conscious effort thereby ensuring growth, transparency, accountability and responsibility in all our dealings with our shareholders, employees, consumers and the community at large. The Company is committed to achieve the highest standards of Corporate Governance and believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest.

We have always focused on good corporate governance - which is a key driver of sustainable corporate growth and long-term value creation. Thus, for us at Panacea Biotec, good Corporate Governance implies commitment to values, ethical business conduct and a high degree of transparency directing the intellectual capabilities and moral authority of Board towards protecting the interest of different stakeholders.

2. **Board of Directors**

Composition & size of the Board

Panacea Biotec's Board consists of an optimal blend of Executive Directors and Independent Professionals who have indepth knowledge of business, in addition to expertise in their areas of specialization. The Directors bring in expertise in the fields of human resource development, strategy, management, finance and economics among others. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that management adheres to high standards of ethics, transparency and disclosure.

At present, the Board consists of 6 (Six) executive Directors and 7 (Seven) non-executive Directors. The executive Directors consist of 5 promoter-directors (1 Executive Chairman, 1 Managing Director, 2 Joint Managing Directors and 1 Whole-time Director) and 1 Whole-time Director. All the non-executive Directors are Independent Directors. The non-executive Directors bring external and wider perspective in the Board's deliberations and decisions.

The size and composition of the Board confirm with the requirements of Clause 49 of the Listing Agreement (Corporate Governance Code) with the Stock Exchanges.

Board Functioning & Procedure

Panacea Biotec's Board plays a pivotal role in ensuring good governance. Its style of functioning is democratic. The Members of the Board always had complete freedom to express their opinion and decisions are taken on the basis of consensus arrived at after detailed discussion. They are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman.

In accordance with the provisions of Clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly results and other items of agenda as required under Annexure IA of Clause 49 of Listing Agreement, and if necessary, additional meetings are held. The Chairman of the Board and the Company Secretary discuss the items to be included in the agenda and the agenda is sent in advance to the Directors along with the draft of relevant documents and explanatory notes.

During the financial year 2005-06 6 (Six) Board Meetings were held on 28th April, 2005, 31st May, 2005, 28th July, 2005, 9th September, 2005, 25th October, 2005 and 17th January, 2006.

Attendance of Directors at the Board Meetings & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2006

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	No. of Committee Memberships in other Companies†
1.	Mr. Soshil Kumar Jain	Promoter - WTD Chairman	6	6	No	2	-
2.	Mr. Ravinder Jain	Promoter - MD	6	4	No	-	-
3.	Mr. Rajesh Jain	Promoter - JMD	6	3	No	3	-
4.	Mr. Sandeep Jain	Promoter - JMD	6	5	Yes	2	-
5.	Mr. Sumit Jain*	Promoter - WTD	4	1	Yes	2	-
6.	Mr. Ashwani Jain**	Executive - WTD	6	3	No	1	-
7.	Mr. Sunil Anand***	Executive - WTD	6	4	Yes	-	-
8.	Mr. Sunil Kapoor	Non-Executive - ID	6	6	Yes	7	-
9.	Mr. R.L. Narasimhan	-do-	6	5	Yes	-	-
10.	Mr. N.N. Khamitkar	-do-	6	6	Yes	-	-
11.	Mr. C.C. Bhagat@	-do-	3	-	No	1	-
12.	Mr. M.L. Kalra	-do-	6	5	No	-	-
13.	Mr. Gurmeet Singh	-do-	6	-	No	6	-
14.	Mr. K.M. Lal$	-do-	5	4	Yes	5	4
15.	Dr. A.N. Saksena$$	-do-	1	-	-	4	-

† As per SEBI Guidelines, the memberships in Audit and Shareholders' Grievance Committees are only taken into account.
*Appointed w.e.f. 22.07.2005. **Resigned from the Directorship. Resignation accepted w.e.f. 29.09.2006. *** Ceased to be Director w.e.f. 16.06.2006.
@ Ceased to be director due to sad demise on 12.08.2005. $ Appointed as director w.e.f. 28.04.2005. $$ Appointed as Director w.e.f. 22.12.2005
Note: WTD = Whole-time Director, MD = Managing Director, JMD = Joint Managing Director, ID = Independent Director

None of the Directors on the Board is a member in more than ten committees and/or acts as chairman of more than five committees across all Companies in which he is a Director.

Information supplied to the Board

In addition to the regular business items, following items are regularly placed before the Board to the extent applicable:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly Results for the company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Minutes of the Meetings of the Board of Directors of Subsidiary Companies.

Statutory Compliance of Laws

The Board periodically reviews the compliance report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non-complinces, if any.

Code of Conduct

The Company has adopted a Code of Conduct for all the Board Members and Senior Management Personnel. The said Code has been communicated to the Directors and Senior Management Personnels and is also posted on the web-site of the company www.panacea-biotec.com.

As required pursuant to clause 49-I(D), a declaration from the Managing Director confirming that the Company has received confirmations from the Board Members and the Senior Management Personnels regarding compliance of Code during the year under review, is attached as Annexure-1.

3. Audit Committee

Composition & Terms of Reference

The Audit Committee of the Company comprises of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee. All the members are financially literate and one member is having requisite accounting and financial management expertise.

The terms of reference of Audit Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement with Stock Exchanges as well as in Section 292A of the Companies Act, 1956, including the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
    a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956,
    b. Changes, if any, in accounting policies and practices and reasons for the same,
    c. Major accounting entries involving estimates based on the exercise of judgment by management,

d. Significant adjustments made in the financial statements arising out of audit findings,
e. Compliance with listing and other legal requirements relating to financial statements,
f. Disclosure of any related party transactions,
g. Qualifications in the draft audit report.

- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of information by Audit Committee

Apart from other matters, as per amended Clause 49 of the Listing Agreement the Audit Committee reviewed the following information:

(i) Management Discussion and Analysis of Financial condition and the results of operations.
(ii) Statement of significant transactions, submitted by Management.
(iii) Internal Audit Reports relating to internal control weakness.
(iv) The appointment, removal and terms of remuneration of the Internal Auditors.

Meetings of Audit Committee and attendance of members during the year

During the year, 5 (Five) Audit Committee meetings were held on 27th April, 2005, 31st May, 2005, 27th July, 2005, 24th October, 2005 and 16th January, 2006.

The attendance of members of the Audit Committee at these meetings were as follows:

S.No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R.L. Narasimhan	Chairman & Independent Director	5	5
2.	Mr. N.N. Khamitkar	Independent Director	5	5
3.	Mr. Sunil Kapoor	Independent Director	5	5

The Statutory Auditors, Internal Auditors, Cost Auditors, Director (Finance) and DGM (Accounts & Finance) are the permanent invitees of the meetings of Audit Committee. Apart from them, also Manager (Finance) attended the Audit Committee Meeting(s). The Company Secretary is acting as the Secretary to the Audit Committee.

Subsidiary Companies

The Company doesn't have any material non-listed Indian Subsidiary Company whose turnover or net-worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding Accounting Year.

The Audit Committee of the Company reviewed the financial statements, in particular, the investments made by the unlisted subsidiary companies.

The Board Minutes of unlisted subsidiary companies are placed at the Board Meeting of the Company and the significant transactions or arrangements entered into by the unlisted subsidiary companies are periodically informed to the Board.

4. Remuneration Committee

Composition & Terms of reference

A Remuneration Committee of the Board of Directors comprising of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. M.L. Kalra and Mr. Sunil Kapoor, had been constituted by the Board of Directors. Mr. R.L. Narasimhan is the Chairman of the Committee.

The powers and terms of reference of the Remuneration Committee include:

- to decide elements of remuneration package of all the directors.
- to decide the service contracts, notice period and severance fees of Executive Directors.

During the year, three meetings of Remuneration Committee were held on 28th April, 2005, 14th July, 2005 and 17th January, 2006.

S. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R.L. Narasimhan	Chairman	3	2
2.	Mr. Sunil Kapoor	Independent Director	3	3
3.	Mr. M.L. Kalra	Independent Director	3	3

Remuneration Policy

The Directors' Remuneration Policy of your Company confirms with the provisions under the Companies Act, 1956. Subject to the approval of the Company's shareholders in general meeting and such other approvals as may be necessary, the Managing/Joint Managing Directors and the Whole-time Directors are paid remuneration as per the terms of remuneration decided by the Board/ Remuneration Committee and approved by the Shareholders. The remuneration payable to the Executive Directors is decided from time to time keeping in view the overall performance of the Company, the performance of the concerned Director and the industry trends. The remuneration is also fixed in such a way that the aggregate remuneration paid to Managing/Joint Managing Directors and Whole-time Directors does not exceed the maximum permissible limits as per Schedule XIII to the Companies Act, 1956.

The key components of the Company's Remuneration Policy are:

- Compensation will be a major driver of performance.
- Compensation will be fully transparent and tax compliant.

Directors' remuneration

The details of remuneration paid to Directors during the financial year ended 2005-06, is as under:

(i) Executive Directors (Managing/Joint Managing/Whole-time Directors) (Rs. in Lac)

Sl. No.	Name	Salary	Perquisites	Total
1.	Mr. Soshil Kumar Jain	72.00	1.15	73.15
2.	Mr. Ravinder Jain	48.00	24.59	72.59
3.	Mr. Rajesh Jain	36.00	1.14	37.14
4.	Mr. Sandeep Jain	36.00	1.14	37.14
5.	Mr. Sumit Jain	4.16	0.80	4.96
6.	Mr. Ashwani Jain	18.00	0.53	18.53
7.	Mr. Sunil Anand	6.00	—	6.00
	Total	**220.16**	**29.35**	**249.51**

Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director and Mr. Ashwani Jain, Director (Operations & Projects) of the Company was for 5 years w.e.f. 1st April, 2001. The tenure of office of Mr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company was for 5 years w.e.f. 1st February, 2002. The tenure of Mr. Sunil Anand, Director (Finance) was for a period of 5 years w.e.f. 24th April, 2003. The tenure of office of the said Directors has been renewed for 5 years w.e.f. 1st April, 2006, subject to the approval of the Shareholders in the forthcoming Annual General Meeting. However, Mr. Sunil Anand, Director (Finance) and Mr. Ashwani Jain, Director (Materials Management) have resigned from the directorship and their resignations have been accepted by the Board w.e.f. 16.06.2006 and 26.09.2006 respectively and thus their appointment till the respective dates of resignation is subject to the approval of the Shareholders in the forthcoming Annual General Meeting of the Company. The tenure of office of Mr. Sumit Jain is for 5 years w.e.f. 22nd July, 2005.
2. Notice period for termination of appointment of Managing/Joint Managing/ Whole time Directors is three months by either party or a shorter period decided mutually. No severance pay is payable on termination of contract.
3. The Company does not have any Stock Option Scheme.
4. No commission was paid to the Managing/Joint Managing/ Whole-time Directors during the said financial year.
5. Provision for Gratuity and Leave Encashment amounting to Rs.46.36 Lac and Rs.5.68 Lac respectively, made during the year, has not been included above.

(ii) Non-Executive Directors

Payment Criteria:

The Board of Directors determines the remuneration of the non-executive Directors within the limits approved by the shareholders. Apart from the sitting fees for attending Board Meeting or Committee thereof, the Remuneration is paid to the non-executive Directors (other than Mr. Gurmeet Singh) by way of monthly allowances for telephone, mobile, conveyance expenses, etc. @ Rs.15,500/- p.m. (with the confirmation obtained from Central Government) to enable them to meet their expenses for attending to their responsibilities as non-executive director.

The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2006 are as under: (Rs. in Lac)

Sl. No.	Name	Allowances	Sitting Fees	Total
1	Mr. R. L. Narasimhan	1.86	0.60	2.46
2	Mr. N. N. Khamitkar	1.86	0.55	2.41
3	Mr. Sunil Kapoor$	1.86	0.70	2.56
4	Mr. C. C. Bhagat	0.62	-	0.62
5	Mr. M. L. Kalra	1.86	0.95	2.81
6	Mr. Gurmeet Singh	-	0.60	0.60
7	Mr. K. M. Lal@	1.71	0.20	1.91
8.	Dr. A.N. Saksena*	-	-	-
	Total	**9.77**	**3.60**	**13.37**

$ Professional charges of Rs.33,000/- p.m. were paid to Mr. Sunil Kapoor for his professional services as Advocate & Tax consultant till December, 2005 (being paid after obtaining confirmation from Central Government pursuant to the provisions of Proviso to Section 309(1) of the Companies Act, 1956). An amount of Rs.310,323 was also paid to him till December, 2005 for other professional services rendered by him from time to time. The Board of Directors had, in its meeting held on 17.01.2006, decided to discontinue the payment of said amount w.e.f. January, 2006.

@ Appointed as Director w.e.f. 28.04.2005 and the remuneration was paid to him for 11 months from May, 2005 to March, 2006.

* Appointed as Director w.e.f. 12.12.2005. The Board has decided to pay him monthly allowances @Rs.15,500/- p.m. w.e.f. 01.01.06, subject to approval from shareholders and Central Government.

None of the non-executive Directors hold any shares/ convertible instruments of the Company.

5. Share Transfer cum Investors' Grievance Committee

The Share Transfer-cum-Investors' Grievance Committee comprises of three Directors viz. Mr. M.L. Kalra, Mr. Ravinder Jain and Mr. Gurmeet Singh. Mr. M.L Kalra, an independent Non-Executive Director acts as Chairman of the Committee. Mr. Vinod Goel, Company Secretary is acting as the Secretary to the Committee as well as the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

Details of investors' complaints received during the Financial Year 2005-06, is as under:

S. No.	Nature of Complaints	Received	Resolved	Pending
1.	Non-receipt of Dividend Warrants in respect of Preference/ Equity Shares	9	9	-
2.	Non-receipt of share certificate(s) lodged for transfer/ sub-division/duplicate, etc.	3	3	-
3.	Dematerialisation of Shares	1	1	-
4.	Non-receipt of Annual Report	1	1	-
	Total	**14**	**14**	**-**

The Company puts utmost priority to the satisfaction of its shareholders which is evident from the fact that only very few complaints were received by the Company and the same were resolved expeditiously to their satisfaction.

There were no share transfers lying pending as on 31st March, 2006.

6. CEO/CFO Certification

The Certificate from the Managing Director and Director (Finance) regarding the financial statements and the cash flow statement for the year, is attached as Annexure – 2 to the report.

7. Annual General Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue	Special Resolution(s) passed
2004-05	20.08.2005	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru 140 501, Punjab.	• Payment of remuneration to Mr. K. M. Lal, Non-Executive Independent Director. • Promotion of Mr. Sumit Jain, as Sr. Manager (Vaccines) under Section 314 of the Companies Act, 1956. • Appointment of Mr. Sumit Jain as Whole-time director w.e.f. 22nd July, 2005. • Approval of Shareholders for re-issue of forfeited equity shares under section 81 of the Companies Act, 1956.
2003-04	18.09.2004	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru 140 501, Punjab.	Nil
2002-03	20.09.2003	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru 140 501, Punjab.	• Appointment of Mr. Sumit Jain, a relative of Managing Director, as an employee. • Delisting of Equity Shares from Stock Exchanges at Delhi, Ludhiana, Chennai & Kolkata. • Alteration of Objects Clause of the Memorandum of Association (Through Postal Ballots). • Commencement of new business (Through Postal Ballots).

8. Disclosure

a) Related Party Transactions – During the year, there were no materially significant related party transactions with the promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The other related party transactions are given in Note No. 9 of Schedule XIX B annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.

b) During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital markets.

9. Prohibition of Insider Trading

In compliance with the SEBI Regulations on Prevention of Insider Trading, the company has instituted a comprehensive code of conduct for its management, staff and relevant business associates. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with Shares of the Company.

10. Means of communication

i) The Quarterly and Half-Yearly results are published in Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated and in one or more of the prominent daily newspapers, viz. Economic Times, Delhi, Chandigarh, Mumbai; Navbharat Times (Hindi), Delhi, Mumbai; Business Standard, All editions, Financial Express, All editions; Budiness Line, All editions; Gujrat Samchar, All editions; Anand Bazar Patrika, All editions and Mumbai Mirror, Mumbai.

ii) The Company also intimate the Stock Exchanges all price sensitive matters or such matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the matter, wherever necessary.

iii) The Annual Results (Annual Report containing Balance Sheet etc.) are posted to every shareholder of the Company.

iv) The Company's web-site, www.panacea-biotec.com, is regularly updated with the financial results, annual report and other important events.

v) Pursuant to clause 51 of the listing agreement, financial information like annual and quarterly financial statements, segment-wise results, shareholding pattern and annual report are made available on the SEBI's web-site, www.sebiedifar.nic.in.

vi) Management's Discussion and Analysis Report has been included in the Annual Report being sent to the shareholders of the company.

11. General Shareholder Information

i) Date of AGM

The Annual General Meeting is proposed to be held on **Saturday, the 30th day of September, 2006,** at 12.00 Noon at the registered office of the Company at Ambala-Chandigarh Highway, Lalru - 140 501, Punjab.

Posting of Annual Report	On or before 6th September, 2006
Last date of receipt of Proxy Form	28th September, 2006 before 12.00 Noon.

ii) Financial Calendar 2006-07 (tentative)

S. No.	Tentative Schedule	Tentative Date
1.	Financial reporting for the quarter ended 30th June, 2006	20th July, 2006
2.	Financial reporting for the half year ending 30th September, 2006	End of October, 2006
3.	Financial reporting for the quarter ending 31st December, 2006	End of January, 2007
4.	Financial reporting for the quarter ending 31st March, 2007	End of April, 2007*
5.	Annual General Meeting for the year ending 31st March, 2007	End of September, 2007

*As provided in clause 41 of Listing Agreement, Board may also consider publishing Audited Results for the year 2006-07 in lieu of Unaudited Financial Results for the fourth quarter, by 30th June, 2007 (or such other period as may be stipulated from time to time).

iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from **Tuesday, 26th September, 2006 to Saturday, 30th September, 2006** (both days inclusive).

iv) Dividend Payment Dates:

a) The Company will pay dividend, if declared by the members in the forthcoming Annual General Meeting, on or before 29th day of October, 2006:

- to those members whose names appear in the Register of Members of the Company as on 30th September, 2006 after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 25th September, 2006 and registered before 30th September, 2006.
- in respect of Shares held in electronic form to those "deemed members" whose names appear on the statement of beneficial ownership furnished by NSDL and CDSL at the end of business hours on 25th September, 2006 (i.e. before the date of commencement of closure of Register of Members and Share Transfer Books, viz. 26th September, 2006).

b) Dividend payment date — On or before 29th October, 2006

c) Probable date of dispatch of dividend Warrants — On or before 29th October, 2006

v) Unclaimed Dividends:

As provided in Section 205A and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 1999 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the **Investor Education and Protection Fund** established by the Central Government and no payments shall be made in respect of any such claims by the said Fund.

During the year, the Company had transferred to the said Fund, an amount of Rs.67,200/- lying unclaimed in Unpaid Dividend Account in respect of Dividend for the Financial Year 1997-98. Similarly, the amount lying unclaimed in Unpaid Dividend Account in respect of Interim Dividend for the Financial Year 1998-99 would be transferred to the said Fund on or before 17th September, 2006.

Information in respect of other unclaimed dividend when due for transfer to the said Fund is given below:

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
1998-99	10.07.1999	19.08.2006	17.09.2006
1999-2000 (Interim)	31.01.2000	11.03.2007	09.04.2007
1999-2000 (Final)	29.05.2000	08.07.2007	06.08.2007
2000-01	28.08.2001	25.09.2008	24.10.2008
2001-02	24.08.2002	21.09.2009	20.10.2009
2002-03	20.09.2003	18.10.2010	16.11.2010
2003-04	18.09.2004	16.10.2011	14.11.2011
2004-05	20.08.2005	17.09.2012	16.10.2012

Shareholders who have not yet encashed their dividend warrant(s) for the above said financial year(s) may send their request for revalidation of Dividend Warrant(s) or issue of duplicate Dividend Warrant(s), as the case may be, to the Company's Corporate Office immediately. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts, which were unclaimed or unpaid for a period of 7 years from the dates on which they first became due for payment and no payment shall be made in respect of any such claims.

vi) **Listing on Stock Exchange**

The Company's Equity Shares are listed on the following Stock Exchanges:

- National Stock Exchange of India Ltd. (NSE), Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
- Bombay Stock Exchange Limited (BSE), P J Tower, Dalal Street, Mumbai - 400 001.

The listing fee for the financial year 2005-06 has already been paid to NSE & BSE.

Pursuant to the Company's application for voluntary delisting of Shares from Stock Exchange at Delhi, Ludhiana, Chennai and Kolkata, Shares have been delisted w.e.f. 12th July, 2004, 2nd August, 2004, 21st June, 2004 and 25th April, 2005 respectively.

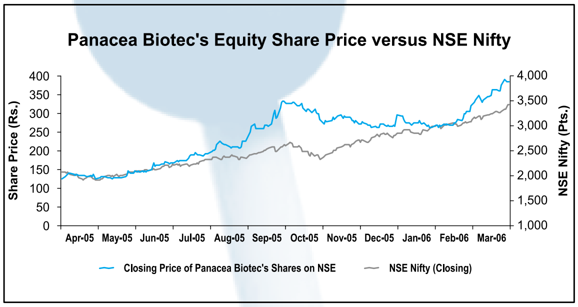
During the year under review, the Company has issued Foreign Currency Convertible Bonds (FCCBs) worth US$ 100 million (Rs. 4,462.5 million). The Bonds are listed at Singapore Stock Exchange. The Company has got in-principle approval forlisting of shares to be issued upon conversion of FCCBs.

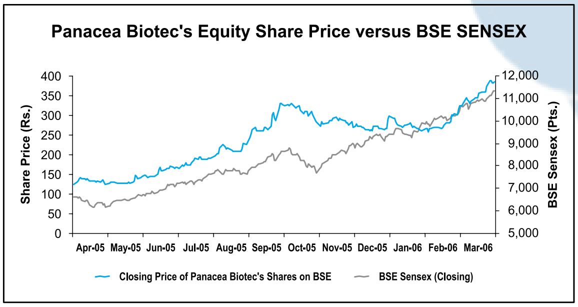
vii) **Stock Code of Securities**

Trade symbol at National Stock Exchange is PANACEABIO.
Stock Code at Bombay Stock Exchange is 531349.
ISIN No. for Dematerialisation : INE922B01023.
Stock Code of FCCBs : XSO2438830 & XSO240499227

viii) **Stock Market Price** at National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) and comparison with broad-based indices, viz. NSE Nifty and BSE Sensex.

Month	Share Prices (Rs.) at NSE		Share Prices (Rs.) at BSE	
	High	Low	High	Low
April, 2005	142.95	120.05	143.95	124.00
May, 2005	152.00	120.00	151.80	125.20
June, 2005	179.80	140.05	179.40	141.30
July, 2005	209.00	167.10	203.00	166.00
August, 2005	247.00	191.75	246.10	199.90
September, 2005	360.00	244.10	341.00	243.05
October, 2005	338.00	238.50	339.00	270.00
November, 2005	308.00	262.30	304.90	269.50
December, 2005	305.00	251.00	306.00	260.00
January, 2006	302.90	242.20	305.00	256.10
February, 2006	326.75	254.05	332.80	253.00
March, 2006	398.00	315.50	400.00	315.00





ix) Registrar and Transfer Agents

Skyline Financial Services Pvt. Ltd., is acting as Registrar & Transfer Agents (RTA) for handling the shares related matters both in physical as well as dematerialized mode. All works relating to Equity Shares are being done by them. The Shareholders are therefore, advised to send all their correspondence to the RTA.

However, for the convenience of shareholders, documents relating to shares received by the Company are forwarded to the RTA for necessary action thereon.

x) Nomination Facility

The shareholders holding shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's web-site www.panacea-biotec.com) to the Company's RTA. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) to avail the nomination facility.

xi) Share Certificates in respect of sub-divided Shares

After the sub-division of the Company's Equity Shares of Rs.10 each into shares of Re.1 each, in the year 2003, the Company had sent letters to all shareholders holding shares of the face value of Rs.10 in physical form, requesting them to exchange their share certificates into new share certificates in respect of shares of face value of Re.1 each.

All the shareholders who have not sent their request for exchange of share certificates, are requested to forward their old share certificates in respect of shares of face value of Rs.10 each (which are no longer tradable) to the Company, along with a request letter duly signed by all the jointholders.

xii) Elimination of Duplicate Mailing

The shareholders who are holding Shares in more than one folio in identical name or in jointholders' name in similar order, may send the share certificate(s) along with request for consolidation of holding in one folio to avoid mailing of multiple Annual Reports.

xiii) Share Transfer System

The Company's shares transfer authority has been delegated to the Company Secretary, w.e.f. 28th April, 2005. The delegated authority generally attends the share transfer formalities on weekly basis and as and when required to expedite all matters relating to transfer, transmission, transposition and dematerialisation of shares and redressal of Investors' grievance, etc., if any. The shares received by the Company/ RTA for registration of transfers, are processed by RTA (generally within a week of receipt) and transferred expeditiously and the Share Certificate(s) are returned to the shareholder(s) by registered post.

As per the requirement of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities.

xiv) Secretarial Audit

A qualified practising Company Secretary carried out secretarial audit in each of the quarter in the financial year 2005-06, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

xv) Dematerialisation of Shares and its liquidity

The Company has been among the few top-most companies in India in which maximum number of shares have been dematerialised. As on 31st March, 2006, 98.5% of the Company's total Equity Share Capital representing 56,366,040 Equity Shares were held in dematerialised form and only 859,560 Equity Shares were in physical form.

The shareholders holding shares in physical form are requested to get their shares dematerialised at the earliest, as the Company's Shares are required to be compulsorily traded at Stock Exchanges in dematerialised form only.

The shares of the Company are regularly traded at the National Stock Exchange and the Bombay Stock Exchange.

xvi) Share Dematerialisation System

The requests for dematerialisation of shares are processed by RTA expeditiously and the confirmation in respect of dematerialisation of shares is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialisation of shares generally on weekly basis. In case of rejections, the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System.

xvii) **Distribution of Shareholding as on 31st March, 2006**

No. of Shares			No. of Shareholders	No. of Shares
0	-	2500	4,855	2,038,105
2501	-	5000	212	713,891
5001	-	10000	51	338,179
10001	-	100000	39	1,129,059
100001	and	above	32	53,006,366
Total			**5,189**	**57,225,600**

xviii) **Pattern of Shareholding as on 31st March, 2006**

S. No.	Category	No. of Shares	Percentage
1.	Promoters, Relatives & Associates	43,641,600	76.26
2.	Institutional Investors (FIIs, Banks & Mutual Funds)	8,428,863	14.73
3.	Domestic Companies	713,160	1.25
4.	Indian Public	3,291,101	5.75
5.	NRIs / OCBs	1,136,666	1.99
6.	Clearing Member	14,210	0.02
	Total	**57,225,600**	**100.00**

xix) **GDRs/ ADRs/ Warrants or Convertible Insturments**

During Feb'2006, the Company has issued 'US$ 50 Million 4.5% Convertible Bonds due 2011' (Tranche I) and 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Tranche II) aggregating US$ 100 Million (Rs.4,462.5 million). The Bonds are convertible into Equity Shares of Re.1/- each at the option of the Bondholders at any time after 13th August, 2006 and 13th February, 2007, respectively. Unless these Bonds are previously converted, redeemed, repurchased and cancelled, bonds will be redeemed on February 14, 2011.

No GDRs/ ADRs/ Warrants or any other convertible instruments were outstanding as on 31st March, 2006.

xx) **Plant Locations**

- Pharmaceutical Formulations facility at B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi-110 044.
- Vaccine Formulations facility at A-241/242, Okhla Indl. Area, Phase II, New Delhi-110 020.
- Recombinant Bulk Vaccines facility at Village Samalheri, Ambala-Chandigarh Highway, Larlu-140 501, Punjab.
- Pharmaceutical Formulations facility at Malpur, Baddi, Tehsil Nalagarh, Dist. Solan, Himachal Pradesh-173 205.

xxi) **Address for correspondence**

For share transfer/ dematerialisation of shares, payment of dividend and any other query relating to shares

Skyline Financial Services Pvt. Ltd.
123, Vinoba Puri, Lajpat Nagar II, New Delhi – 110 024, India
Phone : +91-11-2983 3777, 2984 7136
Fax : +91-11- 2984 8352
E-mail : admin@skylinerta.com

For investors assistance

The Company Secretary
Panacea Biotec Limited
B-1 Extn./G-3, Mohan Co-operative Indl. Estate,
Mathura Road, New Delhi - 110 044, India.
Phone : +91-11-4167 9000 Extn. 2081 (D) 4157 8024
Fax : +91-11-4167 9075, 4167 9070
E-mail : companysec@pblintranet.com
Contact Person : Mr. Vinod Goel, Company Secretary/
Ms. Sangeeta Nagpal, Executive Secretarial.

12. **Non-mandatory requirements under Clause 49**

A. **Chairman of the Board:** The Chairman of Panacea Biotec is an Executive Director and he maintains the Chairman's Office at the Company's expenses.

B. **Remuneration Committee:** The Board of Directors has constituted a Remuneration Committee, which is composed of independent Directors. The details of the Remuneration Committee and its powers have already been discussed in this Report.

C. **Shareholders rights:** The Company did not send half yearly results to each household of the shareholders in the financial year 2005-06.

D. **Postal Ballot:** There was no occasion of the postal ballot during the financial year 2005-06.

E. **Whistle Blower Policy:** The Company does not have any Whistle Blower Policy in place.

For and on behalf of the Board

Place: New Delhi
Date : 20th July, 2006

Soshil Kumar Jain
Chairman

Declaration under Clause 49-I (D) of the Listing Agreement **Annexure - 1**

To
The Members of Panacea Biotec Ltd.
I hereby declare that all the Board Members and the Senior Management Personnel of the Company have affirmed the compliance with the provisions of the Code of Conduct for the period ended 31st March, 2006.

For **Panacea Biotec Ltd.**

Date: 20th July, 2006
Place: New Delhi

Ravinder Jain
Managing Director

Certificate from Managing Director & Director (Finance) **Annexure - 2**

To,
The Board of Directors
Panacea Biotec Limited

We do hereby confirm and certify that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
   i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit committee:
   i) significant changes in internal control during the year;
   ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For **Panacea Biotec Ltd.**

Date: 22.05.2006
Place: New Delhi

Ravinder Jain **Sunil Anand**
Managing Director **Director (Finance)**

AUDITORS' CERTIFICATE

To
The Members of Panacea Biotec Limited
We have examined the compliance of conditions of Corporate Governance by Panacea Biotec Limited, for the year ended on 31st March 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).
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.
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 above-mentioned Listing Agreement.
We state that no investor's grievance is 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.

Dass Gupta & Associates
Chartered Accountants
Per
Ashok Kumar Jain
Partner
Membership No. 94563

Place: New Delhi
Date: 20th July, 2006

AUDITORS' REPORT

To the members of Panacea Biotec Limited

1. We have audited the attached Balance Sheet of Panacea Biotec Limited as at March 31, 2006 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 misstatements. 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 in para 3 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 the 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 written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   - vi without qualifying our opinion, we draw attention to Note 3(v) of Schedule XIX B to the financial statements regarding non-provision of proportionate premium on redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011'. The same has been disclosed as a contingent liability.
   - vii 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 the affairs of the Company as at March 31, 2006;
     - 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906

Place: New Delhi
Dated: 22nd May, 2006

Annexure referred to in paragraph [3] of our report of even date Re: Panacea Biotec Limited

(i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) All fixed assets have not been physically verified by the management during the year but there is a regular program of verification, the frequency of which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed in respect of the fixed assets physically verified during the year.

c) There was no substantial disposal of fixed assets during the year.

(ii) a) The management has conducted physical verification of inventory at reasonable intervals during the year.

b) 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.

c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) (herein referred to as the Order), are not applicable.

e) The Company has taken loan from 3 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 315,540,000 and the year-end balance of loans taken from such parties was Rs. 135,000,000.

f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets 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.

(v) a) 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.

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

(vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *except for slight delay in few cases, where amount involved is not significant, in the deposition of tax deducted at source*.

b) According to the information and explanations given to us, *undisputed dues in respect of Central Sales Tax of Rs.93,632,238 was outstanding, at the year end for a period of more than six months from the date they became payable*. There are no other undisputed amounts payable in respect of provident fund, investor education and protection 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.

c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	- Income Tax Act, 1961
Nature of dues	- Demand raised by ACIT for certain additions
Amount (Rs)	- 39,689,887
Period to which the amount relates	- Assessment year 2001-02 and 2003-04
Forum where dispute is pending	- CIT (Appeals)

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

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

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

(xiii) 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.

(xiv) In respect of dealing in shares, securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein. The shares and securities have been held by the Company in its own name.

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

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

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

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

(xix) The Company has unsecured 'Zero Coupon Convertible Bonds due 2011' outstanding during the year on which no security or charge is required to be created.

(xx) We have verified that the end use of money raised by issue of 'Zero Coupon Convertible Bonds due 2011' is as disclosed in the notes to the financial statements. (Refer Note 3(iv) of Schedule XIXB to Financial Statements).

(xxi) We have been informed that *an employee of the Company had committed breach of trust and mis-appropriated funds of Rs.14 lacs during the year under review*. The fraud was detected in time by the management. Legal action was taken and the amount has been recovered in full from the employee. Based upon the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no other fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906

Place: New Delhi
Dated: 22nd May, 2006

BALANCE SHEET
AS AT 31ST MARCH, 2006

(Amount in Rs.)

	Schedule No.		As at 31st March, 2006		As at 31st March, 2005
SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	I	961,518,306		961,518,306	
b) Reserves & Surplus	II	1,546,036,170	2,507,554,476	1,192,366,472	2,153,884,778
2. Loan Funds					
a) Secured Loans	III	1,158,454,352		1,342,468,041	
b) Unsecured Loans	IV	4,708,084,550	5,866,538,902	267,895,349	1,610,363,390
3. Deferred Tax Liability (Net)			246,832,082		135,082,173
Total			8,620,925,460		3,899,330,341
APPLICATION OF FUNDS					
1. Fixed Assets	V				
a) Gross Block		2,080,818,703		1,627,655,560	
Less : Depreciation		710,725,555		536,237,026	
Net Block		1,370,093,148		1,091,418,534	
b) Capital Work-in-Progress (including Pre-operative expenditure) (Refer Note No. 4 of Schedule XIXB)		967,007,179	2,337,100,327	285,355,690	1,376,774,224
2. Investments	VI		61,406,260		61,406,260
3. Current Assets, Loans & Advances	VII				
a) Inventories		1,804,469,921		1,910,057,734	
b) Sundry Debtors		774,535,511		787,272,130	
c) Cash & Bank Balances		4,414,573,401		75,041,252	
d) Other Current Assets		34,481,699		7,107,214	
e) Loans and Advances		715,532,907		493,181,799	
Sub-Total (A)		7,743,593,439		3,272,660,129	
Less : Current Liabilities & Provisions	VIII				
a) Liabilities		1,023,322,630		583,852,754	
b) Provisions		507,487,932		242,116,930	
Sub-Total (B)		1,530,810,562		825,969,684	
Net Current Assets (A)-(B)			6,212,782,877		2,446,690,445
4. Miscellaneous Expenditure (To the extent not written off or adjusted)	IX		9,635,996		14,459,412
Total			8,620,925,460		3,899,330,341
Significant Accounting Policies and Notes to Accounts	XIX				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

Panacea Biotec
In Support of Life

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED ON 31ST MARCH, 2006

(Amount in Rs.)

	Schedule No.		For the year ended 31st March, 2006		For the year ended 31st March, 2005
INCOME					
Turnover	X	5,479,724,580		3,357,626,115	
Less: Excise Duty		116,179,356	5,363,545,224	102,192,325	3,255,433,790
Other Income	XI		70,914,689		54,502,347
Total Income			5,434,459,913		3,309,936,137
EXPENDITURE					
Manufacturing & Administrative Expenses	XII		3,179,058,234		2,255,045,834
Purchases of Finished Goods			20,371,937		14,314,620
(Increase)/Decrease in Stocks	XIII		2,971,033		(354,053,366)
Personnel Expenses	XIV		429,689,747		355,100,544
Selling & Distribution Expenses	XV		239,760,887		199,276,641
Research & Development Expenses	XVI		280,926,146		140,561,793
Interest & Finance Charges	XVII		133,332,947		114,099,385
Miscellaneous Expenditure written off during the year			4,823,416		4,823,416
Depreciation			139,156,971		135,961,821
Total Expenditure			4,430,091,318		2,865,130,688
Profit Before Tax & Extra-ordinary items/ Prior Period Expense			1,004,368,595		444,805,449
Prior Period Expenses			2,297,023		-
Extra Ordinary loss due to Fire & Flood			-		15,455,196
Profit Before Tax			1,002,071,572		429,350,253
Provision for Wealth Tax			650,000		305,000
Provision for Wealth Tax for earlier years			284,938		21,190
Provision for Income Tax			255,000,000		67,000,000
Provision for Income Tax for earlier years			-		1,060,674
Provision for Fringe Benefit Tax			25,000,000		-
Deferred Income Tax (Refer note no. 7 of Schedule XIXB)			111,749,909		60,299,339
Profit After Tax			609,386,725		300,664,050
Add: Balance brought forward from previous year			212,295,103		199,038,695
Debenture Redemption Reserve written back			-		13,333,334
Profit available for Appropriations			821,681,828		513,036,079
APPROPRIATIONS					
Dividend - Equity Shares-Proposed (Not liable to TDS)			57,076,600		85,614,900
- Preference Shares (Not liable to TDS)			40,695,711		43,914,644
Dividend Distribution Tax			13,712,566		17,746,432
Transfer to Capital Redemption Reserve			-		53,465,000
Transfer to General Reserve			60,938,673		100,000,000
Balance carried to Balance Sheet			649,258,278		212,295,103
Basic earnings per share before Extraordinary Item	XVIII		9.86		4.59
Basic earnings per share after Extraordinary Item	XVIII		9.86		4.40
Diluted earnings per share before Extraordinary Item	XVIII		9.64		4.59
Diluted earnings per share after Extraordinary Item	XVIII		9.64		4.40
Face value per Share			1.00		1.00

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE I - SHARE CAPITAL				
Authorised				
Comprising of				
i. 125,000,000 Equity Shares of Re.1/- each (Previous Year 125,000,000 Equity Shares of Re.1/- each)		**125,000,000**		125,000,000
ii. 110,000,000 (Previous year 110,000,000) Preference Shares of Rs.10/- each		**1,100,000,000**		1,100,000,000
		1,225,000,000		1,225,000,000
Issued and Subscribed				
57,225,600 Equity Shares of Re.1/- each (Previous Year 57,076,600 Equity Shares of Re.1/- each)		**57,225,600**		57,076,600
Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each				
Series -III				
90,434,914 (Previous Year 90,434,914) 4.5% Preference Shares		**904,349,140**		904,349,140
		961,574,740		961,425,740
Paid up				
57,076,600 Equity Shares of Re.1/- each (Previous Year 57,076,600 Equity Shares of Re.1/- each)	**57,076,600**		57,076,600	
Add: Forfieted Shares (149,00 Shares @ Rs.10/- each forfeited on May 15, 1999, which were later on sub-divided into 149,000 Equity Shares of Re.1/- each on February 12, 2003)	**92,566**	**57,169,166**	92,566	57,169,166
(Out of the above shares, 1,814,240 Equity Shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years, which were later on sub-divided into 18,142,400 Equity Shares of Re.1/- each on February 12, 2003)				
(149,000 Forfeited shares have been allotted on 24th August, 2005 in the name of employees of the company to facilitate sale therof at the prevailing market prices through recognised Stock Exchanges for and on behalf of the Company)				
Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each Series -III				
90,434,914 (Previous Year 90,434,914) 4.5% Preference Shares	**904,349,140**	**904,349,140**	904,349,140	904,349,140
		961,518,306		961,518,306

Note: RCPS Series - III. Redeemable at par at the end of tenth year from the date of allotment, i.e. March 16, 2004 with an option with the Company to extend such redemption date which will not exceed 20 years from the date of allotment. The Company has an option to redeem the shares any time after 2 years of allotment i.e. on or after March 16, 2006.

SCHEDULE II - RESERVES AND SURPLUS

1. **Capital Redemption Reserve**				
Amount as per Last Balance Sheet	**112,500,000**		59,035,000	
Add: Transfer from Profit & Loss Account	-	**112,500,000**	53,465,000	112,500,000
2. **Debenture Redemption Reserve**				
Amount as per Last Balance Sheet	-		13,333,334	
Less: Transferred to Profit & Loss Account	-	-	(13,333,334)	-
3. **Securities Premium**				
Amount as per Last Balance Sheet	**161,367,364**		161,367,364	
Less:Utilized for Foreign Currency Convertible Bonds Issue Expenses	**144,232,150**	**17,135,214**	-	161,367,364
4. **General Reserve**				
Amount as per Last Balance Sheet	**706,204,005**		606,204,005	
Add: Transfer from Profit & Loss Account	**60,938,673**	**767,142,678**	100,000,000	706,204,005
5. **Balance in Profit & Loss Account**		**649,258,278**		212,295,103
		1,546,036,170		1,192,366,472

(Amount in Rs.)

	As at 31st March, 2006	As at 31st March, 2005
SCHEDULE III - SECURED LOANS		
1. Rupee Term Loans (From Banks)		
i) Industrial Development Bank of India (Due within one year Rs.17,372,248 (Previous Year Rs.17,372,248))	**34,744,504**	52,116,752
ii) State Bank of Bikaner & Jaipur (Due within one year Rs.12,500,000 (Previous Year Rs.12,500,000))	**18,749,471**	31,257,768
2. Foreign Currency Term Loans (From Banks)		
i) Export-Import Bank of India		
Long Term Working Capital Loan (Due within one year Rs.26,360,166 (Previous Year Rs.25,843,300))	**32,950,530**	58,147,741
Production Equipment Finance Loan (Due within one year Rs.17,573,504 (Previous Year Rs.17,228,925))	**21,966,901**	38,765,102
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year Rs.29,842,969 (Previous Year Rs.30,625,000))	**29,842,969**	59,882,813
3. Working Capital Loans from Scheduled Banks	**1,020,199,977**	1,101,412,149
4. Interest Accrued & Due on Working Capital Loans	**-**	885,716
	1,158,454,352	1,342,468,041

Notes:

1. Rupee Term Loan from Industrial Development Bank of India is secured by way of first pari-passu charge by way of hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-pasu charge on land admesuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.
2. Rupee Term Loan from State Bank of Bikaner & Jaipur is secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company besides first pari-passu charge on land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.
3. Foreign Currency Term Loans from Export-Import Bank of India are secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company, both present and future, besides first parri-pasu charge on land admesuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.
4. Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C. is secured by way of first pari-passu charge by hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on land admesuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit, both present and future.
5. Working Capital Loans from Scheduled Banks are secured by way of first pari-passu charge by hypothecation of all current assets and all other movable property (including machinery and spares) besides second pari-passu charge on immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab except in case of State Bank of Mysore, where creation of second pari-passu charge over immovable properties is pending.
6. The above loans are also collaterally secured by personal guarantees of the Promoters Directors of the Company.

(Amount in Rs.)

	As at 31st March, 2006	As at 31st March, 2005
SCHEDULE IV - UNSECURED LOANS		
1. Fixed Deposits (including Rs.135,000,000 from directors relatives and associates (Previous Year Rs.132,463,000) (Due within one year Rs.135,000,000 (Previous year Rs. Nil))	**136,500,000**	133,003,000
2. Loan from Wholly owned subsidiary - Radicura & Co. Limited (Due within one Year Rs.5,100,000 (Previous Year Rs. Nil))	**5,100,000**	-
3. Loan from Bank - State Bank of Mysore (Due within one year Rs.100,594,550 (Previous Year Rs. Nil))	**100,594,550**	-
4. Loan from Directors (Due within one Year Rs.3,390,000 (Previous Year Rs.134,892,349))	**3,390,000**	134,892,349
5. Foreign Currency Convertible Bonds		
- US$ 50 Million 4.5% Convertible Bonds due 2011	**2,231,250,000**	-
- US$ 50 Million Zero Coupon Convertible Bonds due 2011 (Due within one year Rs. Nil (Previous Year Rs. Nil))	**2,231,250,000**	-
	4,708,084,550	267,895,349

Note:

Foreign Currency Convertible Bonds

US$ 50 million 4.5% Convertible Bonds & US$ 50 million Zero Coupon Convertible Bonds were issued on 13 Feb. 2006. Unless previously converted, redeemed or repurchased & cancelled, the 4.5% Convertible Bonds will be redeemed on Feb. 14, 2011 at 100% of their outstanding principal amount and the Zero Coupon Convertible Bonds will be redeemed on Feb. 14, 2011 at 142.80% of their outstanding principal amount.

Panacea Biotec
In Support of Life

SCHEDULE V - FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 1st April, 2005	Additions during the Year	Sale/Adjust during the Year	As At 31st March, 2006	As At 1st April, 2005	Provided during the Year	Deductions & Adjustments during the Year	As At 31st March, 2006	As At 31st March, 2006	As At 31st March, 2005
A. Tangible Assets										
Land - Freehold	105,072,974	68,806,825	-	**173,879,799**	-	-	-	-	**173,879,799**	105,072,974
Land - Leasehold	-	16,395,690	-	**16,395,690**	-	112,586	-	**112,586**	**16,283,104**	-
Buildings	266,824,475	38,696,254	1,505,400	**304,015,329**	75,814,637	15,733,437	700,366	**90,847,708**	**213,167,621**	191,009,838
Leasehold Improvement	65,355,562	1,415,760	-	**66,771,322**	43,957,368	6,255,309	-	**50,212,677**	**16,558,645**	21,398,194
Plant & Machinery	834,591,733	199,986,763	673,471	**1,033,905,025**	234,734,524	98,247,618	474,536	**332,507,606**	**701,397,419**	599,857,209
Furniture & Fittings	83,171,010	27,771,103	-	**110,942,113**	32,580,151	14,100,972	-	**46,681,123**	**64,260,990**	50,590,859
Vehicles	69,398,730	25,074,264	10,377,293	**84,095,701**	36,501,462	11,341,147	6,268,382	**41,574,227**	**42,521,474**	32,897,268
Office Equipments	73,222,341	23,801,412	368,125	**96,655,628**	22,045,360	9,946,874	184,839	**31,807,395**	**64,848,233**	51,176,981
Computer Equipments	57,185,917	29,676,271	249,469	**86,612,719**	36,551,506	15,479,722	77,805	**51,953,423**	**34,659,296**	20,634,411
Total (A)	**1,554,822,742**	**431,624,342**	**13,173,758**	**1,973,273,326**	**482,185,008**	**171,217,665**	**7,705,928**	**645,696,745**	**1,327,576,581**	**1,072,637,734**
Previous Year	1,327,638,998	312,296,924	85,113,180	1,554,822,742	382,312,693	153,635,507	53,763,192	482,185,008	1,072,637,734	945,326,305
Capital Work in Progress									**879,329,519**	208,532,745
B. Intangible Assets										
Patents, Trademarks & Copyrights	44,907,279	2,322,411	-	**47,229,690**	34,508,981	3,008,597	-	**37,517,578**	**9,712,112**	10,398,298
Softwares	18,722,844	25,355,700	-	**44,078,544**	10,340,342	6,808,644	-	**17,148,986**	**26,929,558**	8,382,502
Website	9,202,695	-	-	**9,202,695**	9,202,695	-	-	**9,202,695**	**-**	-
Product Development	-	7,034,448	-	**7,034,448**	-	1,159,551	-	**1,159,551**	**5,874,897**	-
Total (B)	**72,832,818**	**34,712,559**	**-**	**107,545,377**	**54,052,018**	**10,976,792**	**-**	**65,028,810**	42,516,567	**18,780,800**
Previous Year	66,334,417	6,498,401	-	72,832,818	45,235,163	8,816,855	-	54,052,018	18,780,800	21,099,254
Capital Work in Progress									**87,677,660**	76,822,945
Total (A+B)	**1,627,655,560**	**466,336,901**	**13,173,758**	**2,080,818,703**	**536,237,026**	**182,194,457**	**7,705,928**	**710,725,555**	**1,370,093,148**	**1,091,418,534**
Previous Year	1,393,973,415	318,795,325	85,113,180	1,627,655,560	427,547,856	162,452,362	53,763,192	536,237,026	1,091,418,534	966,425,559
Capital Work in Progress									**967,007,179**	285,355,690

Notes:

1. Freehold Land includes Land amounting Rs.37,098,750 (Previous Year Rs.7,943,300) pending registration in the name of the Company.
2. Building includes Office Premises amounting to Rs.5,908,819 (Previous Year Rs.9,492,323)(Net Block) pending registration in the name of the Company.
3. Plant & Machinery includes Plant & Machinery amounting to Rs.7,675,427 (Previous Year Rs.9,300,307) (Net Block) lying with third party.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs.43,037,486 (Previous Year Rs. 26,490,541).
5. Capital Work in Progress includes pre-operative expenditure. Refer Note No.4 of Schedule XIX B.

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2006		As at 31st March, 2005	
SCHEDULE VI - INVESTMENTS				
Long Term Investments (at cost)				
Unquoted**				
1) Subsidiary Companies :				
a) 198,250 Equity Shares (Previous Year 198,250) of Rs.10/-each fully paid in Radicura & Co.Ltd.	**11,366,440**		11,366,440	
b) 190,216 Equity Shares (Previous Year 190,216) of Rs.10/-each fully paid in Best On Health Ltd. (Under the same Management)	**22,883,050**	**34,249,490**	22,883,050	34,249,490
2) Joint Venture Companies:				
a) 2,295,910 Equity Shares (Previous Year Nil) of Rs 10/- each fully paid up of Chiron Panacea Vaccines Pvt. Ltd.	**22,959,100**		22,959,100	
b) 419,767 (Previous Year 419,767) Equity Shares of Rs.10/-each fully paid of Panheber Biotec Pvt. Ltd.	**4,197,670**	**27,156,770**	4,197,670	27,156,770
		61,406,260		61,406,260

**Trade Investments

Note: There were no fresh investments or disposals during the year.

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE VII - CURRENT ASSETS, LOANS & ADVANCES				
Inventories:				
i) Raw & Packing Materials (Including lying with third party Rs.27,215,359 (Previous Year Rs.24,898,268))	882,565,834		980,027,102	
ii) Finished Goods (Including lying with third party Rs.45,360 (Previous Year Rs.NIL))	857,400,373		875,706,821	
iii)Work in Progress (Including lying with third party Rs.440,990 (Previous Year Rs.3,314,897))	23,733,396		8,397,981	
iv)Stores & Spare Parts	40,770,318	1,804,469,921	45,925,830	1,910,057,734
Sundry Debtors				
(Unsecured, Considered good, unless otherwise stated)				
Outstanding over six months (including Rs.5,197,458 considered doubtful of recovery (Previous Year Rs.4,965,615))	7,278,447		25,172,178	
Less : Provision for Bad & Doubtful Debts	5,197,458		4,965,615	
	2,080,989		20,206,563	
Other Debts	772,454,522	774,535,511	767,065,567	787,272,130
Cash and Bank Balances				
i) Cash Balance on Hand	1,296,379		1,267,827	
ii) Balance with Scheduled Banks:				
a) In Cash Credit Accounts	1,852,258		928,743	
b) In Current Accounts	32,533,893		21,692,253	
c) In Collection Accounts	9,148,467		8,766,761	
d) In Unpaid Dividend Accounts	1,226,510		1,186,154	
e) In Fixed Deposits* (Refer note no 3(iv) of Schedule XIX B)	4,171,044,085		20,215,935	
f) In Exchange Earner Foreign Currency Current Accounts	197,471,489		19,788,837	
iii)Balances with Others Banks in current accounts				
a) Bank of Foreign Trade - Moscow (Maximum amount outstanding at any time during the year Rs.542,690 (Previous Year Rs.774,129))	-		18,530	
b) Societe Generale Yugoslav Bank (Maximum amount outstanding at any time during the year Rs.1,938,551 (Previous Year Rs.1,187,707))	320	4,414,573,401	1,176,212	75,041,252
Other Current Assets				
Export Benefits Receivable	6,893,580		7,097,063	
Interest accrued but not due on Fixed Deposits	27,588,119	34,481,699	10,151	7,107,214
Loans and Advances				
(Unsecured, Considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received** (Including Rs.106,294,219 (Previous Year Rs. NIL) Considered doubtful)	314,308,171		199,542,314	
Balance with Excise, Custom etc.	22,223,551		18,472,582	
Staff Loans & Advances (Including Rs.2,667,468 (Previous Year Rs.2,155,468) considered doubtful)	13,796,505		7,132,307	
	350,328,227		225,147,203	
Less: Provision for Bad & Doubtful Advances	108,961,687		2,155,468	
	241,366,540		222,991,735	
Security Deposits	18,649,646		14,099,816	
Advance Income Tax	455,516,721	715,532,907	256,090,248	493,181,799
		7,743,593,439		3,272,660,129

* Fixed Deposits amounting to Rs.2,866,785 (Previous year Rs.8,087,330) are pledged with banks and various Government Authorities.
** Advances includes due from company under the same management (wholly owned subsidiary companies) as defined under section 370(1B) of the Companies Act, 1956. Refer Note No.8 of Schedule XIX B.

