

Dolphin

Medical Services Limited



19th ANNUAL REPORT 2010 - 2011

Regd. Office: # 417, Sanali Heavens, Ameerpet, HYDERABAD - 500 073, A.P., India

Corp. Office: Ramachandra Rao Road, VIJAYAWADA - 520 002, A.P., India

Website : www.dolphinmedicalindia.com

E-mail ID for Investor's Grievances : dolphincomplianceofficer@gmail.com

BOARD OF DIRECTORS

Dr. G.V. MOHAN PRASAD
 Dr. M. LAKSHMI SUDHA
 Mr. VINAY VISHNURAJ NAYAK
 Mr. NARENDRA SEENA KARKERA
 Mr. M. HEMANTH KUMAR

Managing Director
 Director
 Independent Director
 Independent Director
 Independent Director

REGISTERED OFFICE

417, Sanali Heavens
 Ameerpet
 HYDERABAD - 500 073
 Andhra Pradesh
 India

CORPORATE OFFICE

Ramachandra Rao Road
 Suryaraopet
 VIJAYAWADA - 520 002
 Krishna District
 Andhra Pradesh, India

AUDITORS

M/s. PINNAMANENI & CO.
 Chartered Accountants
 Moghulrajpuram
 VIJAYAWADA - 520 010
 &
 Ameerpet
 HYDERABAD - 500 073

REGISTRARS & SHARE TRANSFER AGENTS

M/s. XL SOFTECH SYSTEMS LTD.
 3, Sagar Society, Road No.2
 Banjara Hills
 HYDERABAD - 500 034.

BANKERS

Canara Bank
 The Federal Bank Ltd.
 HDFC Bank Ltd.
 ICICI Bank Ltd.

19th ANNUAL GENERAL MEETING

Date : 29th September, 2011
 Time : 09.30 A.M.
 Venue : Neni Hi-tech Club
 169, Lal Bungalow
 Old Airport Road
 New Bowenpally
 SECUNDERABAD - 500 011

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NOTICE

Notice is hereby given that the 19th Annual General Meeting of the members of **M/s. DOLPHIN MEDICAL SERVICES LIMITED** will be held on Thursday, the 29th September, 2011 at 09.30 A.M at Neni Hi-tech Club,169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad – 500 011 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and Profit and Loss Account for the year ended on that date and the reports of Auditors and Directors report thereon.
2. To appoint a director in place of Mr. Narendra Seena Karkera, who retires by rotation and being eligible offers himself for re - appointment.
3. To appoint M/s. Pinnamaneni & Co., Chartered Accountants as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications the following Resolution as an ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any of the Companies Act, 1956, approval of the members be and is hereby given to fix the remuneration to Dr. G.V. Mohan Prasad, Managing Director of the Company on the salary, allowance and other perquisites which are stated below for a period of 2 years from 11th September 2011:

A. Salary : Rs.2,35,000/- per month (excluding perquisites of Rs.15,000/- per month)

B. Perquisites: Perquisites in Part-A will be restricted to amount equivalent to Rs.15,000/- Expenditure incurred by the Company under part-B will not be considered for computation of ceiling on perquisites to the extent they are not taxable under the Income Tax Act. Expenditure incurred by the Company under part-C will not be considered as perquisites. Subject to the above, the Managing Director will be allowed the following.

PART - A

- i) Housing including Gas, Electricity, Water and furnishings (Non-interchangeable):
 - a) Expenditure incurred by the company on hiring unfurnished accommodation is limited to 20% of his salary over and above 10% payable by the Managing Director.
 - b) Expenditure incurred by the company on Gas, Electricity, Water and furnishings will be evaluated as per the Income Tax Act Rules and will be subject to a ceiling of 10% of the salary.
 - c) In case, no accommodation is provided, House Rent allowance not exceeding 20% of the salary will be payable. In case the accommodation is in a Company owned House, he shall pay by way of rent an amount equivalent to 10% of his salary.
- ii) **Medical benefits for self and family:** Reimbursement of expenses actually incurred, the total cost per annum of which to the company shall not exceed one month's salary or 3 months' salary in a block of 3 years.
- iii) **Leave Travel Concession:** Leave Travel concession for self and family once in a year in accordance with the rules of the company.
- iv) **Personal Accident Insurance:** Actual premium not to exceed Rs.6,000/-
- v) **Fees of clubs:** Subject to a maximum of 2 clubs. No admission fee or life membership fee is paid by the company.

PART - B

- i) **Company's contribution towards Provident Fund:** As per the rules of the company, but not to exceed 12% of salary or such higher rate as is not taxable under the Income Tax Act, 1961.
- ii) **Company's Contribution towards Pension/Superannuation Fund:** As per the rules of Company, but it shall not, together with the company's contribution to Provident Fund, exceed 25% of the salary as laid down in the Income Tax Act, 1961 or such higher rate as is not taxable under the Income Tax Act, 1961.
- iii) **Gratuity:** Not to exceed half month's salary for each completed year of Service, as per the applicable act.
- iv) **Privilege Leave:** On full pay and allowances, as per the rules of the company but not exceeding one months leave for the every 11 months of service subject further to the condition that Leave accumulated but not availed of will not be allowed to be encashed.

PART - C

- i) **Car:** Use of Car for Company's business is provided. However, the Managing Director shall pay for use of the Car for personal purpose.
- ii) **Telephone:** Telephone facility will be provided at residence. All long distance personal calls shall be logged and paid by the Managing Director
- iii) **Others:** Reimbursement of actual entertainment expenses, actual travelling and hotel expenses for the Company's business and/or allowances as per the Company's rules.

**//By Order of the Board//
For DOLPHIN MEDICAL SERVICES LTD**

**Sd/-
Dr. G.V. MOHAN PRASAD
MANAGING DIRECTOR**

Date: 14.08.2011
Place: Vijayawada

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY INSTEAD OF HIMSELF / HER SELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS TO BE VALID SHALL BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Share Transfer books of the Company will be closed from 28.09.2011 to 29.09.2011 (both days inclusive).
3. All the documents referred to in the notice are open for inspection at the registered office of the company during office hours on all working days upto the date of the Annual General Meeting.
4. The register of Directors shareholding shall be open for inspection to any member of the company during the period beginning 14 days before the date of company's AGM and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the AGM to any person having a right to attend the meeting.
5. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on April 21, 2011 and April 29, 2011 inter-alia stating that a company would have complied with Section 53 of the Companies Act, 1956, if the service of document has been made through electronic mode. In that case, the company is required to obtain email addresses of its members for sending the notice / documents through email by giving an advance opportunity to every shareholder to register his email address and changes therein, if any, from time to time with the company.

Therefore, in view of the above, the members are requested to up date your email ids with the Depository Participant, if the shares are in Demat mode and directly to the Registrars and Transfer Agents of the Company, in case the shares are in physical mode.
6. The Explanatory Statement pursuant to Sections 173 (2) of the Companies Act, 1956 which sets out the material facts concerning the special business is annexed hereto.

STATEMENT OF MATERIAL FACTS PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**ITEM NO: 4**

Dr. G.V. Mohan Prasad, Managing Director was reappointed in the Board Meeting held on 25.08.2008 and the same was approved in the Annual General Meeting held on 29th December 2008 for a period of 5 years w.e.f 11.09.2008. The Board of directors in the same meeting also fixed the remuneration to the Managing Director for a period of three years w.e.f 11th September 2008 and the same was approved in the AGM held on 29th December 2008. As the remuneration payable to the Managing Director was fixed for a period of three years w.e.f 11.09.2008 and which is expiring on 10th September 2011, the Remuneration Committee and Board of Directors in their meetings held on 14.08.2011 approved the remuneration as specified in the resolution for a period of two years w.e.f 11.09.2011.

As per the provisions of Sections 198, 309, 310 and Schedule XIII of the Companies Act, 1956, the Remuneration approved by the Remuneration Committee and Board has to be approved by the Share Holders in their General Meeting by passing special resolution. Keeping in view the valuable services and developmental activities undertaken by Dr. G V. Mohan Prasad during the past 3 years, the Board of Directors recommends the same remuneration as earlier for a period of 2 years.

The Resolution as setout in Item No.4 is recommended for your approval.

None of the Directors except Dr. M. Lakshmi Sudha are interested in this Resolution.

The notice and Explanatory Statement may also be treated as an abstract of the terms of appointment and payment of remuneration to the above named Managing Director as required to be circulated under section 302 of the Companies Act, 1956.

Statement containing the general information about the Company and the appointee as required under schedule XIII of the Companies Act, 1956.**I. General Information:**

- (1) Nature of industry : Service Industry
- (2) Date or expected date of commencement of commercial production:
Commercial operations commenced in the year 1993
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. : Not Applicable
- (4) Financial performance based on given indicators

(Rs. in Lakhs)

Particulars	2010-2011	2009-2010	2008-2009
Operating Receipts/ Income	406.49	334.38	270.23
Other Receipts/ Income	14.45	7.28	4.74
Profit before Depreciation & Tax	138.32	116.71	59.76

(5) Export performance and net foreign exchange collaborations : NIL

(6) Foreign investments or collaborators, if any. : NIL

II. Information about the appointee:

(1) Background details

Dr. G. V. Mohan Prasad is a medical graduate with post graduation in ENT and Radiology. He was well trained in various radiological and imaging modalities and also Radio Physics in the Nizam's Institute of Medical Sciences (NIMS), Hyderabad. He has attended and participated in the scientific programmes, various national and international conferences and Continuing Medical Education Programmes in Clinical Research, Radiology and Imaging and also in general in various health care related programs, conventions, expositions and conferences. He is also associated with many associations.

(2) Past remuneration:

Rs.2,35,000/- per month plus Perquisites value of Rs.15,000/-.

(3) Recognition or awards: He has received many high profile awards and recognitions in many social and service related activities.

(4) Job profile and his suitability

Dr. G. V. Mohan Prasad has been associated with operations of medical, health care and diagnostic activities for the past 18 years. He got rich experience in the above areas and also as a Managing Director of the company.

(5) Remuneration proposed: Rs.2,50,000/- per month.

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).

We do not have the remuneration profile of the Executive directors of other companies which are similar in type and size for comparison.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

He does not have any other pecuniary relationship except as a Promoter shareholder and Dr. M. Lakshmi Sudha, another Whole Time Director of the company is a relative of Dr. G.V. Mohan Prasad.

