Dolphin

Medical Services Limited

DMS

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	Managing Director
Dr. M. LAKSHMI SUDHA	Director
Mr. VINAY VISHNURAJ NAYAK	Independent Director
Mr. NARENDRA SEENA KARKERA	Independent Director
Mr. M. HEMANTH KUMAR	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 graduatiion 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 fulfledged 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 prospectous' 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 becasue 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 casued 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 bey 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 rennovation & modification of the leased out huge premises for this purpose. Because of this, the substantial expenditure spent on the Hyderabad Unit till then become 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). Inspite 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 faciilties. 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

Place: Vijayawada,
Date: 14.08.2011.

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

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: