

Dolphin

Medical Services Limited



**13th ANNUAL REPORT
2004 - 2005**

Regd. Office: Ramachandra Rao Road, VIJAYAWADA - 520 002, A.P. India.
Website: www.dolphinmedicalindia.com

BOARD OF DIRECTORS

Dr. G.V. MOHAN PRASAD
Dr. M. LAKSHMI SUDHA
Mr. G. MALLIKHARJUNA RAO

Managing Director
Executive Director
Director

AUDITORS

M/s.PINNAMANENI & CO.
Chartered Accountants
3 & 4 Ground Floor
Ram's VSR Apartments
Near P.B. Siddhartha Public School
Moghulraj Puram
VIJAYAWADA - 520 010

REGISTERED OFFICE

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

SHARE TRANSFER AGENTS

M/s.IKON VISIONS PVT. LTD.
Flat No.33, Ground Floor
Sanali Heavens, 8-3-948
Ameerpet
HYDERABAD - 500 073

BANKERS

THE FEDERAL BANK LIMITED
CANARA BANK
ICICI BANK
HSBC BANK

THIRTEENTH ANNUAL GENERAL MEETING

Date .. Thursday, 29th September, 2005

Time .. 11.00 A.M.

Venue .. Registered Office of the Company
Ramachandra Rao Road
Suryaraopet
VIJAYAWADA - 520 002

CONTENTS

PAGE NOS.

01. Notice	..	2
02. Directors' Report	..	4
03. Auditors' Report	..	11
04. Balance Sheet	..	13
05. Profit & Loss Account	..	14
06. Schedules	..	15
07. Cash Flow Statement	..	19
08. Balance Sheet Abstract	..	21

NOTICE OF 13th ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of DOLPHIN MEDICAL SERVICES LIMITED will be held on Thursday the 29th September 2005 at 11.00 A.M. at the Registered Office of the Company at Ramachandra Rao Road, Suryarao pet, Vijayawada - 520 002, A.P. INDIA to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2005 and Reports of the Directors and Auditors thereon.
2. To appoint director in place of Mr. G. Mallikharjuna Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.
4. To Consider and if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT, pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, subject to the regulations, if any, of the Reserve Bank of India, consent of the Company be and is hereby accorded to the Board of Directors, to borrow from time to time such sum or sums of money from the Company's Bankers and/or from any one or more persons, Companies, bodies Corporate or Financial Institutions/Banks, whether by way of Cash Credit, advance or loans or by issue of debentures or otherwise and whether unsecured or secured by mortgage, charge, hypothecation, lien, or pledge of all or any assets or properties of the Company, whether movable or immovable whether existing or future, not with standing that the moneys borrowed together with the money already borrowed by the company, apart from the temporary Loans obtained from company's Bankers or other lender(s) in the ordinary course of business, may exceed the aggregate of paid Up Capital and Free Reserves of the Company, that is to say reserves not set apart for any specific purpose, provided that the total amount to be borrowed by the board of Directors shall not exceed Rs.200 Crores (Rupees Two hundred Crores Only)."

5. To Consider and if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a), and other applicable provisions, if any, of the Companies Act, 1956, subject to the regulations, if any, of the Reserve Bank of India, to the Board of Directors of the Company to mortgage/charge/hypothecate/pledge, from time to time on such terms and conditions as it may deem fit, the assets and properties of the Company, whether movable or immovable and both present and future, in favour of Banks, financial institutions and others under loan agreement(s) and/or hypothecation deed(s) to be executed by the Company in their favors towards loans already availed or to be availed from them or offer corporate guarantee to Banks, Financial Institutions and others for the Asset Management/other purposes subject, however that the aggregate value of such loans outstanding at any one time shall not exceed a sum of Rs.200 Crores (Rupees Two hundred Crores Only)."

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and Schedule XIII(as amended) and other applicable provisions, if any of the Companies Act, 1956, the consent of the Company be and is hereby accorded to increase the remuneration of Dr.G.V. Mohan Prasad, Managing Director of the Company from Rs.41,000/- per month to Rs.1,00,000/- per month by way of salary and the perquisites shall be allowed and they shall be restricted to an amount not exceeding Rs.50,000/- per month or Rs.6,00,000/- per annum with effect from 01.10.2005, other terms and conditions contained in the Resolution passed at the 11th Annual General Meeting remain unchanged."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and Schedule XIII(as amended) and other applicable provisions, if any of the Companies Act, 1956, the consent of the Company be and is hereby accorded to increase the remuneration of Dr.M.Lakshmi Sudha, Director of the Company from Rs.36,000/- per month to Rs.75,000/- per month by way of salary and the perquisites shall be allowed and they shall be restricted to an amount not exceeding Rs.37,500/- per month or Rs.4,50,000/- per annum with effect from 01.10.2005, other terms and conditions contained in the Resolution passed at the 11th Annual General Meeting remain unchanged."

8. Any other matter with the permission of the chair.

NOTES FOR MEMBERS ATTENTION

1. Notice is also given that the Register of Members and Share Transfer books in respect of Equity Shares of the Company will remain closed on 05.09.2005.
2. A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
3. The instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than Forty Eight hours before the commencement of the Meeting.
4. Share holders are requested to notify change in address if any, immediately to the Company's Registrars.
5. Share holders are requested to bring their copies of Annual Report to the Meeting. Copies of the Annual Report will not be available for distribution to Shareholders at the Hall.
6. Share holders attending the Meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting place.
7. Share holders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

8. All Shareholders are advised to send their certificates for transfer & DEMAT directly to the Share Transfer Agents.

M/S. IKON VISIONS PVT. LTD.,
Flat No.33, Ground Floor,
Samali Heavens, 8-3-948
AMEERPET, HYDERABAD-500 073.

BY ORDER OF THE BOARD
for DOLPHIN MEDICAL SERVICES LIMITED
Sd/-
Dr.G.V.MOHAN PRASAD
MANAGING DIRECTOR

Place : Vijayawada
Date : 12.08.2005

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING

Explanatory Statements (Under Section 173(2) of the Companies Act, 1956)

ITEM No.4

To enhance the profitability of the Company, the Board of Directors proposes to open multipurpose medical centers in major cities, which also serve to perform or undertake additional activities like Knowledge Process Outsourcing (KPO), Early development lab services, Clinical development services-clinical trials, Tele Radiology etc. To achieve this vision and business plan of the company as mentioned in the Directors Report, the Board of Directors proposed to raise the required funds by way of Rights to the existing Share holders, which is already in the process as per the earlier approval of the shareholders. In addition to this, the Board proposes to implement the business plan in its totality, by raising further funds by way of borrowing from National/International funding organizations/Banks/Financial Institutions if required and also explore any other possibilities to meet the objectives of the said business plan.

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors shall not except with the consent of the Company in General Meeting, borrow monies apart from temporary loans obtain from the Bankers/Financial Institutions in the ordinary course of business, in excess of the aggregate paid Up Capital and Free Reserves of the Company. According to Explanation 1 to the Section, every resolution passed in the General Meeting of the Company in resolution to the exercise of the above powers shall specify the total amount up to which monies may be borrowed by the Board of Directors over and above the Paid Up Capital and Free Reserve. Hence, Resolution as set out in the item No.4 is recommended for your approval.

None of the Directors of the Company is concerned or interested in this resolution.

ITEM No.5

The borrowings of the Company are in general required to be secured by suitable mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company from time to time, in consultation with the Lender(s).

The mortgage and/or charge by the Company of its movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company in favour of the Lender(s), with a power to take over the management of the business and concern of the Company in certain events of default by the Company, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956 requiring the approval of the members under that Section. Hence, the resolution as set out in item No.5 is proposed for your approval.

None of the Directors of the Company is concerned or interested in this resolution.