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE VIII - CURRENT LIABILITIES & PROVISIONS				
A. Liabilities				
i) Acceptances	**569,671,326**		120,541,785	
ii) Sundry Creditors				
a) Small Scale Industries	**870,859**		715,742	
b) Other Creditors	**397,309,593**		416,061,271	
iii) Subsidiary Companies	**-**		34,524	
iv) Advances from Customers	**716,408**		6,034,648	
v) Deposits from C & F Agents	**17,560,000**		21,661,111	
vi) Unpaid Dividend on Equity Shares*	**1,208,368**		1,161,019	
vii) Other Liabilities	**18,057,879**		16,926,596	
viii) Book Overdraft	**4,270,963**		-	
ix) Interest accrued but not due on loans	**13,657,234**		716,058	
		1,023,322,630		583,852,754
B. Provisions				
i) Provision for Wealth Tax	**650,000**		305,000	
ii) Provision for Income Tax	**375,500,000**		120,500,000	
iii) Provision for Fringe Benefit Tax	**25,000,000**		-	
iv) Proposed Dividend on Equity Shares (Not liable to TDS)	**57,076,600**		85,614,900	
v) Provision for Dividend Tax	**13,712,566**		12,007,490	
vi) Provision for Gratuity	**22,309,452**		13,416,809	
vii) Provision for Leave Encashment	**13,239,314**		10,272,731	
		507,487,932		242,116,930
		1,530,810,562		825,969,684

* This amount does not include the amount due/outstanding to be credited to Investor Education & Protection Fund.

SCHEDULE IX - MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
i) Product Registration Expenses				
As per last Balance Sheet	**4,077,893**		7,218,909	
Less : Written off during the Year	**3,141,016**	**936,877**	3,141,016	4,077,893
ii) License Fees				
As per last Balance Sheet	**10,381,519**		12,063,919	
Less : Written off during the Year	**1,682,400**	**8,699,119**	1,682,400	10,381,519
		9,635,996		14,459,412

(Amount in Rs.)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
SCHEDULE X - TURNOVER		
Sales	**5,471,905,265**	3,352,735,580
Services (R&D Income)	**7,819,315**	4,890,535
	5,479,724,580	3,357,626,115

(Amount in Rs.)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
SCHEDULE XI - OTHER INCOME		
Interest Received -		
- from Banks (Tax at source deducted Rs.2,965,286 (Previous Year Rs.679,449))	**41,401,076**	3,309,465
- from Others (Tax at source deducted Rs.16,357 (Previous Year Rs.5,695))	**522,614**	302,606
Export Incentives	**6,921,000**	33,550,884
Dividend on Other than Trade Investments Long Term (Gross) (Not liable to TDS)	**-**	45,569
Miscellaneous Balances/Provisions writtenback	**3,990,403**	9,922,085
Sale of Scrap	**218,658**	323,412
Lease Rent	**84,000**	84,000
Profit on Sale of Fixed Assets (Net)	**1,975,339**	-
Profit on Sale of Investment (Other than Trade Investment)	**-**	1,521,465
Exchange Fluctuation Gain (Net)	**7,077,391**	-
Miscellaneous Income	**8,724,208**	5,442,861
	70,914,689	54,502,347

	2006	2006	2005	2005
SCHEDULE XII - MANUFACTURING & ADMINISTRATIVE EXPENSES				
Raw Materials & Packing Materials Consumed				
Opening Stock	**980,027,102**		1,210,865,288	
Add : Material purchased during the Year	**2,575,191,948**		1,690,752,082	
	3,555,219,050		2,901,617,370	
Less : Closing Stock	**882,565,834**		980,027,102	
	2,672,653,216		1,921,590,268	
Less : Material consumed for Research & Development	**20,616,831**		17,580,341	
		2,652,036,385		1,904,009,927
Processing Charges		**20,516,004**		32,787,272
Analytical Testing & Trial Charges		**5,215,848**		8,590,146
Stores & Spare Parts consumed (indigenous only)		**10,193,419**		15,548,356
Power & Fuel		**61,332,762**		50,359,069
Repair & Maintenance				
- Building	**9,676,700**		16,039,470	
- Plant & Machinery	**16,204,844**		4,822,195	
- Others	**14,471,836**	**40,353,380**	17,076,357	37,938,022
Rent		**27,095,337**		24,031,706
Directors' Sitting Fees		**360,000**		305,000
Printing & Stationery		**12,740,760**		10,794,212
Postage & Communication Expenses		**33,028,537**		25,290,541
Insurance		**22,230,504**		16,476,013
Travelling & Conveyance Expenses		**53,559,702**		41,021,485
Books & Periodicals		**535,653**		562,697
Legal & Professional Charges		**38,036,379**		28,550,609
Vehicle Running & Maintenance		**10,591,934**		9,838,563
Auditors' Remuneration: (Refer note no. 15 of Schedule XIX B)				
- Statutory Audit Fees	**2,900,000**		2,500,000	
- Certification etc.	**12,500**		11,500	
- Out of Pocket Expenses	**107,600**	**3,020,100**	106,075	2,617,575
Rates & Taxes		**7,683,112**		7,255,228
Donation		**1,925,353**		2,635,802
Subscription		**6,976,706**		2,933,429
Staff Trainning & Recruitment		**12,228,792**		16,332,056
Miscellaneous Expenses		**30,521,444**		9,468,827
Bad Debts & Advances written off		**18,202,769**		4,744,426
Provision for doubtful debts & advances		**110,673,354**		-
Loss on Sale of Fixed Assets (Net)		**-**		2,954,873
		3,179,058,234		2,255,045,834

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		For the year ended 31st March, 2006		For the year ended 31st March, 2005
SCHEDULE XIII - (INCREASE)/DECREASE IN STOCKS				
Closing Stock				
Finished Goods	857,400,373		875,706,821	
Work in Progress	23,733,396	881,133,769	8,397,981	884,104,802
Less: Opening Stock				
Finished Goods	875,706,821		518,115,199	
Work in Progress	8,397,981	884,104,802	11,936,237	530,051,436
		2,971,033		(354,053,366)

SCHEDULE XIV - PERSONNEL EXPENSES

	2006	2005
Salary, Wages and Bonus*	377,628,152	322,042,487
Contribution to Provident and other Funds	15,482,193	9,452,598
Workmen/Staff Welfare Expenses	23,596,331	19,587,835
Gratuity	12,983,071	4,017,624
	429,689,747	355,100,544

* For Director's Remuneration refer Note No. 5 of Schedule XIX B

SCHEDULE XV - SELLING & DISTRIBUTION EXPENSES

	2006	2005
Advertising & Sales Promotion	145,489,042	139,532,304
Meetings & Conferences	27,026,513	21,121,480
Freight & Cartage	37,039,930	23,801,947
Commission on Sales (Other than Sole Selling Agents)	23,919,509	8,637,377
Rent for Cold Storage & Depots	6,285,893	6,183,533
	239,760,887	199,276,641

SCHEDULE XVI - RESEARCH AND DEVELOPMENT EXPENSES

		2006		2005
Raw Material & Packing Material Consumed		20,616,831		17,580,341
Stores & Spare Parts Consumed (Indigenous only)		60,017,720		13,895,764
Processing Charges		20,499		-
Salary, Wages & Bonus		100,020,976		48,456,785
Contribution to Provident & other Funds		2,213,408		1,999,956
Analytical Testing & Trial Charges		15,660,932		11,966,155
Rent		5,552,340		2,984,792
Printing & Stationery		1,571,320		918,294
Postage & Communication		1,073,891		371,550
Travelling Expenses		6,868,695		4,894,966
Books & Periodicals		384,037		1,178,453
Legal & Professional Expenses		3,632,054		2,141,990
Vehicle Running & Maintenance		771,772		174,544
Repair & Maintenance :				
- Buildings	2,435,122		579,628	
- Plant & Machinery	5,582,951		3,236,984	
- Others	1,996,410	10,014,483	579,180	4,395,792
Rates, Fees & Taxes		11,386		71,200
Subscription		4,969,061		648,987
Electricity & Water Charges		396,793		394,472
Meeting & Conferences		2,217,685		1,362,082
Staff Training & Recruitment		498,109		451,235
Bank Charges		389,949		40,424
Depreciation		43,037,486		26,490,542
Sundry Expenses		986,719		143,469
		280,926,146		140,561,793

(Amount in Rs.)

		For the year ended 31st March, 2006		For the year ended 31st March, 2005
SCHEDULE XVII - INTEREST & FINANCE CHARGES				
Interest on:				
a) Debentures/Bonds	13,108,594		1,890,585	
b) Fixed Loans	28,797,568		35,763,957	
(Including Rs.370,377/- (Previous Year Rs.6,252,417) paid to Managing/Joint Managing Directors))				
c) Others (Including interest on working capital loans)	76,279,606	118,185,768	61,906,870	99,561,412
Exchange Fluctuation (Net)		-		2,068,967
Bank Charges		15,147,179		12,469,006
		133,332,947		114,099,385

SCHEDULES XVIII - EARNING PER SHARE

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Calculation of Profit for Basic EPS		
Net profit before Tax & Extraordinary item	1,002,071,572	444,805,449
Less: Adjustment for Tax Expense (including Wealth Tax)	392,684,847	133,318,483
Less: Dividend on Redeemable Preference Shares and tax thereon	46,403,284	49,653,586
Net profit before extraordinary item for calculation of Basic EPS	562,983,441	261,833,380
Net Profit before Extraordinary item for calculation of Basic & Diluted EPS		
Net profit before Tax	1,002,071,572	429,350,253
Less: Adjustment for Tax Expense (including Wealth Tax)	392,684,847	128,686,203
Less: Dividend on Redeemable Preference Shares and tax thereon	46,403,284	49,653,586
Net profit after extraordinary item for calculation of Basic EPS	562,983,441	251,010,464
Weighted average number of Equity Shares in calculating Basic EPS	57,076,600	57,076,600
Calculation of Profit for Diluted EPS		
Net profit for calculation of basic EPS	562,983,441	261,833,380
Add: Interest accrued on FCCB during the year	13,108,594	-
Less: Tax relating to Interest Expense on FCCB	4,412,353	-
Adjusted net Profit for Current Year for calculating Diluted EPS	571,679,682	261,833,380
No. of Equity Shares resulting from conversion of Foreign Currency Convertible Bonds		
- US$ 50 Million 4.5% Convertible Bonds at floor price Rs. 264.74	1,119,144	-
- US$ 50 Million Zero Coupon Convertible Bonds at floor price Rs. 270.10	1,096,935	-
Weighted average number of Equity Shares in calculating basic EPS	57,076,600	57,076,600
Weighted average number of Equity Shares in calculating diluted EPS	59,292,679	57,076,600
Basic earnings per share before Extraordinary Item	9.86	4.59
Basic earnings per share after Extraordinary Item	9.86	4.40
Diluted earnings per share before Extraordinary Item	9.64	4.59
Diluted earnings per share after Extraordinary Item	9.64	4.40

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE XIX - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1) Method of Accounting

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.

2) Uses of Estimates

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

3) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and sales tax but includes excise duty.

Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Research & Development:

Income from Research & Development Services is accounted for as per the stage of completion.

Dividends:

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Export Benefits:

Export entitlements under Duty Exemption Pass Book Schemes and Advance Licenses are recognized in the Profit & Loss Account when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

4) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

5) Expenditure During Construction Period

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

6) Intangibles

Patents and Trademarks:

Costs relating to patents and trademarks, which are acquired, are capitalised.

Research and Development Costs:

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Technical Know how:

Technical Know how is being capitalised on successful transfer of technology when its future recoverability can reasonably be regarded as assured.

Software and Website:

Software is stated at cost of acquisition and include all attributable costs of bringing the software to its working condition for its intended use.

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

7) Depreciation

a) Depreciation on fixed assets is provided on written down value method as per the rates based on the estimated useful life or as per rates prescribed in Schedule XIV to the Companies Act, 1956 whichever is higher. Depreciation is provided on the following rates:

Tangibles Assets	**WDV %**
Building – Factory	10.00
Building – Office Premises	5.00
Plant & Machinery	13.91
Furniture & Fittings	18.10
Vehicles	25.89
Office Equipments	13.91
Computer Equipments	40.00

b) Depreciation on intangibles is provided on the basis of the estimated useful lives as follows:-

Software	-	Depreciated on Straight Line basis over a period of 5 years.
Websites	-	Depreciated on Straight Line basis over a period of 2 years.
Patents and Trade Mark	-	Depreciated on Straight Line basis over a period of 7 years.
Product Development	-	Depreciated on Straight Line basis over a period of 5 years.

c) Leasehold Improvements are amortized over the initial period of lease or useful life, whichever is shorter.

8) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to qualifying assets, are recognized as an expense in the period in which they are incurred.

9) Leases

Where the Company is the lessee:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Where the Company is the lessor:

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

10) Deferred Revenue Expenditure

a) Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition were categorized as Miscellaneous Expenditure. Such deferred revenue expenditure are amortized over a period of five years beginning from the year of product registration. Expenditure of the similar nature incurred during the year are charged off to revenue.

b) Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter. Expenditure of the similar nature incurred during the year are charged off to revenue.

11) 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 determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution, if any, in value is made to recognise a decline other than temporary in the value of the investments.

12) Inventories

Finished Goods, Stock in Progress, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spares are stated at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

'Cost' of Raw Materials and Packing materials is arrived at by using 'Moving Average Price' method and cost of Stores & Spares is arrived at by using FIFO method.

Cost of Work in Progress and Finished Goods is determined by considering direct material cost and appropriate portion of factory overheads. Cost of traded goods is arrived at by using 'First-in-first out' method. Cost of finished goods includes excise duty.

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

13) Retirement and Other Benefits

a) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.

b) The contribution to Gratuity Fund, which is a defined benefit plan, is expensed on the basis of funding claims of the fund manager, Life Insurance Corporation of India. At the end of the accounting year, actuarial valuation is done by an Independent Actuary and any shortfall in the fund balance is further provided for.

c) Leave encashment payable on separation of employees/adjustable in due course is provided on the basis of actuarial valuation carried out by an independent actuary at the end of each financial year.

Leave encashment payable /adjustable during the year is provided on the basis of last salary drawn by employees.

14) 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 reporting 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 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 gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets from outside India, in which case they are adjusted to the carrying value of such 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 Account 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.

15) **Income Taxes**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax 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 income tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the company does not have a legal right to do so. 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. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised 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.

16) **Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

17) **Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and 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 management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

18) **Security Issue Expenses**

Expenses incurred on issue of securities are charged to Securities Premium Account.

19) **Segment Reporting Policies**

(a) **Identification of Segments**:

Primary Segment

Business Segment: The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are Vaccines, Formulations and Research & Development activities.

Secondary Segment

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

(b) **Allocation of Common Costs:** Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

(c) **Unallocated Items:** Corporate income and expenses are considered as a part of unallocable income & expense, which are not identifiable to any business segment.

20) **Derivative Instruments**

The Company uses derivative financial instrument such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note 14.

B. NOTES TO ACCOUNTS

1. **Contingent Liabilities** (to the extent not provided for)

(Amount in Rs.)

Particulars	Current Year	Previous Year
Disputed demands/ show-cause notices under:-		
a) Sales Tax Cases	**894,105**	-
b) Income Tax Cases	**39,689,887**	-
c) Customs Cases	**3,999,923**	3,999,923
d) Excise Cases	**6,618,130**	6,596,620
Total	**51,202,045**	10,596,543
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	**3,664,791**	3,153,533
Other claims against the Company not acknowledged as debts	**64,000**	4,364,000
Premium on Redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Refer note 3(v) below)	**21,119,401**	-

Notes:

i. Income Tax Demand of Rs. 39,689,887 includes Rs. 39,255,799 pertaining to disallowance with respect to Research & Development Expenses for Assessment Year 2003-04. The Company has filed an appeal with CIT (Appeals). No Provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.

ii. In respect of Central Excise demand of Rs. 6,596,620 towards excise duty on common inputs used in manufacture of exempted and taxable products, the Company has deposited the entire amount under protest. The matter is pending before Excise Tribunal. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.

iii. In respect of Customs demand of Rs. 3,999,923 towards customs duty on certain items imported as exempted by the Company. The Company has deposited the entire amount under protest. The matter is pending before the Honorable Supreme Court. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.

2. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for amounts to Rs.869,294,853 (Previous Year Rs.167,392,323).

3. **Foreign Currency Convertible Bonds**

(i) During the year, the Company has issued 'US$ 50 Million 4.5% Convertible Bonds due 2011' and 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' aggregating to US$ 100 Million (Rs. 4,462,500,000). Unless these Bonds are previously converted, redeemed, repurchased and cancelled, the Company would redeem these bonds at 100 percent and 142.8 percent respectively of the principal amount on February 14, 2011. As per the terms of the issue, the conversion price of these bonds is to determined based on future price mechanism.

(ii) The Company has incurred an expenditure of Rs.144,232,150 towards issue expenses of these bonds. These expenses have been charged to Securities Premium Account as provided under Section 78 of the Companies Act, 1956.

(iii) The conversion price of 'US$ 50 Million 4.5% Convertible Bonds due 2011' and 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' issued by the Company is yet to be determined. As per the terms of the issue, these are convertible at a minimum floor price of Rs. 264.74 and Rs. 270.10 per share respectively. Also, there is a maximum ceiling for the conversion price i.e. Rs. 675 per share. Pursuant to Accounting Standard – 20 issued by the Institute of Chartered Accountants of India, for the purposes of computing Dilutive potential equity shares, most advantageous conversion price from the standpoint of the potential equity shareholder i.e. Rs. 264.74 and Rs. 270.10 has been considered.

(iv) Out of the proceeds of the bond issue Rs. 4,168,177,300 is lying in Fixed Deposits as at March 31, 2006 in foreign currency with State Bank of India, London.

(v) Redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' will be made on February 14, 2011. Unless these Bonds have been previously converted, redeemed, repurchased and cancelled, Company will redeem these Bonds at a Price equal to 142.80% of the outstanding principal amount on the maturity date, (including pemium amounting to Rs. 954,975,000). Since the redemption of bonds is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium on redemption for the period upto 31st March 2006 amounting to Rs. 21,119,401. In the opinion of the management, since the likelihood of redemption cannot presently be ascertained, therefore no provision for any liability that may result has been made in the financial statements. The bonds are considered monetary liability. The bonds are redeemable only if there is no conversion of the bonds earlier. Hence the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. The same has been disclosed as a contingent liability.

4. Details of pre-operative expenses (included in CWIP) relating to Fixed Assets are as follows:

(Amount in Rs.)

Particulars	Tangibles		Intangibles		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Opening Balance	**5,607,884**	1,465,007	**1,499,670**	-	**7,107,554**	1,465,007
Additions during the year						
Legal & Professional	**2,926,673**	1,130,611	-	-	**2,926,673**	1,130,611
Store & Spare Parts Consumed	**14,125,890**	-	-	-	**14,125,890**	-
Power & Fuel	**5,509,057**	830,504	-	-	**5,509,057**	830,504
Rates & Taxes	**321,250**	809,549	-	-	**321,250**	809,549
Repair & Maintenance						
- Plant & Machinery	**1,628,345**	-	-	-	**1,628,345**	-
- Others	**1,630,366**	979,462	-	294,027	**1,630,366**	1,273,489
Salary & Wages	**4,550,149**	392,751	-	1,205,643	**4,550,149**	1,598,394
Office Expenses	**2,126,629**	-	-	-	**2,126,629**	-
Traveling Expenses	**1,480,292**	-	-	-	**1,480,292**	-
Rent	**599,000**	-	-	-	**599,000**	-
Miscellaneous Expenses	**3,502,095**	-	-	-	**3,502,095**	-
Total Additions	**38,399,746**	4,142,877	-	1,499,670	**38,399,746**	5,642,547
Less: Capitalised during the year	-	-	**1,499,670**	-	**1,499,670**	-
Closing Balance	**44,007,630**	5,607,884	-	1,499,670	**44,007,630**	7,107,554

5. **Directors' Remuneration**

(Amount in Rs.)

Particulars	Current Year	Previous Year
Managing / Joint Managing Directors/ Whole-time Directors		
Salary	**22,016,129**	20,400,000
Perquisites (taxable value)*	**2,934,873**	3,418,187
Total	**24,951,002**	23,818,187
Non Whole-time Directors		
Allowances	**976,500**	930,000
Sitting Fees	**360,000**	305,000
Total	**1,336,500**	1,235,000
Grand Total	**26,287,502**	25,053,187

*Provision for leave encashment and gratuity amounting to Rs.567,617 (Previous year Rs.641,746) and Rs.4,635,568 (Previous year Rs.968,411) respectively, made during the year, is not included above.

6. The names of Small Scale Industrial Undertakings to whom the Company owes a sum, which is outstanding for more than 30 days, are as under: -

Shiva Chemicals Co.
Sukkan Industries
Canton Laboratories
HBR Packaging

7. **Deferred Tax Liabilities (Net):**

The breakup of deferred tax liability is as follows:-

(Amount in Rs.)

	Current Year	Previous Year
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per tax books and financial books	**171,483,973**	108,798,423
Capital expenditure on Research & Development	**88,708,475**	20,827,408
Others	**35,953,745**	18,701,555
Gross Deferred Tax Liabilities	**296,146,193**	148,327,386
Deferred Tax Assets		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	**49,314,111**	13,245,213
Gross Deferred Tax Assets	**49,314,111**	13,245,213
Net Deferred Tax Liability	**246,832,082**	135,082,173

8. (i) Amounts due from/ payable to companies under the same management as defined under section 370 (1B) of the Companies Act, 1956, are as follows –

(Amount in Rs.)

Particulars	**Current Year**	Previous Year
Best On Health Limited (Subsidiary Company)		
Loans and Advance (Advances recoverable in cash or in kind or for value to be received)		
Balance Recoverable	**786,748**	3,380,262
Maximum amount due at any time during the year	**3,380,262**	6,395,458
Radicura & Co. Limited (Subsidiary Company)		
Unsecured Loans		
Balances Payable	**5,100,000**	-
Maximum amount due at any time during the year	**5,100,000**	-
Sundry Creditors	**-**	34,524

ii) Loans and advances includes Rs.105,475,896 (Previous Year Rs.72,733,617) & debtors includes Rs.25,457,220 (Previous Year Rs.21,299,766) from Joint Venture Companies (private companies) in which company's director is a director.

9. **Related Party Disclosures**

A. **List of Related Parties**

a) **Joint Ventures** — Panheber Biotec Private Limited
Chiron Panacea Vaccines Private Limited

b) **Subsidiaries** — Best On Health Limited
Radicura & Co. Limited

c) **Key Management Personnel**

Mr. Soshil Kumar Jain	-	Chairman and Whole-time Director
Mr. Ravinder Jain	-	Managing Director
Mr. Rajesh Jain	-	Joint Managing Director
Mr. Sandeep Jain	-	Joint Managing Director
Mr. Sumit Jain	-	Whole-time Director (w.e.f. 22.07.2005)
Mr. Ashwani Jain	-	Whole-time Director
Mr. Sunil Anand	-	Whole-time Director

d) **List of Persons having controlling interest together with their relatives/associates**

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
Soshil Kumar Jain			Nirmala Jain	Surinder Kumar Jain	Bimla Devi Jain	Ravinder Jain, Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Soshil Kumar Jain HUF, Radhika Associates
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain HUF, Sumit Nipun & Co.
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Ankesh Jain, Harshet Jain, Taric Jain		Rajesh Jain HUF, Rattan Sons
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	Rashmi Jain, Renu Jain	Tanish Jain	Priyanaka Jain	Sandeep Jain HUF, Tahir & Co.
Sumit Jain	Ravinder Jain	Sunanda Jain		Nipun Jain	Radhika Jain			
Ashwani Jain		Laxmi Jain	Rashmi Jain		Anita Jain			Ashwani Jain HUF

(e) **Relatives of Key Management personal having transactions with the Company**

Mr. Sumit Jain, son of Mr. Ravinder Jain - in employment upto 21.07.2005

Mr. Karan Anand, son of Mr. Sunil Anand - w.e.f. 15.07.2005

(f) **Enterprises over which person having controlling interest in company / Key management personnel along with their relatives are able to exercise significant influence:**

(i) Neophar Alipro Limited

(ii) All India S. L. Jain Charitable Foundation

(iii) First Lucre Partnership Co. (w.e.f. 16th April 2005)

(iv) Second Lucre Partnership Co. (w.e.f. 20th August 2005)

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. Details of Transactions with the Related Parties (Amount in Rs.)

