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*Creating Ripples
... Through sustained efforts*

26th Annual Report 2005-2006

Span Diagnostics Ltd.
26th Annual Report 2005-2006

FINANCIAL HIGHLIGHTS

	(Rs. in lacs)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
OPERATING RESULTS										
Sales & Other Income	4741.45	4187.60	3535.01	2731.16	2768.41	2068.56	1690.30	1907.33	1784.11	1417.44
Profit/(Loss) before Depreciation	370.89	303.25	422.89	175.15	202.31	68.88	(30.68)	59.66	100.48	93.59
Depreciation	110.10	83.44	68.65	53.38	51.05	47.76	50.84	49.21	46.93	41.75
Tax	93.87	71.28	133.25	48.31*	49.01*	—	—	2.50	10.00	7.00
Profit/(Loss) after tax	166.92	148.53	221.00	73.47	102.26	21.12	(81.52)	7.95	43.55	44.84£
Dividend	0.00	45.00	54.00	36.00	36.00	—	—	—	18.00	15.00
Corporate Dividend Tax	0.00	6.31	6.92	4.61	—	—	—	—	1.80	1.50
Retained Profits	166.92	97.22	160.08	32.86	66.26	21.12	—	7.95	23.75	28.34
SOURCES AND APPLICATION OF FUNDS										
Source of funds										
Share Capital	300.01	300.01	300.01	300.01	300.01	300.01	300.01	300.01	300.01	300.01
Reserves and surplus	878.80	712.76	608.81	462.83	430.55	408.26	390.07	475.91	472.60	452.35
Loans	1373.13	1309.41	1150.21	840.73	688.16	616.00	561.71	556.85	432.39	405.26
FUNDS EMPLOYED										
Fixed Assets (Net)	1222.77	1189.93	965.20	737.12	684.78	647.56	666.35	679.39	683.74	686.15
Investments	5.55	0.27	0.38	0.38	0.36	0.36	0.28	0.28	0.18	0.18
Current Assets (Net)	1323.62	1131.98	1093.45	866.07	733.58	676.35	585.16	653.10	521.08	471.29
NET ASSETS EMPLOYED										
	2551.94	2322.18	2059.03	1603.57	1418.72	1324.27	1251.79	1332.77	1205.00	1157.62
Debt—Equity Ratio	1.16:1	1.29:1	1.27:1	1.10:1	0.93:1	0.87:1	0.81:1	0.72:1	0.56:1	0.54:1
AMOUNT ON FACE VALUE OF Rs.10/—										
Earnings Per Share	5.56	4.95	6.96	2.50	3.41	0.70	—	0.26	1.45	1.49
Dividend	—	1.50	1.80	1.20	1.20	—	—	—	0.60	0.50
Book Value	39	34	30	25	24	24	23	26	26	25

* Includes Deferred Tax

£ Inclusive of Extra Ordinary item of Income of Rs. 21.14 lacs.



Span Diagnostics Ltd.