ITEM No.6

Keeping in view the valuable services rendered by Dr.G.V. Mohan Prasad, Managing Director of the Company, the Board of Directors at its meeting held on 30.07.2005 has decided to increase the salary of him from Rs.41,000/- per month to Rs.1,00,000/- per month and the perquisites shall be allowed and they shall be restricted to an amount not exceeding Rs.50,000/- per month or Rs.6,00,000/- per annum, with effect from 01.10.2005. Except the increase in monthly salary and perquisites, other terms and conditions contained in the resolution passed in the 11th Annual General Meeting held on 11.09.2003 remain unchanged.

The proposed increase in remuneration is within the limits prescribed by Schedule XIII of the Companies Act, 1956.

The special resolution as set out in item 6 is recommended for your approval.

None of the Directors except Dr.G.V. Mohan Prasad are interested in this resolution.

The above may be treated as disclosure required under Section 302 of the Companies Act, 1956.

ITEM No.7

Keeping in view the valuable services rendered by Dr.M.Lakshmi Sudha, Director of the Company, the Board of Directors at its meeting held on 30.07.2005 has decided to increase the salary of her from Rs.36,000/- per month to Rs.75,000/- per month and the perquisites shall be allowed and they shall be restricted to an amount not exceeding Rs.37,500/- per month or Rs.4,50,000/- per annum, with effect from 01.10.2005. Except the increase in monthly salary and perquisites, other terms and conditions contained in the resolution passed in the 11th Annual General Meeting held on 11.09.2003 remain unchanged.

The proposed increase in remuneration is within the limits prescribed by Schedule XIII of the Companies Act, 1956.

The special resolution as set out in item 7 is recommended for your approval.

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

The above may be treated as disclosure required under Section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting the Thirteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2005.

OPERATIONS :

The Operating results for the year under review are as follows:

(Rs. in Lakhs)

Particulars	2004-2005	2003-2004
Operating Receipts	155.72	123.78
Other Receipts	10.26	8.92
Profit before Depreciation & Tax	58.53	49.76
Depreciation	25.26	24.52
Public & Prel. Exps. written off	7.09	7.09
Profit After Tax	25.20	13.36

During the year the Company has received Gross Receipts of Rs.165.98 lakhs resulting to a Gross Profit of Rs.58.53 Lakhs and Profit after Income Tax of Rs.25.20 lakhs.

The company was able to withstand the tough competition in the market and still enhance the profitability of the company. The present status of the Company is that the Company is debt free and is profit making for the past 3 years with the profits increasing year after year.

To further enhance the profitability of the Company to a greater quantum, the Company has envisaged an ambitious and a novel expansion plan in a big way, for which the necessary ground work is being made. The company has added a new dimension to its vision by venturing into the area of range diagnostic tools and equipment and other healthcare products. The company in order to sustain and enhance its Market shares at the National level has adopted a new strategy by working towards expansion of its activities and starting operations at major Metros of the country. The first step in this direction is to open multipurpose Medical centers which in addition to catering to diagnostic requirements, also serves to do additional activities like Knowledge Process Outsourcing (KPO), Early development lab services, Clinical development services-clinical trials, Tele Radiology etc. For this purpose the company is entering into associations/franchise agreements with the local organizations in the respective places on the lines of other successful business models in this sector. This strategy will enhance the profitability of the company and also serves to manage the centres effectively while helping the company to achieve its business targets with the minimum investment. The company has already got a break through in place like Mumbai. The diagnostic infrastructure contemplated for the Company in various cities is propose to be utilized for additional revenue earning activities, which are recently developed in the world as mentioned above. The Company has already identified the necessary contacts and organizations to execute the said expansion activities of the Company.

In the area of Knowledge Process Outsourcing (KPO), which is a comparatively very recently introduced business activity in the world, the company has already been negotiating with a foreign firm and is in the process of entering a MOU with it. This will be a huge profit earning proposition for the Company.

The necessary tie ups in other areas of activities like Tele Radiology, Clinical Trials are also being worked out.

The Company had been doing a fair business as of now, however the company now intends to expand its activities by implementing modernization of the machineries and installation of high end equipments in order to up date the existing medical systems for the benefit of the general public.