Particulars	Subsidiaries		Joint Ventures		Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
	Radicura & Co. Ltd.	Best On Health Ltd.	Panheber Biotec Pvt. Ltd.	Chiron Panacea Vaccines Pvt. Ltd.			
A. During the year							
Purchase of Materials/Finished	-	-	**17,356,044**	-	-	-	**17,356,044**
Goods (net)	(672,877)	(-)	(10,897,561)	(-)	(-)	(-)	(11,570,438)
Sale of Finished Goods	-	-	-	**100,132,689**	-	-	**100,132,689**
(Net of Credit Notes)	(13,412,759)	(-)	(-)	(21,299,766)	(-)	(-)	(34,712,525)
Recovery of dues on account	-	**136,598**	**39,261,887**	-	-	-	**39,398,485**
of Expenses	(-)	(598,996)	(35,005,628)	(-)	(-)	(-)	(35,604,424)
Rent Paid	-	**3,520,000**	-	-	-	-	**3,520,000**
	(-)	(2,880,000)	(-)	(-)	(-)	(-)	(2,880,000)
Rent Received	-	-	**84,000**	-	-	-	**84,000**
	(-)	(-)	(84,000)	(-)	(-)	(-)	(84,000)
Remuneration	-	-	-	-	**24,951,002**	**279,487**	**25,230,489**
	(-)	(-)	(-)	(-)	(23,818,187)	(152,925)	(23,971,112)
Interest Paid on Deposits/Loans	**128,374**	-	-	-	**717,286**	**13,392,605**	**14,238,265**
	(-)	(-)	(-)	(-)	(8,013,510)	(7,769,643)	(15,783,153)
Dividend Paid - Preference Shares	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(3,202,058)	(5,010,595)	(8,212,653)
Dividend Paid - Equity Shares	-	-	-	-	**29,520,300**	**36,599,100**	**66,119,400**
	(-)	(-)	(-)	(-)	(19,680,200)	(24,530,400)	(44,210,600)
Redemption of Preference Shares	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(15,345,800)	(25,486,200)	(40,832,000)
B. Year end balances							
Investments	**11,366,440**	**22,883,050**	**4,197,670**	**22,959,100**	-	-	**61,406,260**
	(11,366,440)	(22,883,050)	(4,197,670)	(22,959,100)	(-)	(-)	(61,406,260)
Outstanding Receivables	-	**786,748**	**105,475,896**	**25,457,220**	-	-	**131,719,864**
	(-)	(3,380,262)	(72,733,617)	(21,299,766)	(-)	(-)	(97,465,645)
Outstanding Payables	-	-	-	-	-	-	-
	(34,524)	(-)	(-)	(-)	(-)	(-)	(34,524)
Outstanding fixed deposits/Loans	**5,100,000**	-	-	-	**3,390,000**	**135,000,000**	**143,490,000**
	(-)	(-)	(-)	(-)	(134,892,349)	(132,463,000)	(267,355,349)

Notes:
1. Figures in brackets represent previous year figures (2004-05).
2. In respect of personal guarantee given by Promoters-Directors refer Note No. 6 of Schedule III.
3. The terms of lease agreement with Panheber Biotec Private Limited (a Joint Venture Company) have been modified during the year to make the lessee's obligation to pay lease rent effective from April 1, 2007. (Refer Note no. 13(i) below).
4. Amount of Rs.105,475,896 receivable from Company's Joint Venture, Panheber Biotec Private Limited on account of expenses incurred by the Company for the Joint Venture, has been provided for in the books of account as doubtful in the current year.
5. The material related party transactions with an individual party are as follows:

Material related party transactions (more than 10% of aggregate) with individual parties: (Amount in Rs.)

Key Management personnel	Unsecured Loans / Fixed Deposit		Interest		Managerial Remuneration		Equity Dividend		Redemption of Preference Shares		Preference Dividend	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Mr. Soshil Kumar Jain	-	29,857,442	**108,796**	1,717,985	**7,314,539**	8,229,042	**7,500,000**	5,000,000	-	2,600,000	-	581,442
Mr. Ravinder Jain	-	30,042,442	-	1,640,934	**7,258,539**	4,128,589	**6,969,300**	4,646,200	-	1,450,000	-	328,455
Mr. Rajesh Jain	-	38,036,393	-	2,144,343	**3,714,539**	4,294,636	**7,060,350**	4,706,900	-	4,590,000	-	944,193
Mr. Sandeep Jain	-	33,566,072	-	2,167,473	**3,714,539**	4,209,079	**7,188,150**	4,792,100	-	6,705,800	-	1,347,968
Relatives and Associates of Key Management Personnel												
First Lucre Partnership Co.	**120,000,000**	-	**12,113,424**	-	-	-	-	-	-	-	-	-
All India S L Jain Charitable Foundation	**15,000,000**	-	**931,336**	-	-	-	-	-	-	-	-	-

10. **Derivative Instruments and Unhedged Foreign Currency Exposure**

Forward contract outstanding as at Balance Sheet date

Sell	Nil
Buy	Nil

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	**Amount**
Import Creditors	Rs. 623,115,822 (US $ 13,963,379.77 @ Closing rate of 1 USD = Rs. 44.625)
	Rs. 1,541,916 (Euro € 28,554 @ Closing rate of 1 EURO = Rs. 54)
	Rs. 672,119 (CHF 19,527 @ Closing rate of 1 CHF = Rs. 34.42)
Export Debtors	Rs. 627,252,579 (US $ 14,057,655.30 @ Closing rate of 1 USD = Rs. 44.62)
	Rs. 71,320,422 (Euro € 1,321,237.90 @ Closing rate of 1 EURO = Rs. 53.98)
Foreign Currency Loans	Rs. 4,547,260,399 (US $ 101,899,392.70 @ Closing rate of 1 USD = Rs. 44.625)
Balance with Banks	Rs. 96,683,255 (US $ 2,166,814.33 @ Closing rate of 1 USD = Rs. 44.62)
	Rs. 100,788,233 (Euro € 1,867,140.30 @ Closing rate of 1 USD = Rs. 53.98)
Foreign Currency Fixed Deposits	Rs. 4,168,177,300 (US $ 93,415,000 @ Closing rate of 1 USD = Rs. 44.62)

11. During the year the Company has changed its accounting policy of valuation of Raw and Packing Material from 'First in First Out (FIFO)' to Moving Average Price. As a consequence of change in policy, the material and manufacturing expenses have increased and profit for the year has decreased by Rs.22,099,681. The change has been carried out to more closely reflect impact of change in prices during the year.

12. **Segmental Information**

A. **Information about Primary Segments**

(Amount in Rs.)

Particulars	Formulations		Research & Development		Vaccines		Total	
	2005 – 2006	2004 -2005	2005 – 2006	2004 –2005	2005 – 2006	2004 –2005	2005 – 2006	2004 –2005
Revenue								
Turnover	**1,288,814,617**	1,077,681,575	**7,819,315**	4,890,535	**4,066,911,293**	2,172,861,680	**5,363,545,225**	3,255,433,790
Other Income	**7,709,211**	7,311,777	**6,096,615**	2,481,765	**(39,281)**	26,239,108	**13,766,545**	36,032,650
Total	**1,296,523,828**	1,084,993,352	**13,915,930**	7,372,300	**4,066,872,012**	2,199,100,788	**5,377,311,770**	3,291,466,440
Segment Result	**221,824,851**	146,583,791	**(267,010,215)**	(134,539,157)	**1,602,167,503**	797,695,654	**1,556,982,140**	809,740,288
Unallocated Corporate Expenses							**(476,428,741)**	(269,305,151)
Operating Profit							**1,080,553,399**	540,435,137
Interest & Finance charges							**(133,332,947)**	(114,099,385)
Extraordinary Loss Due to Flood & Fire							**-**	(15,455,196)
Prior Period Expenses							**(2,297,023)**	-
Other Income							**57,148,143**	18,469,697
Income Taxes							**(392,684,847)**	(128,686,203)
Net Profit							**609,386,725**	300,664,050
Other information								
Segment Assets	**1,596,901,970**	916,719,983	**783,864,038**	292,783,831	**2,755,363,594**	2,756,047,106	**5,136,129,601**	3,965,550,920
Unallocated Corporate Assets							**5,015,606,424**	706,249,084
Total Assets							**10,151,736,025**	4,671,800,004
Segment Liabilities	**147,622,384**	47,988,794	**18,486,610**	1,709,072	**757,737,730**	366,942,875	**923,846,723**	416,640,741
Unallocated Corporate Liabilities							**6,720,334,822**	2,101,274,508
Total Liabilities							**7,644,181,545**	2,517,915,249
Capital Expenditure – Additions	**62,145,837**	66,660,767	**252,332,667**	84,140,110	**42,911,635**	98,457,640		
Non-Cash Expenses Depreciation	**39,493,295**	29,620,711	**43,037,486**	26,490,542	**67,367,503**	63,030,068		

B. Information about Secondary Segments

(Amount in Rs.)

		Current Year	Previous Year
a)	Revenue as per Geographical Markets		
	India (including deemed exports Rs.3,693,854,246 Previous Year Rs.2,140,762,561)	**4,911,445,979**	3,086,379,565
	Outside India	**452,099,245**	169,054,225
	Total	**5,363,545,224**	3,255,433,790

b) The Company has common fixed assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished.

13. Leases

i. **For assets given under Operating Lease agreements:**

(a) The Company has leased out the assets situated at Lalru, Punjab on operating lease to its Joint Venture viz. Panheber Biotec Private Limited.

	Gross Block		Accumulated Depreciation		Depreciation charged to P&L Account	
Particulars	**Current Year**	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
Building	**18,590,470**	18,590,470	**3,912,038**	2,237,884	**1,674,154**	1,790,383
Furniture and Fixture	**11,812,050**	11,812,050	**3,878,443**	2,315,059	**1,563,384**	1,846,029
Office Equipment	**512,602**	512,602	**150,635**	86,277	**64,358**	68,891
Plant & Machinery	**310,743,990**	310,743,990	**85,832,754**	49,364,102	**36,468,652**	39,487,388
Computer Equipment	**671,976**	671,976	**354,688**	143,162	**211,526**	143,162
Total	**342,331,088**	342,331,088	**94,128,558**	54,146,484	**39,982,074**	43,335,853

The total of Minimum Future Lease Payments under non-cancelable operating lease for various periods for assets stated above is as follows:

		As at March 31, 2006*	As at March 31, 2005*
a)	Receivable within 1 year	**-**	15,637,050
b)	Later than 1 year but not later than 5 years	**55,105,700**	49,754,250
c)	Later than 5 years	**43,504,500**	31,274,100

* Lease terms for assets given on lease to Panheber Biotec Private Limited were modified during the year making the lessee's obligation to pay lease rent effective from April 1, 2007.

(b) Company has also given an office space in its building situated at B-1/A-27, Mohan Co-operative Industrial Estate, New Delhi on operating lease to Panheber Biotec Private Limited.

Total of future minimum lease payments under operating lease mentioned above:

		As at March 31, 2006	As at March 31, 2005
a)	Receivable within 1 year	**35,000**	84,000
b)	Later than 1 year but not later than 5 years	**-**	-
c)	Later than 5 years	**-**	-

ii. **For assets taken on Lease**

(a) The Company has taken various residential, office and godown premises under operating lease agreements. These are generally not non-cancelable and are renewable by mutual consent on mutually agreed terms.

(b) Lease payments for the year are Rs.38,933,569 (Previous Year Rs.33,200,031).

14. a) The Company's interest in Joint Venture Companies is as follows:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	(%) Holding as on March 31, 2006
1.	Panheber Biotec Private Limited	Joint Venture	India	50.00
2.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50.00

b) Aggregate interest of the Company in Assets, Liabilities, Revenue & Expenses in the jointly controlled entities are as follows:

(Amount in Rs.)

Particulars	Current Year (Unaudited)	Previous Year (Audited)
Fixed Assets	**6,149,068**	8,387,082
Current Assets	**50,839,767**	47,109,756
Secured Loan	**788,570**	957,719
Current Liabilities	**72,847,569**	52,624,291
Revenue	**1,150,47,124**	24,852,793
Expenses	**122,688,199**	45,117,247

c) Following are reimbursement of expenses from Panheber Biotec Private Limited which have been netted off with related expense head

Particulars	Current Year	Previous Year
Salaries, Wages & Bonus	**18,839,399**	17,987,885
Power & Fuel	**4,877,370**	3,376,079
Repair & Maintenance – Plant & Machinery	**2,257,775**	1,945,421
Repair & Maintenance – Others	**13,287,343**	11,696,242
Total	**39,261,887**	35,005,627

15. **Auditor's Remuneration** includes the following:

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Statutory Auditors		
- Statutory Audit	**2,000,000**	1,750,000
- Quarterly Limited Reviews	**900,000**	750,000
- Certificates	**12,500**	11,500
- Other Audit Services*	**2,400,000**	-
- Out of Pocket Expenses	**131,900**	106,075
	5,444,400	2,617,575
Tax Auditor	**50,000**	50,000
Cost Auditor	**20,000**	20,000

* Paid for Limited Review and other agreed upon procedures with regard to Foreign Currency Convertible Bond issue and adjusted from Securities Premium Account.

16. Additional information as required under Para 3 & 4 of Part II of Schedule VI of the Companies Act, 1956.

A. **Particulars of Licensed Capacity, Installed Capacity & Production.**

a) **Licensed Capacity per annum**

Recombinant Bulk Vaccine – 180 lac doses

Others – Not Applicable

b) **Installed Capacity per annum***

Products	Units of Measure	Current year	Previous Year
Tablets	Nos./ Million	**586.0**	586.0
Capsules	Nos. / Million	**90.0**	90.0
Syrups/Liquids	Bottles / Million	**3.8**	3.8
Gels	Tubes / Million	**7.2**	7.2
Vaccines	Doses / Million	**820.0**	820.0
Recombinant Bulk Vaccine**	Doses / Million	**12.5**	12.5

* As certified by the management

** The same has been leased to Joint Venture Company, Panheber Biotec Pvt. Ltd.

c) **Actual Production during the year**

Products	Units of Measure	Current Year*	Previous Year
Tablets	Nos.	**334,083,082**	316,659,979
Capsules	Nos.	**51,162,503**	46,852,390
Syrups / Liquids	Ml	**293,718,070**	246,165,390
Gels	Gms.	**45,248,950**	57,252,790
Vaccines	Vials	**48,783,771**	33,721,304
Injection	Nos.	**1,547,008**	1,452,170
Husk	Packs	**3,954**	-
Kit	Nos.	**11,200**	-

* Actual Production includes production at Loan Licensee locations.

B. Particulars of Stocks & Sales

(Amount in Rs.)

	Units	Opening Stock		Closing Stock		Samples/Destroyed/ Expired/Shortages		Sales	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
(a) Own Manufacturing									
Tablets	No.	**90,750,291**	85,522,273	**91,716,975**	90,750,291	**15,028,138**	20,294,699	**318,088,260**	291,137,262
	In Rs.	**96,714,634**	102,364,554	**96,572,591**	96,714,634	-	-	**849,983,961**	714,189,673
Capsules	No.	**14,996,826**	15,084,154	**11,502,448**	14,996,826	**3,790,164**	5,187,040	**50,866,718**	41,752,678
	In Rs.	**49,104,737**	48,000,604	**39,121,587**	49,104,737	-	-	**345,944,809**	294,993,341
Syrups /	Ml	**70,767,990**	65,153,280	**90,261,820**	70,767,990	**15,721,200**	21,167,230	**258,503,040**	219,383,450
Liquids	In Rs.	**16,885,177**	12,740,594	**17,961,050**	16,885,177	-	-	**107,896,226**	94,175,895
Gels	Gms	**21,241,780**	14,311,460	**9,990,650**	21,241,780	**3,865,710**	8,650,400	**52,634,370**	41,672,070
	In Rs.	**11,185,901**	10,642,527	**8,423,044**	11,185,901	-	-	**45,097,445**	41,418,955
Vaccines	Vials	**14,432,616**	5,823,431	**17,385,565**	14,432,616	**98,236**	239,723	**48,970,636**	24,872,396
	In Rs.	**675,689,969**	330,183,139	**678,451,691**	675,689,969	-	-	**4,075,870,522**	2,172,861,680
Injection	No.	**794,077**	7,709	**362,258**	794,077	**341,854**	251,080	**1,636,973**	414,722
	In Rs.	**4,886,429**	221,930	**961,418**	4,886,429	-	-	**6,983,528**	13,973,785
Husk	Gms	**47,832**	52,491	**12,205**	47,832	**33,209**	2,929	**6,372**	1,730
	In Rs.	**1,631,606**	1,565,899	**368,713**	1,631,606	-	-	**232,281**	55,503
Kit	No.	**17,185**	20,756	**12,705**	17,185	**12,954**	1,668	**2,726**	1,903
	In Rs.	**3,606,033**	4,351,579	**2,373,040**	3,606,033	-	-	**774,809**	519,725
Total	In Rs.	**859,704,486**	510,070,826	**844,233,134**	859,704,486	-	-	**5,432,783,581**	3,332,188,557
(b) Trading Activities									
Tablets	No.	**2,106,178**	1,304,176	**5,534,540**	2,106,178	**966,328**	1,027,098	**7,878,540**	4,826,460
	In Rs.	**3,217,898**	903,550	**9,153,533**	3,217,898	-	-	**25,786,030**	16,535,189
Capsules	No.	-	88,280	**853,200**	-	-	88,280	-	-
	In Rs.	-	217,087	**1,346,964**	-	-	-	-	-
Syrups /	Ml	**1,884,000**	12,477,400	-	1,884,000	**2,232,200**	7,161,600	**(348,200)**	3,431,800
Liquids	In Rs.	**524,154**	2,677,192	-	524,154	-	-	**(105,224)**	363,727
Injection	No.	**157,474**	153,770	**11,896**	157,474	**85,847**	5,342	**59,731**	64,784
	In Rs.	**12,260,283**	4,246,544	**2,666,742**	12,260,283	-	-	**13,440,879**	3,648,107
Total	In Rs.	**16,002,335**	8,044,373	**13,167,239**	16,002,335	-	-	**39,121,685**	20,547,023
Grand Total	In Rs.	**875,706,821**	518,115,199	**857,400,373**	875,706,821	-	-	**5,471,905,266**	3,352,735,580

C. Purchase of Finished goods

(Amount in Rs.)

Products	Units	Current Year	Previous Year
Tablets	Nos.	**12,273,230**	6,655,560
	In Rs.	**19,024,971**	5,062,595
Capsules	Nos.	**853,200**	-
	In Rs.	**1,346,966**	-
Syrups/Liquids	Ml	-	-
	In Rs.	-	-
Injections	Nos.	-	73,830
	In Rs.	-	9,252,025
Total	In Rs.	**20,371,937**	14,314,620

D. Consumption of Raw materials & Packing materials

Products	Current Year Qty. (In doses)	Current Year Value	Previous Year Qty. (In doses)	Previous Year Value
Polio Virus	**960,195,500**	**1,928,757,422**	582,911,607	1,391,143,803
Others		**743,895,794**		530,446,465
Total		**2,672,653,216**		1,921,590,268

E. Value of Imports on CIF basis (on accrual basis)

Particulars	Current Year	Previous Year
Raw Materials & Packing Materials	**2,095,902,978**	1,436,846,564
Capital Goods	**198,866,764**	43,784,921

F. **Expenditure in Foreign Currency (on accrual basis)**

(Amount in Rs.)

Particulars	**Current Year**	Previous Year
Patents, Trade marks & Product registration	**14,435,490**	10,767,633
Know - Now Fee	**6,810,127**	437,300
Interest	**30,102,284**	32,502,100
Professional & Consultation fees	**9,788,232**	3,205,066
Expenditure on issue of Foreign Currency Convertible bonds	**139,048,031**	-
Other Expenses	**50,251,143**	26,597,667

G. **Earnings in Foreign Exchange**

F.O.B. value of Exports (including deemed export Rs.3,693,854,247 (Previous Year Rs.2,140,762,561))	**4,112,466,146**	2,277,444,875
R & D Technology Services	**13,915,930**	7,372,300
Interest on Exchange earners Foreign Currency Deposits	**28,060,940**	-

H. **Value of Imported/Indigenous Raw Materials & Packing Materials consumed**

Particulars		**Current Year**		Previous Year
	Amount in Rs.	**% age**	Amount in Rs.	% age
Indigenous	**428,410,140**	**16.03**	233,827,050	12.10
Imported	**2,244,243,076**	**83.97**	1,687,763,218	87.90
Total	**2,672,653,216**	**100.00**	1,921,590,268	100.00

I. **Value of Imported/Indigenous Stores & Spares consumed**

Particulars	**Amount in Rs.**	**% age**	Amount in Rs.	% age
Indigenous	**70,211,139**	**100**	29,444,120	100

J. **Remittance in foreign currency on account of dividend**

Particulars	**Current Year**	Previous Year
Dividend on Preference Shares	**40,695,711**	42,479,633*
Number of Non resident Preference Shareholders	**1**	1
No. of Preference Shares held by them	**90,434,914**	90,434,914
Dividend on Equity Shares **	**1,567,500**	5,741,000
Number of Non-resident Equity Shareholders	**1**	2
No. of Equity Shares held by them	**1,045,000**	5,741,000

* Dividend of Rs.40,695,711 pertains to 2004-05 and Rs.1,783,922 pertains to 2003-04.

** Dividend of Rs.1,567,500 pertains to 2004-05 (Previous Year Rs.5,741,000 pertains to 2003-04).

17. The details for Prior period expenses in hereunder:

Particulars	**Current Year**	Previous Year
Salary, Wages & Bonus	**922,708**	-
Repair & Maintenance		
- Plant and Machinery	**417,758**	-
- Others	**581,674**	-
Miscellaneous Expenses	**374,884**	-
Total	**2,297,023**	-

18. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date
S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

1.	**Registration Details**			
	Registration No.	22350	State Code	16
	Balance Sheet Date	31/03/2006		
2.	**Capital Raised during the year** (Amount in Rs. Thousand)			
	Public Issue	Nil	Right Issue	Nil
	Bonus Issue	Nil	Private Placement	Nil
3.	**Position of mobilization and deployment of Funds** (Amount in Rs. Thousand)			
	Total Liabilities	8,620,925	Total Assets	8,620,925
	Source of Funds			
	Paid up Capital	961,518	Reserves & Surplus	1,546,036
	Secured Loans	1,158,454	Unsecured Loans	4,708,085
	Deffered Tax Liablity	246,832		
	Application of Funds			
	Net Fixed Assets	2,337,100	Investments	61,406
	Net Current Assets	6,212,783	Misc. Expenditure (to the extent not W/off)	9,636
	Accumulated Losses	Nil		
4.	**Performance of Company** (Amount in Rs. Thousand)			
	Turnover	5,363,545	Total Expenditure	4,361,474
	Profit/Loss Before Tax	+ ☑ – ☐ 1,002,071	Profit/Loss After Tax	+ ☑ – ☐ 609,387
	Earnings per share (Rs.)	9.86	Dividend @	100%
5.	**Generic Name of Three Principal Products/ Services of Company**			
	Item Code No. (ITC Code)	3002 20 14		
	Product Description	VACCINE-POLIO		
	Item Code No. (ITC Code)	3004 90 67		
	Product Description	NIMESULIDE TAB		
	Item Code No. (ITC Code)	3004 20 99		
	Product Description	GLICLAZIDE TAB		

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

Place : New Delhi
Dated : 22nd May, 2006

CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2006

Panacea Biotec
In Support of Life

(Amount in Rs.)

			Current Year		Previous Year
A.	**Cash flow from operating activities**				
	Net operating profit before tax & extraordinary items		1,002,071,572		444,805,449
	Adjustments for:				
	Extra Ordinary loss due to fire		-		(15,455,196)
	Net operating profit before tax		1,002,071,572		429,350,253
	Depreciation	182,194,457		162,452,363	
	Interest Expenses	118,185,768		99,561,412	
	Provison for Doubtful Debts & Advances	110,673,354		4,744,426	
	Interest Income	(41,923,690)		(3,612,071)	
	Dividend Received	-		(45,569)	
	Income from Sale of Investment	-		(1,521,465)	
	Loss on Winding up of Subsidiary	-		-	
	Exchange Gain on Winding Up of Subsidiary	-		-	
	(Profit)/Loss on sale of Fixed Assets	(1,975,339)		2,954,873	
	Intangibles written off	17,500,798		-	
	Unrealised Exchange Fluctuation in Foreign Currency	(6,006,741)		(5,095,343)	
	Deferred Revenue Expenditure written off during the year	4,823,416	383,472,023	4,823,416	264,262,042
	Operating profit before working capital changes		1,385,543,595		693,612,295
	(Increase) / Decrease in Trade and Other Receivables	(145,246,755)		(434,114,411)	
	(Increase)/ Decrease in Inventories	105,587,813		(146,186,491)	
	Increase / (Decrease) in Trade Payables	438,608,147	398,949,205	299,949,455	(280,351,447)
	Cash generated from operations		1,784,492,800		413,260,848
	Net Direct Taxes paid		200,016,411		117,470,716
	Net cash from operating activities		1,584,476,389		295,790,132
B.	**Cash flow from investing activities**				
	Purchase of Fixed Assets	(1,165,489,188)		(516,040,704)	
	Sale of other investments	-		2,177,655	
	Investment in Shares of Joint Venture	-		(22,959,100)	
	Sale of Fixed Assets	7,443,169		28,395,116	
	Interest Received	41,923,690		3,612,071	
	Dividend Received	-		45,569	
	Net cash used in investing activities		(1,116,122,329)		(504,769,393)
	Net cash from operating and investing activities		468,354,060		(208,979,261)
C.	**Cash flow from financing activities**				
	(Repayment)/Issue of Preference Share Capital	-		(53,465,000)	
	Net increase in Working Capital Borrowings	(107,905,686)		(135,249,226)	
	Long Term Borrowings raised	3,497,000		327,965,349	
	Foreign Currency Convertible Bonds Raised	4,414,000,000		-	
	Long Term Borrowings repaid	(103,558,776)		(262,742,367)	
	Interest paid	(105,244,593)		(102,990,860)	
	Foreign Currency Convertible Bonds Issue Expenses	(144,232,150)		-	
	Dividend & Tax on Dividend paid	(138,318,101)		(126,362,755)	
	Net Cash from Financing activities		3,818,237,694		(352,844,859)
	Net cash from operating, investing & financing activities		4,286,591,754		(561,824,120)
	Net increase in Cash & Cash equivalent		4,286,591,754		(561,824,120)
	Opening balance of Cash & Cash equivalent		75,041,252		634,982,174
	Unrealised foreign exchange gain/(loss) on:				
	Cash & Cash Equivalents		52,940,395		1,883,198
	Closing balance of Cash & Cash equivalent		4,414,573,401		75,041,252

Note: Cash and cash equivalents included in the Cash Flow statement comprise of the following:-

	Current Year	Previous Year
i) Cash Balance on Hand	1,296,379	1,267,827
ii) Balance with Scheduled Banks :		
a) In Cash Credit Accounts	1,852,258	-
b) In Current Accounts	32,533,893	21,692,253
c) In Collection Accounts	9,148,467	8,766,761
d) In Unpaid Dividend Accounts	1,226,510	1,186,154
e) In Fixed Deposits	4,171,044,085	20,215,935
f) In Exchange Earner Foreign Currency Current Accounts	197,471,489	19,788,837
iii) Balances with non-scheduled Banks		
a) Bank of Foreign Trade - Moscow	-	18,530
b) Societe Generale Yugoslav Bank	320	1,176,212
Total	4,414,573,401	75,041,252

As per our attached report of even date
S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

STATEMENT U/S 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1.	**Name of the Company**	**Radicura & Co. Ltd.**	**Best On Health Ltd.**
2.	Date from which they became subsidiary companies	16th July, 1999	15th March, 2000
3.	Financial Year of the subsidiary ended on	31st March, 2006	31st March, 2006
4.	Shares of the subsidiary held by Panacea Biotec Ltd. on the above dates		
	i) Number & face value	198,250 Face Value Rs.10/-	190,216 Face Value Rs.10/-
	ii) Extent of holding	100%	100%
5.	Net aggregate Profit or (Loss) for the current year (in Rs.)	(176,171)	1,902,490
6.	Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding Company and is dealt with in the accounts of holding Company:		
	a) for the financial year of the subsidiary	-	-
	b) for the previous financial years of the subsidiary since it became its subsidiary.	-	-
7.	Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding Company and is not dealt with in the accounts of holding Company :		
	a) for the financial year of the subsidiary	(176,171)	1,902,490
	b) for the previous financial years of the subsidiary since it became its subsidiary.	419,894	2,451,262

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

Place : New Delhi
Dated : 22nd May, 2006

AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Panacea Biotec
In Support of Life

Auditor's Report to the Board of Directors of Panacea Biotec Limited on the Consolidated Financial Statements of Panacea Biotec Limited, its Subsidiaries and Joint Ventures.

