

SIXTEENTH
A N N U A L
R E P O R T
2 0 0 9 - 1 0



LINCOLN

PHARMACEUTICALS LTD.

HEALTHCARE FOR ALL

NOTICE

NOTICE is hereby given that the **Annual General Meeting** of the Members of the Company will be held on Thursday, the 30th day of September, 2010 at 10.30 a.m. at LINCOLN HOUSE ,Behind Satyam Complex, Science City Road, Sola, Ahmedabad-380060 to transact the following business:

ORDINARY BUSINESS

- (1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2010 and Profit and Loss Account for the year ended on that day together with the Directors' Report and the Auditors' Report thereon.
- (2) To declare Dividend on Equity Shares.
- (3) To appoint a Director in place of Shri Pirabhai Suthar, who retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri Kishorbhai Shah, who retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
- (5) To consider and if thought fit, to pass with or without modifications, the following, resolution as an Ordinary Resolution :
"RESOLVED THAT M/s. CHANDULAL M. SHAH & CO, Chartered Accountants, Ahmedabad (Firm Reg. No. : 101698 W) be and are hereby appointed as Auditors of the Company in place of M/s. Rajendra N. Shah & Co , Chartered Accountants, to hold office till the conclusion of the next Annual General Meeting of the Company at a remuneration as may be decided by the Board of Directors of the Company in discussion with the Auditors."

SPECIAL BUSINESS

- (6) To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, approval be and is hereby granted for the re-appointment of Shri Arvind G. Patel as a Whole Time Director of the Company for a period of 5 years commencing from 1st July, 2010 on the terms and conditions as stated below :
 - (1) **Salary :**
Rs. 60,000/- per month in the scale of Rs. 60,000/- — Rs. 7,500/- — Rs. 1,05,000/-, the first annual increment will fall due on 01-04-2011.
 - (2) **Perquisites :**
 1. *House Rent Allowance* at the rate of 25% of Salary.
 2. *Medical Reimbursement:* Expenses incurred for self and his family subject to a ceiling of Rs. 15,000/- in a year.
 3. *Conveyance allowance:* Reimbursement of conveyance expenses not exceeding Rs. 5,000/- per month.
 4. *Uniform allowance :* Reimbursement of uniform expenses not exceeding Rs. 5,000/- per month.
 5. *Leave Travel Concession:* Reimbursement of Leave Travel Concession expenses not exceeding Rs. 5,000/- per month.
 6. *Book and periodical:* Reimbursement of Book and periodical expenses not exceeding Rs. 1,000/- per month.
 7. *Other allowances & perquisites :* other allowances & perquisites not exceeding Rs. 5,000/- per month."
"RESOLVED FURTHER THAT he shall be liable to retire by rotation"
"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to enhance, enlarge, alter, or vary the scope and quantum of remuneration and perquisites of Shri Arvind G. Patel which should be in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and/or the Rules and Regulations made there under and/or such guidelines as may be announced by the Central Government from time to time."
"RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, aforesaid Director be paid the above remuneration and benefits as the minimum remuneration subject to the ceiling as prescribed in section II of the part II of Schedule XIII of the Companies Act, 1956."
- (7) To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
 - A. "RESOLVED THAT pursuant to the provision of Section 94 ,97 and all other applicable provisions, if any, of the companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs.120,000,000/- (Rupees Twelve Crores) divided into 12,000,000 (One Crores Twenty Lacs) equity shares of Rs. 10/- (Rupees Ten Only) each to Rs. 20,00,00,000

(Rupees Twenty Crores Only) by creation of 80,00,000 (Eighty Lacs) equity shares of Rs. 10/- (Rupees Ten Only) each, with the rights, privileges and conditions attaching thereto as are provided by the regulations of the company for the time being with the powers to increase or reduce its capital and to divide the shares into the capital for the time being into other classes thereto respectively such preferential, deferred, qualified or other special rights privileged conditions, or restriction, as may be determined by in accordance with the Articles of Association of the company and to vary, modify or abrogate any such rights, privileges or conditions or restriction in such manner as may for the time being permitted by the Articles of the company or the legislative provisions for the time being in force in that behalf.

B. “RESOLVED THAT pursuant to the provision of Section 16 and all other applicable provisions if any, of the Companies Act, 1956 the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and the following be and is hereby substituted in its place as a new Clause “V”

V. The Authorised Share Capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crores Only) divided into 20,00,000 (Two Crores) Equity shares of Rs. 10/- (Rupees Ten Only) each.

(8) To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and subject to the provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to the approval, consent, permission and/or sanction, as may be necessary of any other appropriate authority, if any, Institution or Body and subject to such terms, conditions, alterations, corrections, changes, variations and/or modifications, if any, as may be prescribed by appropriate authority in granting such approval, consent, permission and/or sanction, consent of the Company be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the “Board” which term shall be deemed to include any Committee duly constituted by the Board of Directors or any Committee which the Board of Directors may hereafter constitute, to exercise one or more of its powers including the powers conferred by this resolution) to issue, offer and allot upto 50,00,000 (Fifty Lacs) Equity Shares on preferential basis at a price of Rs.41/- per Share (Rs. 10/- face value + Rs. 31/- Premium) being the price which is in accordance with the SEBI guidelines for preferential issues, to the following entities(s).

Sr. No.	Name of the Proposed Allottees	Maximum No. of Equity Shares to be allotted
1.	Allantis Exim Pvt. Ltd	5,00,000
2.	Advent Tradelink Pvt. Ltd	15,00,000
3.	Digital Biotech Pvt. Ltd.	15,00,000
4.	Unichem Dyes And Drugs Pvt. Ltd	15,00,000
	Total	50,00,000

“RESOLVED FURTHER THAT Equity Shares to be issued at a price of Rs.41/- (Rs.10/- face value + Rs.31/- premium), is determined in accordance with the prevailing SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 . “

“RESOLVED FURTHER THAT the ‘Relevant date’ for the preferential issue, as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for the determination of applicable price for Equity Shares is 31st August, 2010.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the agencies involved in such issues but subject to such conditions as the appropriate authority may impose at the time of their approval as agreed by the Board and also authorised to provide necessary undertakings as may be required in case of recomputation of price of Equity shares”

“RESOLVED FURTHER THAT the issue of Equity Shares shall rank pari passu with the existing equity shares of the Company in all respects.”

“RESOLVED FURTHER THAT for the purpose of creating, issuing, offering and allotting Equity Shares of the Company as aforesaid, the Board be and is hereby authorized to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, desirable or appropriate to give effect to this resolution in all respects and in particular, to settle any questions, difficulties or doubts that may arise with regard to the offering, issuing, allotting and utilizing the issue proceeds of the Equity Shares of the Company, as it may, in its absolute discretion, deem fit and proper.”

**BY ORDER OF THE BOARD
FOR LINCOLN PHARMACEUTICALS LIMITED.**

Place : Registered office
“LINCOLN HOUSE”
B/h. Satyam Complex,
Science City road, Sola, Ahmedabad

Date :31st August,2010

(P. N. PATEL)
COMPANY SECRETARY

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER.** Proxies in order to be valid must be delivered at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of the special business(s) are annexed hereto.
3. A special notice in terms of Section 190 of the Companies Act, 1956 has been received under Section 225(1) from a member proposing the appointment of M/s. Chandulal M. Shah & Co., Chartered Accountants, as the Auditors of the Company in place of M/s. Rajendra N. Shah & Co., Chartered Accountants, the retiring auditors of the company. The retiring auditors have informed the company that they have no representation to make for notification to the members of the company relating to special notice.
4. Members are request to notify the changes, if any, in their registered address.
5. The Register of Members and Share Transfer Book of the Company shall remain closed from Saturday, 25th day of September, 2010 to Thursday, 30th September, 2010 (both days inclusive) for the purpose of Annual General Meeting and payment of Dividend.
6. Members are requested to bring their copy of Annual Report to the meeting.
7. Members desiring to seek information on Annual Accounts to be explained at the meeting are requested to send their queries at least ten days before the date of the meeting so that the information can be made available at the meeting.
8. Information required to be furnished under the Listing Agreement, as required under the Listing Agreement with the Stock Exchanges, the particulars of Directors who are proposed to be re-appointed, are given below:
 - I. Name : Shri Pirabhai R. Suthar
Date of Birth : 07-05-1946
Qualification : M.B.B.S.
Expertise : Medical Professional
 - II. Name : Shri Kishorbhai M. Shah
Date of Birth : 04-03-1944
Qualification : Matriculation
Expertise : Eminent Business man
 - III. Name : Shri Arvind G. Patel
Date of Birth : 29-09-1950
Qualification : B.E. (Electrical)
Expertise : Planning, Project implementation and export activities.

EXPLANTORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 6**

The Board of Directors of the Company has re-appointed Shri Arvind G. Patel as a Whole-time Director of the Company for a period of five years with effect from 1st July, 2010.

The Directors are of the view that the re-appointment of Shri Arvind G. Patel as a Whole-time Director of the Company would be beneficial and in the interest of the Company and remuneration payable to him is commensurate with his experience and ability. Remuneration payable to him has been recommended and approved by the Remuneration Committee of the Board of Directors of the Company.

Pursuant to provisions of section 198, 269, 309, 310, and Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members is required. In view of the same , necessary resolution has been proposed.

Your Directors recommend the resolution as embodied in the notice to be passed with or without modifications as an Ordinary Resolution.

Shri. Arvind G. Patel, himself and Shri. Mahendra G. Patel, Shri Rajnibhai G. Patel, being relatives are deemed to be concerned or interested in the proposed resolution.

Item No. 7

The present Authorised Share Capital of the Company is Rs. 12 Crores divided into 1.20 Crores Equity shares of Rs. 10/- each. With the view to invite further capital in the company, it is necessary to increase the Authorised Share Capital of the company to Rs. 20 Crores divided into 2 Crores equity shares of Rs. 10/- each. The proposed increase of the authorised capital requires the approval of members of the company.

Consequent upon the increase in the Authorised Share capital, Memorandum of Association of the company will also require alteration so as to reflect the increase in share capital.

The Board of Directors recommends that the resolutions be passed. None of the Directors of the company is in any way concerned or interested in the resolutions.

A copy of the Memorandum of Association together with a copy of the Memorandum of Association reflecting the proposed amendments is available for inspection by the members of the company at its Registered Office between 11.00 AM and 1.00 PM on any working day (except Saturday & Bank Holidays) of the company.

Item No. 8

As the members are aware that it has been a policy of your Company to grow with pace by identifying right opportunities. The present business scenario provide very good growth potential for the company, and your Company is trying its best to maximize the shareholders' value by accelerating the growth in pace with the opportunities. With such a gradual growth, various measures are required to enhance financial resources. In view of this it is proposed to issue Equity Shares on preferential/private placement basis to the entities, as per the details mentioned in the Resolution.

The offer, issue and allotment of 50,00,000 Equity Shares to the Entity(s)/ Bodies Corporate(s) shall be completed within the prescribed period of 15 days from the date of passing of the special resolution in accordance with the guidelines of the Securities & Exchange Board of India (SEBI) for Preferential Issues, being SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 or within such other time as may be permitted under the said guidelines. The said Equity Share shall have such face value and premium amount and shall be subject to such terms and conditions, as are stated in the special resolution mentioned above.