BOARD OF DIRECTORS	Smt. Lata P. Desai Dr. Pradip K. Desai Shri Veeral P. Desai Dr. Madhukanta T. Patel Smt. Sujata V. Desai Shri Praful R. Gandhi Shri Sanjay N. Mehta Dr. Pranav S. Desai Shri. Sarvajna G. Kazi Dr. Sushil K. Shah Dr. Ramnik H. Parekh	<i>Chairperson</i> <i>Whole-time Director</i> <i>Managing Director</i> <i>Technical Director</i> <i>Executive Director</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i>
COMPANY SECRETARY	: Mr. Pankaj Ajmera	
BANKERS	: State Bank of India Specialised Commercial Branch, Kiran Chambers, Opp. J. K. Tower, Ring Road, Surat - 395 002.	
AUDITORS	: M/s. Y. B. DESAI & ASSOCIATES Chartered Accountants, Surat.	
HEAD OFFICE & REGISTERED OFFICE	: 173-B, New Industrial Estate, Road No. 6-G, Udyognagar, Udhna-394210 (Surat) India.	
PLANT	: 1. Plot No. 336, 338, 340, Road No. 3, G.I.D.C., Sachin-394 230. Surat - India.	
	2. 173-B, New Industrial Estate, Road No. 6-G, Udyognagar, Udhna-394 210 (Surat) India.	
SHARE TRANSFER AGENTS	: MCS Limited, Harmony, Plot No. 6, Sector 1, Khanda Colony, New Panvel (west) Mumbai-410 206.	
BRANCH OFFICES	: 1. Town Center # 303 Andheri - Kurla Road, Marol Andheri (East) Mumbai-400 059.	
	3. C-71, Shalimar Garden, Extention-II, Shahibabad, Ghaziabad-201 005.	
	2. 23 Mallikarjuna Swamy Temple Road, Natkalpa Circle, Bangalore - 560 004.	
	4. 'Lake Town Complex'. Shivam Appt., Block-D 862(986/1), Jessore Road, Kolkata - 700 055.	
LISTING OF EQUITY SHARES (Listing Fees Paid)	: The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 001.	

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NOTICE

Notice is hereby given that the 26th Annual General Meeting of Shareholders of SPAN DIAGNOSTICS LTD. will be held at Registered Office at Plot No 173-B, New Industrial Estate, Road No.6-G, Udhna Udyognagar, Udhna - 394 210. (Surat) on Saturday the 26th day of August 2006 at 11.00 A.M. to transact the following business:-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint Director in place of Dr.P.S.Desai who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Director in place of Dr.R.H.Parekh who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s. Y.B.Desai and Associates, Chartered Accountants are eligible for reappointment.

SPECIAL BUSINESS :

5. To consider and, if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 314 and other applicable provisions of the Companies Act 1956, the company hereby accords its consent to the reappointment of Mrs. Sujata V. Desai as Whole-time Director designated as Executive Director for a period of 3 years w.e.f. 01-07-2006 on the under-mentioned terms of Remuneration.

- a) **Salary:** Rs. 55,000 per Month in the grade of Rs.50000 - 5000 - 100000 with increments effective from each year as may be decided by Board of Directors within above salary Scale.
- b) Exgratia payment as per the Rules of the Company.
- c) **Perquisites :** Perquisites shall be restricted to an amount equal to the annual salary.
 - i. **Housing:** HRA at 10% of salary.
 - ii. **Medical Reimbursement :** Reimbursement of expenses incurred for self and family as per Rules of the Company.
 - iii. **Leave Travel Concession :** Leave Travel Concession for self and family, once in a year incurred in accordance with the rules of the company.
 - iv. **Entertainment Expenses :** Mrs.Sujata V. Desai shall be entitled to reimbursement of entertainment, traveling and other expenses incurred in the course of legitimate business of the company.
 - v. **Personal Accident Insurance :** Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs.4,000/-.
 - vi. **Club Fees :** Subject to a maximum of two clubs. This will not include admission and life membership fees.
 - vii. **Company's Contribution :** Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - viii. Gratuity as per the rules of the Company but shall not exceed half month's salary for each completed year of service.
 - ix. Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole-time Director.
 - x. **Earned Leave :** On full pay and allowances as per the rules of the company, but not exceeding one month's leave for every eleven months of service, subject to the further condition that leave accumulated but not availed of will be allowed to be encashed as per the rules of the Company.

Resolved further that in the event of loss or inadequacy of profits in the company, Mrs. Sujata V. Desai shall be entitled to remuneration by way of salary and perquisite not exceeding the limits specified in schedule XIII to Companies Act, 1956. Resolved further that the Board of Directors be and are hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this resolution.

6. To consider and, if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 314 and other applicable provisions of the Companies Act 1956, the company hereby accords its consent to the reappointment of Dr. Madhukanta T. Patel. as Whole-time Director designated as Technical Director for a period of 3 years w.e.f. 01-07-2006 on the under mentioned terms of Remuneration.