III. Other information:

(1) Reasons for inadequate profits

Initially, the company in its early days of inception, could not timely complete the envisaged project at the time of public issue during the year 1994 due to the unavailability of adequate funds. This affected its plans and it could not generate adequate profits at initial stages. However during the subsequent years the company has recorded growth in its gross operational income and earned reasonable operating profits, (and also declaring dividend at one time) after which the company once again saw in profits for some time due to the equipment being outdated. Subsequently after a long gap, company raised further funds in 2006 by way of rights issue, for the purpose of updating the medical equipment by way of replacing the obsolete and old medical equipment with the new ones.

(2) Steps taken or proposed to be taken for improvement

During the year the company has changed objects of Memorandum of Association through postal ballot and taken a decision to go in for diversification of companies activities. especially into non-medical activities. The company also proposes to explore many allied activities such as 'medical and non medical supplies' to various hospitals and other organizations. In addition necessary efforts are being made to enter eco conservative and renewable energy resources sectors which are in good demand and also highly profitable.

(3) Expected increase in productivity and profits in measurable terms.

With the expected raising of the needed resources for completion of the updating and thus the commencement of the fulfilled operations of the clinical lab and other specific diagnostic modalities, there will be more than 30% to 50% proportionate annual increase in revenues of the company and also increase in profitability of the company accordingly.

DIRECTORS REPORT TO THE SHARE HOLDERS

Your Directors have great pleasure in presenting to you "19th Annual Report" of your Company along with the Audited Accounts for the year ended 31st March 2011.

1. FINANCIAL RESULTS:

The Financial Results for the year ended 31st March 2011 are furnished below: (Rs. In Lakhs)

Particulars	2009-10	2010-11
Operating Income	334.38	406.49
Other Income	7.28	14.45
Profit before Depreciation & Tax	116.71	138.32
Depreciation	56.70	59.36
Cash Profit	62.77	69.47

During the year under review your company has recorded a 21.47% growth in its gross operating income. However the same was offset by increase in 'marketing overheads'. The growth in the business was possible with steps initiated by the Board members to enter new markets.

2. SUBSIDIARY COMPANIES:

During the year under review the Subsidiary Companies incorporated were not able to record any progress since activities undertaken are in the initial phase. However efforts are being made to utilize the subsidiaries if necessary by associating with other business partners (and also by effecting the required changes in the objects as well as the names) for the new proposals by the boards as mentioned in the later paragraphs of the 'Management's Perception'.

3. DIVIDEND:

The Directors have taken a decision not to recommend any dividend for the year 2010-11, mainly with intention of boosting up company owned funds. While taking such decision the Directors have taken into account to strengthen Financials of the company by retaining earned profits.

4. PUBLIC DEPOSITS:

During the year under review the company has not accepted any 'public deposit' as in defined in provision of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975 as amended from time to time. There are no outstanding unclaimed deposits as on 31st March 2011.

5. MANAGEMENT'S PERCEPTION:**PRESENT STATE OF AFFAIRS - AN OVERVIEW****Cost Enhancement of the Project and the Delay in obtaining the required additional funds:**

The company raised funds in 2006 by way of rights issue, for the purpose of expansion including updating the medical equipment by way of replacing the obsolete and old medical equipment with the new ones. Due to the time taken for the process involved, newer models of diagnostic equipment have in the mean time been introduced into the market and the level of the originally envisaged sophistication for updating has gone up and so also the cost. In addition, the company opted to establish a Clinical Research Unit along with the needed diagnostic equipment in Hyderabad as per the 'business plan' mentioned in the 'Rights Issue prospectus' of the company. For this your company had to approach the banks for the additional funds needed to meet the enhanced cost requirements. Your company has got the loan sanctioned, but due to the extraordinary delay in the bank at various stages of processing, sanction as well as the disbursement, the whole process got delayed too much. This unexpected extraordinary delay for the company to go ahead with its updating & expansion plans, saw many other new similar centres with similar sophisticated equipment cropping up in the vicinity of the unit during this period. Finally after the installation of the updated new equipment, due to the heavy competition created because of the mushrooming of the diagnostic centres during this delay period, the marketing expenditure increased out of proportion and some undue sops and price discounts had to be extended to most of the supporters and service providers and also the private/Government organizations which are in tie up with the company for utilizing the diagnostic services. Thus, in spite of substantial increase in the income of the company over the past 6 years, the profits are not reflected proportionately.

Global Recession and Delay in materialization of import of equipment, and unenvisaged additional Interest Burden:

In addition, the supply and import of some sophisticated high end equipment got extraordinarily delayed as a consequence of the then global recession in its peak and other external factors affecting the import. This resulted in the company incurring huge interest burden (not provided for in the scheduled budget) during the period between ordering the equipment by way of payment and the installation and commencement of commercial operations of various medical equipments purchased. This also resulted in different equipments getting installed at different time intervals. The net effect was that, the company suffered huge amounts of interest burden (unprovided for and unexpected) as well as the need for the regular organizational maintenance, even while the revenues suffered heavily due to the non commencement of many new equipments as per schedule. As such the company suffered severely in many ways in terms of revenue streams – which had a consequential bearing on the profitability of the company.

Need for more comprehensiveness:

Due to delay in the implementation of the project and installation of various equipments at different times, the supporters/service providers had confused knowledge about the details of equipments available and the total services provided. A lot of marketing expenditure had to be spent for awareness creation on the services provided in the centre from time to time.

The Present Problem of stand alone Diagnostic Centres:

It is understood from the market forces that a stand alone Diagnostic business model is day by day becoming more difficult to sustain. This business is mostly dependant on referrals from Nursing homes and General Practitioners. Today with large (corporate) hospitals coming with their own inhouse diagnostic facilities with high investment and internal captive clients, it has hit the stand alone diagnostic business. In addition to this, the introduction of 'Arogyasri' free health scheme to poor patients by the govt. in association with big & corporate hospitals, prompted them to have in-house diagnostic facilities of their own. Because of this, referrals to stand alone diagnostic centres from big hospitals decreased drastically and as a consequence, the competition became heavy and the marketing expenses involved shot up beyond the permissible levels. As a net effect the margins for most of the diagnostic procedures are substantially decreased.

Withdrawal of the loan sanctioned by the bank for the Hyderabad Unit and the consequent effects on the company:

When the preliminary operational efforts and activities for establishing & commencing the Hyderabad unit were in full swing in 2009, the bank has abruptly issued a letter on 07.08.2009 intimating the withdrawal of the loan for the Hyderabad Unit - citing delay in the implementation as the reason. However, it was clearly explained to the bank about the justified reasons for the delay in implementation of the Hyderabad Unit. Whereas the global financial recession which was at its peak in 2008-09 caused the withdrawal/reduction of the outsourcing of the clinical trials from the west, also resulted in delayed approval and implementation of the MOUs entered into by the Company with foreign life sciences companies. The company by then already spent the required amounts for the preliminary and preoperative works and also a substantial amount among others for the renovation & modification of the leased out huge premises for this purpose. Because of this, the substantial expenditure spent on the Hyderabad Unit till then became ineffective and redundant. Thus while we were on the verge of making things happen even in that difficult scenario, the bank has suddenly issued the loan withdrawal letter, resulting in loss of time and efforts and also the amount already spent on the Hyderabad unit till then. This also had a bearing on the subsequent financial resilience of the company and adversely impacted the financials and growth of the company. In addition, because of this, the company also suffered huge potential loss in terms of 'to have obtained' revenues and profitability through the unit as originally envisaged by the board and management.

Concerted Management Efforts:

The Revenues increased year-by-year (i.e. for FY 2005-06-Rs.213.43 lakhs, FY 2006-07-Rs.246.99 lakhs, FY 2007-08-Rs.260.33 lakhs, FY 2008-09-Rs.270.23 lakhs, FY 2009-10-Rs.334.38 lakhs and FY 2010-11-Rs.406.49 lakhs). In spite of the unit performing exceedingly well in terms of increased revenues year-by-year, it has little profit margins left for the prompt servicing of loans every month for the reasons mentioned in the above paragraphs in detail. However, as a result of the focussed efforts of the management, the performance and revenues of the Company during the completed year also did improve but with higher marketing expenses. With its concerted efforts, the management has been paying the bank loans almost regularly, though with some strain on the finances of the company.

STEPS PROPOSED BY THE BOARD FOR FUTURE BUSINESS DEVELOPMENT AND ENHANCED PROFITABILITY**To accomplish the Comprehensiveness of Diagnostic Services:**

The board proposes to take every step needed to further improve the operational revenues by making the unit a Specialised Diagnostic Centre. The provision of high end specialised diagnostic sophisticated equipment will not normally be available in almost all the hospitals and hence they would approach the spicality diagnostic centres with those facilities. This would result in increasing the operational profit margins of your company. To achieve this objective, the company proposes to complete the comprehensiveness of the diagnostic services by updating the existing clinical laboratory equipment and also introduce some of the latest and more sophisticated laboratory equipment for operating the clinical laboratory services on an enhanced scale including Biochemical, Microbiological, Immunological, Pathological, Molecular diagnostics etc. As it is a well known fact in the industry that the profits margins for specialised clinical laboratory services are sufficiently high, taking the necessary steps in this direction will enhance the profitability of the company suitably.

Completion of the comprehensiveness of the existing imaging services of the company by also adding the remaining required services like mammography, high end X-ray etc., will add to the completeness and also enhance the profitability of the services by way of making all the imaging services under one roof.

Association with others for expanding the operational base:

The company is also contemplating to expand its operational base by associating with similar centres in new areas especially in potential places in the region and also by investing/making advance deposits or make financial commitments/transactions in any suitable manner with those organisations, if necessary, in return for getting the benefits like outsourcing of operations etc., expected to be beneficial to our company. The business potential and the local contacts of the parties to be associated with, will also be considered while finalizing the associations.

Establishing 'Cash Green' Projects – Creating separate Business Units for Medical & Non Medical Projects:

To further enhance the profitability, your company is now making efforts towards diversifying its activities to more profitable activities like pyrolysis plants and other 'cash green' activities. The Board is now working out a detailed plan for this purpose. The Board is actively considering not only taking-up non medical project/s, but also separating the business units of medical and non medical projects so that the medical operations could be hived off or conducted in association with like minded companies/parties or a portion of services can be outsourced for the company or associations in any flexible manner as and when thought and decided fit to be advantageous to the company.

6. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO:

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

A: CONSERVATION OF ENERGY:

The Company has taken necessary steps to conserve the energy utilization during the year under review.

B. TECHNOLOGY ABSORPTION:

1. Research and Development (R&D) : NIL
2. Technology absorption, adoption and innovation : NIL

C. FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange Earnings : NIL
Foreign Exchange Outgo : NIL

7. INTERNAL CONTROL AND ITS ADEQUACY:

The Board is committed to ensure that the Company's 'internal control' system remains effective and efficient in areas such as operations and Security. For this purpose proper planning and effective conduct of the 'internal audit' is given top-most attention.

8. DIRECTORS' RESPONSIBILITY:

To best of their knowledge and belief and on the basis of information furnished to them the Directors make following statement, which is required to be made in terms of Section 217 (2AA) of the Companies Act, 1956:

- (i) While preparing Annual Accounts, the applicable accounting standards have been followed along with proper explanations
- (ii) Appropriate accounting policies have been selected and applied consistently and have 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 as at March 31, 2011 and of the profits of the company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) The Annual Accounts of the Company have been prepared on basis of a 'going concern'.

9. CORPORATE GOVERNANCE:

- a) A note on Management Discussion and Analysis of Report is enclosed.
- b) As per clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance Practices followed by the Company together with a certificate obtained from the auditors of the Company is set out in Annexure, forming part of this report.

10. PARTICULARS OF EMPLOYEES:

During the year under review, no employee of the company was in receipt of remuneration for the whole year which in the aggregate was Rs.60,00,000/- or more per annum nor was any employee in receipt of remuneration Rs.5,00,000/- or more per month for the any part of the year in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

During the year under review, industrial relations of the company continued to be cordial and peaceful.

11. DIRECTORS:

In accordance with requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. Narendra Seena Karkera retires by rotation. He however is eligible for reappointment. The board has therefore recommended his reappointment.

12. AUDITORS:

M/S Pinnamaneni & Co, Chartered Accountants, the Company's auditors term office will conclude with this Annual General Meeting. They have expressed willingness to accept the assignment for a further period on one more year. They have also confirmed their eligibility for such an appointment under Section 224(1B) of the Companies Act, 1956. The Board recommends firms re-appointment as Company's auditors.

13. LISTING AT STOCK EXCHANGES:

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

The listing fees to the Exchange have been paid up to date.

14. ACKNOWLEDGEMENTS:

Your Directors thank and appreciate all the executives, staff, Bankers, Customers and Workers of the Company for their dedicated services.

// By Order of the Board //
For DOLPHIN MEDICAL SERVICES LIMITED

Sd/-	Sd/-
Dr. G.V. MOHAN PRASAD	Dr. M. LAKSHMI SUDHA
MANAGING DIRECTOR	WHOLE TIME DIRECTOR

Place: Vijayawada,
Date: 14.08.2011.

CORPORATE GOVERNANCE REPORT

Corporate Governance is the system by which business corporations are directed and controlled. Corporate Governance Structure specifies the relationship, distribution of Rights and responsibilities among different participants in the Organization, such as the Board, Managers and shareholders, spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set and the means of attaining these objectives and monitoring the performance.

The essence of Corporate Governance revolves around three basic interrelated segments. Integrity and fairness, transparency and disclosures, accountability and responsibility. It is about commitment to values and ethical business conduct, voluntary practices and compliance with laws and regulations leading to effective control and management of the organization in achieving the objectives.

Dolphin believes that good corporate governance brings about sustained corporate growth and long term benefits for share holders. The Company's core values are based on integrity, respect for statutory/regulatory requirements and complaints thereof, emphasis on product quality, effective strategic planning and processes, growth and development of human resources, which entails converting opportunities into achievements.

Dolphin respects the rights of its share holders to information on the performance of the Company and focuses on the Trusteeship role of the Board in increasing the wealth and long term shareholders' value creation over a sustained period of time.

Dolphin continues to focus its resources strengths and strategies to achieve highest standards of corporate governance and endeavors to implement the code of corporate governance in its true spirit.

In accordance with clause 49 of the Listing Agreement with Indian Stock Exchanges on corporate governance a report on the practices and compliances by the company is as follows:

This Report provides the structure through which the company objectives are set and the means of attaining the overall business objectives and goals.

A. BOARD OF DIRECTORS:**Composition:**

The Board of Directors consists of Professionals drawn from diverse fields. All the Directors on the Board consist of Executive and Non-Executive Directors and three of them being independent. None of the Directors on the Board is a member in more than 10 committees or Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges). The Directors have made the necessary disclosures regarding Committee memberships.

Sl. No.	Name & Category of the Directors	No.of Directorships held in other Public Companies	No.of Memberships/ Chairmanships held in Committees of other Companies
1.	Dr. G.V. Mohan Prasad [Promoter & Executive Director]	2	—
2.	Dr. M. Lakshmi Sudha [Promoter & Executive Director]	2	—
3.	Mr. Vinay Vishnuraj Nayak [Independent Director]	—	—
4.	Mr. Narendra Seena Karkera [Independent Director]	—	—
5.	Mr. Hemanth Kumar Manikyam [Independent Director]	—	—

A BRIEF RESUME OF DIRECTOR RETIRING BY ROTATION**MR. NARENDRA SEENA KARKERA**

Accordingly Mr. Narendra Seena Karkera retires by rotation at the ensuing Annual General Meeting. Mr. Narendra Seena Karkera offers himself for reappointment. The brief resume of Mr. Narendra Seena Karkera is as follows:

Overall having 37 years of industry experience of which 23 years has been in Healthcare Industry. After spending approximately 17 years in financial planning and control functions in different industries such as Textile, Electronics and Marine, had started his career in the healthcare industry in 1987 with Hinduja National Hospital and Medical Research Centre, Mumbai. was instrumental in introducing various management tools including the concept of activity based Costing & Budgeting for the first time in the Hospital Industry in India. He has also associated with many hospitals and had the responsibility of Finance, Engineering, IT, Personal & General Administration functions.

B. BOARD MEETINGS:

During the Financial Year 2010-2011 the Board of Directors met 6 (Six) times on the following dates: 28.04.2010, 28.06.2010, 13.08.2010, 30.09.2010, 12.11.2010 and 09.02.2011

The Attendance of Directors at these Board Meetings and at the previous Annual General Meeting was under:

Name of the Director	No.of Board Meetings held during the tenure of the Director	No.of Meetings attended by the Director	Whether Present at the previous AGM
Dr. G.V. Mohan Prasad	6	6	Yes
Dr. M. Lakshmi Sudha	6	5	Yes
Mr. Vinay Vishnuraj Nayak	6	4	No
Mr. Narendra Seena Karkera	6	4	No
Mr. Hemanth Kumar Manikyam	6	3	No

C. COMMITTEES OF THE BOARD:

In order to ensure that the functions of the Board are discharged effectively, information disclosed in the financial statements are in order and no material information is left undisclosed, besides ensuring the stricter implementation of the Corporate Governance, the Board has formed the following three committees.

1. Audit Committee
2. Remuneration Committee
3. Investors/Share holders Grievances Committee

The scope of the said Committees, memberships and the powers delegated is enumerated hereunder:

1) Audit Committee:

Terms of Reference of Composition, Name of the Members and Chairman:

The Board has constituted an Audit Committee in accordance with Clause 49 of the listing Agreement as well as Section 292A of the Companies Act, 1956. The Audit Committee comprises of 3 directors, 2 of them being non-executive directors. The composition of Audit Committee is as follows:

Mr. Narendra Seena Karkera, Chairman of the committee, Mr. Vinay Vishnuraj Nayak and Dr. M. Lakshmi Sudha are the members of the Committee, all being directors. The Managing Director, along with Statutory Auditors and Accounts Manager are invitees to the meeting. The terms of Reference of this Committee are wide enough covering matters specified for Audit Committees under the Listing Agreement/Companies Act, 1956.

Meetings and the attendance during the year:

During the year under review, the total number of meetings held was 4 (four) on the following dates:

- | | |
|--|------------------------------------|
| 1. 28 th April, 2010 | 2. 13 th August, 2010 |
| 3. 12 th November, 2010 and | 4. 09 th February, 2011 |

The attendance of the each member of the Committee is given below:

Name of the Director	No. of Meetings held	No. of Meetings attended
Mr. Narendra Seena Karkera	4	4
Mr. Vinay Vishnuraj Nayak	4	4
Dr. M. Lakshmi Sudha	4	4

The primary objective of the audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting.

During the year, the Audit Committee met Four times. Executives of Accounts Department, Representative of the Statutory Auditors were invited to attend the Audit Committee Meetings.

2) Remuneration Committee

The Remuneration Committee consists of Mr. Hemanth Kumar Manikyam, Mr. Vinay Vishnuraj Nayak and Mr. Narendra Seena Karkera all being Independent non-executive directors. No Remuneration Committee meetings were held during the year.

The details of the remuneration paid to Managing Director and Whole-Time Director during the year 2010-11 are given below:

Name & Designation	All elements of remuneration packages i.e., salary benefits, bonuses, pension etc.
Dr. G.V. Mohan Prasad Managing Director	Rs.28,20,000/-
Dr. M. Lakshmi Sudha Director	Rs.13,80,000/-

The above directors did not receive any other benefits like incentives and stock options during the 2010-2011 except the remuneration package.

3) Investors / Shareholders Grievance Committee:

The Company has constituted an Investors / Shareholders Grievance Committee under the Chairmanship of Dr. M. Lakshmi Sudha. The other members of the Committee are Mr. Hemanth Kumar Manikyam and Mr. Vinay Vishnuraj Nayak. The Committee looks into the shareholders and investors complaints. The number of shares pending for transfer was NIL as on 31st March, 2011.

D. Annual General Meetings:

Particulars about the last three Annual General Meetings (AGMs) of the Company are as under:

Sl. No.	Particulars	Date	Venue
1	16 th AGM	29.12.2008	Ramachandra Rao Road, Vijayawada - 520 002, A.P.
2	17 th AGM	30.09.2009	Neni Hi-tech Club,169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad - 500 011
3	18 th AGM	30.09.2010	Neni Hi-tech Club,169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad - 500 011

There was no Extra-ordinary General Meeting held during the year 2010 - 2011.