The Disclosure as required under "SEBI Guidelines for Preferential Issue" under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

a) Objects of the issue:

To mobilize resources for establishment of new ultra modern unit for regulatory market, for up gradation of existing manufacturing facilities and R & D facilities, augment the long term working capital requirement etc accordingly, the company proposes to offer, issue and allot the Equity Shares on preferential basis.

b) Intention of Promoters/Directors/Key Management persons to subscribe to the offer:

Except one Group Company, the promoters/ Directors / Key Management of the Company have conveyed of their intention not to subscribe to the offer being proposed under special resolution mentioned above of the notice for shareholders' approval at this meeting.

c) Shareholding Pattern before and after the Preferential Allotment

The shareholding pattern of the company before and after the preferential issue are as under:

Shareholding Pattern Category	Before preferential Issue		After preferential issue of shares	
	No. of Shares	% of Share holding	No. of Shares	% of Share holding
A. PROMOTERS HOLDING				
1. PROMOTERS				
· Indian Promoters	2699200	23.87	2699200	16.55
· Foreign Promoters	0.00	0.00	0.00	0.00
2. Persons Acting In Concert	803500	7.10	1303500	7.99
Sub Total	3502700	30.97	4002700	24.54
B NON PROMOTERS HOLDING				
3. Institutional Investors	0.00	0.00	0.00	0.00
a. Mutual Funds and UTI	0.00	0.00	0.00	0.00
b. Bank, Financial Institutions, Insurance Companies, (Central / State Govt. Institutions/ Non-Government Institutions)	0.00	0.00	0.00	0.00
C. FIs	0.00	0.00	0.00	0.00
Sub Total	0.00	0.00	0.00	0.00
4. OTHERS				
a Private Corporate Bodies	4123679	36.46	8623679	52.87
b Indian Public	3125197	27.63	3125197	19.16
c NRIs / OBCs	549357	4.85	549357	3.37
d Any others (Clearing Members) (Trusts)	8867 1000	0.08 0.01	8867 1000	0.05 0.01
Sub Total	7808100	69.03	12308100	75.46
GRAND TOTALS	11310800	100.00	16310800	100.00

Note: Assuming full allotment of 50,00,000 Equity Shares as fully paid and thereby increasing the paid up capital of the company by 50,00,000 equity shares.

d) Proposed time within which allotment will be completed:

The allotment of aforesaid Equity Shares as proposed under special resolution of the notice will be completed within 15 days period from the passing of the said resolution at this meeting, or such other time as may be prescribed under the SEBI's Guidelines on Preferential Issues.

e) Identity of allottees with percentage of expanded capital to be held by them:

The proposed allottees for aforesaid Equity Shares pursuant to special resolution at mentioned above of the notice and the percentage of expanded capital to be held by them after the proposed allotment of the said equity shares to them as per the said resolution are as under:

Sr.	Name of Allottees	Category	Before preferential Issue		After preferential issue of shares	
			No. of Shares	% of Share holding	No. of Shares	% of Share holding
1	Allantis Exim Private Limited.	Promoter Group	0.00	0.00	5,00,000	3.06
2	Advent TradeLink Private Limited	Non Promoter	1,90,000	1.68	16,90,000	10.36
3	Digital Biotech Private Limited	Non Promoter	0.00	0.00	15,00,000	9.20
4	Unichem Dyes and Drugs Private Limited	Non Promoter	0.00	0.00	15,00,000	9.20
	Total		1,90,000	1.68	51,90,000	31.82

f) Undertaking about the recomputation of price:

Your Directors have also approved about providing undertaking that Company shall re-compute the price of the equity shares, if necessary in terms of provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 where it is required do so.

g) Undertaking about continuing lock – in :

Your Directors have also approved about providing undertaking that if the amount payable on account of re-computation of price is not paid within the limit stipulated in the aforesaid ICDR regulations the equity shares shall continue to be locked in till the time such amount is paid by the allottees.

h) Change in Management

Your Directors have also approved about providing undertaking that Company shall re-compute the price of the equity shares, if necessary in terms of provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 where it is required do so.

i) Pricing:

The issue of equity shares on preferential basis shall be at a price of Rs.41/- (Rs. 10/- face value + Rs. 31/- premium). The price is determined in compliance with SEBI Guidelines for Preferential Issues.

j) Relevant Date:

Relevant date for this purpose is 31st August 2010 i.e. 30 days prior to the date of this meeting of the members of company i.e. 30th September 2010.

k) Auditor Certificate

A copy of the certificate of the Auditors of the Company certifying the adherence to SEBI's guidelines as in force till date is kept open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M on any working days (except Saturday and bank holidays) and also shall be laid before the shareholders at the proposed Annual General Meeting.

l) Lock In :

The Equity Shares to be allotted on preferential basis shall be locked-in as per SEBI Guidelines.

Your directors recommend the above resolution for your approval.

The members are, therefore, requested to accord their approval to the passing of resolution as set out in the Notice.

Shri Mahendra G. Patel, himself and Shri Rajnibhai Patel and Shri Arvindbhai Patel, being relatives are deemed to be concerned or interested in the resolution with regard to the allotment to M/s Allantis Exim Private Limited.

**BY ORDER OF THE BOARD
FOR LINCOLN PHARMACEUTICALS LIMITED.**

Place : Registered office
"LINCOLN HOUSE"
B/h. Satyam Complex,
Science City road, Sola, Ahmedabad

Date :31st August,2010

(P. N. PATEL)
COMPANY SECRETARY

LINCOLN PHARMACEUTICALS LIMITED

Reg. Office : LINCOLN HOUSE ,Behind Satyam Complex, Science City Road, Sola, Ahmedabad-380060

ATTENDANCE SLIP

Annual General Meeting

DP ID : _____

Client ID : _____

Reg. Folio No. _____

No. of Shares held : _____

I hereby record my presence at the **16th ANNUAL GENERAL MEETING OF THE COMPANY** held at LINCOLN HOUSE ,Behind Satyam Complex, Science City Road, Sola, Ahmedabad-380060, Thursday, the **30th September, 2010** at 10.30 A.M.

(Member's / Proxy's name in block letters)

(Member's / Proxy's Signature)

Note : Please fill in the attendance slip and hand it over at the **ENTRANCE OF THE COMPANY**

LINCOLN PHARMACEUTICALS LIMITED

Reg. Office : LINCOLN HOUSE ,Behind Satyam Complex, Science City Road, Sola, Ahmedabad-380060

PROXY

DP ID : _____

Client ID : _____

Folio No. _____

No. of Shares held : _____

I/We _____ of _____

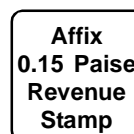
a Member / members of the above named Company, hereby appoint Mr/Mrs/Miss _____

_____ of _____

or failing him / her, Mr/Mrs/Miss _____ of _____

as my/our Proxy to vote for me/us on my/our behalf at the 16th Annual General Meeting of the Company to be held on Thursday, the **30th September, 2010** at 10.30 A.M. and at any adjournment thereof.

Signed at _____ this _____ day of _____ 2010.



Note: The instrument of proxy should be deposited at the Registered Office of the Company not less than 48 (Fourty Eight) hours before the time of holding the meeting.

BOOK-POST

To,

If undelivered, please return to :



LINCOLN
PHARMACEUTICALS LTD.
HEALTHCARE FOR ALL

REGISTERED OFFICE
LINCOLN HOUSE,
Behind Satyam Complex,
Science City Road, Sola,
Ahmedabad-380060

Pratiksha
98252 62512

The logo for Pratiksha features a stylized red and white figure, possibly a person or a symbol, positioned to the left of the text.

BOARD OF DIRECTORS	Shri Kishor M. Shah	Chairman
	Shri Mahendra G. Patel	Managing Director
	Shri Rajnikant G. Patel	Joint Managing Director
	Shri Hasmukh I. Patel	Wholetime Director
	Shri Arvind G. Patel	Wholetime Director
	Shri Mihir V. Patel	Director
	Shri Pirabhai Suthar	Director
	Shri Ishwarbhai A. Patel	Director
	Shri Maganbhai R. Patel	Director

BANKERS State Bank of India

AUDITORS M/s. Rajendra Natverlal Shah & Company

REGISTERED OFFICE "Lincoln House"
Behind Satyam Complex,
Science City Road, Village Sola,
Ahmedabad.

PLANT Trimul Estate
Khatraj, Ta : Kalol
District : Gandhinagar
Gujarat.

DIRECTORS REPORT

To,
The Members,

Your Directors have pleasure in presenting the Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

The operating results of the Company for the year ended on 31st March, 2010 are briefly indicated below:

	(Amount in Lacs)	
	2009-2010	2008-2009
Profit Before Depreciation and Taxation	923.97	752.59
Less : Depreciation	116.05	86.27
Less : Provision for Taxation – Current/F.B.T.	140.00	165.00
Less/Add : Provision for Taxation – Deferred	63.42	70.44
Profit after Taxation	604.50	430.88
Add : Balance brought forward	1214.32	910.76
Less : Income tax Written off of earlier year	27.36	0.00
Less/Add : Short deferred tax provision of earlier year	0.00	4.53
Profit available for Appropriation	1791.46	1346.17
APPROPRIATION		
1. Proposed Dividend	135.73	91.33
2. Dividend Tax	23.07	15.52
3. General Reserve	50.00	25.00
Net Balance carried to Balance sheet	1582.66	1214.32

OPERATIONS

During the year under review, your company has performed very well. Total sales have increased from Rs. 11401.77 lacs to Rs. 12358.82 lacs which shows increase of 8.39%. The Company has earned net profit of Rs. 604.50 lacs against Profit of Rs. 430.88 lacs of previous year. Further details are given in management discussions and analysis Report, which forms part of this report.

CORPORATE GOVERNANCE REPORT

Your Company has complied with the Corporate Governance practice mandated by Clause 49 of the Listing Agreement. A report on the same is given separately.

DIVIDEND

Your Directors are pleased to recommend a payment of dividend @ 12% for the year ended 31-03-2010. (Previous year -12%).

DEPOSITS

The Company has not accepted deposits within the meaning of Section 58A of the Companies Act, 1956.

DIRECTORS

Shri Pirabhai R. Suthar and Shri Kishorbhai M. Shah, Directors of the Company are retiring by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors to the best of their knowledge and belief and according to the information and explanation obtained by them, confirm that:

- (1) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (2) appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (3) 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;
- (4) the accounts have been prepared on going concern basis.

SUBSIDIARY COMPANY :

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of the subsidiary Company is annexed herewith.

INSURANCE

The Company has taken adequate insurance to cover its assets.

LISTING

Company's Securities are listed with the Stock Exchanges at Ahmedabad and Mumbai. The Company has already paid the listing fees for the year 2010-2011 to both the Stock Exchanges.

EMPLOYEES :

As there are no employees drawing remuneration more than the limit prescribed under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, from time to time, statement under section 217(2A) is not required.

COST AUDIT

M/s. Kiran J. Mehta & Company Cost Accountants, Ahmedabad, have been appointed to conduct cost audit for the year ended 31-03-2011.

AUDITORS :

There is a proposal to appointment M/s. Chandulal M. Shah & Co., Chartered Accountants, Ahmedabad as the auditors of the Company in place of M/s. Rajendra Natverlal Shah & Co., Chartered Accountants, Ahmedabad, who are retiring at the forthcoming Annual General Meeting. We take this opportunity to thank M/s. Rajendra Natverlal Shah & Co., Chartered Accountants, for their co-operation & undertaking.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO :

Particulars to be given in respect of the above activity under the Companies (Disclosure of Particulars in report of Directors) Rules, 1988 is given in the annexure to this report.

ACKNOWLEDGEMENT :

The Board is thankful to its bankers for their continued support and assistance which has played important role in progress of the Company. Your Directors places on records their appreciation for the assistance and co-operation extended by Medical Professionals, stockists, dealers and employees of the Company at all level and other business associates for their commitment, dedication and respective contribution to the Company's operations during the year under review.

FOR AND ON BEHALF OF THE BOARD

PLACE : AHMEDABAD
DATE : 19-08-2010

MAHENDRA G. PATEL
(MANAGING DIRECTOR)

HASMUKHBHAI I.PATEL
(WHOLE-TIME DIRECTOR)



ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

I. CONSERVATION OF ENERGY

The Company put its best efforts to conserve energy and for effective use of the same.