The Company propose to expand the scope of operations of the company in the areas of biotechnology, nanotechnology, distribution of medical equipment and related health care products in addition to providing quality health care services.

The company has already signed a MOU with a foreign company, to introduce a unique medical equipment with extraordinary diagnostic precision for a wide range of diseases (which is hitherto not available in India) to the Indian market. This will enhance the revenue/profit remarkably to the Company.

The opening of centers at major cities will also extend an opportunity to the company to effectively distribute the Diagnostic Tools and Equipments in a highly potential market. This will enable the company to replicate its strategy in other major cities of country. In nutshell the focus of the company has been now-shifted to the National and International Market. The company is confident of making its presence felt in the bigger market areas shortly with advanced Technologies and Equipments.

BUSINESS PLAN OF THE COMPANY

1. Establishment of sophisticated and modern diagnostic centers – which in addition to the regular and well known diagnostic equipment – have a revolutionizing and very new – (yet to be introduced in India) – diagnostic tool exclusive to DMSL centers in India.
2. The establishment of the planned diagnostic centres in bigger cities which still have a lot of demand supply gap, will benefit DMSL in many ways – in addition to greatly enhancing the operations of the company.

They are :

- Better Corporate image
 - Enhanced Market Share
 - Ability to provide better services
 - The presence of DMSL in big cities and the existing infrastructure may thereby be used for the other proposed add on activities of the company (mentioned below).
3. With the availability of sophisticated infrastructure in big cities, skilled manpower with expertise, DMSL will be positioned as the preferred partner for "Knowledge Process Outsourcing" (KPO) for research institutes, academic labs and industrial partners in the field of medicine and medical biotechnology.
 4. The presence of sophisticated laboratory services in big cities in India will enable to fulfill the company's plan of expanding to 'Drug Development Services' (Clinical Trials). DMSL to focus on Medical services of two types:

- "Early Development Lab Services" (EDLS) that will leverage on existing infrastructure to be the preferred hub for pathology and radiology services.
- "Clinical Development Services (CDS) or Clinical Trials" that will use Dolphin and its affiliates as a preferred partner for phase I to phase IV clinical testing of new chemical entities and drugs for clinical trials.

The Company will focus on a variety of therapeutic categories such as Oncology, metabolic disorders and infective diseases.

The plan of expanding to more places in the country will greatly help in conducting the much preferred multisite, multicentric clinical trials for domestic and foreign pharmaceutical companies.

5. The Company has acquired the sole and exclusive distribution rights of a latest and most recent innovative diagnostic medical equipment for the whole territory of India. The functioning of this equipment is based on a totally different concept to that of the existing technologies and is called – "Molecular Resonance Imaging technology". It is basically an immediate non-invasive, screening technique based on Quantum medicine, and is useful to identify the malfunctioning of various body systems and organs, based on which, we could further carryout specialized investigation of that particular part and thus be able to pin point the exact disease.

This next generation linear machine may revolutionize the medical industry.

6. DMSL has entered in to an MOU with a nanotechnology company M/s. Biomix Network (P) Ltd. Which has its operational base in Mumbai and also offices in USA. Biomix is working on an innovative range of products in the diagnostic and pharmaceutical, health care, sectors.

The following are the products being developed by Biomix.

- "Lab on Chip" a Revolutionising, innovative discovery by M/s Biomix Network Pvt. Ltd. (BNPL). BNPL has developed innovative, cost effective & simple to use diagnostic kits based on micro cantilever diagnostics for infectious diseases viz. Hepatitis B as a model and then the same approach will be extended to other diseases viz. AIDS, Malaria, TB, Typhoid and other tropical diseases.

Developing rapid diagnostic tools particularly in the area of infectious diseases is the need of the hour. Rapid, cost-effective and point-of-care sensing devices render medical care effective.

Conventional methods take long time and need highly skilled manpower to carry out these tests. A simple and inexpensive device which requires very low skilled levels will be of use at the primary Healthcare centres providing health for all Globally.

Biomix has also developed 'Hospital on Chip' – Virtual Speciality Hospital (VSH) – Tele-Medicine Platform and 'AIKAT' – software platform for web based clinical trials and Telemedicine.

These products will eventually become World Standard & universal operating System for Pharma R&D (US\$80 Billion) & e health delivery (US\$ 38 Billion) for healthcare industry.

BUSINESS PLAN OF THE COMPANY:

1. Establishment of sophisticated and modern diagnostic centers – which in addition to the regular and well known diagnostic equipment – have a revolutionizing and very new – (yet to be introduced in India) – diagnostic tool exclusive to DMSL centers in India.
2. The establishment of the planned diagnostic centres in bigger cities which still have a lot of demand supply gap, will benefit DMSL in many ways – in addition to greatly enhancing the operations of the company.

They are :

- Better Corporate image
- Enhanced Market Share
- Ability to provide better services
- The presence of DMSL in big cities and the existing infrastructure may thereby be used for the other proposed add on activities of the company (mentioned below).

3. With the availability of sophisticated infrastructure in big cities, skilled manpower with expertise, DMSL will be positioned as the preferred partner for “Knowledge Process Outsourcing” (KPO) for research institutes, academic labs and industrial partners in the field of medicine and medical biotechnology.
4. The presence of sophisticated laboratory services in big cities in India will enable to fulfill the company’s plan of expanding to ‘Drug Development Services’ (Clinical Trials). DMSL to focus on Medical services of two types:

- “Early Development Lab Services” (EDLS) that will leverage on existing infrastructure to be the preferred hub for pathology and radiology services.
- “Clinical Development Services(CDS) or Clinical Trials” : that will use Dolphin and its affiliates as a preferred partner for phase I to phase IV clinical testing of new chemical entities and drugs for clinical trials.

The Company will focus on a variety of therapeutic categories such as Oncology, metabolic disorders and infective diseases.

The plan of expanding to more places in the country will greatly help in conducting the much preferred multisite, multicentric clinical trials for domestic and foreign pharmaceutical companies.

5. The Company has acquired the sole and exclusive distribution rights of a latest and most recent innovative diagnostic medical equipment for the whole territory of India. The functioning of this equipment is based on a totally different concept to that of the existing technologies and is called - “Molecular Resonance Imaging technology”. It is basically an immediate non-invasive, screening technique based on Quantum medicine, and is useful to identify the malfunctioning of various body systems and organs, based on which, we could further carryout specialized investigation of that particular part and thus be able to pin point the exact disease.

This next generation linear machine may revolutionize the medical industry.

6. DMSL has entered in to an MOU with a nanotechnology company M/s. Biomix Network (P) Ltd. Which has its operational base in Mumbai and also offices in USA. Biomix is working on an innovative range of products in the diagnostic and pharmaceutical, health care, sectors.

The following are the products being developed by Biomix.

“Lab on Chip” a Revolutionising innovative discovery by M/s Biomix Network Pvt. Ltd. (BNPL) BNPL has developed innovative, cost effective & simple to use diagnostic kits based on micro cantilever diagnostics for infectious diseases viz. Hepatitis B as a model and then the same approach will be extended to other diseases viz. AIDS, Malaria, TB, Typhoid and other tropical diseases.

Developing rapid diagnostic tools particularly in the area of infectious diseases is the need of the hour. Rapid, cost-effective and point-of-care sensing devises render medical care effective.

Conventional methods take long time and need highly skilled manpower to carry out these tests. A simple and inexpensive device which requires very low skilled levels will be of use at the primary Healthcare centres providing health for all Globally.

Biomix has also developed ‘Hospital on Chip’ – Virtual Speciality Hospital (VSH) – Tele-Medicine Platform and ‘AIKAT’ – software platform for web based clinical trials and Telemedicine.

These products will eventually become World Standard & universal operating System for Pharma R&D (US\$80 Billion) & e health delivery (US\$ 38 Billion) for healthcare industry.