Resolutions in regard to alteration of other objects and commencement of business mentioned in other objects were passed through postal ballot during the year 2010-11.

No Special resolution is proposed through postal ballot at the ensuing Annual General Meeting.

E. Disclosures

- There is no materially significant related party transaction made by the company with its promoters, Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

- b. The Company had complied with the requirement of the Stock Exchange, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No pecuniary penalties have been imposed on the company by any of the above mentioned authorities.
- c. The company has already put in place a system for employees to report to the management about concerns relating to unethical behavior, any fraud or violation of companies Code of Conduct and access have been provided up to the higher level of supervision including the Audit Committee.
- d. The Company has complied with all the mandatory requirements and has also disclosed information relating to non mandatory requirements.

F. Means of Communication

- | | |
|--|--|
| * Half yearly report sent to each household of the shareholder | No, as the results of the Company are published in the newspapers. |
| * Quarterly Results | -do- |
| * Any website where displayed | -do- |
| * Whether it is also displayed in Official newspapers | -do- |
| * The presentations made to Institutional investors or to analysts | -No- |
| * News papers in which results are Normally published in | 1) The Financial Express
2) Andhra Prabha |

The crux of the Corporate Governance is the transparency in disclosure of the timely, reliable and relevant information pertaining to the Organization. A good Corporate Governance is one in which all the stakeholders have access to the similar information in quality and quantity which enables them to take an informed decision at the right time.

Recognizing this prominent feature, the quarterly results of the Company for each quarter, the audited/unaudited annual results, are announced within the statutory time frame and published in The Financial Express and Andhra Prabha etc.

Management discussion and analysis forms part of the Annual Report, which is mailed to the shareholders of the Company individually.

G. General Shareholder Information:

Annual General Meeting																
Date	29.09.2011															
Time	09.30 A.M															
Venue	Neni Hitech Club,169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad-500 011,Andhra Pradesh.															
Financial Calendar	The following is the tentative financial calendar of the Company which is subject to change. <table border="0"> <thead> <tr> <th><u>Quarter</u></th> <th><u>Period</u></th> <th><u>Declaration of results</u></th> </tr> </thead> <tbody> <tr> <td>First</td> <td>Apr-June</td> <td>Held on 14th Aug 2011</td> </tr> <tr> <td>Second</td> <td>July-Sep</td> <td>2nd week of Nov 2011</td> </tr> <tr> <td>Third</td> <td>Oct-Dec</td> <td>2nd week of Feb 2012</td> </tr> <tr> <td>Fourth</td> <td>Jan-Mar</td> <td>2nd week of May 2012</td> </tr> </tbody> </table>	<u>Quarter</u>	<u>Period</u>	<u>Declaration of results</u>	First	Apr-June	Held on 14 th Aug 2011	Second	July-Sep	2 nd week of Nov 2011	Third	Oct-Dec	2 nd week of Feb 2012	Fourth	Jan-Mar	2 nd week of May 2012
<u>Quarter</u>	<u>Period</u>	<u>Declaration of results</u>														
First	Apr-June	Held on 14 th Aug 2011														
Second	July-Sep	2 nd week of Nov 2011														
Third	Oct-Dec	2 nd week of Feb 2012														
Fourth	Jan-Mar	2 nd week of May 2012														
Date of Book Closure	28 th September 2011 to 29 th September 2011															
Dividend Payment dates	-NIL-															
Listing on Stock Exchanges	Bombay Stock Exchange Limited															
Listing Fees	Paid for the year 2011-2012															
Stock Code - BSE	526504															
ISIN Number for NSDL & CDSL	INE 796 B 01013															
Market Price Data: high & Low during each month for the financial year 2010-11.	As per Annexure I															

Registrar and Share Transfer Agents	M/s. XL Softech Systems Ltd., 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034.
Share Transfer System	Share Transfers would be registered and returned within a period of four weeks from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee, which normally meets twice in a month, or at more frequency depending on the volume of transfers aims at ensuring registration and return of transferred shares promptly on receipt of completed documents.
Distribution of shareholding and share holding pattern as on 31st March, 2011	As per Annexure - II
Dematerialization of Shares and Liquidity	The equity shares of the company are being traded in electronic mode from 22 nd February 2002 as per SEBI Circular. This facilitates faster and efficient Transfer system and also reduce investors risks of bad delivery/loss in transit of documents besides having the advantage of exemption from stamp duty. 96.26% of the Equity Share Capital has been dematerialized as on 31.03.2011. As per the directions of Securities and Exchange Board of India, trading in the company shares shall compulsorily be in dematerialized form by all classes of investors and facilities for dematerialization are fully operational. The company shares are regularly traded on BSE.
Outstanding GDRs/ ADRs/ Warrants or any convertible instruments conversion date and likely impact on Equity	-NIL-
Plant Location	#29-12-13A, Ramachandra Rao Road, Vijayawada, Andhra Pradesh.
Address for Correspondence	Share holders correspondence should be addressed to XL Softech Systems Ltd., #3, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh.

Your Company has a website by name www.dolphinmedicalindia.com

Email Id for investor's grievances: dolphincomplianceofficer@gmail.com

Address of Registrar and Transfer Agents:

M/s. XL Softech Systems Ltd,
3, Sagar Society, Road No.2,
Banjara Hills
Hyderabad - 500 034
Andhra Pradesh.

NON-MANDATORY REQUIREMENTS:

The Company has not adopted the clauses specified in the non mandatory requirements of the Listing agreement except constituting of the remuneration committee.

ANNEXURE I:

High / Low of market price of the Company's shares traded on Bombay Stock Exchange Ltd., Mumbai during the financial year 2010-11:

Month	Highest	Lowest	Month	Highest	Lowest
April,10	4.56	3.30	October	5.30	4.00
May	4.15	3.26	November	4.52	3.70
June	4.31	3.26	December	4.20	3.45
July	4.23	3.60	January,11	4.03	3.10
August	4.47	3.43	February	3.44	2.66
September	7.45	3.66	March	3.30	2.57

ANNEXURE II:

The distribution of shareholding as on 31st March, 2011:

No. of Equity Shares held	No. of Folios	% age	No. of shares	% age
Up to 500	3716	57.71	8,75,627	5.80
501 - 1000	1108	17.21	9,88,450	6.55
1001 - 2000	691	10.73	11,39,473	7.55
2001 - 3000	255	3.96	6,78,861	4.50
3001 - 4000	145	2.25	5,44,175	3.60
4001 - 5000	157	2.44	7,54,674	5.00
5001 - 10000	206	3.20	15,84,748	10.50
10001 and above	161	2.50	85,33,944	56.50
Grand Total	6439	100.00	1,50,99,952	100.00
No. of Shares in Physical Mode			5,65,011	3.74
No. of Shares in Electronic Mode			1,45,34,941	96.26

Shareholding Pattern as on 31st March, 2011

Category	No. of Shareholders	No. of Shares	% age
Promoters	46	41,45,301	27.45
Foreign Collaborators	—	—	—
Mutual Funds	—	—	—
FIs./Banks	1	200	0.00
FIIs/NRIs	30	98,563	0.65
Domestic Companies	133	8,06,513	5.34
Public	6,212	1,00,19,962	66.37
Others	17	29,413	0.19
Total	6,439	1,50,99,952	100.00

DECLARATION BY CEO OF THE COMPANY ON CODE OF CONDUCT

As per the revised clause 49 of the listing agreement of the Stock Exchanges the Board shall lay down a code of conduct for all board members and senior management of the Company. The code of conduct shall be posted on the website of the Company and all the members and senior management personnel shall affirm compliance with the code on annual basis. The annual report of the Company shall contain a declaration to this effect signed by CEO of the Company.

I hereby declare that:

- Code of conduct prepared for the Board Members and senior management of the Company was approved by the Board of Directors and the same was adopted by the Company.
- Code of Conduct adopted by the Company was circulated to the members of the Board and senior management of the Company and also posted in the website of the Company.
- All the members of the Board and senior management of the Company have complied with all the provisions of the code of conduct.

For DOLPHIN MEDICAL SERVICES LIMITED

Sd/-
DR. G. V. MOHAN PRASAD
MANAGING DIRECTOR

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Dolphin Medical Services Limited

We have examined the compliance of conditions of Corporate Governance by Dolphin Medical Services Limited, for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M/s. PINNAMANENI & CO.,
Chartered Accountants**

Sd/-

**P.V.V. Satyanarayana
Partner**

Place: Vijayawada
Date : 14.08.2011

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To
The Board of Directors of M/s. Dolphin Medical Services Ltd.

1. We have audited the attached Consolidated Balance Sheet of M/s. Dolphin Medical Services Ltd. and its subsidiaries M/s. Bridge Corporate Services Pvt. Ltd. and M/s. Eyum Life Sciences Pvt. Ltd. (hereinafter together referred to as 'consolidated entities') as at 31st March, 2011, the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements' as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and on the basis of the separate audited financial statements of the company and its subsidiaries included in the Consolidated Financial Statements.
4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the company and its aforesaid consolidated entities, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the company and its consolidated entities as at 31st March, 2011.
 - b. in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of company and its consolidated entities for the year ended 31st March, 2011 and
 - c. in the case of the consolidated cash flow statement, of the consolidated cash flows of the company and its consolidated entities for the year ended 31st March, 2011.