- a) **Salary:** Rs.55000 per Month in the grade of Rs.50000 - 5000 - 100000 with increments effective from each year as may be decided by Board of Directors within above salary Scale.
- b) Exgratia payment as per Rules of the Company.
- c) **Perquisites :** Perquisites shall be restricted to an amount equal to the annual salary.
 - i. **Housing:** HRA at 10% of salary.

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- ii. **Medical Reimbursement** : Reimbursement of expenses incurred for self and family as per Rules of the Company.
- iii. **Leave Travel Concession** : Leave Travel Concession for self and family, once in a year incurred in accordance with the rules of the company.
- iv. **Entertainment Expenses** : Dr.Madhukanta T. Patel shall be entitled to reimbursement of entertainment, traveling and other expenses incurred in the course of legitimate business of the company.
- v. **Personal Accident Insurance** : Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs.4,000/-.
- vi. **Club Fees** : Subject to a maximum of two clubs. This will not include admission and life membership fees.
- vii. **Company's Contribution** : Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- viii. Gratuity as per the rules of the Company but shall not exceed half month's salary for each completed year of service.
- ix. Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole-time Director.
- x. **Earned Leave** : On full pay and allowances as per the rules of the company, but not exceeding one month's leave for every eleven months of service, subject to the further condition that leave accumulated but not availed of will be allowed to be encashed as per the rules of the Company.

Resolved further that in the event of loss or inadequacy of profits in the company Miss. Madhukanta T. Patel shall be entitled to remuneration by way of salary and perquisite not exceeding the limits specified in schedule XIII to Companies Act, 1956.

Resolved further that the Board of Directors be and are hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this resolution.

7. To consider and, if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 and applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

The following may be inserted in Article 7A:

SHARE WARRANTS

7A(i) Power to issue share warrants:

The company may issue warrants with such conditions of convertibility into equity shares in accordance with applicable provisions of the Companies Act, 1956, if any and subject to the guidelines, approvals, permissions, sanctions and consent of all other concerned authorities and departments as may be applicable and necessary and subject to such conditions and modifications as may be prescribed by granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company.

7A(ii) The company may issue warrants subject to and in accordance with the provisions of Section 114 & 115 of the Companies Act, 1956 and accordingly the Board may in its discretion with respect to any shares which is fully paid upon application in writing signed by the person registered as holder of the shares and authenticated by such evidence (if any) as the Board may from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require to issue a share warrant.

7A(iii) Deposit of share warrants

- (a) The bearer of a share may at any time deposit the warrant at the office of the company, and so long as warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the company, and of attending and voting and exercising the other privileges of the member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the register of members as the holder of shares included in the deposited warrants.
- (b) Not more than one person shall be recognized as depositor of the share warrant.
- (c) The company shall on two days written notice, return the deposited share warrant to the depositor.

7A(iv) Privileges and disabilities of the holders of share warrant:

- (a) Subject as here in otherwise expressly provided no person shall as bearer of the share warrant, sign a requisition for calling a meeting of the company, or attend or vote or exercise any of the privileges of a member at a meeting of the company or be entitled to receive any notice from the company.
- (b) The bearer of a share warrant shall be entitled in all other respect to the same privileges and advantages as if he were named in the register of members as the holder of shares included in the warrant and he shall be a member of the company.



7A(v) Issue of new share warrant or coupon

The Board may from time to time make rules as to the terms on which a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

8. To consider and, if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT in terms of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of Articles of Association of the Company and subject to the consent of Securities & Exchange Board of India (SEBI) and all other concerned authorities and Departments, and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include any Committee of Board) as its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer and issue & allot 149,900 Convertible Warrants in the capital of the company in one or more tranches which will be convertible into equity shares Rs. 10/- each before the end of 18 months from the date of allotment at the price to be determined as per SEBI (Disclosure & Investor Protection) guidelines 2000 way of preferential allotment on private placement basis to the Promoters / Individuals / bodies Corporate / FI / FII / Mutual Fund / NRI. The amount payable on issue of Convertible Warrants will be 10 % of the total issue price and balance 90 % is required to be paid at the time of conversion of warrants into equity shares with authority to Board to issue and offer to the aforesaid persons with such conditions of non-transferability lock-in-period as may be specified in the then prevailing guidelines of SEBI and / or, in consultation with SEBI or such other authorities as may be prescribed or in accordance with such guidelines or other provisions of law as may be prevailing at that time and otherwise ranking pari passu from the date of allotment with the equity shares of the Company as then issued and to retain over subscription if any in respect of such issue to such extent as may be then permissible and at such time or times as the Board at its absolute discretion and in the best interest of the Company may deem fit.

RESOLVED FURTHER THAT the 'Relevant Date' for the preferential issue, as per SEBI (Disclosure and Investor Protection) Guidelines, 2000 for the determination of applicable price for the Equity Shares arising on the conversion of aforesaid Convertible Warrants is 27th July, 2006.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things, and execute such deeds, documents, instruments and the writing as they may in their absolute discretion deem necessary or desirable and to accept any alterations and modification(s) as they may deem fit and proper and give such directions as may be necessary in regard to the offer, issue and allotment of the said Convertible Warrants by private placement including the power to allot the unsubscribed portion of Convertible Warrants if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors or Chairman and Managing Director or Director of the Company to give effect to the aforesaid resolution."

Registered Office :

173-B, New Industrial Estate,
Road No. 6-G,
Udhna -394 210. (Surat)
Dated : 27th June, 2006.

By Order of the Board

(Pankaj Ajmera)
Secretary

Note:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
- (b) The Register of Members and the share transfer books of the company will remain closed from 16th August, 2006 to 26th August, 2006 both days inclusive.
- (c) In view of MCS Ltd. being appointed as the Registrar and share Transfer Agents of the Company, Shareholders are requested to address all correspondence to them at the following address.
MCS Limited
Unit : Span Diagnostics Limited
Harmony, Plot No.6, Sector 1, Khanda Colony, New Panvel (West), Mumbai 410 206
Tel. No. 022-27492003 Fax No.022-27492005 Email : mcsnum@vsnl.com
- (d) Members who are holding shares in identical order of names in more than one account are requested to intimate to the MCS Limited Harmony, Plot No.6, Sector 1, Khanda Colony, New Panvel (West) Mumbai 410 206 the ledger folio of such accounts together with the Share Certificates to enable the Company to consolidate all the holdings into one account. The share certificates will be returned to the members after making the necessary endorsement in due course.



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- (e) Members are requested to bring their copy of the Annual Report to the Annual General Meeting. As a measure of economy no extra copies of the Annual Report will be supplied at the meeting.
- (f) Members are requested to notify any change in their Address to the Company.
- (g) Members seeking further information on the Accounts or any other matter contained in the notice, are requested to write to the Company at least 7 days before the meeting so that relevant information can be kept ready at the meeting.
- (h) Details under clause 49 of the listing Agreement with stock exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting are furnished in the Report on Corporate Governance published in this Annual Report.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173 OF THE COMPANIES ACT 1956.

Resolution at Item Nos. 5

The term of Mrs. Sujata V. Desai as Whole-time Director will expire on 30-06-2006

At its meeting held on 27th June, 2006, the Board of Directors reappointed Mrs. Sujata V. Desai as a Wholetime Director designated as Executive Director of the company for further period of 3 years with effect from 1st July, 2006. The terms and conditions of appointment are as set out in the resolution No. 5 of the accompanying Notice. The remuneration committee of the Board of Directors has recommended the same remuneration as set in the said Resolution.

Mrs. Sujata V. Desai is a Graduate Instrument Engineer from Gujarat University. She underwent a management education course at Indian Institute of Management, Ahmedabad. She is having experience of 8 years in the field of diagnostic instrumentation. She joined the company as Executive in the year 1997. She is currently in charge of Purchase, Stores, Factory Administration, IT, Internal Controls, Technical support & Instrument R&D.

This explanation with the accompanying notice is and should be treated as abstract of the terms of appointment of Wholetime Director under Section 302 of the Companies Act, 1956.

