

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended December 31, 2003.

PRINCIPAL ACTIVITIES

TranXenoGen is a development stage, biotechnology company focused on developing new therapeutic production technologies and products. The Company's product pipeline includes Anti-Neoplastic Urinary Protein ("ANUP") for the treatment of several types of cancer, Insulin and Human Serum Albumin ("HSA"). The Company's technology platform projects include an avian transgenic platform for the production of high volume therapeutic proteins and multi-species transgenic technologies including cloning and gene testes transfection. The platform technologies are being developed to manufacture proprietary products (e.g., Insulin and HSA), as well as for licensing to third parties. In addition, the Company's business strategy includes utilizing the technology to manufacture products for third parties as a contract manufacturer. The Company believes that the technology has application in the biodefense area and is pursuing potential biodefense opportunities.

BUSINESS REVIEW

Details of developments during the year and comments on expected future developments are given in the President and Chief Executive Officer's statement and in the Corporate Governance Going Concern statement on pages 1 through 4 and 12, respectively.

RESULTS AND DIVIDENDS

The audited financial statements as of and for the year ended December 31, 2003 are set out on pages 14 to 30. The Directors did not recommend the payment of a dividend for the year.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Directors consider that continued investment in research and development is essential to the future of TranXenoGen.

DIRECTORS

The directors as of December 31, 2003 were, and currently are, as follows:

Cary Edmund Garner BSc

Non-Executive Chairman (56) (Term expires 2006)

Mr. Garner is the Vice President and General Manager, Client Research Services for Parexel International. Parexel International conducts worldwide clinical trials (Phase I through Phase IV) for selected large pharmaceutical companies. Mr. Garner has over 29 years of experience in rapid-growth, technology-driven businesses. Prior to joining Parexel International, Mr. Garner was the Senior Vice President of Oread Biosafety, Inc., a contract development and manufacturing company servicing the pharmaceutical and biotechnology industries, a Principal at Cambridge Consulting Group and had various sales and marketing positions with Abbott laboratories and IBM Corporation. Mr. Garner was appointed to TranXenoGen's Board of Directors in March 2000, and he was re-elected to the Board in 2003. Mr. Garner is a member of TranXenoGen's Audit Committee, Chairman of the Company's Compensation Committee and became the Non-Executive Chairman of TranXenoGen on January 1, 2003.

Dr. Kim Sze Tan BS, PhD

Non-Executive Director (49) (Term expires 2004 and is standing for re-election)

Dr. Tan is Chairman of SpringHill Management Ltd., a biotech venture capital management company. Dr. Tan is a director of a number of biotech companies in the U.S.A., U.K. and Asia and acts as an advisor to a number of government agencies on biotechnology. Dr. Tan is the inventor of sheep monoclonal antibody technology. He is an experienced biotech entrepreneur and a Fellow of the Royal Society of Medicine. Dr. Tan was appointed to TranXenoGen's Board of Directors in March 2000 and was re-elected to the Board in 2001.

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George Uveges

President and CEO (56) (Term expires 2004 and is standing for re-election)

Mr. Uveges joined the Company as President and Chief Executive Officer in October 2001 and was appointed to the Board of Directors in October 2001. Mr. Uveges was previously the Chief Operating Officer of BioSource International, Senior Vice President and Chief Financial Officer of NEN Life Science, Chief Financial Officer and Vice President of Administration of Gelman Sciences, Chief Financial Officer, Treasurer and Vice President of Administration of GI Plastek and Corporate Controller, Treasurer and Chief Accounting Officer of Invacare Corporation.

Paul Anthony DiTullio BSc, MSc

Vice President, Product Development (39) (Term expires 2005)

Mr. DiTullio is a founder of TranXenoGen and has over 15 years of experience in the transgenic industry. He was previously employed as a research scientist at GTC Biotherapeutics Inc., where he developed transgenic constructs for the expression of proteins in the milk of transgenic mice, rabbits and goats. Mr. DiTullio's expertise includes cloning and engineering of specific genes for the expression of proteins in eggs and milk as well as human genes for other proprietary expression systems. He also has extensive experience with large and small animal biology and husbandry. Mr. DiTullio was appointed to the Board of Directors in February 2000 and was re-elected to the Board in 2002.

DIRECTORS' INTERESTS

The interests of the Directors in the shares of the Company and share options are disclosed in the report of the Compensation Committee on page 10.

SUBSTANTIAL SHAREHOLDINGS

To the Company's knowledge, the only persons who, directly or indirectly, were owners of record of three percent or more of the Company's common stock at March 26, 2004 were as follows:

<i>Stockholder</i>	<i>Number of shares held</i>	<i>Percentage of issued capital</i>
Vidacos Nominees Limited ⁽¹⁾	4,645,000	14.4%
Karl Ebert	2,920,000	9.1%
Pershing Keen Nominees Limited	2,578,450	8.0%
Nortrust Nominees Limited	2,201,552	6.8%
Numis Nominees Limited	1,966,712	6.1%
PKF Trustees Limited ⁽²⁾	1,800,000	5.6%
Cosign Nominees Limited	1,800,000	5.6%
Nigel Wray	1,580,000	4.9%

(1) Includes 3,850,000 held by CDT Riflemen's Partnership, of which Mr. DiTullio is a limited partner.

(2) These shares are beneficially owned by Dr. Tan.

SHARE CAPITAL

Details of the shares issued during the year and outstanding options are presented in Note 7 and Note 10 to the audited financial statements.

CREDITOR PAYMENT POLICY

It is the Company's policy to agree to payment terms with suppliers at the commencement of trading relationships and to abide by those terms. The Company does not have significant trade creditors.

FIXED ASSETS

Details of the fixed assets are presented in Note 4 to the audited financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the Company made charitable contributions of \$195. The Company made no political contributions.

EMPLOYEES

The Company places considerable value on the involvement of its employees and has continued to keep them informed on general business matters and other matters of concern. The Company has a policy of offering share options to all eligible employees, subject to availability of shares under the 1998 Equity Incentive Plan.

The Company does not discriminate on grounds of race, religion or gender.

ANNUAL MEETING OF STOCKHOLDERS

Explanatory information concerning the resolutions to be proposed at the Annual Meeting of Stockholders to be held on June 10, 2004 is set out on page 31.

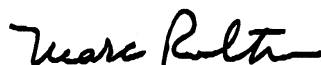
CORPORATE GOVERNANCE

The Company supports the Combined Code, which is appended to the Listing Rules of the UK Listing Authority. The Combined Code sets out the principles of good governance and code of best practice prepared by the UK Committee on Corporate Governance, chaired by Sir Ronald Hampel, which was published in June 1998. Although the Company is a Delaware corporation, since its shares are quoted in London, the Board believes that it is appropriate generally to support the Combined Code. In view of the size of the Company, the Board intends to have regard to the guidance for smaller quoted companies on corporate governance published by the UK Quoted Companies Alliance in April 2001. Accordingly, there will follow in this document a Compensation Report and a report on Corporate Governance.

Registered Office:
1209 Orange Street
Wilmington, DE 19801
United States

April 16, 2004

By order of the Board,



Marc A. Rubenstein
Company Secretary