1. We have audited the attached consolidated Balance Sheet of Panacea Biotec Limited, its Subsidiaries and Joint Ventures, as at 31st March, 2006, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Panacea Biotec Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 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. a) We have not audited the financial statements of the Subsidiaries & Joint Ventures, whose financial statements reflect Group's share of total assets of Rs.80,824,493 as at 31st March 2006, the total revenue of Rs.106,871,784 and net cash inflows of Rs.9,759,059 for the year then ended as considered in the consolidated financial statements. These financial statements and other information of the Subsidiaries and Joint Ventures have been audited by other auditors (except in case of Joint Venture Chiron Panacea Vaccines Private Limited which is unaudited) whose reports have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these Subsidiaries and Joint Ventures, is based solely on the report of the other auditors.

   b) The consolidated financial statements of Panacea Biotec Limited include unaudited financial statement and other information of the Joint Venture, Chiron Panacea Vaccines Private Limited (year ended 31st March, 2006) which reflect the Group's share of total assets of Rs.36,324,271 as at 31st March, 2006, total revenue of Rs.106,815,214 and net cash inflows of Rs.7,869,779 for the year then ended as considered in the consolidated financial statements.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.

5. Without qualifying our opinion, we draw attention to Note 3(v) of Schedule XIX B to the financial statements regarding non-provision of proportionate premium on redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011'. The same has been disclosed as a contingent liability.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, *subject to Para 3(b) relating to Chiron Panacea Vaccines Private Limited whose financial statements are unaudited*, 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 Panacea Biotec Limited, its Subsidiaries and Joint Ventures as at 31st March, 2006;

   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 & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No.: 83906

Place : New Delhi
Dated : 22nd May, 2006

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2006

(Amount in Rs.)

	Schedule No.		As at 31st March, 2006		As at 31st March, 2005
SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	I	**961,518,306**		961,518,306	
b) Reserves & Surplus	II	**1,495,393,598**	**2,456,911,904**	1,158,643,871	2,120,162,177
2. Loan Funds					
a) Secured Loans	III	**1,159,242,922**		1,343,425,760	
b) Unsecured Loans	IV	**4,702,984,550**	**5,862,227,472**	267,895,349	1,611,321,109
3. Deferred Tax Liability (Net)			**246,705,514**		135,495,066
Total			**8,565,844,890**		3,866,978,352
APPLICATION OF FUNDS					
1. Fixed Assets	V				
a) Gross Block		**2,134,297,726**		1,680,849,708	
Less : Depreciation		**739,753,859**		561,206,241	
Net Block		**1,394,543,867**		1,119,643,467	
b) Capital Work-in-Progress (including Pre-operative expenditure) (Refer Note No. 4 of Schedule XIXB)		**967,069,755**	**2,361,613,622**	285,414,140	1,405,057,607
2. Investments	VI		**100,000**		100,000
3. Current Assets, Loans & Advances	VII				
a) Inventories		**1,817,126,934**		1,933,537,407	
b) Sundry Debtors		**766,821,890**		786,220,064	
c) Cash & Bank Balances		**4,448,969,920**		99,678,712	
d) Other Current Assets		**34,485,886**		7,107,214	
e) Loans and Advances		**666,146,707**		464,149,633	
Sub-Total (A)		**7,733,551,337**		3,290,693,030	
Less : Current Liabilities & Provisions	VIII				
a) Liabilities		**1,030,064,820**		600,871,805	
b) Provisions		**509,000,184**		242,787,508	
Sub-Total (B)		**1,539,065,004**		843,659,313	
Net Current Assets (A)-(B)			**6,194,486,333**		2,447,033,717
4. Miscellaneous Expenditure (To the extent not written off or adjusted)	IX		**9,644,936**		14,787,028
Total			**8,565,844,890**		3,866,978,352
Significant Accounting Policies and Notes to Accounts	XIX				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain — Chairman
Ravinder Jain — Managing Director
Sunil Anand — Director (Finance)

I.K. Sharma — D.G.M. (Accounts & Finance)
Vinod Goel — Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006

Panacea Biotec
In Support of Life

(Amount in Rs.)

	Schedule No.		For the year ended 31st March, 2006		For the year ended 31st March, 2005
INCOME					
Turnover	X	5,535,194,430		3,381,465,659	
Less: Excise Duty		116,179,356	5,419,015,074	102,192,325	3,279,273,334
Other Income	XI		72,126,446		55,959,620
Total Income			5,491,141,520		3,335,232,954
EXPENDITURE					
Manufacturing Expenses & Administrative Expenses	XII		3,194,865,453		2,265,726,315
Purchases of Finished Goods			20,371,937		22,829,285
(Increase)/Decrease in Stocks	XIII		12,955,805		(346,951,012)
Personnel Expenses	XIV		459,877,916		372,453,305
Selling & Distribution Expenses	XV		251,151,290		203,907,575
Research & Development Expenses	XVI		280,926,146		140,561,793
Interest & Finance Expenses	XVII		133,334,970		114,132,699
Miscellaneous Expenditure written off during the year			5,142,092		4,909,264
Depreciation			143,400,826		139,621,768
Total Expenditure			4,502,026,435		2,917,190,992
Profit Before Tax & Extra-ordinary items/ Prior Period Expense			989,115,085		418,041,962
Prior Period Expenses			2,272,632		-
Extra Ordinary loss due to Fire & Flood			-		15,581,333
Profit Before Tax			986,842,453		402,460,629
Provision for Wealth Tax			650,000		305,000
Provision for Wealth Tax for earlier years			284,938		21,190
Provision for Income Tax			256,411,458		67,670,578
Provision for Income Tax for earlier years			-		1,060,674
Provision for Fringe Benefit Tax			25,818,855		-
Deferred Income Tax (Refer note no. 6 of Schedule XIXB)			111,210,448		60,486,934
Profit After Tax			592,466,754		272,916,253
Add : Balance brought forward from previous year			171,248,784		185,740,173
Debenture Redemption Reserve written back			-		13,333,334
Profit available for Appropriations			763,715,538		471,989,760
APPROPRIATIONS					
Dividend					
- Equity Shares-Proposed (not liable to TDS)			57,076,600		85,614,900
- Preference Shares (not liable to TDS)			40,695,711		43,914,644
Dividend Distribution Tax			13,712,566		17,746,432
Transfer to Capital Redemption Reserve			-		53,465,000
Transfer to General Reserve			60,938,673		100,000,000
Balance carried to Balance Sheet			591,291,988		171,248,784
Basic earnings per share before Extraordinary Item	XVIII		9.57		4.10
Basic earnings per share after Extraordinary Item	XVIII		9.57		3.91
Diluted earnings per share before Extraordinary Item	XVIII		9.36		4.10
Diluted earnings per share after Extraordinary Item	XVIII		9.36		3.91
Face value per Share			1.00		1.00

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date

S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE I - SHARE CAPITAL				
Authorised				
Comprising of				
i) 125,000,000 Equity Shares of Re.1/- each (Previous Year 125,000,000 Equity Shares of Re.1/- each)		**125,000,000**		125,000,000
ii) 110,000,000 (Previous Year 110,000,000) Preference Shares of Rs.10/- each		**1,100,000,000**		1,100,000,000
		1,225,000,000		1,225,000,000
Issued and Subscribed				
57,225,600 Equity Shares of Re.1/- each (Previous Year 57,076,600 Equity Shares of Re.1/- each)		**57,225,600**		57,076,600
Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each Series -III 90,434,914 (Previous Year 90,434,914) 4.5% Preference Shares		**904,349,140**		904,349,140
		961,574,740		961,425,740
Paid up				
57,076,600 Equity Shares of Re 1/- each (Previous Year 57,076,600 Equity Shares of Re.1/- each)	**57,076,600**		57,076,600	
Add: Forfieted Shares (149,00 shares @ Rs.10/- each forfeited on May 15, 1999 which were later on sub-divided into 149,000 Equity Shares of Re.1/- each on February 12, 2003)	**92,566**	**57,169,166**	92,566	57,169,166
(Out of the above shares, 1,814,240 Equity Shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years, which were later on sub-divided into 18,142,400 Equity Shares of Re.1/- each on February 12, 2003)				
(149,000 Forfeited Shares have been allotted on 24th August, 2005 in the name of employees of the company to facilitate sale therof at the prevailing market prices through recognised Stock Exchanges for and on behalf of the Company).				
Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each Series - III 90,434,914 (Previous Year 90,434,914) 4.5% Preference Shares	**904,349,140**	**904,349,140**	904,349,140	904,349,140
		961,518,306		961,518,306

Note:

RCPS Series - III

Redeemable at par at the end of tenth year from the date of allotment, i.e. March 16, 2004 with an option with the Company to extend such redemption date which will not exceed 20 years from the date of allotment. The Company has an option to redeem the shares any time after 2 years of allotment.

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE II - RESERVES AND SURPLUS				
1. Capital Redemption Reserve				
Amount as per Last Balance Sheet	**112,500,000**		59,035,000	
Add: Transfer from Profit & Loss Account	**-**	**112,500,000**	53,465,000	112,500,000
2. Debenture Redemption Reserve				
Amount as per Last Balance Sheet	**-**		13,333,334	
Less: Transferred to Profit & Loss Account	**-**	**-**	(13,333,334)	-
3. Securities Premium				
Amount as per Last Balance Sheet	**169,061,690**		169,061,690	
Less: Utilized for Foreign Currency Convertible Bonds Issue Expenses	**144,232,150**	**24,829,540**	-	169,061,690
4. General Reserve				
Amount as per Last Balance Sheet	**705,833,397**		605,833,397	
Add: Transfer from Profit & Loss Account	**60,938,673**	**766,772,070**	100,000,000	705,833,397
5. Balance in Profit & Loss Account		**591,291,988**		171,248,784
		1,495,393,598		1,158,643,871

	As at 31st March, 2006	As at 31st March, 2005
SCHEDULE III - SECURED LOANS		
1. Rupee Term Loans (From Banks)		
i) Industrial Development Bank of India (Due within one year Rs.17,372,248 (Previous Year Rs.17,372,248)	**34,744,504**	52,116,752
ii) State Bank of Bikaner & Jaipur (Due within one year Rs.12,500,000 (Previous Year Rs.12,500,000)	**18,749,471**	31,257,768
2. Foreign Currency Term Loans (From Banks)		
i) Export-Import Bank of India		
Long Term Working Capital Loan (Due within one year Rs.26,360,166 (Previous Year Rs.25,843,300)	**32,950,530**	58,147,741
Production Equipment Finance Loan (Due within one year Rs.17,573,504 (Previous Year Rs.17,228,925)	**21,966,901**	38,765,102
ii) Bank of Bahrain & Kuwait B.S.C. (Due within one year Rs.29,842,969 (Previous Year Rs.30,625,000)	**29,842,969**	59,882,813
3. Working Capital Loans from Scheduled Banks	**1,020,199,977**	1,101,412,149
4. Interest Accrued & Due on Working Capital Loans	**-**	885,716
5. Loan Against Hypothecation of Car	**788,570**	957,719
	1,159,242,922	1,343,425,760

Notes:

1. Rupee Term Loan from Industrial Development Bank of India is secured by way of first pari-passu charge by way of hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-pasu charge on land admesuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.
2. Rupee Term Loan from State Bank of Bikaner & Jaipur is secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company besides first pari-passu charge on land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.

SCHEDULE III - SECURED LOANS (Contd...)

3. Foreign Currency Term Loans from Export-Import Bank of India are secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company, both present and future, besides first parri-pasu charge on land admesuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit both present and future.
4. Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C. is secured by way of first pari-passu charge by hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on land admesuring 96 bighas 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab and other immovable properties pertaining to Lalru unit, both present and future.
5. Working Capital Loans from Scheduled Banks are secured by way of first pari-passu charge by hypothecation of all current assets and all other movable properties (including machinery and spares) besides second pari-passu charge on immovable properties of the Company being land admeasuring 96 bighas, 19 biswas & 93 bighas 12 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala, Punjab except in case of State Bank of Mysore, where creation of second pari-passu charge over immovable properties is pending.
6. The above loans are also collaterally secured by personal guarantees of the Promoters Directors of the Company.

(Amount in Rs.)

	As at 31st March, 2006	As at 31st March, 2005
SCHEDULE IV - UNSECURED LOANS		
Fixed Deposits	**136,500,000**	133,003,000
(including Rs.135,000,000 from directors relatives and associates (Previous Year Rs.132,463,000) (Due within one year Rs.135,000,000 (Previous Year Rs. NIL))		
Loan from Bank - State Bank of Mysore	**100,594,550**	-
(Due within one year Rs.100,594,550 (Previous Year Rs. NIL))		
Loan from Directors	**3,390,000**	134,892,349
(Due within one Year Rs.3,390,000 (Previous Year Rs.134,892,349))		
Foreign Currency Convertible Bonds		
- US$ 50 Million 4.5% Convertible Bonds due 2011	**2,231,250,000**	-
- US$ 50 Million Zero Coupon Convertible Bonds due 2011	**2,231,250,000**	-
(Due within one year Rs. NIL (Previous Year Rs. NIL))		
	4,702,984,550	267,895,349

Note:

Foreign Currency Convertible Bonds

US$ 50 million 4.5% Convertible Bonds & US$ 50 million Zero Coupon Convertible Bonds were issued on 13 Feb. 2006. Unless previously converted, redeemed or repurchased & cancelled, the 4.5% Convertible Bonds will be redeemed on Feb. 14, 2011 at 100% of their outstanding principal amount and the Zero Coupon Convertible Bonds will be redeemed on Feb. 14, 2011 at 142.80% of their outstanding principal amount.

SCHEDULE V - FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 1st April, 2005	Additions during the Year	Sale/Adjust during the Year	As At 31st March, 2006	As At 1st April, 2005	Provided during the Year	Deductions & Adjustment during the Year	As At 31st March, 2006	As At 31st March, 2006	As At 31st March, 2005
A. Tangible Assets										
Land - Freehold	105,226,734	68,806,825	-	**174,033,559**	-	-	-	**-**	**174,033,559**	105,226,734
Land - Leasehold	-	16,395,690	-	**16,395,690**	-	112,586	-	**112,586**	**16,283,104**	-
Buildings	287,931,044	38,696,254	1,505,400	**325,121,898**	78,944,117	16,441,285	700,366	**94,685,036**	**230,436,862**	208,986,927
Leasedhold Improvement	67,912,041	1,415,760	-	**69,327,801**	44,029,841	7,387,742	-	**51,417,583**	**17,910,218**	23,882,200
Plant & Machinery	834,812,514	200,061,711	673,471	**1,034,200,754**	234,784,345	98,278,984	474,536	**332,588,793**	**701,611,961**	600,028,169
Furniture & Fittings	83,768,309	27,806,681	-	**111,574,990**	32,866,425	14,160,661	-	**47,027,086**	**64,547,904**	50,901,884
Vehicles	71,313,811	25,074,264	10,756,256	**85,631,819**	36,720,589	11,724,772	6,421,318	**42,024,043**	**43,607,776**	34,593,222
Office Equipments	76,923,068	23,869,938	370,524	**100,422,482**	23,999,204	10,184,405	187,238	**33,996,371**	**66,426,111**	52,923,864
Computer Equipments	59,312,634	30,079,301	249,469	**89,142,466**	36,868,088	16,227,269	77,805	**53,017,552**	**36,124,914**	22,444,546
Total (A)	**1,587,200,155**	**432,206,424**	**13,555,120**	**2,005,851,459**	**488,212,609**	**174,517,704**	**7,861,263**	**654,869,050**	**1,350,982,409**	**1,098,987,546**
Previous Year	1,352,965,010	319,988,073	85,752,928	1,587,200,155	387,370,125	155,211,161	54,368,677	488,212,609	1,098,987,546	965,594,885
Capital Work in Progress									**879,392,095**	208,591,195
B. Intangible Assets										
Goodwill	19,564,354	-	-	**19,564,354**	18,912,902	651,452	-	**19,564,354**	**-**	651,452
Patents & Trademarks	44,907,279	2,322,411	-	**47,229,690**	34,508,981	3,008,597	-	**37,517,578**	**9,712,112**	10,398,298
Softwares	19,975,225	25,439,855	-	**45,415,080**	10,369,054	7,071,577	-	**17,440,631**	**27,974,449**	9,606,171
Website	9,202,695	-	-	**9,202,695**	9,202,695	-	-	**9,202,695**	**-**	-
Product Development	-	7,034,448	-	**7,034,448**	-	1,159,551	-	**1,159,551**	**5,874,897**	-
Total (B)	**93,649,553**	**34,796,714**	**-**	**128,446,267**	**72,993,632**	**11,891,177**	**-**	**84,884,809**	**43,561,458**	**20,655,921**
Previous Year	85,898,771	7,750,782	-	93,649,553	62,092,483	10,901,149	-	72,993,632	20,655,921	23,806,288
Capital Work in Progress									**87,677,660**	76,822,945
Total (A+B)	**1,680,849,708**	**467,003,138**	**13,555,120**	**2,134,297,726**	**561,206,241**	**186,408,881**	**7,861,263**	**739,753,859**	**1,394,543,867**	**1,119,643,467**
Previous Year	1,438,863,781	327,738,855	85,752,928	1,680,849,708	449,462,608	166,112,310	54,368,677	561,206,241	1,119,643,467	989,401,173
Capital Work in Progress									**967,069,755**	285,414,140

Notes

1. Freehold Land includes Land amounting Rs.37,098,750 (Previous Year Rs.7,943,300) pending registration in the name of the Company.
2. Building includes Office Premises amounting to Rs.5,908,819 (Previous Year Rs.9,492,323)(Net Block) pending registration in the name of the Company.
3. Plant & Machinery includes Plant & Machinery amounting to Rs.7,675,427 (Previous Year Rs.9,300,307) (Net Block) lying with third party.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs.43,037,486 (Previous Year Rs. 26,490,541).
5. Capital Work in Progress includes pre-operative expenditure. Refer Note No.4 of Schedule XIX B.

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2006	As at 31st March, 2005
SCHEDULE VI - INVESTMENTS		
Long Term Investments (at cost)		
Quoted		
10,000 Equity Shares of Rs.10/- each fully paid of Medicamen Biotech Ltd.* Market Value Rs.143,000 (Previous Year Rs.136,000)	**100,000**	100,000
	100,000	100,000

*Other than Trade Investments

Note : There were no fresh investments or disposals during the year.

(Amount in Rs.)

SCHEDULE VII - CURRENT ASSETS, LOANS & ADVANCES

		As at 31st March, 2006		As at 31st March, 2005
Inventories				
i) Raw & Packing Materials (Including lying with third party Rs.27,215,359 (Previous Year Rs.24,898,268))	**884,368,814**		981,376,163	
ii) Finished Goods (Including lying with third party Rs.45,360 (Previous Year Rs. NIL))	**866,099,350**		894,390,570	
iii) Work in Progress (Including lying with third party Rs.440,990 (Previous Year Rs.3,314,897))	**23,733,396**		8,397,981	
iv) Stores & Spare Parts	**42,925,374**	**1,817,126,934**	49,372,693	1,933,537,407
Sundry Debtors				
(Unsecured, Considered good, unless otherwise stated)				
Over six months (including Rs.5,197,458 considered doubtful of recovery (Previous Year Rs.4,965,615))	**7,282,131**		21,757,392	
Less : Provision for Bad & Doubtful Debts	**5,201,142**		4,965,615	
	2,080,989		16,791,777	
Other Debts	**764,740,901**	**766,821,890**	769,428,287	786,220,064
Cash and Bank Balances				
i) Cash Balance on Hand	**1,315,525**		1,319,655	
ii) Balance with Scheduled Banks:				
a) In Cash Credit Accounts	**1,852,258**		928,743	
b) In Current Accounts	**41,374,902**		27,883,422	
c) In Collection Accounts	**9,148,466**		8,766,761	
d) In Unpaid Dividend Accounts	**1,226,510**		1,186,154	
e) In Fixed Deposits*	**4,196,580,450**		38,610,398	
f) In Exchange Earner Foreign Currency Current Accounts	**197,471,489**		19,788,837	
iii) Balances with Others Banks				
a) Bank of Foreign Trade - Moscow (Maximum amount outstanding at any time during the year Rs.542,690 (Previous Year Rs.774,129))	**-**		18,530	
b) Societe Generale Yugoslav Bank (Maximum amount outstanding at any time during the year Rs.1,938,551 (Previous Year Rs.1,187,707))	**320**	**4,448,969,920**	1,176,212	99,678,712
Other Current Assets				
Export Benefits Receivable	**6,893,580**		7,097,063	
Interest accrued but not due on Fixed Deposit	**27,592,306**	**34,485,886**	10,151	7,107,214
Loans and Advances				
(Unsecured, Considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received (Including Rs.106,294,219 (Previous Year Rs. NIL) considered doubtful)	**263,091,178**		164,867,132	
Balance with Excise, Custom etc.	**22,223,551**		18,472,582	
Staff Loans & Advances (Including Rs.2,667,468 (Previous Year Rs.2,155,468) considered doubtful, which has been fully provided for)	**13,801,805**		7,137,607	
	299,116,534		190,477,321	
Less : Provision for Bad & Doubtful Advances	**108,961,687**		2,155,468	
	190,154,847		188,321,853	
Security Deposits	**19,352,671**		18,810,341	
Advance Income Tax	**456,639,189**	**666,146,707**	257,017,439	464,149,633
		7,733,551,337		3,290,693,030

*Fixed Deposits amounting to Rs.2,866,785 (Previous Year Rs.8,087,330) are pledged with banks and various Government Authorities.

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE VIII - CURRENT LIABILITIES & PROVISIONS				
A. Liabilities				
i) Acceptances	569,671,326		120,541,785	
ii) Sundry Creditors				
a) Small Scale Industries	870,859		715,742	
b) Other Creditors	309,050,808		428,659,844	
iii) Advances from Customers	815,707		6,774,021	
iv) Deposits from C & F Agents	17,560,000		21,661,111	
v) Unpaid Dividend*				
Equity Shares	1,208,368		1,161,019	
vi) Other Liabilities	112,955,157		20,642,225	
vii) Book Overdraft	4,270,963		-	
viii) Interest accrued but not due on loans	13,661,632		716,058	
		1,030,064,820		600,871,805
B. Provisions				
i) Provision for Wealth Tax	650,000		305,000	
ii) Provision for Income Tax	376,352,903		121,170,578	
iii) Provision for Fringe Benefit Tax	25,000,000		-	
iv) Dividend on Equity Shares	57,076,600		85,614,900	
v) Provision for Dividend Tax	13,712,566		12,007,490	
vi) Provision for Gratuity	22,309,452		13,416,809	
vii) Provision for Leave Encashment	13,898,663		10,272,731	
		509,000,184		242,787,508
		1,539,065,004		843,659,313

*This amount does not include the amount due/outstanding to be credited to Investor Education & Protection Fund.

SCHEDULE IX - MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
i) Product Registration Expenses				
As per last Balance Sheet	4,077,893		7,218,909	
Less : Written off during the Year	3,141,016	936,877	3,141,016	4,077,893
ii) License Fees				
As per last Balance Sheet	10,381,519		12,063,919	
Less : Written off during the Year	1,682,400	8,699,119	1,682,400	10,381,519
iii) Preliminary Expenses				
As per last Balnce Sheet	11,920		18,844	
Less : Written off during the year	2,980	8,940	6,924	11,920
iv) Share issue Expenses				
As per last Balance Sheet	-		-	
Add : additions during the year	315,696		394,620	
Less : Written off during the year	315,696	-	78,924	315,696
		9,644,936		14,787,028

(Amount in Rs.)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
SCHEDULE X - TURNOVER		
Sales	5,527,375,115	3,376,575,124
Services (R&D Income)	7,819,315	4,890,535
	5,535,194,430	3,381,465,659

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

SCHEDULE XI - OTHER INCOME

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Interest Received -		
- from Banks (Tax at source deducted Rs.3,353,749 (Previous Year Rs.746,124))	42,357,726	3,628,926
- from Others (Tax at source deducted Rs.45,166 (Previous Year Rs.169,623))	534,798	1,090,606
Interest on Income Tax Refund	-	24,776
Export Incentives	6,921,000	33,550,884
Dividend on Other than Trade Investments Long Term (Gross)	-	45,569
Miscellaneous Balances/Provisions written back	4,227,255	10,161,929
Sale of Scrap	218,658	323,412
Commission on Sales	-	125,346
Lease Rent	42,000	42,000
Profit on Sale of Fixed Assets (Net)	1,917,812	1,846
Profit on Sale of Investment (Other than Trade Investment)	-	1,521,465
Exchange Fluctuation (Net)	7,077,391	-
Miscellaneous Income	8,829,806	5,442,861
	72,126,446	55,959,620

SCHEDULE XII - MANUFACTURING & ADMINISTRATIVE EXPENSES

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
Raw Materials & Packing Materials Consumed				
Opening Stock	982,433,568		1,212,380,789	
Add: Material purchased during the Year	2,567,032,524		1,685,326,949	
	3,549,466,092		2,897,707,738	
Less: Closing Stock	884,368,814		981,376,163	
	2,665,097,278		1,916,331,575	
Less: Stock damaged due to flood	-		93,810	
Less: Material consumed for Research & Development	20,616,831	2,644,480,447	17,580,341	1,898,657,424
Processing Charges		20,516,004		32,787,272
Analytical Testing & Trial Charges		5,672,862		8,745,970
Ancillary Expenses		7,772,560		6,820,832
Stores & Spare Parts consumed (indigenous only)		10,427,822		15,834,913
Power & Fuel		64,030,981		52,259,950
Repair & Maintenance				
- Building	9,708,800		16,249,274	
- Plant & Machinery	16,719,772		5,559,071	
- Others	14,643,958	41,072,530	17,213,737	39,022,082
Rent		24,833,987		21,705,660
Directors' Sitting Fees		360,000		305,000
Printing & Stationery		12,814,760		10,879,428
Postage & Communication Expenses		34,565,335		25,812,260
Insurance		22,971,341		16,620,317
Travelling & Conveyance Expenses		60,336,016		43,474,204
Books & Periodicals		535,653		562,697
Legal & Professional Charges		39,737,396		29,256,908
Vehicle Running & Maintenance		10,591,934		9,905,176
Auditors' Remuneration: (Refer note no. 5 of Schedule XIX B)				
- Statutory Audit Fee	2,950,074		2,624,480	
- Certification etc.	12,500		11,500	
- Tax Audit Fees	-		87,468	
- Out of Pocket Expenses	107,600	3,070,174	106,075	2,829,523
Rates & Taxes		7,850,389		7,259,385
Donation		1,930,353		2,635,802
Subscription		7,023,966		2,933,429
Staff Trainning & Recruitment		13,696,669		17,700,004
Miscellaneous Expenses		31,696,796		10,187,204
Bad Debts & Advances written off		18,204,124		4,744,585
Property Tax		-		409,796
Provision for doubtful debts & doubtful advances		110,673,354		1,421,621
Loss on Sale of Fixed Assets (Net)		-		2,954,873
		3,194,865,453		2,265,726,315

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		For the year ended 31st March, 2006		For the year ended 31st March, 2005
SCHEDULE XIII - (INCREASE)/DECREASE IN STOCKS				
Closing Stock				
Finished Goods	866,099,350		891,611,907	
Work in Progress	23,733,396	889,832,746	8,397,981	900,009,888
Less : Opening Stock				
Finished Goods	895,439,515		519,345,895	
Work in Progress	7,349,036	902,788,551	33,712,981	553,058,876
		12,955,805		(346,951,012)
SCHEDULE XIV - PERSONNEL EXPENSES				
Salary, Wages and Bonus		406,555,243		338,288,112
Contribution to Provident and other Funds		16,305,446		10,062,796
Workmen Staff Welfare Expenses		24,034,156		20,084,773
Gratuity		12,983,071		4,017,624
		459,877,916		372,453,305
SCHEDULE XV - SELLING & DISTRIBUTION EXPENSES				
Advertising & Sales Promotion		154,378,465		143,493,810
Meetings & Conferences		27,026,513		21,121,480
Freight & Cartage		38,556,757		24,176,963
Commission on Sales (Other than Sole Selling Agents)		24,903,662		8,931,789
Rent for Cold Storage & Depots		6,285,893		6,183,533
		251,151,290		203,907,575
SCHEDULES XVI - RESEARCH AND DEVELOPMENT EXPENSES				
Raw Material & Packing Material Consumed		20,616,831		17,580,341
Stores & Spare Parts Consumed (Indigenous only)		60,017,720		13,895,764
Processing Charges		20,499		-
Salary, Wages & Bonus		100,020,976		48,456,785
Contribution to Provident & other Funds		2,213,408		1,999,956
Analytical Testing & Trial Charges		15,660,932		11,966,155
Rent		5,552,340		2,984,792
Printing & Stationery		1,571,320		918,294
Postage & Communication		1,073,891		371,550
Travelling Expenses		6,868,695		4,894,966
Books & Periodicals		384,037		1,178,453
Legal & Professional Expenses		3,632,054		2,141,990
Vehicle Running & Maintenance		771,772		174,544
Repair & Maintenance:				
- Buildings	2,435,122		579,628	
- Plant & Machinery	5,582,951		3,236,984	
- Others	1,996,410	10,014,483	579,180	4,395,792
Rates, Fees & Taxes		11,386		71,200
Subscription		4,969,061		648,987
Electricity & Water Charges		396,793		394,472
Meeting & Conferences		2,217,685		1,362,082
Staff Training & Recruitment		498,109		451,235
Bank Charges		389,949		40,424
Depreciation		43,037,486		26,490,543
Sundry Expenses		986,719		143,468
		280,926,146		140,561,793

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		For the year ended 31st March, 2006		For the year ended 31st March, 2005
SCHEDULE XVII - INTEREST & FINANCE CHARGES				
Interest on:				
a) Debentures/Bonds	**13,108,594**		1,890,585	
b) Fixed Loans (Including Rs.370,377/- (Previous Year Rs.3,014,169) paid to Managing/Joint Managing Directors))	**28,797,568**		35,763,957	
c) Others (Including interest on working capital loans)	**76,151,232**	**118,057,394**	61,906,870	99,561,412
Exchange Fluctuation (Net)		**-**		2,068,967
Bank Charges		**15,277,576**		12,502,320
		133,334,970		114,132,699

SCHEDULES XVIII - EARNING PER SHARE

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Calculation of Profit for Basic EPS		
Net profit before Tax & Extraordinary item	**986,842,453**	418,041,962
Less: Adjustment for Tax Expense (including Wealth Tax)	**394,375,698**	134,176,656
Less: Dividend on Redeemable Preference Shares and tax thereon	**46,403,284**	49,653,586
Net profit before Extraordinary item for calculation of Basic EPS	**546,063,471**	234,211,720
Net Profit before Extraordinary item for calculation of Basic & Diluted EPS		
Net profit before Tax	**986,842,453**	402,460,629
Less: Adjustment for Tax Expense (including Wealth Tax)	**394,375,698**	129,544,376
Less: Dividend on Redeemable Preference Shares and tax thereon	**46,403,284**	49,653,586
Net profit after Extraordinary item for calculation of Basic EPS	**546,063,471**	223,262,667
Weighted average number of Equity Shares in calculating basic EPS	**57,076,600**	57,076,600
Calculation of Profit for Diluted EPS		
Net profit for calculation of basic EPS	**546,063,471**	234,211,720
Add: Interest paid on FCCB during the year	**13,108,594**	-
Less: Tax relating to Interest Expense on FCCB	**4,412,353**	-
Adjusted net Profit for Current Year for calculating Diluted EPS	**554,759,712**	234,211,720
No. of Equity Shares resulting from conversion of Foreign Currency Convertible Bonds		
- US$ 50 Million 4.5% Convertible Bonds at floor price Rs.264.74	**1,119,144**	-
- US$ 50 Million Zero Coupon Convertible Bonds at floor price Rs.270.10	**1,096,935**	-
Weighted average number of Equity Shares in calculating basic EPS	**57,076,600**	57,076,600
Weighted average number of Equity Shares in calculating diluted EPS	**59,292,679**	57,076,600
Basic earnings per share before Extraordinary Item	**9.57**	4.10
Basic earnings per share after Extraordinary Item	**9.57**	3.91
Diluted earnings per share before Extraordinary Item	**9.36**	4.10
Diluted earnings per share after Extraordinary Item	**9.36**	3.91

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE XIX - Significant Accounting Policies and Notes on Accounts (Consolidated Financial Statements)

A. SIGNIFICANT ACCOUNTING POLICIES

1) i) **Basis of Preparation**

The Consolidated Financial Statements relate to Panacea Biotec Limited (Parent Company), its Subsidiary Companies and Joint Ventures (hereinafter referred as the "Group").

The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards and other applicable relevant statutes. The Group follows the mercantile system of accounting and recognize income and expenditure on accrual basis.

ii) **Principles of Consolidation**

The Consolidated Financial Statements have been prepared on the following basis:

a) The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard – 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India. Interest in assets, liabilities, income and expenses of the Joint Ventures have been consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses have been eliminated to the extent of Company's proportionate shares as per Accounting Standard – 27, Financial reporting of interests in Joint Ventures, issued by The Institute of Chartered Accountants of India.

b) The financial statements of the Subsidiary Companies and Joint Ventures used in the consolidation are drawn for the same period as that of the Parent Company i.e. year ended March 31, 2006.

c) List of Domestic Subsidiaries & Joint Venture considered for Consolidation:

S. No.	Name of the Company	Nature of relationship	Country of Incorporation	Extent of Holding/ Voting Power (%) as on March 31, 2006
1.	Best On Health Limited	Subsidiary	India	100.00
2.	Radicura & Co. Limited	Subsidiary	India	100.00
3.	Panheber Biotec Private Limited	Joint Venture	India	50.00
4.	Chiron Panacea Vaccines Private Limited	Joint Venture	India	50.00

d) Goodwill represents the difference between the Parent Company's share in the net worth of the Subsidiary Company and the cost of acquisition at the time of making the investment in the Subsidiary Company. For this purpose, the Parent Company's share of net worth of the Subsidiary Company is determined on the basis of the latest financial statements of the Subsidiary Company prior to acquisition, after making the necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

e) The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Parent Company's separate financial statements.

2) **Uses of Estimates**

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

3) **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

<u>Sale of Goods:</u>

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and is stated net of trade discounts, returns and sales tax but includes excise duty.

<u>Interest:</u>

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

<u>Research & Development:</u>

Income from Research & Development Services is accounted for as per the stage of completion.

<u>Dividends:</u>

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Export Benefits:

Export entitlements under Duty Exemption Pass Book Schemes and Advance Licenses are recognized in the Profit & Loss Account when the right to receive credit as per terms of scheme is established in respect of export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

4) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

5) Expenditure during Construction Period

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

6) Intangibles

Patents and Trademarks:

Costs relating to patents and trademarks, which are acquired, are capitalised.

Research and Development Costs: Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Technical Know how:

Technical Know how is being capitalised on successful transfer of technology when its future recoverability can reasonably be regarded as assured.

Software and Website:

Software is stated at cost of acquisition and include all attributable costs of bringing the software to its working condition for its intended use.

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

7) Depreciation

a) Depreciation on fixed assets is provided on written down value method as per the rates based on the estimated useful life or as per rates prescribed in Schedule XIV to the Companies Act, 1956 whichever is higher. Depreciation is provided on the following rates:

Tangibles Assets	WDV %
Building – Factory	10.00
Building – Office Premises	5.00
Plant & Machinery	13.91
Furniture & Fittings	18.10
Vehicles	25.89
Office Equipments	13.91
Computer Equipments	40.00

b) Depreciation on intangibles is provided on the basis of the estimated useful lives as follows:-

Software	-	Depreciated on Straight Line basis over a period of 5 years.
Websites	-	Depreciated on Straight Line basis over a period of 2 years.
Patents and Trade Mark	-	Depreciated on Straight Line basis over a period of 7 years.
Product Development	-	Depreciated on Straight Line basis over a period of 5 years.

c) Leasehold Improvements are amortized over the initial period of lease or useful life, whichever is shorter.

8) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to qualifying assets, are recognized as an expense in the period in which they are incurred.

9) Leases

Where the Company is the lessee:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Where the Company is the lessor:

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

10) Deferred Revenue Expenditure

a) Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition were categorized as Miscellaneous Expenditure. Such deferred revenue expenditure are amortized over a period of five years beginning from the year of product registration. Expenditure of the similar nature incurred during the year are charged off to revenue.

b) Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter. Expenditure of the similar nature incurred during the year are charged off to revenue.

11) 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 determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution, if any, in value is made to recognise a decline other than temporary in the value of the investments.

12) Inventories

Finished Goods, Stock in Progress, Goods held for resale, Raw Materials, Packing Materials and Stores & Spares are stated at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

'Cost' of Raw Materials and Packing Materials is arrived at by using 'Moving Average Price' method and cost of Stores & Spares is arrived at by using FIFO method.

Cost of Work in Progress and Finished Goods is determined by considering direct material cost and appropriate portion of factory overheads. Cost of traded goods is arrived at by using 'First-in-first out' method. Cost of finished goods includes excise duty.

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

13) Retirement and other Benefits

a) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.

b) The contribution to Gratuity Fund, which is a defined benefit plan, is expensed on the basis of funding claims of the fund manager, Life Insurance Corporation of India. At the end of the accounting year, actuarial valuation is done by an Independent Actuary and any shortfall in the fund balance is further provided for.

c) Leave encashment payable on separation of employees/adjustable in due course is provided on the basis of actuarial valuation carried out by an independent actuary at the end of each financial year.

Leave encashment payable /adjustable during the year is provided on the basis of last salary drawn by employees.

14) 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 reporting 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 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 gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets from outside India, in which case they are adjusted to the carrying value of such 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 Account 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.

15) Income Taxes

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

Deferred income tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the company does not have a legal right to do so. 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. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised 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.

16) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of Equity Shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

17) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and 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 management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

18) Security Issue Expenses

Expenses incurred on issue of securities are charged to Securities Premium Account.

19) Segment Reporting Policies

a) Identification of Segments:

Primary Segment

Business Segment: The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are Vaccines, Formulations and Research & Development activities.

Secondary Segment

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

c) Unallocated Items: Corporate income and expenses are considered as a part of unallocable income & expense, which are not identifiable to any business segment.

20) Derivative Instruments

The Company uses derivative financial instrument such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note 14.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities (to the extent not provided for) (Amount in Rs.)

PARTICULARS	Current Year	Previous Year
Disputed demands/ show-cause notices under:		
a) Sales Tax Cases	**894,105**	-
b) Income Tax Cases	**39,689,887**	-
c) Customs Cases	**3,999,923**	3,999,923
d) Excise Cases	**6,618,130**	6,596,620
Total	**51,202,045**	10,596,543
Labour cases (in view of large number of cases, it is impracticable to disclose each of them)	**3,664,791**	3,153,533
Other claims against the Company not acknowledged as debts	**64,000**	4,364,000
Premium on Redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' (Refer note 3(v) below)	**21,119,401**	-

Notes:

i. Income Tax Demand of Rs. 39,689,887 includes Rs. 39,255,799 pertaining to disallowance with respect to Research & Development Expenses for Assessment Year 2003-04. The Company has filed an appeal with CIT (Appeals). No Provision is considered necessary in this regard since the Company believes it has a good case based on nature of the case and legal advice obtained by it.

ii. In respect of Central Excise demand for Rs. 6,596,620 towards excise duty on common inputs used in manufacture of exempted and taxable products, the Company has deposited the entire amount under protest. The matter is pending before Excise Tribunal. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.

iii. In respect of Customs demand for Rs. 3,999,923 towards customs duty on certain items imported as exempted by the Company. The Company has deposited the entire amount under protest. The matter is pending before the Honorable Supreme Court. No provision is considered necessary in this regard since the Company believes it has a good case based on legal opinion.

2. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for amount to Rs.869,541,477 (Previous Year Rs.167,509,223).

3. **Foreign Currency Convertible Bonds**

(i) During the year, the Company has issued 'US$ 50 Million 4.5% Convertible Bonds due 2011' and 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' aggregating to US$ 100 Million (Rs. 4,462,500,000). Unless these Bonds are previously converted, redeemed, repurchased and cancelled, the Company would redeem these bonds at 100 percent and 142.8 percent respectively of the principal amount on February 14, 2011. As per the terms of the issue, the conversion price of these bonds is to determined based on future price mechanism.

(ii) The Company has incurred an expenditure of Rs. 144,232,150 towards issue expenses of these bonds. These expenses have been charged to Securities Premium Account as provided under Section 78 of the Companies Act, 1956.

(iii) The conversion price of 'US$ 50 Million 4.5% Convertible Bonds due 2011' and 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' issued by the Company is yet to be determined. As per the terms of the issue, these are convertible at a minimum floor price of Rs. 264.74 and Rs. 270.10 per share respectively. Also, there is a maximum ceiling for the conversion price i.e. Rs. 675 per share. Pursuant to Accounting Standard – 20 issued by the Institute of Chartered Accountants of India, for the purposes of computing Dilutive potential Equity Shares, most advantageous conversion price from the standpoint of the potential equity shareholder i.e. Rs. 264.74 and Rs. 270.10 has been considered.

(iv) Out of the proceeds of the bond issue Rs. 4,168,177,300 is lying in Fixed Deposits as at March 31, 2006 in foreign currency with State Bank of India, London.

(v) Redemption of 'US$ 50 Million Zero Coupon Convertible Bonds due 2011' will be made on February 14, 2011. Unless these Bonds have been previously converted, redeemed, repurchased and cancelled, Company will redeem these Bonds at a Price equal to 142.80% of the outstanding principal amount on the maturity date, (including premium amounting to Rs. 954,975,000). Since the redemption of bonds is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium on redemption for the period upto 31st March 2006 amounting to Rs. 21,119,401. In the opinion of the management, since the likelihood of redemption cannot presently be ascertained, therefore no provision for any liability that may result has been made in the financial statements. The bonds are considered monetary liability. The bonds are redeemable only if there is no conversion of the bonds earlier. Hence the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. The same has been disclosed as a contingent liability.

4. Details of pre-operative expenses (included in CWIP) relating to Fixed Assets are as follows: (Amount in Rs.)

Particulars	Tangibles		Intangibles		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Opening Balance	**5,607,884**	1,465,007	**1,499,670**	-	**7,107,554**	1,465,007
Additions during the year						
Legal & Professional	**2,926,673**	1,130,611	-	-	**2,926,673**	1,130,611
Store & Spare Parts Consumed	**14,125,890**	-	-	-	**14,125,890**	-
Power & Fuel	**5,509,057**	830,504	-	-	**5,509,057**	830,504
Rates & Taxes	**321,250**	809,549	-	-	**321,250**	809,549
Repair & Maintenance						
- Plant & Machinery	**1,628,345**	-	-	-	**1,628,345**	-
- Others	**1,630,366**	979,462	-	294,027	**1,630,366**	1,273,489
Salary & Wages	**4,550,149**	392,751	-	1,205,643	**4,550,149**	1,598,394
Office Expenses	**2,126,629**	-	-	-	**2,126,629**	-
Traveling Expenses	**1,480,292**	-	-	-	**1,480,292**	-
Rent	**599,000**	-	-	-	**599,000**	-
Miscellaneous Expenses	**3,502,095**	-	-	-	**3,502,095**	-
Total Additions	**38,399,746**	4,142,877	-	1,499,670	**38,399,746**	5,642,547
Less: Capitalised during the year	-	-	**1,499,670**	-	**1,499,670**	-
Closing Balance	**44,007,630**	5,607,884	-	1,499,670	**44,007,630**	7,107,554

5. Auditors' Remuneration

(Amount in Rs.)

Particulars	Year ended March 31, 2006			Year ended March 31, 2005		
	Parent Company	Subsidiaries	Joint Ventures	Parent Company	Subsidiaries	Joint Ventures
Statutory Auditors						
- Statutory Audit	**2,000,000**	**29,182**	**321,287**	1,750,000	29,432	95,048
- Quarterly Limited Reviews	**900,000**	**-**	**-**	750,000	-	-
- Certificates	**12,500**	**-**	**-**	11,500	-	-
- Other Advisory	**2,400,000***	**-**	**8,265**	-	-	-
- Out of Pocket Expenses	**131,900**	**-**	**-**	106,075	-	-
	5,444,400	**29,182**	**329,552**	2,617,575	29,432	95,048
Tax Auditor	**50,000**	**-**	**-**	50,000	9,918	27,550
Cost Auditor	**20,000**	**-**	**-**	20,000	-	-

* Paid for Limited Review and other agreed upon procedures with regard to Foreign Currency Convertible Bond issue and adjusted from Securities Premium Account.

6. Deferred Tax Assets/ Liabilities (Net):

The break-up of deferred tax liability is as follows:

(Amount in Rs.)

	Current Year	Previous Year
Deferred Tax Liabilities		
Differences in depreciation and amortization in block of fixed assets as per tax books and financial books	**171,884,449**	109,426,866
Capital expenditure on Research & Development	**88,708,475**	20,827,408
Others	**35,953,745**	18,701,556
Gross Deferred Tax Liabilities	**296,546,669**	148,955,830
Deferred Tax Assets		
Effect of expenditure debited to Profit and Loss Account in the current year but allowed for tax purposes in following years	**49,841,155**	13,460,764
Gross Deferred Tax Assets	**49,841,155**	13,460,764
Net Deferred Tax Liability	**246,705,514**	135,495,066

7. Related Party Disclosures

A. List of Related Parties

(a) Key Management Personnel

Mr. Soshil Kumar Jain	-	Chairman and Whole-time Director
Mr. Ravinder Jain	-	Managing Director
Mr. Rajesh Jain	-	Joint Managing Director
Mr. Sandeep Jain	-	Joint Managing Director
Mr. Sumit Jain	-	Whole-time Director (w.e.f. 22.07.2005)
Mr. Ashwani Jain	-	Whole-time Director
Mr. Sunil Anand	-	Whole-time Director

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(b) List of Persons having controlling interest together with their relatives/associates

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
Soshil Kumar Jain			Nirmala Jain	Surinder Kumar Jain	Bimla Devi Jain	Ravinder Jain, Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Soshil Kumar Jain HUF, Radhika Associates
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain HUF, Sumit Nipun & Co.
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Ankesh Jain, Harshet Jain, Taric Jain		Rajesh Jain HUF, Rattan Sons
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	Rashmi Jain, Renu Jain	Tanish Jain	Priyanaka Jain	Sandeep Jain HUF, Tahir & Co.
Sumit Jain	Ravinder Jain	Sunanda Jain		Nipun Jain	Radhika Jain			
Ashwani Jain		Laxmi Jain	Rashmi Jain		Anita Jain			Ashwani Jain HUF

(c) Relatives of Key Management personal having transactions with the Company

Mr. Sumit Jain, son of Mr. Ravinder Jain - in employment upto 21.07.2005
Mr. Karan Anand, son of Mr. Sunil Anand - w.e.f. 15.07.2005

(d) Enterprises over which person having controlling interest in company / Key management personnel along with their relatives are able to exercise significant influence:

(i) Neophar Alipro Limited
(ii) All India S. L. Jain Charitable Foundation
(iii) First Lucre Partnership Co. (w.e.f. 16th April 2005)
(iv) Second Lucre Partnership Co. (w.e.f. 20th August 2005)

B. Details of Transactions with the Related Parties (Amount in Rs.)

Particulars	Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
Remuneration	**24,951,002**	**279,487**	**25,230,489**
	(23,818,187)	(152,925)	(2,397,112)
Interest Paid on Deposits / Loans	**717,286**	**13,392,605**	**14,238,265**
	(8,013,510)	(7,769,643)	(15,783,154)
Dividend Paid – Equity Shares	**29,520,300**	**36,599,100**	**66,119,400**
	(19,680,200)	(24,530,400)	(44,210,600)
Outstanding Fixed Deposits / Loans	**3,390,000**	**135,000,000**	**143,490,000**
	(134,892,349)	(132,463,000)	(267,355,349)
Redemption of Preference Shares	-	-	-
	(15,345,800)	(25,486,200)	(44,210,600)
Dividend Paid on Preference Shares	-	-	-
	(3,202,058)	(5,010,595)	(8,212,653)

Notes:
1. Figures in brackets represent Previous Year figures (2004-05)
2. In respect of personal guarantee given by Promoters-Directors refer Note no. 6 of Schedule III.
3. The material related party transactions with an individual party are as follows:

Material related party transactions (more than 10% of aggregate) with individual parties: (Amount in Rs.)

Key Management personnel	Unsecured Loans / Fixed Deposits		Interest		Managerial Remuneration		Equity Dividend		Redemption of Preference Shares		Preference Dividend	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Mr. Soshil Kumar Jain	-	29,857,442	**108,796**	1,717,985	**7,314,539**	8,229,042	**7,500,000**	5,000,000	-	2,600,000	-	581,442
Mr. Ravinder Jain	-	30,042,442	**109,470**	1,640,934	**7,258,539**	4,128,589	**6,969,300**	4,646,200	-	1,450,000	-	328,455
Mr. Rajesh Jain	-	38,036,393	**138,598**	2,144,343	**3,714,539**	4,209,079	**7,060,350**	4,706,900	-	4,590,000	-	944,193
Mr. Sandeep Jain	-	33,566,072	**122,309**	2,167,473	**3,714,539**	4,294,636	**7,188,150**	4,792,100	-	6,705,800	-	1,347,968
Relatives and Associates of Key Management Personnel												
First Lucre Partnership Co.	**120,000,000**	-	**12,113,424**	-	-	-	-	-	-	-	-	-
All India S L Jain Charitable Foundation	**15,000,000**	-	**931,336**	-	-	-	-	-	-	-	-	-

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

8. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date

Sell	Nil
Buy	Nil

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date

Particulars	**Amount**
Import Creditors	Rs. 623,115,822 (US $ 13,963,379.77 @ Closing rate of 1 USD = Rs. 44.625)
	Rs. 1,541,916 (Euro € 28,554 @ Closing rate of 1 EURO = Rs. 54)
	Rs. 672,119 (CHF 19,527 @ Closing rate of 1 CHF = Rs. 34.42)
Export Debtors	Rs. 627,252,579 (US $ 14,057,655.30 @ Closing rate of 1 USD = Rs. 44.62)
	Rs. 71,320,422 (Euro € 1,321,237.90 @ Closing rate of 1 EURO = Rs. 53.98)
Foreign Currency Loans	Rs. 4,547,260,399 (US $ 101,899,392.70 @ Closing rate of 1 USD = Rs. 44.625)
Balance with Banks	Rs. 96,683,255 (US $ 2,166,814.33 @ Closing rate of 1 USD = Rs. 44.62)
	Rs. 100,788,233 (Euro € 1,867,140.30 @ Closing rate of 1 USD = Rs. 53.98)
Foreign Currency Fixed Deposits	Rs. 4168,177,300 (US $ 93,415,000 @ Closing rate of 1 USD = Rs. 44.62)

9. Segmental Information

A. Information about Primary Segments (Amount in Rs.)

Particulars	Formulations		Research & Development		Vaccines		Total	
	2005 - 2006	2004 - 2005	**2005 - 2006**	2004 - 2005	**2005 - 2006**	2004 - 2005	**2005 - 2006**	2004 - 2005
Revenue								
Turnover	**1,288,814,616**	1,092,991,799	**7,819,315**	4,890,535	**4,122,381,143**	2,181,390,999	**5,419,015,074**	3,279,273,333
Other Income	**7,709,211**	8,491,589	**6,096,615**	2,481,765	**(39,281)**	26,421,918	**13,766,545**	37,395,272
Total	**1,296,523,827**	1,101,483,388	**13,915,930**	7,372,300	**4,122,341,862**	2,207,812,917	**5,432,781,619**	3,316,668,605
Segment Result	**221,824,851**	161,812,762	**(267,010,215)**	(134,539,157)	**1,583,957,087**	756,024,576	**1,538,771,723**	783,298,181
Unallocated Corporate Expenses							**(474,739,089)**	(269,687,867)
Operating Profit							**1,064,032,634**	513,610,313
Interest & Finance charges							**(133,334,970)**	(114,132,699)
Extra-ordinary Loss due to Flood & Fire							**-**	(15,581,333)
Prior Period items							**2,272,632**	-
Other Income							**58,417,425**	18,564,348
Income Taxes							**394,375,699**	(129,544,376)
Net Profit							**592,466,758**	272,916,253
Other information								
Segment Assets	**1,596,901,970**	928,831,685	**783,864,038**	292,783,831	**2,746,731,825**	2,808,657,516	**5,127,497,833**	3,785,758,584
Unallocated Corporate Assets							**4,977,939,105**	411,803,868
Total Assets							**10,105,436,938**	4,197,562,452
Segment Liabilities	**147,622,384**	48,751,839	**18,486,610**	1,709,072	**765,907,311**	372,229,687	**932,016,305**	274,568,543
Unallocated Corporate Liabilities							**6,716,508,729**	1,875,007,009
Total Liabilities							**7,648,525,034**	2,149,575,552
Capital Expenditure – Additions	**62,145,837**	73,029,225	**252,332,667**	84,140,110	**44,078,859**	98,726,665		
Non-Cash Expenses								
Depreciation	**39,493,295**	30,363,591	**43,037,486**	26,490,542	**72,969,351**	63,065,695		

B. Information about Secondary Segments

Revenue as per Geographical Markets (Amount in Rs.)

	Current Year	Previous Year
India (including deemed exports Rs.3,693,854,246 Previous Year Rs.2,140,762,561)	**4,966,915,829**	3,110,219,108
Outside India	**452,099,245**	169,054,226
Total	**5,419,015,074**	3,279,273,334

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

10. Details of Company's share in Joint Ventures included in the Consolidated Financial Statements are as follows:

	As at March 31, 2006	As at March 31, 2005
Sources of Funds		
1. Shareholders' Funds		
a) Share Capital	**-**	-
b) Reserves & Surplus	**(43,795,135)**	(24,914,341)
2. Loan Funds		
a) Secured Loans	**788,570**	957,719
b) Unsecured Loans	**-**	-
3. Deferred Tax Liability (Net)	**-**	-
Application of Funds		
1. Fixed Assets		
a) Gross Block	**9,430,865**	9,018,881
Less: Depreciation	**3,344,372**	690,250
Net Block	**6,086,493**	8,328,631
b) Capital Work-in-Progress	**62,576**	58,450
2. Investments	**-**	-
3. Current Assets, Loans & Advances		
A. Current Assets	**52,302,917**	46,360,812
B. Current Liabilities & Provisions	**7,376,616**	16,552,271
Net Current Assets (A)-(B)	**44,926,301**	29,808,541
4. Miscellaneous Expenditure	**8,940**	491,424

Income	Year ended March 31, 2006	Year ended March 31, 2005
Turnover	**105,560,502**	19,179,202
Other Income	**1,260,595**	224,810
Total Income	**106,821,097**	19,404,012
Expenditure		
Manufacturing & Administrative Expenses	**26,699,076**	14,668,926
Personnel Expenses	**30,188,170**	15,149,236
Interest & Finance Expenses	**130,342**	31,003
Selling & Distribution Expenses	**11,390,404**	4,603,998
Total Expenditure	**68,407,992**	34,453,163

11. The details for Prior period expenses is hereunder:

(Amount in Rs.)

Particulars	**Current Year**	Previous Year
Salary, Wages & Bonus	**922,708**	-
Repair & Maintenance		
- Plant and Machinery	**417,758**	-
- Others	**581,674**	-
Miscellaneous Expenses	**374,884**	-
Total	**2,297,023**	-

12. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date
S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

CASH FLOW STATEMENT ANNEXED TO THE CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2006

(Amount in Rs.)

			Current Year		Previous Year
A.	**Cash flow from operating activities**				
	Net operating profit before tax & extraordinary items		**986,842,453**		418,041,962
	Adjustments for:				
	Extraordinary loss due to fire & flood/Prior Period Items		**(115,103)**		(15,581,333)
	Net operating profit before tax		**986,727,350**		402,460,629
	Depreciation	**186,523,982**		166,112,310	
	Interest Expenses	**118,057,394**		99,561,412	
	Provison for Doubtful Debts & Advances	**110,673,354**		6,166,206	
	Interest Income	**(42,892,524)**		(4,744,308)	
	Dividend Received	**-**		(45,569)	
	(Profit)/Loss on sale of Fixed Assets	**(1,917,812)**		2,954,873	
	Intangibles written off	**17,500,798**		-	
	Loss/(Profit) on Sale of investments	**-**		(1,521,465)	
	Unrealized Foreign Exchange (Gain)/Loss	**(6,006,741)**		(5,095,344)	
	Increase in Deferred Revenue expenditure	**-**		(394,620)	
	Deferred Revenue Expenditure written off during the year	**5,142,092**	**387,080,543**	4,909,264	267,902,759
	Operating profit before working capital changes		**1,373,807,893**		670,363,388
	(Increase) / Decrease in Trade and Other Receivables	**(118,040,076)**		(427,481,922)	
	(Increase)/Decrease in Inventories	**116,410,474**		(141,613,915)	
	Increase / (Decrease) in Trade Payables	**428,986,237**	**427,356,635**	314,813,641	(254,282,196)
	Cash generated from operations		**1,801,164,528**		416,081,192
	Net Direct Taxes paid		**(202,259,676)**		(118,338,906)
	Net cash from operating activities		**1,598,904,852**		297,742,286
B.	**Cash flow from investing activities**				
	Purchase of Fixed Assets	**(1,166,159,550)**		(525,042,684)	
	Sale of other investments	**-**		2,177,655	
	Sale of Fixed Assets	**7,611,668**		28,429,378	
	Interest Received	**42,892,524**		4,744,308	
	Dividend Received	**-**	**(1,115,655,358)**	45,569	(489,645,774)
	Net cash used in investing activities		**483,249,494**		(191,903,488)
	Net cash from operating and investing activities				
C.	**Cash flow from financing activities**				
	Repayment of Preference Share Capital	**-**		(53,465,000)	
	Issue of Preference Share Capital	**-**		-	
	Net increase in Working Capital Borrowings	**(113,005,686)**		(135,249,224)	
	Long Term Borrowings raised	**3,497,000**		327,965,349	
	Foreign Currency Convertible Bonds Raised	**4,414,000,000**		-	
	Long Term Borrowings repaid	**(103,727,924)**		(261,784,649)	
	Interest paid	**(105,111,820)**		(102,990,860)	
	Foreign Currency Convertible Bonds Issue Expenses	**(144,232,150)**		-	
	Dividend & Tax on Dividend paid	**(138,318,101)**		(126,362,755)	
	Net Cash from Financing activities		**3,813,101,319**		(351,887,139)
Net cash from operating, investing & financing activities			**4,296,350,813**		(543,790,627)
Net increase/ (decrease) in Cash & Cash equivalent			**4,296,350,813**		(543,790,627)
Opening balance of Cash & Cash equivalent			**99,678,712**		641,586,141
Unrealised foreign exchange gain/(loss) on:					
Cash & Cash Equivalents			**52,940,395**		1,883,198
Closing balance of Cash & Cash equivalent			**4,448,969,920**		99,678,712

Note: Cash and cash equivalent included in the Cash Flow Statement comprise of the following:

			Current Year	Previous Year
i)	Cash Balance on Hand		**1,315,525**	1,319,655
ii)	Balance with Scheduled Banks:			
	a)	In Cash Credit Accounts	**1,852,258**	928,743
	b)	In Current Accounts	**41,374,902**	27,883,422
	c)	In Collection Accounts	**9,148,466**	8,766,761
	d)	In Unpaid Dividend Accounts	**1,226,510**	1,186,154
	e)	In Fixed Deposits	**4,196,580,450**	38,610,398
	f)	In Exchange Earner Foreign Currency Current Accounts	**197,471,489**	19,788,837
iii)	Balances with non-scheduled Banks			
	a)	Bank of Foreign Trade - Moscow	**-**	18,530
	b)	Societe Generale Yugoslav Bank	**320**	1,176,212
			4,448,969,920	99,678,712

As per our attached report of even date
S.R. Batliboi & Co.
Chartered Accountants
Per

Manoj Gupta
Partner
Membership No. 83906
Place : New Delhi
Dated : 22nd May, 2006

For and on behalf of the Board

Soshil Kumar Jain
Chairman

Ravinder Jain
Managing Director

Sunil Anand
Director (Finance)

I.K. Sharma
D.G.M. (Accounts & Finance)

Vinod Goel
Company Secretary

RADICURA & CO. LIMITED
DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Thirteenth Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31st March, 2006. The summarized financial results for the year ended 31st March 2006 are as under:

Financial Results: (Amount in Rs.)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Sales	-	2,93,95,860
Total Income	**1,52,297**	2,82,66,877
Depreciation	**2,42,752**	3,45,182
Profit/(Loss) before Tax	**(1,88,588)**	(16,38,384)
Deferred Income Tax	**12,417**	(59,442)
Profit/(Loss) after Tax	**(1,76,171)**	(16,97,826)
E.P.S. (Rs. Per Share)	**(0.89)**	(8.56)

Review of Operations

In view of continuance downfall in the sale and losses due to depressed market conditions and increased competition particularly in the pharmaceuticals industry, your Company decided to discontinue the trading of pharmaceutical products and hence, there was no sales during the year under review. Your Company has suffered net loss of Rs.1.76 Lac as against loss of 16.98 Lac during the previous financial year. Your Directors are planning to reconstruct the business in the light of new business opportunities available in the industry. The surplus funds of Rs.51 Lac have been given as a loan to the holding Company at interest @7% per annum i.e. above the prevailing bank rate.

Dividend

In view of loss during the year, your Directors are unable to recommend any dividend on the Share Capital of the Company.

Fixed Deposits

During the year under review, your Company has not invited or accepted any Deposits from public pursuant to Section 58A of the Companies Act, 1956.

Foreign Exchange Earnings and Outgo

During the year under review, there was neither inflow nor outflow of foreign exchange to/from the Company.

Information under Section 217(2A) and 217(1) (d) of Companies Act, 1956

There are no employees of the category mentioned in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of report.

Directors

Due to other pre-occupations, Mr. Soshil Kumar Jain and Mr. Gurmeet Singh, Directors relinquished their office w.e.f. 20th September, 2005 and 16th March, 2006, respectively. Your Directors wish to place on record their appreciation for the services and support rendered by them during their tenure as Directors of the Company.

Further, Ms. Meenu Parti and Mr. Indra Kumar Sharma were appointed as additional Directors of the Company with effect from 12th September, 2005 and 16th March, 2006, respectively. As per the provisions of the Companies Act, 1956, they hold office till the date of the ensuing Annual General Meeting and are proposed to be appointed as Director liable to retire by rotation with the approval of members in the Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Companies Articles of Association, Mr. Sumit Jain, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Directors' Responsibility Statement

The Directors hereby confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

ii) that the directors had 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 or loss of the Company for that period;

iii) that the directors had 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 irregularities; and

iv) that the directors had prepared the annual accounts on a going concern basis.

Conservation of Energy and Technology Absorption

The Company has no manufacturing unit, hence the requirement relating to Conservation of Energy and Technology Absorption are not applicable.

Auditors

M/s. Deepak Dubey & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Secretarial Compliance Certificate

As required pursuant to the proviso to Section 383A of the Companies Act, 1956, the Company had obtained Secretarial Compliance Certificate from M/s. R& D, Company Secretaries in Practice and the same is annexed herewith as Annexure to the Directors' Report.

Acknowledgements

The Board expresses its sincere gratitude to the Company's shareholder, bankers and Government Departments for their continued support.

For and on behalf of the Board

Delhi	**Indra Kumar Sharma**	**Meenu Parti**
17th May, 2006	**Director**	**Director**

ANNEXURE TO DIRECTORS' REPORT - COMPLIANCE CERTIFICATE

CIN No. U99999DL1993PTC056682 Nominal Capital Rs. 50 Lacs

The Members of RADICURA & CO. LTD, Delhi

We have examined the registers, records, books and papers of **RADICURA & CO. LTD** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under, the provisions contained in the Memorandum & Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended on 31st March, 2006. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year ended on 31st March, 2006:

1. The Company has kept and maintained registers as stated in **"Annexure: A"** to this Certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **"Annexure: B"** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under save as mentioned in the aforesaid "Annexure: B".

RADICURA & CO. LIMITED
ANNEXURE TO THE DIRECTORS' REPORT

3. The Company is a public limited company.
4. The Board of Directors duly met 7 (Seven) times on 31st May, 2005; 12th September, 2005; 20th September, 2005; 19th November, 2005; 13th January, 2006; 25th January, 2006 and 16th March, 2006 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. The Company did not close its Register of Members, as it was not required to do so. The Company did not have any debentures.
6. The annual general meeting for the financial year ended on 31st March, 2005 was held on 30th August, 2005 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to in section 295 of the Act.
9. The Company has not entered into any contract falling under section 297 of the Act.
10. The Company has made necessary entries in the register(s) maintained under section 301 of the Act.
11. There was no case falling under section 314 of the Act.
12. The Company has not issued any duplicate share certificate.
13. a. There was no allotment/ transfer/ transmission of securities during the financial year.
    b. The Company has not declared any dividend during the financial year.
    c. Since the Company has not declared any dividend during the financial year, postage of dividend warrants, etc., was not applicable. The Company was not required to transfer any unclaimed/unpaid dividend to Unpaid Dividend Account with the Bank.
    d. The Company was not required to transfer any amount on account of un-paid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained un-claimed or un-paid for a period of seven years to the Investor Education and Protection Fund.
    e. The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. Ms. Meenu Parti and Mr. I.K. Sharma were appointed as additional directors of the Company in the Board meetings held on 12th September, 2005 and 16th March, 2006, respectively.
    Mr. Soshil Kumar Jain and Mr. Gurmeet Singh have resigned from directorship of the Company on 20th September, 2005 and 16th March, 2006, respectively.
15. The Company has not appointed any managing director, whole time director or manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company did not obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or other prescribed authorities under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year as the Company did not have any preference shares or debentures.
22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares, as there was no such offering from the Company during the financial year.
23. The Company has not invited or accepted any public deposits including unsecured loans taken, falling under section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2006.
25. The Company has complied with applicable provisions of the Act in making loans and investments or giving guarantees or providing securities to other bodies corporate and has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Registered Office of the Company from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects Clause of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notice received by the Company for alleged offenses under the Act. Similarly, no fines, penalties or punishment was imposed on the Company under the Act during the financial year.
32. The Company has not received any amount as security from its employees in terms of section 417(1) of the Act.
33. Since the Company has not constituted any provident fund under section 418 of the Act, provisions of section 418 are not applicable to Radicura & Co. Ltd.

For **R&D Company Secretaries**

Praveen K Bharti
ACS: 17671
CP: 7048

Date : 17th May, 2006
Place : Delhi

Annexure: A - Registers maintained by the Company

Sl.No.	Particulars	Relevant Section
1	Register of Members	150
2	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
3	Register of Directors' Shareholding	307
4	Register(s) of contracts, companies and firms in which Directors are interested	301
5	Register of investments or loan made, guarantee given or security provided	372A
6	Register of Share Transfer	
7	Register of Fixed Assets	

Annexure: B

A. Forms & Returns filed with the Registrar of Companies, New Delhi

S. No.	Particulars of Forms & Returns filed	Date of filing	Whether filed within prescribed time	Additional Fees paid
1.	**Annual Accounts** u/s 220 for the year ended 31.3.2005	29.09.2005	Yes	No
2.	**Compliance Certificate** u/s 383A for the year ended 31.3.2005	29.09.2005	Yes	No
3.	**Form 32** for appointment of Ms Meenu Parti as an Additional Director of the Company and Mr Soshil Kumar Jain resigned from the Directorship of the Company	10.10.2005	Yes	No
4.	Consent on **Form 29** by Ms Meenu Parti to act as a Director of the Company	10.10.2005	Yes	No
5.	**Annual Return** u/s 159 made up to 30.08.2005 being the date of AGM	27.10.2005	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities: Nil

RADICURA & CO. LIMITED
AUDITORS' REPORT

To the Members of Radicura & Co. Limited.

We have audited the attached Balance Sheet of **Radicura & Co. Limited** as at 31st March 2006 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. 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.

We report as follows:

1. As required by the Companies (Auditors' Report) Order, 2003 ('CARO') (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 paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
   a) 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;
   b) 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 such books;
   c) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d) 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;
   e) on the basis of the written representations received from the directors as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, 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 31st March, 2006;
   ii) in the case of Profit and Loss Account, of the loss for the year ended on that date;
   iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Dubey & Co.
Chartered Accountants

(Deepak Dubey)
Proprietor
Membership No. 86349

Place : Delhi
Date : 17th May, 2006

Annexure to the Auditors' Report

Referred to in Paragraph 1 of our report of even date:

i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
   c) There was no substantial disposal of fixed assets during the year.

ii) There was no inventory held during the year.

iii) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs (iii)(b), (iii)(c) and (iii)(d) of the Companies (Auditors' Report) Order, 2003 (as amended) (hereinafter referred to as the Order), are not applicable.

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

v) In our opinion and according to the information and explanations given to us, there are no transactions for purchase of goods and sale of goods and services made in pursuance of contracts or arrangements entered in the register(s) maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.500,000/- (Rupees Five Lakhs) or more in respect of each party.

vi) The Company has not accepted any deposits from the public, within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.

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

viii) To the best of our knowledge and as explained to us, 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 for the products of the Company.

ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, cess and other material statutory dues applicable to it.
   b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, cess and other undisputed statutory dues outstanding at the year end for a period of more than six months from the date they became payable.
   c) According to the information and explanations given to us, there are no dues of income tax, sales tax and cess which have not been deposited on account of any dispute.

x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash loss during the year. In the immediately preceding financial year, the Company had incurred cash loss.

xi) Based on our audit procedures and as per the information and explanations given by the management, the company has no dues to any financial institution or bank and Company has not issued any debentures.

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

xiii) 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.

xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Order are not applicable to the company.

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

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

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

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

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

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

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

For Dubey & Co.
Chartered Accountants

(Deepak Dubey)
Proprietor
Membership No. 86349

Place : Delhi
Date : 17th May, 2006

RADICURA & CO. LIMITED
BALANCE SHEET AS AT 31st MARCH, 2006

(Amount in Rs.)

	Schedule No.	As at 31st March, 2006		As at 31st March, 2005	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	1,982,500		1,982,500	
Reserves & Surplus	II	8,877,094		9,053,265	
			10,859,594		11,035,765
Deferred Tax Liability (Net)			400,476		412,893
Total			11,260,070		11,448,658
APPLICATION OF FUNDS					
Fixed Assets	III				
Gross Block		6,302,472		6,429,582	
Less: Depreciation		3,352,433		3,201,042	
Net Block			2,950,039		3,228,540
Investments	IV		100,000		100,000
Current Assets, Loans & Advances	V				
Sundry Debtors		-		27,289	
Cash & Bank Balances		2,792,598		4,117,407	
Loans & Advances		5,458,556		4,738,466	
Sub-total (A)		8,251,154		8,883,162	
Less: Current Liabilities & Provisions	VI				
Current Liabilities		41,123		763,044	
Sub-total (B)		41,123		763,044	
Net Current Assets (A) - (B)			8,210,031		8,120,118
Total			11,260,070		11,448,658
Significant Accounting Policies and Notes to Accounts	XIII				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet

As per our attached report of even date.
For **M/s. Dubey & Co.**
Chartered Accountants

For and on behalf of the Board

(Deepak Dubey)
Proprietor
Membership No. 86349
Place : Delhi
Dated : 17th May, 2006

I.K.Sharma
Director

Meenu Parti
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

(Amount in Rs.)

	Schedule No.	Year ended 31st March, 2006	Year ended 31st March, 2005
INCOME			
Sales		-	29,395,860
Other Income	VII	152,297	1,179,812
Increase/(Decrease) in stock	VIII	-	(2,308,795)
Total Income		152,297	28,266,877
EXPENDITURE			
Purchases		-	25,382,019
Personnel Expenses	IX	33	2,203,527
Administrative Expenses	X	98,044	1,945,285
Financial Expenses	XI	56	2,311
Selling Expenses	XII	-	26,937
Depreciation		242,752	345,182
Total Expenditure		340,885	29,905,261
Profit/(Loss) before Tax		(188,588)	(1,638,384)
Provision for Income Tax		-	-
Deferred Income Tax		(12,417)	59,442
Profit After Tax		(176,171)	(1,697,826)
Balance of Profit carried to Balance Sheet		(176,171)	(1,697,826)
Earning Per Share-Basic & Diluted		(0.89)	(8.56)
Significant Accounting Policies and Notes to Accounts	XIII		

The Schedules referred to above and notes thereon form an integral part of the Profit of Loss Account.

As per our attached report of even date.
For **M/s. Dubey & Co.**
Chartered Accountants

For and on behalf of the Board

(Deepak Dubey)
Proprietor
Membership No. 86349
Place : Delhi
Dated : 17th May, 2006

I.K.Sharma
Director

Meenu Parti
Director

RADICURA & CO. LIMITED
SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

SCHEDULE I - SHARE CAPITAL		As at 31st March, 2006		As at 31st March, 2005
Authorised				
500,000 Equity Shares of Rs. 10/- each		5,000,000		5,000,000
(Previous Year 500,000 Equity Shares of Rs.10/- each)				
Issued, Subscribed & Paid Up				
198,250 Equity Shares of Rs. 10/- each fully paid-up		1,982,500		1,982,500
(Previous Year 198,250 Equity Shares of Rs.10/- each)				
		1,982,500		1,982,500

SCHEDULE II - RESERVES AND SURPLUS

Share Premium				
Amount as per last Balance Sheet		7,326,500		7,326,500
Profit & Loss Account				
Opening Balance	1,726,765		3,424,591	
Add: Transfer from Profit & Loss Account	(176,171)	1,550,594	(1,697,826)	1,726,765
		8,877,094		9,053,265

SCHEDULE III - FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2005	Additions during the Year	Sales during the Year	As at 31/03/2006	As at 01/04/2005	Provided during the Year	Deductions & Adjustments during the Year	As at 31/03/2006	As at 31/03/2006	As at 31/03/2005
Building	3,079,000	-	-	3,079,000	964,459	105,727	-	1,070,186	2,008,814	2,114,541
Furniture & Fixture	317,042	-	-	317,042	237,429	14,410	-	251,839	65,203	79,613
Office Equipments	2,098,362	-	-	2,098,362	1,478,429	86,233	-	1,564,662	533,700	619,933
Refrigerator & Cooler	532,295	-	-	532,295	357,458	24,320	-	381,778	150,517	174,837
Vehicles	402,883	-	127,110	275,773	163,267	12,062	91,361	83,968	191,805	239,616
Total	6,429,582	-	127,110	6,302,472	3,201,042	242,752	91,361	3,352,433	2,950,039	3,228,540
Previous Year	6,875,658	187,123	633,199	6,429,582	3,458,904	345,182	603,044	3,201,042	3,228,540	3,416,754

SCHEDULE IV - INVESTMENTS

Quoted (at cost)		100,000		100,000
10,000 Equity Shares of Rs. 10/- each				
(Previous Year 10,000 Equity Shares)				
fully paid of Medicamen Biotech Limited				
Market Value Rs.143,000 (Previous Year Rs.136,000)				

SCHEDULE V - CURRENT ASSETS, LOANS & ADVANCES

A. Current Assets				
Sundry Debtors				
(Unsecured but considered good)				
Debts outstanding for a period				
exceeding six months	-		-	
Other Debts	-	-	27,289	27,289
Cash & Bank Balances				
i) Cash in hand	2,209		41,309	
ii) Balance with Scheduled Banks				
- in Current Accounts	2,790,389	2,792,598	4,076,098	4,117,407
B. Loans & Advances				
(Unsecured but considered good)				
Loan to Panacea Biotec Ltd	5,100,000		-	
Security Deposit	49,500		4,049,500	
Income Tax Refund due	274,084		65,149	
Staff Advances	5,300		5,300	
Prepaid Expenses	-		591	
Other Receivables	-		447,605	
Tax Deducted at Source	29,672	5,458,556	170,321	4,738,466
		8,251,154		8,883,162

RADICURA & CO. LIMITED
SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2006	As at 31st March, 2005
SCHEDULE VI - CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors	-	255,532
Expenses Payable	8,777	127,534
Other Liabilities	32,346	3,302
Advances from Customers	-	376,676
	41,123	763,044

	Year ended 31st March, 2006	Year ended 31st March, 2005
SCHEDULE VII - OTHER INCOME		
Commission on Sales	-	125,346
Interest Received (Gross)	140,558	788,000
Interest on Income Tax Refund	-	24,776
Miscellaneous Income	11,739	-
Miscellaneous Balances/provisions written back	-	239,844
Profit on Sale of Fixed Assets	-	1,846
	152,297	1,179,812
SCHEDULE VIII - INCREASE/(DECREASE) IN STOCK		
Closing Stock	-	-
Less: Opening Stock	-	2,308,795
	-	(2,308,795)
SCHEDULE IX - PERSONNEL EXPENSES		
Salary & Wages	-	1,936,250
Contribution to Provident and other funds	-	117,737
Bonus & Ex-gratia	-	87,793
Staff Welfare Expenses	33	61,747
	33	2,203,527
SCHEDULE X - ADMINISTRATIVE EXPENSES		
Printing & Stationery	5	27,252
Electricity & Water Charges	17,827	130,318
Repair & Maintenance - Others	-	31,830
Insurance	591	36,151
Professional Charges	4,117	38,976
Legal Charges	20,000	26,100
Auditors' Remuneration		
- Audit Fees	12,346	12,122
- Tax Audit Fees & Other services	-	9,918
Rent	10,350	10,339
Postage, Telephone & Telex	14	64,413
Conveyance	55	54,326
Sundry Expenses	14,135	15,306
Vehicle Maintenance	-	66,613
Loss on sale of fixed assets	17,249	-
Bad Debts written off	1,355	1,421,621
	98,044	1,945,285
SCHEDULE XI - FINANCIAL EXPENSES		
Bank Charges	56	2,311
	56	2,311
SCHEDULE XII - SELLING EXPENSES		
Packing & Forwarding	-	26,937
	-	26,937

SCHEDULE XIII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. **Method of Accounting**

   a) The accompanying Financial Statements have been prepared in accordance with the historical cost conventions and in accordance with Generally Accepted Accounting Practices in India and confirms to the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956, as amended up to date.

   b) Accounting policies not specifically referred to, are otherwise consistent and in accordance with generally accepted accounting principles.

RADICURA & CO. LIMITED
SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

2. **Fixed Assets**
Fixed assets are stated at historical cost of acquisition or construction and include all other incidental expenses related to acquisition.
3. **Depreciation**
Depreciation on all items of fixed assets is provided on Written Down Value method as per rates prescribed in Schedule XIV to the Companies Act, 1956.
4. **Investments**
Long term Investments are stated at cost price.
5. **Income Taxes**
   a) In the absence of any taxable profit during the year, no provision for taxation has been made.
   b) Deferred Income Tax is provided, using the liability method, on all timing differences at the Balance Sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
   c) Deferred tax assets are recognized only to the extent that there is reasonable certainty of their realization.
   d) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or subsequently enacted at the Balance Sheet date.
6. **Contingencies**
Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities are not provided for Nil (Previous Year Nil)
2. In the opinion of the Management, all the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.
3. **Earnings Per Share**

(Amount in Rs.)

S.No.	Particulars	Current Year	Previous Year
a.	Net profit/(Loss) after tax available for Equity Shareholders	**(176,171)**	(1,697,826)
	Calculation of Weighted Average Number of Equity Share of Rs.10 each		
b.	Number of shares at the beginning of the year	**198,250**	198,250
	Total no. of weighted average Equity Share outstanding at the end of the year	**198,250**	198,250
c.	Basic and Diluted Earnings per Share	**(0.89)**	(8.56)

4. **Deferred Tax Assets/ (Liabilities)**

Particulars	Deferred tax Asset/ (Liability) at 01.04.2005	Current year credit/ (Charge)	Deferred tax Asset/ (Liability) at 31.03.2006
Assets	(412,893)	12,417	(400,476)
Total	(412,893)	12,417	(400,476)

5. **Related Party Disclosure**
Related parties with whom there were transactions during the year are listed below:
   i) Holding Company – The Company is a wholly owned subsidiary of Panacea Biotec Ltd.
   ii) During the year, the company had the following transactions with its Holding Company – Panacea Biotec Ltd. at normal commercial terms in the ordinary course of business:

Particulars	Current Year	Previous Year
Net Purchases made during the year	**Nil**	13,412,759
Net Sales made during the year	**Nil**	672,877
Interest received	**128,374**	Nil
Balance due to Panacea Biotec Limited as at the end of the year	**Nil**	34,524
Loan to Panacea Biotec Ltd.	**5,100,000**	Nil

6. Directors' Remuneration paid during the year Nil (Previous Year Nil)
7. Additional information as required under Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 (As certified by the Management).
   A. Particulars of Licensed Capacity, Installed Capacity & Production
      - Not applicable
   B. Particulars of Purchase, Stocks & Turnover
      - As the Company has not made any trading operations during the year, the information has not been provided.
   C. Particulars of Raw Materials consumed
      - Not Applicable
   D. Value of Imports on CIF basis — Nil
   E. Expenditure in Foreign Currency — Nil
   F. Earnings in Foreign Currency — Nil
   G. Value of Imported/Indigenous Raw Materials Consumed — Nil
8. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date.
For **M/s. Dubey & Co.**
Chartered Accountants

For and on behalf of the Board

(Deepak Dubey)
Proprietor
Membership No. 86349
Place: Delhi
Dated: 17th May, 2006

I.K.Sharma
Director

Meenu Parti
Director

RADICURA & CO. LIMITED
BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
Additional information as required under Part IV of Schedule VI to the Companies Act, 1956

i)	**Registration Details:**			
	Registration No.	56682	State code	55
	Balance Sheet Date	31/03/2006		
ii)	**Capital raised during the year** (Amount in Rs. Thousands)			
	Public Issue	Nil	Right Issue	Nil
	Bonus Issue	Nil	Private Placement	Nil
iii)	**Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)			
	Total Liabilities	11,260	Total Assets	11,260
	Source of Funds (Amount in Rs. Thousands)			
	Paid-up Capital	1,982	Reserves & Surplus	8,877
	Secured Loan	Nil	Unsecured Loan	Nil
	Deferred Tax Liability	401		
	Application of Funds (Amount in Rs. Thousands)			
	Net Fixed Assets	2,950	Investments	100
	Net Current Assets	8,210	Misc. Expenditure	Nil
	Accumulated Losses	Nil	(To the extent not W/off)	
iv)	**Performance of Company** (Amount in Rs. Thousands)			
	Turnover	152	Total expenditure	341
	(-) Loss/Profit before Tax	(189)	(-) Loss/Profit after Tax	(176)
	Earning per share in Rs.	(0.89)	Dividend @%	Nil
v)	**Generic Name of three Principal Products / Services of Company**			
	Item Code No. (ITC Code)	Nil		
	Product Description	Nil		

For M/s. **Dubey & Co.**
Chartered Accountants

For and on behalf of the Board

(Deepak Dubey)
Proprietor
Membership No. 86349
Place : Delhi
Dated : 17th May, 2006

I.K.Sharma
Director

Meenu Parti
Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2006 (Amount in Rs.)

Cash flow from operating activities		**Current Year**		**Previous Year**
Net profit before tax and extra ordinary items		**(188,588)**		(1,638,384)
Adjustments for:				
Depreciation	**242,752**		345,182	
Interest Income	**(140,558)**		(812,776)	
Miscellaneous provisions written back	-		(239,844)	
Loss/(Profit) on Sale of Fixed Assets	**17,249**		(1,846)	
		119,443		(709,284)
Operating profit before working capital changes		**(69,145)**		(2,347,668)
Trade & other receivables	**4,436,871**		2,564,489	
Inventories	-		2,308,795	
Trade & other payables	**(721,921)**		(1,965,046)	
		3,714,950		2,908,238
Cash generated from operations		**3,645,805**		560,570
Net direct taxes paid		**(29,672)**		(170,321)
Net cash from operating activities		**3,616,133**		390,249
Cash flow from investing activities				
Purchase of fixed assets	-		(187,123)	
Loan to Panacea Biotec Ltd.	**(5,100,000)**		-	
Sale of fixed assets	**18,500**		32,001	
Interest received	**140,558**		812,776	
Miscellaneous provisions written back	-		239,844	
Net cash used in investing activities		**(4,940,942)**		897,498
Net cash from operating and investing activities		**(1,324,809)**		1,287,747
Cash flow from financing activites		-		-
Net cash from operating, investing & financing activities		**(1,324,809)**		1,287,747
Net increase/(decrease) in cash & cash equivalent		**(1,324,809)**		1,287,747
Opening balance of cash & cash equivalent		**4,117,407**		2,829,660
Closing balance of cash & cash equivalent		**2,792,598**		4,117,407

As per our attached report of even date attached.
For M/s Dubey & Co.
Chartered Accountants

For and on behalf of the Board

(Deepak Dubey)
Proprietor
Membership No. 86349
Place : Delhi
Dated : 17th May, 2006

I.K.Sharma
Director

Meenu Parti
Director

BEST ON HEALTH LIMITED
DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eleventh Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31st March, 2006.

The summarized financial results for the year ended 31st March 2006 are as under:

Financial Results (Amount in Rs.)

Particulars	**For the year ended 31st March, 2006**	For the yearended 31st March, 2005
Total Income	**3,546,765**	2,974,651
Total Expenditure	**838,069**	1,240,454
Profit before Tax	**2,708,696**	1,734,197
Provision for Income Tax	**806,206**	670,578
Profit after Tax	**1,902,490**	1,063,619
E.P.S (Rs.)	**10.00**	5.59

Review of Operations

During the year under review, the Company has earned rental income of Rs.35.20 Lacs from lease of its premises to its Holding Company, Panacea Biotec Ltd. as against Rs.28.80 Lac previous year. The net profit for the year under review has been Rs.19.02 Lac as against Rs.10.64 Lac during the previous financial year.

Your Directors are continuously looking for avenues for future growth of the Company.

Dividend

Your Directors feel it prudent to plough back the profits for future growth of the Company and do not recommend any dividend for the year ended 31st March 2006.

Fixed Deposits

During the year under review, your Company has not invited or accepted any Deposits from public pursuant to Section 58A of the Companies Act, 1956.

Foreign Exchange Earnings and Outgo

During the year under review, there was neither inflow nor outflow of foreign exchange to/from the Company.

Information under Section 217(2A) and 217(1) (d) of Companies Act, 1956

There are no employees of the category mentioned in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the Balance Sheet relates and the date of report.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Sandeep Jain, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Directors' Responsibility Statement

The Directors hereby confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

ii) that the directors had 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 or loss of the Company for that period;

iii) that the directors had 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 irregularities; and

iv) that the directors had prepared the annual accounts on a going concern basis.

Conservation of Energy and Technology Absorption

The Company has no manufacturing unit, hence the requirements relating to Conservation of Energy and Technology Absorption are not applicable.

Auditors

M/s. Sudhir Sunil & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Secretarial Compliance Certificate

As required pursuant to the proviso to Section 383A of the Companies Act, 1956, the Company had obtained Secretarial Compliance Certificate from M/s. R&D, Company Secretaries and the same is annexed herewith as Annexure to the Directors' Report.

Acknowledgements

Your Directors wish to place on record their sincere thanks to the Company's Shareholders, Banks, Government departments and other agencies for their kind consents, continued support, co-operation and all time assistance.

For and on behalf of the Board

New Delhi — **Rajesh Jain**
17th May, 2006 — Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT - COMPLIANCE CERTIFICATE

CIN No. U74899DL1995PLC068967 Nominal Capital Rs. 20 Lacs

The Members of BEST ON HEALTH LTD, New Delhi

We have examined the registers, records, books and papers of **BEST ON HEALTH LTD** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under, the provisions contained in the Memorandum & Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended on 31st March, 2006. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year ended on 31st March, 2006:

1. The Company has kept and maintained registers as stated in **"Annexure: A"** to this Certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **"Annexure: B"** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under save as mentioned in the aforesaid "Annexure: B".
3. The Company is a public limited company.
4. The Board of Directors duly met 5 (five) times on 16th May, 2005, 9th September, 2005, 26th November, 2005, 28th December, 2005 and 31st March, 2006 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. The Company did not close its Register of Members, as it was not required to do so. The Company did not have any debentures.
6. The annual general meeting for the financial year ended on 31st March, 2005 was held on 31st August, 2005 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

ANNEXURE TO THE DIRECTORS' REPORT

7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to in section 295 of the Act.
9. The Company has not entered into any contract falling under section 297 of the Act.
10. The Company has made necessary entries in the register(s) maintained under section 301 of the Act.
11. There was no case falling under section 314 of the Act.
12. The Company has not issued any duplicate share certificate in the financial year.
13. a. There was no allotment / transfer / transmission of securities during the financial year.
    b. The Company has not declared any dividend during the financial year.
    c. Since the Company has not declared any dividend during the financial year, postage of dividend warrants, etc., was not applicable. The Company was not required to transfer any unclaimed/unpaid dividend to Unpaid Dividend Account with the Bank.
    d. The Company was not required to transfer any amount on account of un-paid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained un-claimed or un-paid for a period of seven years to the Investor Education and Protection Fund.
    e. The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional/alternate/director to fill casual vacancy in the Company during the financial year.
15. The Company has not appointed any managing director, whole time director or manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company did not obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or other prescribed authorities under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year as the Company did not have any preference shares or debentures.
22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares, as there was no such offering from the Company during the financial year.
23. The Company has not invited or accepted any public deposits including un-secured loans taken, falling under section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2006.
25. The Company has not made any loans and investments or given guarantees or provided securities to other bodies corporate during the financial year under review
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Registered Office of the Company from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects Clause of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act. Similarly, no fines, penalties or punishment was imposed on the Company under the Act during the financial year.
32. The Company has not received any amount as security from its employees in terms of section 417(1) of the Act.
33. Since the Company has not constituted any provident fund under section 418 of the Act, provisions of section 418 are not applicable to the Company Best On Health Ltd.

For **R&D Company Secretaries**

Praveen K Bharti
ACS: 17671
CP: 7048

Date : 17th May, 2006
Place : New Delhi

Annexure: A - Registers maintained by the Company

Sl.No.	Particulars	Relevant Section
1	Register of Members	150
2	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
3	Register of Directors' Shareholding	307
4	Register(s) of contracts, companies and firms in which Directors are interested	301
5	Register of investments or loan made, guarantee given or security provided	372A
6	Register of Share Transfer	
7	Register of Fixed Assets	

Annexure: B

A. Forms & Returns filed with the Registrar of Companies, New Delhi

S. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within Prescribed Time	Additional Fees Paid
1.	Annual Accounts u/s 220 for the year ended 31.3.2005	30.09.2005	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31.3.2005	30.09.2005	Yes	No
3.	Annual Return u/s 159 made up to 31.08. 2005 being the date of AGM	27.10.2005	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities: Nil

BEST ON HEALTH LIMITED
AUDITORS' REPORT

To The Members of Best On Health Limited

We have audited the attached Balance Sheet of Best On Health Limited as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

We report as follows:

1. As required by the Companies (Auditors' Report) Order 2003 ('the Order'), issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
   (a) 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;
   (b) 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 such books;
   (c) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) 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;
   (e) on the basis of the written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, 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 31st March, 2006;
   (ii) in the case of Profit and Loss Account of the profit for the year ended on that date; and
   (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Sudhir Sunil & Co.
Chartered Accountants

Sudhir Kapoor
Proprietor
Membership No. 86840

Place : New Delhi
Date : 17th May, 2006

Annexure to the Auditors' Report (Referred to in paragraph 1 of our report of even date)

(i) In respect of Fixed Assets;
   a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   b) The fixed assets of the Company, have been physically verified by the management during the year in accordance with a phased program, which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on verification.
   c) On the basis of our examination and according to the information and explanations given to us, the Company has not made any substantial disposals during the year.

(ii) There was no inventory held during the year.

(iii) The company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of assets.

(v) In our opinion and according to the information and explanations given to us, there are no transactions for purchase of goods and sale of goods and services made in pursuance of contracts or arrangements entered in the register(s) maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.500,000/- (Rupees five lakhs only) or more in respect of each party.

(vi) The Company has not accepted any deposits from the public, within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.

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

(viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under the provisions of Section 209(1)(d) of the Companies Act, 1956 in respect of services carried out by the Company.

(ix) In respect of statutory dues;
   a) As per the information and explanations given to us, the provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the Company.
   b) According to records of the Company and the information and explanations given to us, there were no undisputed amounts payable in respect of Income tax, Wealth-tax, Sales-tax, Custom duty and Excise duty which have remained outstanding as at 31st March, 2006 for a period of more than six months from the date they become payable.

(x) The Company neither has accumulated losses at the end of the year, nor has incurred cash losses during the current and the immediately preceding financial year.

(xi) The company has not taken any loans from any financial institutions and banks.

(xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans or advances.

(xiii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.

(xiv) The Company has not made any preferential allotment during the year.

(xv) The Company has not issued any debentures. Accordingly clause (xix) of the order is not applicable.

(xvi) The Company has not raised any money by public issue during the year.

(xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

(xviii) In our opinion, clauses (xiii), (xiv), (xvi) and (xvii) of the Order are not applicable.

For Sudhir Sunil & Co.
Chartered Accountants

Sudhir Kapoor
Proprietor
Membership No. 86840

Place : New Delhi
Date : 17th May, 2006

BEST ON HEALTH LIMITED
BALANCE SHEET AS AT 31st MARCH, 2006

(Amount in Rs.)

	Schedule No.	As at 31st March, 2006		As at 31st March, 2005	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	1,902,160		1,902,160	
Reserves & Surplus	II	14,803,280		12,900,790	
			16,705,440		14,802,950
Total			16,705,440		14,802,950
APPLICATION OF FUNDS					
Fixed Assets	III				
Gross Block		18,181,326		18,181,326	
Less: Depreciation		2,767,143		2,165,022	
Net Block			15,414,183		16,016,304
Current Assets, Loans & Advances	IV				
Current Assets					
Cash & Bank Balances		2,114,419		2,248,640	
Tax Deducted at Source		795,894		621,896	
Sub-total (A)		2,910,313		2,870,536	
Less: Current Liabilities & Provisions	V				
Current Liabilities		812,850		3,413,312	
Provisions		806,206		670,578	
Sub-total (B)		1,619,056		4,083,890	
Net Current Assets (A-B)			1,291,257		(1,213,354)
Miscellaneous Expenditure	VI		-		-
(To the extent not written off or adjusted)					
Total			16,705,440		14,802,950
Significant Accounting Policies and Notes to Accounts	VIII				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.
As per our attached report of even date.
For **M/s. Sudhir Sunil & Co.**
Chartered Accountants
(Sudhir Kapoor)
Proprietor
Membership No. 86840
Place : New Delhi
Date : 17th May, 2006

For and on behalf of the Board

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

(Amount in Rs.)

	Schedule No.	For the year ended 31st March, 2006	For the year ended 31st March, 2005
INCOME			
Rent Received		3,520,000	2,880,000
Other Income	VII	26,765	94,651
Total Income		3,546,765	2,974,651
EXPENDITURE			
Printing & Stationery		320	263
Fees & Taxes		25,817	1,500
Consultancy Charges		4,117	200,520
Property Tax		136,598	409,796
Membership & Subscription		47,260	-
Auditor's Remuneration :-			
- Statutory Audit Fees		16,836	17,310
Legal Expenses		5,000	5,000
Depreciation		602,121	602,121
Preliminary Expenses written off		-	3,944
Total Expenditure		838,069	1,240,454
Profit Before Tax		2,708,696	1,734,197
Provision for Income tax		806,206	670,578
Short provision for Income tax for earlier year(s)		-	-
Profit After Tax		1,902,490	1,063,619
Balance of Profit carried to Balance Sheet		1,902,490	1,063,619
Earning per Share - Basic & Diluted		10.00	5.59
Significant Accounting Policies and Notes to Accounts	VIII		

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.
As per our attached report of even date.
For **M/s. Sudhir Sunil & Co.**
Chartered Accountants
(Sudhir Kapoor)
Proprietor
Membership No. 86840
Place : New Delhi
Date : 17th May, 2006

For and on behalf of the Board

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

BEST ON HEALTH LIMITED
SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

		As at 31st March, 2006		As at 31st March, 2005
SCHEDULE I - SHARE CAPITAL				
Authorised				
200,000 Equity Shares of Rs.10/- each		**2,000,000**		2,000,000
(Previous Year 200,000 Equity Shares of Rs. 10/- each)				
Issued, Subscribed and paid-up				
190,216 Equity Shares of Rs.10/- each fully paid-up		**1,902,160**		1,902,160
(Previous Year 190,216 Equity Shares of Rs.10/- each fully paid-up)		**1,902,160**		1,902,160
SCHEDULE II - RESERVES AND SURPLUS				
Share Premium				
Amount as per last Balance Sheet		**10,450,000**		10,450,000
Profit & Loss Account				
Amount as per last Balance Sheet	**2,450,790**		1,387,171	
Add: Transfer from Profit & Loss Account	**1,902,490**	**4,353,280**	1,063,619	2,450,790
		14,803,280		12,900,790

SCHEDULE III - FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2005	Additions during the year	As at 31.03.2006	As at 01.04.2005	Provided during the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Land - Freehold	153,760	-	**153,760**	-	-	-	**153,760**	153,760
Building	18,027,566	-	**18,027,566**	2,165,022	602,121	**2,767,143**	**15,260,423**	15,862,544
Total	**18,181,326**	**-**	**18,181,326**	**2,165,022**	**602,121**	**2,767,143**	**15,414,183**	**16,016,304**
Previous Year	18,181,326	-	18,181,326	1,562,901	602,121	2,165,022	16,016,304	16,618,425

SCHEDULE IV - CURRENT ASSETS, LOANS & ADVANCES				
Current Assets				
Cash & Bank Balances				
Cash in hand	**2,838**		3,158	
Balances with Scheduled Banks				
- In Current Account	**2,111,581**		617,618	
- In Fixed Deposits	**-**	**2,114,419**	1,627,864	2,248,640
Tax Deducted at Source		**795,894**		621,896
		2,910,313		2,870,536
SCHEDULE V - CURRENT LIABILITIES & PROVISIONS				
Current Liabilities				
Expense Payable	**26,103**		33,050	
Other Liabilities	**786,747**	**812,850**	3,380,262	3,413,312
Provisions				
Provision for Income Tax		**806,206**		670,578
		1,619,056		4,083,890
SCHEDULE VI - MISCELLANEOUS EXPENDITURE				
Preliminary Expenses	**-**		3,944	
Less: Written off during the year	**-**	**-**	3,944	-
		-		-
SCHEDULE VII - OTHER INCOME				
Interest on FDR (Gross, TDS Rs.6,006/-, last year Rs.19,688/-)		**26,765**		94,651
		26,765		94,651

BEST ON HEALTH LIMITED
SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE VIII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1) Method of Accounting

The accompanying financial statements have been prepared in accordance with the historical cost conventions following accrual basis of accounting and in accordance with the Generally Accepted Accounting Practices in India and confirms to the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956, as amended upto date.

2) Employee Benefits

Since during the relevant year, there was no employee in the company, no provision for gratuity liability and leave encashment has been made. The provisions of the Provident Fund Act are not applicable to the company.

3) Fixed Assets

Fixed Assets are stated at cost of acquisition or construction and the expenses incurred during construction period have been capitalized under respective heads of fixed assets.

4) Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed and in accordance with Schedule XIV to the Companies Act, 1956.

5) Inventories

Since the Company has not been engaged in the business activities, information regarding method of valuation of inventories is not applicable.

6) Income Tax

Provision is made for current income tax liability, which is likely to arise on the results for the year at the current rate of income tax in accordance with the provisions of the Income Tax Act, 1961.

7) Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

		Current Year	Previous Year
1.	Contingent Liabilities exists in respect of -		
a)	Claims against the company not acknowledged as debts	**Nil**	Nil
b)	Guarantees given by the company are outstanding to the extent of	**Nil**	Nil
c)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for	**Nil**	Nil

2. In the opinion of the Board, all the current assets, loans & advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.

3. Earnings Per Share

Amount in (Rs.)

S. No.	Particulars	Current Year	Previous Year
a	Net Profit after tax available for Equity Shareholders	**1,902,490**	1,063,619
b.	Calculation of Weighted Average Number of Equity Shares of Rs.10/- each		
	Number of shares at the beginning of the year	**190,216**	190,216
	Total number of equity shares outstanding at the end of the year	**190,216**	190,216
c.	Basic and Diluted Earnings per Share	**10.00**	5.59

4. Related Party Disclosure:

Related parties with whom there were transactions during the year are listed below:

- Holding Company - The Company is a wholly owned subsidiary of Panacea Biotec Ltd.
- During the year, the company had the following transactions with its Holding Company - Panacea Biotec Ltd. at normal commercial terms in the ordinary course of business.

(Amount in Rs.)

S. No.	Particulars	Current Year	Previous Year
a.	Rent received by renting out its premises to Panacea Biotec Ltd.	**3,520,000**	2,880,000
b.	Expenses incurred by Panacea Biotec Ltd. on behalf of the company	**136,598**	598,796
c.	Balance due to Panacea Biotec Ltd. as at the end of the year	**786,747**	3,380,262

5. There would be no change in the amount of Income tax due to the timing difference as per the Companies Act and as per the Income Tax Act, hence no deferred tax assets or liabilities have been provided for.

6. Previous year's figures have been reworked, rearranged & reclassified wherever considered necessary to make them comparable with the current year's figures.

As per our attached report of even date
For **M/s. Sudhir Sunil & Co.**
Chartered Accountants

For and on behalf of the Board

(Sudhir Kapoor)
Proprietor
Membership No. 86840
Place : New Delhi
Dated : 17th May, 2006

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

BEST ON HEALTH LIMITED
BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956

i)	**Registration Details:**			
	Registration No.	68967	State code	55
	Balance Sheet Date.	31/03/2006		
ii)	**Capital raised during the year** (Amount in Rs.Thousands)			
	Public Issue	NIL	Right Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
iii)	**Position of Mobilisation and Deployment of Funds** (Amount in Rs.Thousands)			
	Total Liabilities	16,705	Total Assets	16,705
	Source of Funds (Amount in Rs. Thousands)			
	Paid-up Capital	1,902	Reserves & Surplus	14,803
	Secured Loan	NIL	Unsecured Loan	NIL
	Application of Funds (Amount in Rs.Thousands)			
	Net Fixed Assets	15,414	Investments	NIL
	Net Current Assets	1,291	Misc. Expenditure	NIL
	Accumulated Losses	NIL	(To the extent not W/off)	
iv)	**Performance of Company** (Amount in Rs.Thousands)			
	Turnover/ Other Income	3,547	Total expenditure	838
	Profit before Tax	2,709	Profit after Tax	1,903
	Earning per share in Rs.	10.00	Dividend @%	NIL
v)	**Generic Name of three Principal Products / Services of Company**			
	Item Code No. (ITC Code)	:	Not Classified	
	Product Description	:		

For M/s. **Sudhir Sunil & Co.**
Chartered Accountants

For and on behalf of the Board

(Sudhir Kapoor)
Proprietor
Membership No. 86840
Place : New Delhi
Dated : 17th May, 2006

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2006

(Amount in Rs.)

		Current Year		Previous Year
Cash flow from operating activities				
Net profit before tax and extra ordinary items		**2,708,696**		1,734,197
Adjustments for:				
Depreciation	**602,121**		602,121	
Interest income	**(26,765)**		(94,651)	
Preliminery expenditure written off	**-**	**575,356**	3,944	511,414
Operating profit before working capital changes		**3,284,052**		2,245,611
Trade & other Payables	**(2,600,463)**	**(2,600,463)**	(2,987,046)	(2,987,046)
Cash generated from operations		**683,590**		(741,435)
Net direct taxes paid		**(844,576)**		(650,862)
Net cash from operating activities		**(160,986)**		(1,392,297)
Cash flow from investing activities				
Interest received	**26,765**		94,651	
Net cash used in investing activities		**26,765**		94,651
Net cash from operating and investing activities		**(134,221)**		(1,297,646)
Cash flow from financing activities				
Increase/(decrease) in loans	**-**		-	
Net cash from financing activities		**-**		-
Net cash from operating, investing & financial activities		**(134,221)**		(1,297,646)
Net increase in cash & cash equivalent		**(134,221)**		(1,297,646)
Opening balance of cash & cash equivalent		**2,248,640**		3,546,286
Closing balance of cash & cash equivalent		**2,114,419**		2,248,640

As per our attached report of even date
For M/s. **Sudhir Sunil & Co.**
Chartered Accountants

For and on behalf of the Board

(Sudhir Kapoor)
Proprietor
Membership No. 86840
Place : New Delhi
Dated : 17th May, 2006

Rajesh Jain
Chairman & Managing Director

Sandeep Jain
Director

NOTES

Safe Harbour Statement

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about Company's future growth drivers, product development, market position and expenditures are forward looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate and will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Panacea
Biotec

In Support of Life

Panacea Biotec Ltd.

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