The Board recommends approval of the appointment of Mrs. Sujata V. Desai as a Wholetime Director of the company.

None of the Directors of the company except Mrs. S. V. Desai, Mr. V. P. Desai, Dr.P.K.Desai, Mrs. L. P. Desai is anyway concerned or interested in the said resolutions.

Resolution at Item No. 6

The term of Dr. (Ms.) Madhukanta T. Patel as Whole-time Director will expire on 30-06-2006

At its meeting held on 27th June, 2006 the Board of Directors reappointed Dr. Madhukanta T. Patel as a Wholetime Director designated as Technical Director of the company for further period of three years with effect from 1st July, 2006. The terms and conditions of appointment are as set out in the resolution No. 6 of the accompanying notice.

Dr. Madhukanta T. Patel is by qualification M.Sc., Ph.D. from South Gujarat University. She is having vast experience of 33 years in the field of diagnostics. She is with the company since its inception. She is currently in charge of R&D, Overall production, Plant maintenance, Quality Management Systems. Her contribution to the growth of the company is immense.

This explanation with the accompanying notice is and should be treated as the abstract of the terms of appointment of Wholetime Director under Section 302 of the Companies Act, 1956.

The Board recommend approvals of the appointment of Dr.Madhukanta T. Patel as a Wholetime Director of the company.

None of the Directors of the company except Dr.M.T.Patel is anyway concerned or interested in the said resolutions.

Resolution at Item No. 7

It is proposed to add new Article in the Articles of Association of the Company to enable the Company to issue and allot share warrants. Pursuant to provisions of Section 31 of the Companies Act, 1956 any alteration, addition, amendment require approval of the members by way of passing a Special Resolution in the General Meeting.

The Directors recommend the Special Resolution for the approval of the members. None of the Directors of the company is interested or concerned in the proposed resolution.

Resolution at Item No. 8

In order to augment the long term fund to meet financial needs and to consolidate promoters stake to sustain the growth, it is proposed to issue convertible preferential warrants by private placement basis to persons mentioned in the proposed resolution under item 8 who may or may not be shareholder of the company.

The company intends to allot the convertible warrants on private placement basis immediately on receipt of necessary funds from persons mentioned in the proposed Resolution after compliance of necessary formalities.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be offered to the existing shareholders of the Company in the manner laid down in the said Section, unless the shareholders decide otherwise in a general meeting.

Accordingly, the consent of the shareholders is being sought pursuant to provisions of Section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines and in terms of the provisions of the Stock Exchange Listing Agreements for authorizing the Board to create, issue, offer and allot Convertible Warrants as stated in the Resolution, which would result in a further issuance of Equity shares of the Company on a preferential allotment basis on conversion of warrants in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.



Span Diagnostics Ltd.

Further the Promoter have also proposed to subscribe 149,900 Convertible Warrants which will be converted into equity shares Rs. 10/- each before the end of 18 months from the date of allotment at the price determined as per SEBI (Disclosure & Investor Protection) Guidelines 2000. The amount payable on issue of convertible warrants will be 10 % of the total issue price and balance 90 % is required to be paid at the time of conversion of warrants into equity shares before the end of 18 months from the date allotment.

'Relevant Date' for the preferential issue, as per SEBI (Disclosure and Investor Protection) Guidelines, 2000 for the determination of applicable price for the Equity Shares arising on the conversion of aforesaid Convertible Warrants is 27th July, 2006.

The Board proposes to allot the Convertible Warrants within a period of 15 days from the date of passing of this resolution by the shareholders or within 15 days from the date of approval of any regulatory authority whichever is later.

The Convertible Warrants to be allotted on the preferential basis and / or Equity Shares arising on the conversion shall be locked-in as per the provision of SEBI (Disclosure and Investor Protection) Guidelines, 2000 applicable to preferential issue.

The above proposed preferential allotment is subject to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines and in terms of the provisions of the Stock Exchange Listing Agreements.