**For M/s. PINNAMANENI & CO.,
Chartered Accountants**

Sd/-

**P.V.V. Satyanarayana
Partner**

Place: Vijayawada
Date : 14.08.2011

CONSOLIDATED BALANCE SHEET AS ON 31.03.2011

PARTICULARS	Schedule	AS ON 31.03.2011 AMOUNT (Rs.)	AS ON 31.03.2010 AMOUNT (Rs.)
I. SOURCE OF FUNDS			
1. Share Holder's Funds			
a) Share Capital	1	150,999,520.00	150,999,520.00
b) Share Premium		23,689,704.00	23,689,704.00
c) Capital Reserve	2	3,225,000.00	3,225,000.00
2. Minority Interest		525,000.00	400,000.00
3. Loan Funds			
a) Secured Loans			
- Canara Bank Loan		68,939,018.00	67,888,425.00
- HDFC Vehicle Loans		919,132.72	1,508,759.67
4. Deferred Tax Liability	4	5,817,739.00	4,821,401.00
TOTAL		254,115,113.72	252,532,809.67
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	11	165,734,529.88	155,429,369.88
b) Less: Depreciation		39,926,997.53	33,990,887.50
c) Net Block		125,807,532.35	121,438,482.38
d) Capital Work in Progress (including capital advances)		41,995,000.00	51,707,160.00
		167,802,532.35	173,145,642.38
2. Expenditure during construction period, pending allocation (Net)		19,517,207.00	14,636,704.00
3. Investments	5	4,100,000.00	4,100,000.00
4. CURRENT ASSETS, LOANS & ADVANCES			
a) Cash and Bank Balances	6	893,743.36	1,055,510.38
b) Deposits	7	835,453.00	835,453.00
c) Loans & Advances	8	27,781,264.00	27,694,791.00
d) Other Current Assets		3,234,091.61	274,091.61
e) Inventory		340,570.00	351,740.00
		33,085,121.97	30,211,585.99
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities & Provisions	9	2,279,623.81	1,101,661.60
Net Current Assets		30,805,498.16	29,109,924.39
5. Profit & Loss Account	3	804,066.61	818,545.30
6. Research & Development Expenditure		8,206,460.00	8,206,460.00
7. Miscellaneous Expenditure (to the extent not written off or adjusted)		22,879,349.60	22,515,533.60
TOTAL		254,115,113.72	252,532,809.67
8. Significant Accounting Policies and Notes to the Consolidated Accounts	12		

for DOLPHIN MEDICAL SERVICES LIMITED

Sd/-

Dr. G. V. MOHAN PRASAD

Managing Director

Sd/-

Dr. M. LAKSHMI SUDHA

Director

Place : Vijayawada

Date : 14.08.2011

As per our report of even date

for PINNAMANENI & CO.,

CHARTERED ACCOUNTANTS

Sd/-

P.V.V.SATYANARAYANA

Partner

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

PARTICULARS	FOR THE YEAR 2010-2011 (Rs.)	FOR THE YEAR 2009-2010 (Rs.)
INCOME		
<u>Medical Division :</u>		
Diagnostics & Other Allied Services	40,146,501.00	32,706,108.00
Biotech & Herbal Services	281,060.00	315,962.00
<u>Software Division:</u>		
Software Operations	221,000.00	415,700.00
Other Income	1,445,188.00	727,834.00
TOTAL	42,093,749.00	34,165,604.00
EXPENDITURE - SCHEDULE 10	28,261,432.25	22,494,158.42
Profit before Depreciation & Income Tax	13,832,316.75	11,671,445.58
Provision for Depreciation	5,936,110.03	5,670,505.00
Interest & Finance charges	6,650,031.03	5,271,543.45
Profit before Tax	1,246,175.69	729,397.13
Provision for Tax	235,359.00	122,279.00
Provision for Deferred Tax	996,338.00	1,507,139.00
Profit after Tax	14,478.69	(900,020.87)

for DOLPHIN MEDICAL SERVICES LIMITED

Sd/-

Dr. G. V. MOHAN PRASAD

Managing Director

Sd/-

Dr. M. LAKSHMI SUDHA

Director

Place : Vijayawada

Date : 14.08.2011

As per our report of even date

for **PINNAMANENI & CO.,**

CHARTERED ACCOUNTANTS

Sd/-

P.V.V.SATYANARAYANA

Partner

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - I		
AUTHORISED SHARE CAPITAL		
2,50,00,000 Equity Shares of Rs.10/- each	250,000,000.00	250,000,000.00
ISSUED CAPITAL		
1,62,75,300 Equity Shares of Rs.10/- each	162,753,000.00	162,753,000.00
SUBSCRIBED & PAIDUP CAPITAL		
Subscribed & Paid up Capital	150,999,520.00	150,999,520.00
SCHEDULE - 2		
Convertible Share Warrants	---	32,250,000.00
32,25,000 Share Warrants of Rs.10/- each	---	29,025,000.00
Less: Amounts Receivable	---	---
Transferred to Capital Reserve	3,225,000.00	3,225,000.00
SCHEDULE - 3		
RESERVES & SURPLUS		
Profit & Loss Account		
Opening Balance	(818,545.30)	81,475.57
Add: Profit during the year	14,478.69	(900,020.87)
Transferred to Balance Sheet	(804,066.61)	(818,545.30)
SCHEDULE - 4		
DEFERRED TAX LIABILITY		
Opening Balance	4,821,401.00	3,314,262.00
Add: Current Year (Asset)/Liability	996,338.00	1,507,139.00
TOTAL	5,817,739.00	4,821,401.00
SCHEDULE - 5		
INVESTMENTS		
Meridian Projects Limited	3,200,000.00	3,200,000.00
Cosmic Fortunes India Ltd	900,000.00	900,000.00
TOTAL	4,100,000.00	4,100,000.00
SCHEDULE - 6		
CASH & BANK BALANCE		
Cash in Hand	405,273.00	271,712.00
Cash at Banks	488,470.36	783,798.38
TOTAL	893,743.36	1,055,510.38
SCHEDULE - 7		
DEPOSITS		
Rent Deposit	575,920.00	575,920.00
Telephone Deposit	53,000.00	53,000.00
Electricity Deposit	103,502.00	103,502.00
PF Deposit	103,031.00	103,031.00
TOTAL	835,453.00	835,453.00

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 8		
LOANS & ADVANCES		
(Advances recoverable in cash or kind or for value to be received)		
a) To Directors	---	---
b) To others	27,781,264.00	27,694,791.00
TOTAL	27,781,264.00	27,694,791.00
SCHEDULE - 9		
CURRENT LIABILITIES & PROVISIONS		
Liabilities	137,936.75	122,733.07
Provisions	2,141,687.06	978,928.53
TOTAL	2,279,623.81	1,101,661.60

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 10		
EXPENDITURE		
Chemicals, Films, kits consumables, disposables & Herbals etc.	7,945,483.00	6,275,940.00
Salaries	2,433,873.00	1,906,030.00
Directors Remuneration	4,020,000.00	4,020,000.00
Consultancy Charges	974,027.00	543,330.00
Incentives to Staff	499,750.00	385,410.00
Laboratory Maintenance	402,115.00	327,892.00
Repairs & Maintenance	2,386,058.00	2,029,932.00
Medical Expenses	453,447.00	339,867.00
Provident Fund to Staff	79,216.00	64,599.00
Rent	737,088.00	767,088.00
Misc. Amenities	262,900.00	210,640.00
Printing & Stationery	378,725.00	319,058.00
Postage & Telegrams	314,648.00	176,820.00
Staff Welfare	124,193.00	71,104.00
Conveyance	140,031.00	91,465.00
Travelling Expenses	1,956,322.00	1,558,754.22
Hospital Maintenance	478,933.00	323,041.00
Vehicle Maintenance	339,260.00	179,898.00
Books & Subscriptions	150,381.00	142,308.00
Advertisement	91,109.00	47,613.00
Rates, Taxes & Fees	12,597.00	43,964.00
Interest on Income Tax	23,292.00	62,052.89
Bank Charges	38,381.20	43,242.31
Computers Maintenance	359,296.05	207,100.00
Software Development	185,400.00	152,200.00
Share Transfer Expenses	42,894.00	54,579.00
Listing Fees	99,554.00	100,564.00
Generators Maintenance	236,741.00	172,400.00
Marketing Expenses	1,178,288.00	613,932.00
Telephone Charges	279,684.00	219,597.00
Electricity Charges	503,912.00	406,274.00
Insurance	144,457.00	74,944.00
Educational Updates	443,125.00	329,540.00
Seminars	526,252.00	212,980.00
Audit Fees	20,000.00	20,000.00
TOTAL	28,261,432.25	22,494,158.42

SCHEDULE - 11 - FIXED ASSETS AND DEPRECIATION SCHEDULE FOR THE PERIOD ENDED 31.03.2011

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	OPENING BALANCE	ADDITIONS	TOTAL	OPENING BALANCE	CURRENT PERIOD	TOTAL	CURRENT YEAR	PREVIOUS YEAR
Land & Land Development Expenditure	45,621,220.00	64,500.00	45,685,720.00	---	---	---	45,685,720.00	45,621,220.00
Furniture & Fittings	3,219,329.76	---	3,219,329.76	2,658,362.00	179,832.00	2,838,194.00	381,135.76	560,967.76
Steel Furniture	229,400.00	---	229,400.00	---	14,292.00	14,292.00	215,108.00	229,400.00
Plant & Machinery	86,244,817.37	10,112,160.00	96,356,977.37	18,773,593.50	4,962,231.00	23,735,824.50	72,621,152.87	67,471,223.87
Computers, Printers etc.	5,281,844.72	128,500.00	5,410,344.72	3,032,460.00	162,082.00	3,194,542.00	2,215,802.72	2,249,384.72
Fax, Copier & EPABX	404,801.00	---	404,801.00	44,848.00	26,584.00	71,432.00	333,369.00	359,953.00
Fans & A/Cs	743,998.00	---	743,998.00	106,277.00	51,292.00	157,569.00	586,429.00	637,721.00
Fixtures on Leasehold Buildings including Electrical Equipment & Accessories	8,353,602.03	--	8,353,602.03	8,259,351.00	94,251.03	8,353,602.03	---	94,251.03
Pagers	54,000.00	--	54,000.00	47,376.00	3,364.00	50,740.00	3,260.00	6,624.00
Laminator	13,000.00	---	13,000.00	11,640.00	919.00	12,559.00	441.00	1,360.00
Cellular Phone	67,975.00	---	67,975.00	23,568.00	4,235.00	27,803.00	40,172.00	44,407.00
Ambulance	256,856.00	---	256,856.00	22,702.00	18,160.00	40,862.00	215,994.00	234,154.00
Electrical Equipments	2,069,640.00	---	2,069,640.00	114,518.00	146,324.00	260,842.00	1,808,798.00	1,955,122.00
Vehicles	2,868,886.00	--	2,868,886.00	896,192.00	272,544.00	1,168,736.00	1,700,150.00	1,972,694.00
TOTAL	155,429,369.88	10,305,160.00	165,734,529.88	33,990,887.50	5,936,110.03	39,926,997.53	125,807,532.35	121,438,482.38