There would not be change in management control. The necessary shareholding pattern of the Company, pre and post conversion based on the assumptions that the maximum No. of equity shares of the Company will not exceed the proposed preferential issue not exceeding 149,900 Convertible Warrants of Rs. 10/- each at a price of Share which will be calculated in accordance with SEBI Preferential Offer Guidelines. M/s. Y. B. Desai & Associates, Chartered Accountants, the Statutory Auditors of the Company have certified that the preferential issue is being made in accordance with the requirements contained in the SEBI (Disclosure and Investor Protection) Guidelines, 2000. A copy of Certificate dated 27th June, 2006 will be laid before the meeting of the shareholders.

SHARE HOLDING OF ALLOTES BEFORE & AFTER ALLOTMENT OF EQUITY SHARES ON CONVERSION OF WARRANTS:

Sr. No.	Name of the Allottee	No. of Shares Before Allotment	% of Total Pre-Conversion Share Holding	No. of Shares after Allotment	% of Total Post Conversion Share Holding
01.	Dr. Pradip K. Desai Family Trust	342650	11.42	392650	12.47
02.	Mrs. Lataben P. Desai	223530	7.45	273530	8.68
03.	Mr. Veeral P. Desai	112090	3.74	137090	4.35
04.	Mrs. Sujata V. Desai	4350	0.14	29250	0.93
	Total	682620	22.75	832520	26.43

Purpose and object:

The purpose and object of the proposed preferential issue of convertible warrants is to meet the long term fund requirement of the company.

The shareholding pattern of the Company before and after preferential issue of Convertible Warrants would be as follows:

Sr. No.	Category	Pre-conversion Pattern of Equity Shares		Post-conversion pattern of equity shares after private placement of convertible warrants.	
		No. of Equity Shares	% age	No. of Equity Shares	% age
01.	Promoter Group	1554568	51.82	1704468	54.11
02.	NRI Shareholding	390751	13.02	390751	12.41
03.	Financial Institution / Bank	100		100	
04.	Public / Bodies Corporate	1054681	35.16	1054681	33.48
	Grand Total	3000100	100.00	3150000	100.00

Voting Right would change in tandem with Shareholding Pattern.

The further issue of capital needs the approval of members by way of a special resolution and accordingly your directors sought your consent for the special resolution set out in Item No. 8.

The Directors of the Company may be deemed to be concerned or interested in the resolution at Item No. 8 of the notice to the extent of convertible warrants that may be subscribed and allotted to them, their relatives or to the Companies of which they are Directors or members.

Registered Office :
173-B, New Industrial Estate,
Road No. 6-G,
Udhna -394 210. (Surat)
Dated : 27th June, 2006.

By Order of the Board

(Pankaj Ajmera)
Secretary



Annual Report 2005-2006

DIRECTORS' REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting the 26th Annual Report of the Company together with the Audited Accounts for the year ended on 31st March, 2006.

1. FINANCIAL RESULTS

	2005-2006	(Rs. in lacs) 2004-2005
Sales and other Income	4741.45	4187.60
Profit before Depreciation	370.89	303.25
Depreciation	110.10	83.44
Profit before tax	260.79	219.81
Provision for tax		
- Current	87.00	62.60
- Deferred Tax	(4.13)	8.68
- Fringe Benefit Tax	11.00	—
NET PROFIT FOR THE YEAR	166.92	148.53
Balance brought forward	71.25	66.02
Tax Adjustment of earlier years	(0.39)	5.81
Prior Period Adjustments	0.70	2.20
	<u>238.48</u>	<u>222.56</u>
APPROPRIATIONS		
Proposed Dividend	—	45.00
Dividend Distribution tax	—	6.31
Transfer to General Reserve	45.00	100.00
Balance carried forward	193.48	71.25
	<u>238.48</u>	<u>222.56</u>

2. DIVIDEND

In order to conserve resources and to plough back the profits to sustain growth in competitive market scenario, increased focus on the R & D activities and also to acquire the technology for hi-tech products, Board has consciously decided to skip the dividend for the year under review in the long term interest of shareholders.

3. MANAGEMENT DISCUSSION AND ANALYSIS

a) OPERATIONS

The sales and other income for the financial year under review were Rs. 4741.45 lacs against Rs. 4187.60 lacs in previous year registering a growth of about 13.23%. The turnover of manufactured diagnostic products have increased by 12.61% and growth of traded products is of about 23.46%. The profit after tax amounted to Rs. 166.92 lacs as against of Rs. 148.53 lacs in previous year. The margins were under pressure due to increased global competition change in product mix, low cost generics and significant changes in the market dynamics.

During the year, for manufacturing operation, the focus was on improving efficiency and productivity by way of automation and implementing various other modern management practices. Most of our products are now CE registered a mandatory requirement for marketing in Europe, which also can boost confidence of our customers and us. Company continues to practice quality management system ISO 9001:2000 along with the implementation of Good Manufacturing Practices - (GMP) compliance as per 'W H O' guidelines. In the coming year company will be going ahead with ISO



Span Diagnostics Ltd.

13485, an international standard specific for medical device, as next step in the direction to pursue the objective of continuous quality improvement.

During the year, the major emphasis was on R&D. As a result of that company has already launched four new products in last quarter and will be launching nine more in first half of this year. To further strengthen its R&D efforts Span has entered in JV with a company in France which will be mainly focusing on new product development and product improvement to meet with global standards. We are confident that in coming years this efforts will bring lot of rewards and help Span in consolidating its position as major manufacturing company of diagnostic products.

OUTLOOK

As India is gaining more and more importance due to stagnant market overseas, all major multinational companies are stepping up their presence here. Most of them are now having their direct representation in India and coming-up with more resources and aggressive marketing strategies. The other change observed in Indian diagnostic market is corporatisation and centralization of laboratory resulting in to very powerful and big scale laboratories. This will certainly put lot of pressure on small manufacturers and also some impact on indigenous manufacturers like Span. We are already geared up for the next level of diagnostic market competition with our well thought action plan and strategies. We also can not ignore the fact that due to diversity of the market in India there are sufficient growth prospects at various level of customer segment.

Assuming our role of a major Indian diagnostic manufacturer, we will continue restructuring and consolidating our position by building marketing strength every year without compromising company's philosophy of indigenization of products and technology and by which offering various diagnostic products at affordable price to Indian market. We are going step-by-step in a structured manner towards building a global company, which will hold key to success in future.

b) INTERNAL CONTROL SYSTEM

The company is maintaining an adequate internal control system. The systems being reviewed revised and strengthened. The Internal Audit Department regularly conducts a review of the financial and operating controls at various places and levels in the company. Further the company has appointed audit committee which regularly reviews, external and internal audits and adequacy of internal control system. The company follows its well defined quality policy. Integrity and quality guides company's conduct towards its business, partners, colleagues, shareholders and general public.

c) HUMAN RESOURCES

Your company currently employs about 527 employees comprising of well qualified persons trained in technical and managerial skills. It is company's first priority to enrich its employees by promoting learning and enhancing their knowledge by product training and arranging relevant training programmes.

The company continued to have cordial and harmonious relations with its employees and the Union.

There are no employees drawing remuneration in excess of limits specified under section 217(2A) of the Companies Act read with companies (particulars of employees) Rules 1975.

4. FIXED DEPOSITS

At the close of the year there were no fixed deposits due for payment which remained either unclaimed or unpaid. There were no claims as against the deposits outstanding as at the close of the year and the Company had complied with all the requirements of the Companies (Acceptance of Deposits) Rules, 1975.

5. CONSERVATION OF ENERGY

The particulars are as per Annexure 'A'

6. RESEARCH AND DEVELOPMENT

The particulars are as per Annexure 'B'

7. DIRECTORS

Dr.P.S.Desai and Shri.R.H.Parekh, Directors of the company retire by rotation at the ensuing General Meeting and being eligible offer themselves for reappointment.