SCHEDULE 12: SIGNIFICANT ACCOUNTING POLICIES and NOTES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

I. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS.

a. Basis of Preparation of Consolidated Financial Statements

The Consolidated Financial Statements include accounts of Dolphin Medical Services Limited ('the company') and its subsidiaries Bridge Corporate Services Private Ltd. and Evum Life Sciences Private Ltd. The Consolidated financial statements have been prepared under historical cost convention and in conformity with the generally accepted accounting principles in India, the Accounting Standards notified under Sub-section 3(C) of Section 211 of the Companies Act, 1956 of India and other relevant provisions of the Act. All inter company transactions between subsidiary companies are eliminated.

b. Income and Expenditure

All items and expenditure shown in the statement having material bearing on the accounts are accounted on accrual basis.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition. Cost of acquisition is inclusive of freight, duties, levies, preparatory works, erection, installation and all incidentals attributable to bringing the asset to its working condition.

d. Capital Work in Progress

The assets under installation or under construction and related advances as at the Balance Sheet date are shown as Capital Work in Progress.

e. Depreciation

Depreciation is computed on Straight Line method basis in accordance with the provision of Schedule XIV of the Companies Act, 1956.

f. Investments

Investments are stated at cost of acquisition and the same are considered as long term investments.

g. Provision for Tax

Provision for tax has been computed on the basis of Profits in accordance with the Income Tax Act, 1961.

h. Deferred Income Tax

The Company has accounted for Deferred Tax in accordance with the Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

Deferred tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

The deferred Tax Liability for the current year amounting to Rs.9.96 Lakhs is shown in the Profit and Loss account under provision for Deferred tax. As at the year end, deferred Tax liability aggregates to Rs.58.17 Lakhs.

i. Employee Benefits

Provident fund: The Company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act, 1952.

j. Contingent Liabilities

Contingent Liabilities are generally not provided for in the accounts and are shown separately if any in the notes on accounts.

II. NOTES ON ACCOUNTS TO THE CONSOLIDATED ACCOUNTS.

Notes to the accounts forming part of Consolidated Balance Sheet as on 31ST March 2011 and Consolidated Profit and Loss account for the year ended on that date.

1. The company is a holding company with investments in subsidiary companies.
2. All the fixed assets are located in India and are as detailed in Schedule.11
- 3 The stocks are valued at cost or market value whichever is less.
- 4 Contingent liabilities not provided for.
- 5 Figures have been re-grouped wherever necessary.
6. Confirmation of balances are not obtained for sundry creditors and advances made.

Signatures to Schedules 1 to 12

for DOLPHIN MEDICAL SERVICES LIMITED

Sd/-

Dr. G. V. MOHAN PRASAD

Managing Director

Sd/-

Dr. M. LAKSHMI SUDHA

Director

Place : Vijayawada

Date : 14.08.2011

As per our report of even date

for PINNAMANENI & CO.,

CHARTERED ACCOUNTANTS

Sd/-

P.V.V.SATYANARAYANA

Partner

AUDITORS' CERTIFICATE ON CONSOLIDATED CASH FLOW STATEMENT

We have examined the attached Cash Flow Statement of M/s. Dolphin Medical Services Limited for the year ended 31.03.2011. The statement has been prepared by the company in accordance with the requirements of listing agreement Clause 32 read with the annexure attached thereto with Bombay Stock Exchange Limited and is based on and in agreement with corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 14.08.2011 to the members of the Company.

Place : Vijayawada
Date : 14.08.2011

For M/s. PINNAMANENI & CO.,
Chartered Accountants
Sd/-
P.V.V. Satyanarayana
Partner

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31.03.2011

	AMOUNT Rs.
CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit After Tax	14,478.69
Adjustment for	
Depreciation	5,936,110.03
Proposed Dividend	---
Profit / Loss on sale of asset	---
Interest & Finance Charges	6,650,031.03
Proef. Exp. W/o	---
Operating Profit/(Loss) before Working Capital charges	12,600,619.75
Adjustment for	
Increase / Decrease in Inventory	11,170.00
Increase / Decrease in Loans & Advances	(86,473.00)
Increase / Decrease in Other Current Assets	(2,960,000.00)
Increase / Decrease in Trade payables	15,203.68
Increase / Decrease in Provisions	1,162,758.53
Provision for Deferred Tax	996,338.00
Cash Generated from Operations (A)	11,739,616.96
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(5,473,503.00)
Sale of Fixed Assets	---
Purchase of Investments	---
Sale of Investment	---
Intrest Received	---
Dividend received	---
Finance Charges paid	(6,650,031.03)
Net Cash Flow from Investing Activities (B)	(12,123,534.03)
CASH FLOW FROM FINANCIAL ACTIVITIES	
Increase/Decrease in Minority Interest	125,000.00
Proceeds from Borrowings	1,050,593.00
Payment of Borrowings	(589,626.95)
Dividend Paid	---
Misc. Expenditure	(363,816.00)
Net Cash used in Financing Activities (C)	222,150.05
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(161,767.02)
Cash and Cash equivalents as at previous year	1,055,510.38
Cash and Cash equivalents as at current year	893,743.36

AUDITORS' REPORT

To

The Members of M/s. Dolphin Medical Services Ltd.

1. We have audited the attached Balance Sheet of M/s. Dolphin Medical Services Limited, as at 31st March, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the companies (Auditor's Report) Order (Amendment) 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 those books;.
 - c) The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representation received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Place : Vijayawada

Date : 14.08.2011

for **PINNAMANENI & Co.,**
Chartered Accountants,

Sd/-

P.V.V.SATYANARAYANA
Partner

ANNEXURE TO THE REPORT OF THE AUDITORS

Referred to in Paragraph 1 of our report of even date.

- 1.1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2. The fixed assets have been physically verified by the management during the period and no serious discrepancies have been noticed on such verification.
- 1.3. The Company not disposed substantial part of the fixed assets during the period and hence do not affect going concern status of the company.
- 2.1. The stock of inventory have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- 2.2. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate considering the size of the Company and the nature of its business.
- 2.3. No material discrepancies have been noticed on physical verification of stocks as compared to book records in so far as appears from our examination of the books.
03. According to the information and the explanations given to us, the Company has not granted any loans secured or unsecured to companies, firms or other parties to be listed in the Register to be maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clauses 4(iii)(b), 4(iii)(c) & 4(iii)(d) order are not applicable.
04. In our opinion and according to the information and explanations given to us, there are 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, we have not observed any continuing failure to correct major weaknesses in internal controls system.
05. According to the information and explanations given to us, we are of the opinion that the company has not purchased any goods, materials and had not sold goods, materials and services in pursuance of contracts or arrangements to be entered in the register to be maintained U/S 301 of the Companies Act, 1956. Accordingly clause 4(v)(b) is not applicable.
06. In our opinion and according to the information and explanations given to us and as shown by the books of accounts, the Company has not accepted deposits within the meaning Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956. Hence compliance of provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 does not arise.
07. In our opinion that the Company has an Internal Audit system commensurate with its size and nature of its Business.
08. We have been informed by the Company that the Central Government had not prescribed any cost records U/s. 209(1)(d) of the Companies Act, 1956 and hence the Company did not maintain any cost records.
- 9.1 According to the books and records examined by us and the information and explanations given to us, the company is regular in depositing with appropriate authorities the undisputed statutory dues payable in respect of Income-tax, Wealth-tax, Sales-tax, Service-tax, customs duty and excise duty which have remained outstanding as at 31st March, 2011 for a period exceeding six months from the date they became payable.
- 9.2 According to the books and records examined by us and the information and explanations given to us, there were no disputed amounts which are not deposited payable in respect of Income-tax, Wealth-tax, Sales-tax, Services-tax, customs duty and excise duty which have remained outstanding as at 31st March, 2011 for a period exceeding six months from the date they became payable.

10. The Company has accumulated losses at the end of the financial year. Further the Company has not incurred any cash losses during the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the Company, there were no defaults in repayment of its dues to financial institution during the year. The Company has not issued any debentures.
12. According to the books and accounts examined by us and the information and explanations given to us, the Company has not granted any loans and advances against security by way pledge of shares, debentures and other securities.
13. The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, the provisions of clause 4(xiii) of the Order is not applicable.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, is not applicable.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the books and records examined by us, and information and explanations given to us, the company has obtained term loan of Rs.665.45 lakhs from Canara Bank and the same was utilized for the purpose for which they have been sanctioned.
17. According to the information and explanations given to us, and books and records examined by us, no funds raised on short-term basis have been utilised for long-term investment.
18. According to the information and explanations given to us, and books and records examined by us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. According to the information and explanations given to us, the company has not issued debentures during the period under audit. Accordingly, the provisions of clause 4(xix) of the Order, is not applicable.
20. The company has not issued any money by public issues during the year.
21. During the course of our examination of the accounts of the Company in accordance with generally accepted auditing practices, we have not come across any instances of fraud on or by the Company, nor we have been informed by the management, of any such instance being the noticed or reported during the year.

Place : Vijayawada
Date : 14.08.2011

for **PINNAMANENI & Co.,**
Chartered Accountants

Sd/-
P.V.V.SATYANARAYANA
Partner

BALANCE SHEET AS ON 31.03.2011

PARTICULARS	Schedule	AS ON 31.03.2011 AMOUNT (Rs.)	AS ON 31.03.2010 AMOUNT (Rs.)
I. SOURCE OF FUNDS			
1. Share Holder's Funds			
a) Share Capital	1	150,999,520.00	150,999,520.00
b) Share Premium		23,689,704.00	23,689,704.00
c) Capital Reserve	2	3,225,000.00	3,225,000.00
2. Secured Loans			
- Canara Bank Loan		68,939,018.00	67,888,425.00
- HDFC Vehicle Loans		919,132.72	1,508,759.67
3. Deferred Tax Liability	4	5,817,739.00	4,821,401.00
TOTAL		253,590,113.72	252,132,809.67
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	11	165,734,529.88	155,429,369.88
b) Less: Depreciation		39,926,997.53	33,990,887.50
c) Net Block		125,807,532.35	121,438,482.38
d) Capital Work in Progress (including capital advances)		41,995,000.00	51,707,160.00
2. Expenditure during construction period, pending allocation (Net)		167,802,532.35	173,145,642.38
3. Investments	5	19,517,207.00	14,636,704.00
4. CURRENT ASSETS, LOANS & ADVANCES		5,025,000.00	4,725,000.00
a) Cash and Bank Balances	6	775,387.96	998,338.98
b) Deposits	7	835,453.00	835,453.00
c) Loans & Advances	8	27,781,264.00	27,694,791.00
d) Other Current Assets		3,234,091.61	274,091.61
e) Inventory		340,570.00	351,740.00
Less: CURRENT LIABILITIES & PROVISIONS		32,966,766.57	30,154,414.59
Current Liabilities & Provisions	9	2,279,623.81	1,101,661.60
Net Current Assets		30,687,142.76	29,052,752.99
5. Profit & Loss Account	3	804,066.61	818,545.30
6. Research & Development Expenditure		8,206,460.00	8,206,460.00
7. Miscellaneous Expenditure (to the extent not written off or adjusted)		21,547,705.00	21,547,705.00
TOTAL		253,590,113.72	252,132,809.67
8. Significant Accounting Policies and Notes on Accounts	12		

for DOLPHIN MEDICAL SERVICES LIMITED

Sd/-

Dr. G. V. MOHAN PRASAD

Managing Director

Sd/-

Dr. M. LAKSHMI SUDHA

Director

Place : Vijayawada

Date : 14.08.2011

As per our report of even date

for **PINNAMANENI & CO.,**

CHARTERED ACCOUNTANTS

Sd/-

P.V.V.SATYANARAYANA

Partner

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

PARTICULARS	FOR THE YEAR 2010-2011 (Rs.)	FOR THE YEAR 2009-2010 (Rs.)
INCOME		
<u>Medical Division :</u>		
Diagnostics & Other Allied Services	40,146,501.00	32,706,108.00
Biotech & Herbal Services	281,060.00	315,962.00
<u>Software Division:</u>		
Software Operations	221,000.00	415,700.00
Other Income	1,445,188.00	727,834.00
TOTAL	42,093,749.00	34,165,604.00
EXPENDITURE - SCHEDULE 10	28,261,432.25	22,494,158.42
Profit before Depreciation & Income Tax	13,832,316.75	11,671,445.58
Provision for Depreciation	5,936,110.03	5,670,505.00
Interest & Finance charges	6,650,031.03	5,271,543.45
Profit before Tax	1,246,175.69	729,397.13
Provision for Tax	235,359.00	122,279.00
Provision for Deferred Tax	996,338.00	1,507,139.00
Profit after Tax	14,478.69	(900,020.87)

for DOLPHIN MEDICAL SERVICES LIMITED

Sd/-

Dr. G. V. MOHAN PRASAD

Managing Director

Sd/-

Dr. M. LAKSHMI SUDHA

Director

Place : Vijayawada

Date : 14.08.2011

As per our report of even date

for **PINNAMANENI & CO.,**

CHARTERED ACCOUNTANTS

Sd/-

P.V.V.SATYANARAYANA

Partner

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 1		
AUTHORISED SHARE CAPITAL		
2,50,00,000 Equity Shares of Rs.10/- each	250,000,000.00	250,000,000.00
ISSUED CAPITAL		
1,62,75,300 Equity Shares of Rs.10/- each	162,753,000.00	162,753,000.00
SUBSCRIBED & PAIDUP CAPITAL		
Subscribed & Paid up Capital	150,999,520.00	150,999,520.00
SCHEDULE - 2		
Convertible Share Warrants		
32,25,000 Share Warrants of Rs.10/- each	---	32,250,000.00
Less: Amounts Receivable	---	29,025,000.00
	---	3,225,000.00
Transferred to Capital Reserve	3,225,000.00	3,225,000.00
SCHEDULE - 3		
RESERVES & SURPLUS		
Profit & Loss Account		
Opening Balance	(818,545.30)	81,475.57
Add: Profit during the year	14,478.69	(900,020.87)
Transferred to Balance Sheet	(804,066.61)	(818,545.30)
SCHEDULE - 4		
DEFERRED TAX LIABILITY		
Opening Balance	4,821,401.00	3,314,262.00
Add: Current Year (Asset)/Liability	996,338.00	1,507,139.00
TOTAL	5,817,739.00	4,821,401.00
SCHEDULE - 5		
INVESTMENTS		
Meridian Projects Limited	3,200,000.00	3,200,000.00
Cosmic Fortunes India Ltd	900,000.00	900,000.00
Bridge Corporate Services Pvt. Ltd.	475,000.00	325,000.00
Evum Life Sciences Pvt. Ltd.	450,000.00	300,000.00
TOTAL	5,025,000.00	4,725,000.00
SCHEDULE - 6		
CASH & BANK BALANCE		
Cash in Hand	312,997.00	249,320.00
Cash at Banks	462,390.96	749,018.98
TOTAL	775,387.96	998,338.98
SCHEDULE - 7		
DEPOSITS		
Rent Deposit	575,920.00	575,920.00
Telephone Deposit	53,000.00	53,000.00
Electricity Deposit	103,502.00	103,502.00
PF Deposit	103,031.00	103,031.00
TOTAL	835,453.00	835,453.00

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 8		
LOANS & ADVANCES		
(Advances recoverable in cash or kind or for value to be received)		
a) To Directors	---	---
b) To others	27,781,264.00	27,694,791.00
TOTAL	27,781,264.00	27,694,791.00
SCHEDULE - 9		
CURRENT LIABILITIES & PROVISIONS		
Liabilities	137,936.75	122,733.07
Provisions	2,141,687.06	978,928.53
TOTAL	2,279,623.81	1,101,661.60

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

PARTICULARS	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 10		
EXPENDITURE		
Chemicals, Films, kits consumables, disposables & Herbals etc.	7,945,483.00	6,275,940.00
Salaries	2,433,873.00	1,906,030.00
Directors Remuneration	4,020,000.00	4,020,000.00
Consultancy Charges	974,027.00	543,330.00
Incentives to Staff	499,750.00	385,410.00
Laboratory Maintenance	402,115.00	327,892.00
Repairs & Maintenance	2,386,058.00	2,029,932.00
Medical Expenses	453,447.00	339,867.00
Provident Fund to Staff	79,216.00	64,599.00
Rent	737,088.00	767,088.00
Misc. Amenities	262,900.00	210,640.00
Printing & Stationery	378,725.00	319,058.00
Postage & Telegrams	314,648.00	176,820.00
Staff Welfare	124,193.00	71,104.00
Conveyance	140,031.00	91,465.00
Travelling Expenses	1,956,322.00	1,558,754.22
Hospital Maintenance	478,933.00	323,041.00
Vehicle Maintenance	339,260.00	179,898.00
Books & Subscriptions	150,381.00	142,308.00
Advertisement	91,109.00	47,613.00
Rates, Taxes & Fees	12,597.00	43,964.00
Interest on Income Tax	23,292.00	62,052.89
Bank Charges	38,381.20	43,242.31
Computers Maintenance	359,296.05	207,100.00
Software Development	185,400.00	152,200.00
Share Transfer Expenses	42,894.00	54,579.00
Listing Fees	99,554.00	100,564.00
Generators Maintenance	236,741.00	172,400.00
Marketing Expenses	1,178,288.00	613,932.00
Telephone Charges	279,684.00	219,597.00
Electricity Charges	503,912.00	406,274.00
Insurance	144,457.00	74,944.00
Educational Updates	443,125.00	329,540.00
Seminars	526,252.00	212,980.00
Audit Fees	20,000.00	20,000.00
TOTAL	28,261,432.25	22,494,158.42

SCHEDULE - 11 - FIXED ASSETS AND DEPRECIATION SCHEDULE FOR THE PERIOD ENDED 31.03.2011

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	OPENING BALANCE	ADDITIONS	TOTAL	OPENING BALANCE	CURRENT PERIOD	TOTAL	CURRENT YEAR	PREVIOUS YEAR
Land & Land Development Expenditure	45,621,220.00	64,500.00	45,685,720.00	---	---	---	45,685,720.00	45,621,220.00
Furniture & Fittings	3,219,329.76	---	3,219,329.76	2,658,362.00	179,832.00	2,838,194.00	381,135.76	560,967.76
Steel Furniture	229,400.00	---	229,400.00	---	14,292.00	14,292.00	215,108.00	229,400.00
Plant & Machinery	86,244,817.37	10,112,160.00	96,356,977.37	18,773,593.50	4,962,231.00	23,735,824.50	72,621,152.87	67,471,223.87
Computers, Printers etc.	5,281,844.72	128,500.00	5,410,344.72	3,032,460.00	162,082.00	3,194,542.00	2,215,802.72	2,249,384.72
Fax, Copier & EPABX	404,801.00	---	404,801.00	44,848.00	26,584.00	71,432.00	333,369.00	359,953.00
Fans & A/Cs	743,998.00	---	743,998.00	106,277.00	51,292.00	157,569.00	586,429.00	637,721.00
Fixtures on Leasehold Buildings including Electrical Equipment & Accessories	8,353,602.03	---	8,353,602.03	8,259,351.00	94,251.03	8,353,602.03	---	94,251.03
Pagers	54,000.00	---	54,000.00	47,376.00	3,364.00	50,740.00	3,260.00	6,624.00
Laminator	13,000.00	---	13,000.00	11,640.00	919.00	12,559.00	441.00	1,360.00
Cellular Phone	67,975.00	---	67,975.00	23,568.00	4,235.00	27,803.00	40,172.00	44,407.00
Ambulance	256,856.00	---	256,856.00	22,702.00	18,160.00	40,862.00	215,994.00	234,154.00
Electrical Equipments	2,069,640.00	---	2,069,640.00	114,518.00	146,324.00	260,842.00	1,808,798.00	1,955,122.00
Vehicles	2,868,886.00	---	2,868,886.00	896,192.00	272,544.00	1,168,736.00	1,700,150.00	1,972,694.00
TOTAL	155,429,369.88	10,305,160.00	165,734,529.88	33,990,887.50	5,936,110.03	39,926,997.53	125,807,532.35	121,438,482.38

SCHEDULE 12: SIGNIFICANT ACCOUNTING POLICIES and NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2011

I. SIGNIFICANT ACCOUNTING POLICIES TO THE ACCOUNTS.

a. Basis of Preparation of Financial Statements

The financial statements have been prepared under historical cost convention and in conformity with the generally accepted accounting principles in India, applicable provisions of the Companies Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India.

b. Income and Expenditure

All items and expenditure shown in the statement having material bearing on the accounts are accounted on accrual basis.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition. Cost of acquisition is inclusive of freight, duties, levies, preparatory works, erection, installation and all incidentals attributable to bringing the asset to its working condition.

d. Capital Work in Progress

The assets under installation or under construction and related advances as at the Balance Sheet date are shown as Capital Work in Progress.

e. Depreciation

Depreciation is computed on Straight Line method basis in accordance with the provision of Schedule XIV of the Companies Act, 1956.

f. Investments

Investments are stated at cost of acquisition and the same are considered as long term investments.

g. Provision for Tax

Provision for tax has been computed on the basis of Profits in accordance with the Income Tax Act, 1961.

h. Deferred Income Tax

The Company has accounted for Deferred Tax in accordance with the Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

Deferred tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

The deferred Tax Liability for the current year amounting to Rs.9.96 Lakhs is shown in the Profit and Loss account under provision for Deferred tax. As at the year end, deferred Tax liability aggregates to Rs.58.17 Lakhs.

i. Employee Benefits

Provident fund: The Company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act, 1952.

j. Contingent Liabilities

Contingent Liabilities are generally not provided for in the accounts and are shown separately if any in the notes on accounts.

II. NOTES ON ACCOUNTS

Notes to the accounts forming part of Balance Sheet as on 31st March 2011 and Profit and Loss account for the year ended on that date.

1. The company is a holding company with investments in subsidiary companies.
2. All the fixed assets are located in India and are as detailed in Schedule.11
3. Remuneration to Auditors - Audit Fees : Rs.20,000/- .
4. The stocks are valued at cost or market value whichever is less.
5. Contingent liabilities not provided for.
6. Figures have been re-grouped wherever necessary.
7. Confirmation of balances are not obtained for sundry creditors and advances made.

Signatures to Schedules 1 to 12

for DOLPHIN MEDICAL SERVICES LIMITED

Sd/-

Dr. G. V. MOHAN PRASAD

Managing Director

Sd/-

Dr. M. LAKSHMI SUDHA

Director

Place : Vijayawada

Date : 14.08.2011

As per our report of even date

for PINNAMANENI & CO.,

CHARTERED ACCOUNTANTS

Sd/-

P.V.V.SATYANARAYANA

Partner

AUDITORS' CERTIFICATE ON CASH FLOW STATEMENT

We have examined the attached Cash Flow Statement of M/s. Dolphin Medical Services Limited for the year ended 31.03.2011. The statement has been prepared by the company in accordance with the requirements of listing agreement Clause 32 read with the annexure attached thereto with Bombay Stock Exchange Limited and is based on and in agreement with corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 14.08.2011 to the members of the Company.

Place :Vijayawada
Date :14.08.2011

For M/s. PINNAMANENI & CO.,
Chartered Accountants
Sd/-
P.V.V. Satyanarayana
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31.03.2011

	AMOUNT Rs.
CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit After Tax	14,478.69
Adjustment for	
Depreciation	5,936,110.03
Proposed Dividend	---
Profit / Loss on sale of asset	---
Interest & Finance Charges	6,650,031.03
Proef. Exp. W/o	---
Operating Profit/(Loss) before Working Capital charges	12,600,619.75
Adjustment for	
Increase / Decrease in Inventory	11,170.00
Increase / Decrease in Loans & Advances	(86,473.00)
Increase / Decrease in Deposits	---
Increase / Decrease in Other Current Assets	(2,960,000.00)
Increase / Decrease in Trade payables	15,203.68
Increase / Decrease in Provisions	1,162,758.53
Provision for Deferred Tax	996,338.00
Cash Generated from Operations (A)	11,739,616.96
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(5,473,503.00)
Sale of Fixed Assets	---
Purchase of Investments	(300,000.00)
Sale of Investment	---
Investment Received	---
Dividend received	---
Finance Charges paid	(6,650,031.03)
Net Cash Flow from Investing Activities (B)	(12,423,534.03)
CASH FLOW FROM FINANCIAL ACTIVITIES	
Proceeds from Convertible Share Warrants	---
Proceeds from Borrowings	1,050,593.00
Payment of Borrowings	(589,626.95)
Dividend Paid	---
Misc. Expenditure	---
Net Cash used in Financing Activities (C)	460,966.05
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(222,951.02)
Cash and Cash equivalents as at previous year	998,338.98
Cash and Cash equivalents as at current year	775,387.96

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

i. Registration Details

Registration No.

1	4	7	7	5
---	---	---	---	---

 State Code

0	1
---	---

Balance Sheet Date

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

 (Amount in Rs. Thousands)

ii. Capital Raised during the year Public Issue Rights Issue

N	I	L
---	---	---

N	I	L
---	---	---

iii. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

	Total Liabilities	Total Assets																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>5</td><td>3</td><td>5</td><td>9</td><td>0</td></tr></table>	2	5	3	5	9	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>5</td><td>3</td><td>5</td><td>9</td><td>0</td></tr></table>		2	5	3	5	9	0			
2	5	3	5	9	0													
2	5	3	5	9	0													
Source of Funds	Paidup Capital	Share Premium	Capital Reserve															
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>5</td><td>0</td><td>9</td><td>9</td><td>9</td></tr></table>	1	5	0	9	9	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>3</td><td>6</td><td>9</td><td>0</td></tr></table>	2	3	6	9	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>2</td><td>2</td><td>5</td></tr></table>	3	2	2	5
1	5	0	9	9	9													
2	3	6	9	0														
3	2	2	5															
	Secured Loans	Deferred Tax Liability																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>6</td><td>9</td><td>8</td><td>5</td><td>8</td></tr></table>	6	9	8	5	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>5</td><td>8</td><td>1</td><td>8</td></tr></table>		5	8	1	8						
6	9	8	5	8														
5	8	1	8															
Application of Funds	Net Fixed Assets	Expenditure during construction period	Investments															
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>6</td><td>7</td><td>8</td><td>0</td><td>3</td></tr></table>	1	6	7	8	0	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>9</td><td>5</td><td>1</td><td>7</td></tr></table>	1	9	5	1	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>5</td><td>0</td><td>2</td><td>5</td></tr></table>	5	0	2	5
1	6	7	8	0	3													
1	9	5	1	7														
5	0	2	5															
	Net Current Assets	Misc. Expenditure																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>0</td><td>6</td><td>8</td><td>7</td></tr></table>	3	0	6	8	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>9</td><td>7</td><td>5</td><td>4</td></tr></table>		2	9	7	5	4					
3	0	6	8	7														
2	9	7	5	4														
	Accumulated Losses																	
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>0</td><td>4</td></tr></table>	8	0	4														
8	0	4																

iv. Performance of Company (Amount in Rs.Thousands)

Gross Income	Total Expenditure										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>2</td><td>0</td><td>9</td><td>4</td></tr></table>	4	2	0	9	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>0</td><td>8</td><td>4</td><td>8</td></tr></table>	4	0	8	4	8
4	2	0	9	4							
4	0	8	4	8							
Profit Before Tax	Profit after Tax										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>2</td><td>4</td><td>6</td></tr></table>	1	2	4	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>0</td><td>1</td><td>1</td></tr></table>	1	0	1	1		
1	2	4	6								
1	0	1	1								
Earning Per Share in Rs.											
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>0.</td><td>0</td><td>7</td></tr></table>	0.	0	7								
0.	0	7									

v. Generic Names of Three Principal Products/Services of the Company (as per Monetary terms)

DIAGNOSTIC, OPHTHALMIC & SOFTWARE SERVICES

For DOLPHIN MEDICAL SERVICES LIMITED

Sd/-
Dr. G.V. MOHAN PRASAD
Managing DirectorSd/-
Dr. M. LAKSHMI SUDHA
DirectorPlace : Vijayawada
Date : 14.08.2011

ATTENDANCE SLIP

DOLPHIN MEDICAL SERVICES LIMITED

Regd. Office: # 417, Sanali Heavens, Ameerpet, HYDERABAD - 500 073, A.P. India

Please complete this attendance slip and hand it over at the entrance of the hall.

- * Only members or their proxies are entitled to be present at the meeting.
- * Please note that children will not be allowed inside the meeting hall.

FOLIO NO.	NO.OF SHARES
NAME & ADDRESS	

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company at Neni Hi-tech Club, 169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad - 500 011, A.P. India on Thursday, the 29th September, 2011 at 09.30 A.M

SIGNATURE OF THE * SHAREHOLDER / PROXY
--

* Strike whichever is not applicable

Note : If you are attending the meeting in person or by proxy, the Balance Sheet of your Company may please be brought with you for your reference at this meeting.

===== CUT HERE =====

ATTENDANCE SLIP

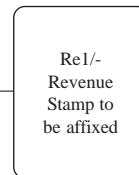
DOLPHIN MEDICAL SERVICES LIMITED

Regd. Office: # 417, Sanali Heavens, Ameerpet, HYDERABAD - 500 073, A.P. India

I/We _____ being a
 Member / Members of DOLPHIN MEDICAL SERVICES LIMITED hereby appoint _____
 _____ son of _____ or failing him
 _____ son of _____ or failing him
 _____ son of _____ as my / our
 proxy to attend and vote for me / us and on my / our behalf at the NINETEENTH ANNUAL GENERAL MEETING of the
 Company to be held on Thursday, the 29th September, 2011 and any adjournment thereof.

Dated this _____ day of _____ 2011.

Signed by the said _____



NOTE The proxy form duly signed by the member(s) across Re.1/- revenue stamp should reach the Company's Share Department at the Registered Office of the Company atleast 48 hours before the time fixed for the meeting.

**BOOK - POST
PRINTED MATTER**

If Undelivered Please return to :

 **Dolphin**
Medical Services Limited

Regd. Office: # 417, Sanali Heavens, Ameerpet, HYDERABAD - 500 073, A.P. India.