FORM : A

A. POWER & FUEL CONSUMPTION:

	<u>Current Year</u>	<u>Previous Year</u>
1. Electricity		
I) Purchased Units (in lacs)	11.21	8.15
Total amount (Rs. in lacs)	66.85	46.92
Rate/Unit (Rs.)	5.96	5.76
II) Own Generation through Diesel Generation Sets (kWh)	—	—
Units/ Litre of Diesel (kWh)	—	—
Cost / unit (Rupees)	—	—
2. Diesel LDO used in Boiler to generate steam for the Process		
I) Quantity (Litre)	—	—
Total Cost (Rupees)	—	—
Average Rate / MT (Rupees)	—	—
LPG used in Boiler to generate steam for the Process		
II) Quantity (Kgs)	—	—
Total Cost (Rupees)	—	—
Average Rate / MT (Rupees)	—	—
III) Consumption per unit of production	<i>Since the Company is manufacturing different products using the same facilities at the same time, it is not practicable to give consumption per unit of production.</i>	
3. Furnace Oil (K. Lit)	—	—
Total Amount / Avg Cost	—	—
4. Internal Windmill Generation (Units in lacs)	14.42	—
Total Cost / Rate (Rupees)	—	—

FORM : B

II. RESEARCH AND DEVELOPMENT (R&D)

Company is continuously carrying out R & D activities in the areas of new product/process development, improvement in existing process.

These efforts have resulted in improvement in production process, better quality, stability and bio invisibility.

Benefits derived as a result of the above R & D.

Production processes have improved resulting in better productivity.

Expenditure on R & D :

Expenditure charged to respective primary heads of accounts.

III. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

The Company always keeps itself updated with all latest technological innovation by way of constant communications, consulting experts. Efforts are being made to reduce cost, improvement in performance etc.

IV. FOREIGN EXCHANGE EARNINGS AND OUT GO:

	<u>Current year</u>	<u>Previous year</u>
Earnings :	Rs. 1477.85 lacs	Rs. 1815.28 lacs
Out go :	Rs. 674.29 lacs	Rs. 472.69 lacs

FOR AND ON BEHALF OF THE BOARD

PLACE : AHMEDABAD

DATE : 19-08-2010

MAHENDRA G. PATEL
(MANAGING DIRECTOR)

HASMUKHBHAI I.PATEL
(WHOLE-TIME DIRECTOR)

STATEMENT PURSUANT TO SECTION 212 (1)(e) OF THE COMPANIES ACT, 1956

1	Name of the Company	Zullinc Healthcare Ltd.
2	Financial year of the subsidiary ended on	31st March, 2010
3	Holding Company's interest :	
	(i) No. of equity shares	50,000 equity shares of Re. 10/- each.
	(ii) Extent of Holding	100%
4	The net aggregate of Profit / (Loss) of the Subsidiary Company in so far as it concerns the members of the Holding Company.	
	(a) Not dealt with in the accounts of the Company for the year ended 31 st March 2010 :	
	(1) For the Subsidiary's financial year ended 31 st March 2010.	Rs. 33,29,778
	(2) For the previous financial years of the Subsidiary.	NIL
	(b) Dealt with in the accounts of the Company for the year ended 31 st March 2010	
	(1) For the Subsidiary's financial year ended 31 st March 2010.	NIL
	(2) For the previous financial years of the Subsidiary.	NIL

FOR AND ON BEHALF OF THE BOARD

PLACE : AHMEDABAD
DATE : 19-08-2010

MAHENDRA G. PATEL
(MANAGING DIRECTOR)

HASMUKHBHAI I.PATEL
(WHOLE-TIME DIRECTOR)

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges)

The Securities and Exchange Board of India (SEBI) has introduced a code of corporate governance for listed companies which is implemented through the listing Agreements with the Exchanges with which the Company is listed. The Company has complied with the corporate governance requirements set out in Clause 49 of the listing Agreement.

1) Company's Philosophy on Code of Corporate Governance.

The Company believes that good corporate governance leads to corporate growth and long term gain in shareholders value. The Company is committed to maintain the highest standard of corporate governance in its conducts towards shareholders, employees, customers, suppliers and other stakeholders.

Our focus on sustainable growth, productivity improvement, commitment to quality and safety in operations is unrelenting.

2) Board of Directors

Composition :

The Board of Directors consists of total 9 Directors. The composition of Board is compliant with the requirement of Clause 49 (IA) i.e. more than 50% of Directors are non-executive Directors and more than 33% of Directors are independent Directors.

The detailed composition of the Board and other related information is given in the table below.

Board meetings :

During the year, 12 Board Meetings were held on 30-04-2009, 07-05-2009, 27-06-2009, 21-07-2009, 30-07-2009, 31-08-2009, 15-10-2009, 30-10-2009, 20.01.2010, 28.01.2010, 19.02.2010 and 31-03-2010.

The composition of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorships and committee Memberships are given as below:

Sr. No.	Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other directorships	No. of other Committee Members
1.	Shri Kishor M. Shah	Chairman Non-Executive Director	4	No	1	—
2.	Shri Mahendra G. Patel	Managing Director	11	Yes	4	—
3.	Shri Rajnikant G. Patel	Joint Managing Director	11	Yes	—	—
4.	Shri Hasmukh I. Patel	Whole-time Director	10	Yes	1	—
5.	Shri Arvind G. Patel	Whole-time Director	1	No	1	—
6.	Shri Mihir V. Patel	Non-Executive Director	9	Yes	1	—
7.	Dr. Pirabhai Suthar	Non-Executive Director	4	No	—	—
8.	Shri Ishwarbhai A. Patel	Non Executive Director	10	Yes	1	—
9.	Dr. Maganbhai R. Patel	Non Executive Director	5	No	—	—

- This number excludes the directorship/committee membership held in private companies and also of the Company.
- As required by the Companies Act, 1956 and Clause 49 Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of board committees (audit / remuneration / investor grievances committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

Information placed before the Board of Directors :

All major decisions regarding resources mobilization, capital expenditure, etc are considered by the Board, in addition to day-to-day matters, which are statutorily required to be placed before the Board of Directors for its approval. Following information is regularly put up the Board for its consideration and approval :

- Review of operational results
- Quarterly financial results
- Minutes of the meeting of Audit Committee, Remuneration Committee as well as Shareholder's/Investors Grievance Committee of the Board.
- Compliance with various statutory requirements.

The Board is informed of all material, financial and commercial decision from time to time.

The Company did not have any pecuniary relationship or transactions with the non-executive directors during the period under review.

3) Audit Committee

Pursuant to the provisions of Section 292(A) of the Companies Act, 1956 and Clause 49 of the Listing Agreements, the Company has Audit Committee of Directors. The Audit Committee consist of 3 (Three) Independent Directors and 1 (One) executive Director – Shri Ishwarbhai A. Patel, Chairman – Independent Director, Shri Mihir V. Patel, Independent Director, Dr. Pirabhai Suthar, Independent Director and Shri Mahendra G. Patel - Executive Director. The Company Secretary is also Secretary to the Audit Committee. During the year , 5(Five) Committee Meetings were held on 30-04-2009,30-07-2009, 31-08-2009, 30-10-2009 and 28-01-2010.

The power and role of the Audit Committee are as per the provision of Companies Act, 1956 and agreement with the Stock Exchange. The Committee inter-alia acts as a vital link between statutory and internal auditors an the Board of Directors of the Company .

The term of the reference of the Audit Committee include review the comment on internal audit reports, discussions approving and implementing the audit procedure and techniques, reviewing the financial reporting systems, internal control systems and control procedures and ensuring compliance with the regulatory guidelines, review of quarterly and annual financial results , interact with the statutory auditors on annual accounts. The Audit Committee met prior to the finalization of Accounts for the year ended 31st March 2010.

The interval between two meetings convened was not more than four months. The audit committee adheres to the SEBI guidelines in terms of quorum of its meetings, functioning, role and powers as also those set out in Companies Act, 1956.

4) Remuneration Committee

The Company has a Remuneration Committee. The Committee reviews the remuneration package of the Managing Director, Jt. Managing Director & Whole time Directors and recommends suitable remuneration package / revision to the Board, in accordance wit the guidelines laid out by the statute. The minutes of the Remuneration Committee are circulated to the Board, discussed and taken note of by the Board.

The Remuneration Committee comprises of three independent Directors. Shri Ishwarbhai A. Patel, Dr. Pirabhai Suthar and Shri Maganbhai Patel are the members of the Committee.

Details of remuneration for the year ended 31-03-2010.

Name	Position held During the period	Salary and Allowances	Perquisites Rs.	Total Remuneration Rs.
Shri Mahendra G. Patel	Managing Director	900000	240000	1140000
Shri Rajnikant G. Patel	Jt. Managing Director	900000	240000	1140000
Shri Hasmukh I. Patel	Whole-time Director	900000	240000	1140000
Shri Arvind G. Patel	Whole-time Director	900000	240000	1140000

All the executive directors have been paid remuneration as per the approval given by the Board and shareholders of the Company.

5) Shareholders'/Investors' Grievances cum Share Transfer Committee

As a measure of good corporate governance and to focus on the Shareholders' grievances and towards strengthening investor relations and to expedite the transfer process in the physical segment, the Board has constituted a Shareholders/Investors Grievances cum share Transfer Committee consisting of four Directors, Shri Arvind G. Patel, Shri Mahendra G. Patel, Shri Hasmukh I. Patel, and Shri Ishwarbhai A. Patel.

The committee deals with issue of duplicate share certificates, redressing of shareholders and investors complaints and Grievances like transfer of shares/securities, non-receipts of Balance-sheet and non-receipt Dividend etc.

6) Code of Conduct

The Company's code of conduct has been complied with by all the members of the Board and select employees of the Company. The Company has in place a prevention of Insider Trading Code based on SEBI (Insider Trading) Regulation, 1992. This code is applicable to all Directors and designated employees. The code ensures prevention of dealing in shares by persons having access to the unpublished price sensitive information.

7) Secretarial Audit

Pursuant to SEBI's circular dated December 31, 2002 on Secretarial Audit, a practicing company secretary carried out the said audit for the quarter ended 30-06-2009, 30-09-2009, 31-12-2009 and 31-03-2010. The Audit Report confirms that there is no discrepancy whatsoever in the issued, listed and admitted capital of the Company.

8) Management Discussion and Analysis:

(a) Industry Structure and Developments

The Company is primarily engaged in the business of manufacturing, marketing and Exports of Pharmaceutical products. In India Pharmaceutical Industry's continuously showing the growth rate of 12% to 15% as a industry as a whole. Looking to the Indian population, there are lot of opportunities for fast development of industries in the coming year also. In regulatory market the opportunities are quite open in generic products in the developing countries. There is lots of awareness in the R&D centers in the country's and many new molecules as well as process are developed in the countries. In spite of the stiff competition in the country and parallel marketing of generic products, growth of sales and turn over is assured. The financial year 2010 - 2011 has remained very excellent in terms of sales and growth of the company.

(b) Opportunities and Outlook

There are number of opportunities available before the company in terms of products as well as sales territories in India where the growth rates are very potential. The Company is focusing on the brand image of the product as well as corporate branding in the markets. There are numbers of Pharma segments available before the company, for chronic medicines as well as non covered segments as present before the company. The company has a wide opportunities for trading of products for developed countries, business association, association in the field of manufacturing as well as marketing. The company is focusing on the new market area and other many countries by way of restructuring in the existing organization. The future of the Company and its products seems to be excellent in the coming year and the Company is looking for regulatory marketing by way of setting up USFDA plant, so that company's presence remain in developed and under developed countries.

(c) Outlook

Our Company expects to increase the market shares in the exiting markets. The company expects to increase volume in the product portfolio. The company is also expects to introduce new products launched by the efforts of R&D centre. The company is expanding its marketing structure covering all geographical area. The company is focusing on the various divisions like Pharma, Teresa and Lord's for the category of the product segment and concentrating on focused marketing by dedicated marketing teams. The company has also embarked upon setting up a new USFDA plant to cater domestic as well as regulatory markets. All these efforts will definitely help the Company for fast growth of the organization.

(d) Risk and Concerns

The Company is functioning in the competitive markets where there are number of small scale and medium scale manufacturers are in the presence. There are number of similar kind of products present in the markets and therefore there is a pressure on the margin on the Company. Secondly, at the same way, the investment in the new marketing geographical area, introduction of innovative products and new introductory pricing products would affect the performance of the company and its profitability. However, the company has taken all the measures to minimize the risk by way of introducing R&D development centre and continuously incorporating suggestions and guidance given by the experts, doctors and medical councils from time to time.

(e) Internal Control Systems and their adequacy

The Company has an adequate system of Internal Control relating to purchase of stores, raw materials, plant & machineries, equipments & various components and for the sale of goods commensurate with the size of the Company and nature of business.

The system of Internal Control of the Company is adequate keeping in mind the size and complexity of your company's business. Systems are regularly reviewed to ensure effectiveness.

(f) Financial Performance

The financial performance of the company is remained excellent in terms of net worth investment in Fixed Assets, Profit before Tax, etc. The company is able to generate sizable short term and long term funds which is made available to the company and generate internal accruals over the period of time. The company has successfully managed the funds out of the internal accruals and less dependence of the external borrowing from Bank and others. The management expects that the financial position of the company will be more strong in the coming years due to the better prospective future of the company due to various steps taken by the Company.

(g) Material Developments in Human Resources / Industrial Relations

The Pharmaceutical industry is knowledge driven, considering this aspect, we continue to build our team with high quality talent.

Company continued to have cordial & harmonious relation with its employees. Company is putting thrust on providing training both in house and outside.

9) General Body Meetings

The last three Annual General Meetings and Extra Ordinary General Meeting were held as under :-

Financial Year ended	Date	Time	Venue
31-03-2009	30-09-2009	10.30 A.M.	The Auditorium Basement, Ahmedabad Textile Industry's Research Association, Vastrapur, Ahmedabad - 380015
31-03-2008	30-09-2008	10.30 A.M.	
31-03-2007	29-09-2007	10.00 A.M.	Auditorium Hall, Sapath – II, Opp. Rajpath Club, S. G. Highway, Ahmedabad - 380015

Extra Ordinary General Meeting:

— 24-05-2008 10.00 A.M. The Auditorium Basement, Ahmedabad Textile Industry's Research Association, Vastrapur, Ahmedabad - 380015

No Special Resolution was put through postal ballot. At the forthcoming AGM, there is no item on the agenda that needs approval by postal ballot.

10) Disclosures

In preparation of financial statements, the Company has followed the applicable Accounting Standards. The significant accounting policies that are consistently applied have been set out in the Notes to the Accounts. Related party transactions entered in the ordinary course were placed before the Board. These transactions are not likely to have any conflict with the Company's interest. Details of transactions with related party transactions during the year have been disclosed as required under Accounting Standard 18 as applicable to the Company in the notes to the accounts. These transactions are not likely to have any conflict with the Company's interest. Business risk evaluation and managing such risk is an ongoing process within the organization. The Board is regularly briefed of risks assessed and the measures adopted by the company to mitigate the risks.

No strictures / penalties have been imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matters related to the capital market during last 3 years.

The Company's code of conduct has clearly laid down procedures for reporting unethical behavior, actual or suspected fraud or violation of the ethics policies. No employee of the company was denied access to the Audit Committee. Of the non-mandatory requirements relevant to the Company, training of the Board members and mechanism for evaluation non-executive Board members have not been put in place.

11) Subsidiary Company

The Company has one wholly owned subsidiary company (WOS) namely Zullinc Healthcare Limited. The financial statements and operational part of the said WOS are reviewed by the Board of Directors.

12) Means of Communication

1. The Company has published its quarterly results in Indian Express, Financial Express, Economic Times, Business Standard.
2. The Management discussion & Analysis form part of the Annual Report, which is posted to all the members of the Company.

13) General Shareholder Information

Date, time and venue of AGM	30.09.2010 at 10.30 A.M. at the Registered office of the company.
Dates of Book Closure	From Saturday, 25.09.2010 to Thursday, 30.09.2010
Listing on Stock Exchanges	The Stock Exchanges at Ahmedabad, Mumbai.
Listing Fees	Paid the fees to Stock Exchanges as per listing agreement.
Demat Arrangement	With NSDL and CDSL
ISIN NO.	INE 405C01035
Registered Office	"LINCOLN HOUSE", B/h. Satyam Complex, Science City Road, Sola, Ahmedabad – 380 060.
Dividend Payment Date	With in statutory period of 30 days
Compliance Officer	Shri Arvindbhai G. Patel
Registrar and Share Transfer Agent	SHAREPRO SERVICES (India) PVT. LTD. 416 to 420, 4 th Floor, Dev Nandan Mall, Opp. Sanyas Ashram, Ashram Road, Ahmedabad-380006.

14) Financial Calendar 2010-2011 (tentative)

Annual General Meeting	Last week of September 2010
Results for quarter ending September 30, 2010	On or before 14th November 2010
Results for quarter ending December 31, 2010	On or before 14th February 2011
Results for year ending March 31, 2011 (un-Audited)	On or before 14th May 2011

15) Share price on The Stock Exchange, Mumbai

Sr. No.	Month	High (Rs.)	Low (Rs.)
1.	April '09	27.00	20.61
2.	May '09	26.90	18.40
3.	June '09	27.75	21.00
4.	July '09	24.85	19.25
5.	August '09	29.90	20.75
6.	September '09	38.80	28.00
7.	October '09	33.25	25.05
8.	November '09	31.50	23.70
9.	December '09	38.80	27.65
10.	January '10	37.25	29.05
11.	February '10	33.80	29.00
12.	March '10	37.40	28.20

16) Share Transfer System

The share transfers received in physical form are presently processed and the said share certificates returned within a period of 30 days from the date of receipt, subject to the documents being complete in all respects.

There were no transfers pending as on 31-03-2010 exceeding the limit prescribed by listing agreement.

17) Distribution of Shareholding as on 31-03-2010

No. of Shares	No. of Shareholders	% of holders	No. of Shares	% of Shares
Upto 500	6960	84.19	1060177	9.37
501 – 1000	749	9.06	609979	5.39
1001 – 2000	250	3.03	399497	3.53
2001 – 3000	93	1.13	236474	2.09
3001 – 4000	40	0.48	144141	1.28
4001 – 5000	25	0.30	117446	1.04
5001 – 10000	64	0.77	476593	4.21
10001 and above	86	1.04	8266493	73.09
Total	8267	100.00	1,13,10,800	100.00

18) Pattern of Shareholding

Sr. No.	Category	No. of Shares	(%)
1.	NRI	541297	4.79
2.	Financial Institutions/Banks	NIL	NIL
3.	Mutual Funds	NIL	NIL
4.	Promoters	3502700	30.97
5.	Body Corporate	4000854	35.37
6.	Indian Publics	3122174	27.60
7.	Others	143775	1.27
	Total	11310800	100.00

19) Dematerialisation of Shares on 31-03-2010

As on 31st March 2010, 65.01% of the Company's total shares representing 73,53,370 Shares were held in dematerialized form and the balance 34.99% representing 39,57,430 shares were in paper form.

20) Outstanding GDRs / ADRs / Warrants etc.

There is no outstanding GDRs / ADRs / warrants or any convertible instruments as on date.

21) Locations

The Company's plant is located at Trimul Estate, Khatraj, Tal.: Kalol, Dist.: Gandhinagar., Gujarat.

22) Address of Correspondence

Registered Office :- "LINCOLN HOUSE", B/h. Satyam Complex, Science city Road, Sola, Ahmedabad – 380 060., OR Share Transfer Agent, M/s. *SHAREPRO SERVICES (India) PVT. LTD.* Office at : 416 to 420, 4th Floor, Dev Nandan Mall, Opp. Sanyas Ashram, Ashram Road, Ahmedabad-380006.

23) CEO/ CFO certification

Necessary certificate under clause 49 V of the Listing requirements has been placed before the Board of Directors.

24) Non Mandatory requirements :

a) Remuneration Committee :

As stated earlier, the Board has already set up a Remuneration Committee. Details regarding composition and scope of the Remuneration Committee are given at Item 4 above.

b) Shareholders Rights :

The Company's quarterly results are furnished to the Stock Exchange and also published in the newspapers and therefore not sent to the shareholders.

Adoption of other non-mandatory requirements under Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

Declaration

As provided under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited, this is to confirm that all the Members of the Board and the Senior Management have affirmed compliance with the Code of Conduct for the year ended 31st March 2010.

FOR AND ON BEHALF OF THE BOARD

PLACE : AHMEDABAD
DATE : 19-08-2010

MAHENDRA G. PATEL
(MANAGING DIRECTOR)

HASMUKHBHAI I.PATEL
(WHOLE-TIME DIRECTOR)

AUDITORS' CERTIFICATE

To,
The Members,
Lincoln Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by **Lincoln Pharmaceuticals Limited**. for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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 above mentioned Listing Agreement.

We state that no investor grievance(s) is/are pending for a period exceeding for one month against the Company as per the records maintained by the Shareholders/Investors Grievance cum Share Transfer 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 and on behalf of
M/s. Rajendra Natverlal Shah & Company
Chartered Accountants
(Registration No.:130209W)

PLACE : AHMEDABAD
DATE : 19-08-2010

(RAJENDRA N. SHAH)
PROPRIETOR
Membership No.8733

AUDITORS' REPORT

To
The Members of
Lincoln Pharmaceuticals Limited

We have audited the attached Balance Sheet of Lincoln Pharmaceuticals Limited, as at 31st March 2010 and also the Profit and Loss Account and 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.

We have 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies(Auditors Report) (Amendment) order,2004,(together order) 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 paragraph 4 and 5 of the said order.

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 such books;
- c. The Balance Sheet and Profit and Loss Account and Cash Flow statement 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 to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e. On the basis of written representation received for the Directors, as on 31st March 2010 and taken on record by the Board of Directors. We report that none of the directors is disqualified as on 31st March 2010 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 explanation 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 2010 and
 - ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - iii) In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

FOR, RAJENDRA NATVERLAL SHAH & COMPANY
CHARTERED ACCOUNTANTS
(Registration No.:130209W)

PLACE : AHMEDABAD
DATE : 19-08-2010

(RAJENDRA N. SHAH)
PROPRIETOR
Membership No.8733

ANNEXURE TO THE REPORT OF THE AUDITORS

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and Situation of fixed assets.
- (b) Fixed assets have been physically verified by the management at reasonable intervals. We have been informed that no discrepancies between fixed assets and book records have been noticed in respect of the assets physically verified during the year under report.
- (c) The company has not disposed off substantial part of fixed assets during the year.
- (ii) (a) Physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) The procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. Discrepancies noticed on physical verification have been properly dealt with in the books of account;
- (iii) In respect of the loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) The company has not granted any loans to the firms or companies covered in the register maintained under section 301 of The Companies Act 1956 hence clause (b),(c) and (d) are not applicable.
 - (e) The company has taken unsecured loan from one party covered in the register maintained under section 301 of The Companies Act 1956. The Maximum Outstanding balance is 2,17,46,200 and Closing Balance is 1,50,41,453 .
 - (f) In our opinion the rate of interest and other terms and conditions on which the loan has been taken from the company listed under section 301 of The Companies Act 1956 are not prime facie prejudicial to the interest of the company.
 - (g) In respect of the said loans, the same are repayable on demand and therefore the question of overdue amounts does not arise. In respect of interest, there are no overdue amounts.
- (iv) In our opinion and according to explanations given to us, there is an 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. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- (v) (a) In our opinion and according to explanations given to us, transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.
- (b) In our opinion and according to explanations given to us, the transactions made in pursuance of contracts or arrangements entered in register maintained u/s. 301 of companies act, 1956 and exceeding Rs. Five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the informations and explanations given to us the company has not accepted deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) Internal audit is carried out by the firm of Chartered Accountants. On the basis of reports made by them to the management, we are of the opinion that the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company relating the manufacture of Pharmaceuticals product pursuant to the Rule made by the Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the company Act, 1956 and are of the opinion that prime-facie the prescribed accounts and records has been made and maintained. We have however, not made a detailed examination of the said records with a view of determine whether they are accurate and complete.

- (ix) On the basis of information and explanations given to us in respect of statutory and other dues, we state that
- (a) the company is regular in depositing with statutory authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service tax, cess and any other Statutory dues with the appropriate authorities during the year.
- (b) According to information and explanations given to us, dues outstanding of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess on account of any disputes, are as follows :

Name of Statute	Income Tax Act 1961
Nature of dues	Additions made by the Additional (CIT)
Amount (Rs.)	Rs. 34,95,435/-
Period for which Amount relates	Assessment year 1999-2000 to 2007-08
Forum where Dispute is pending	CIT (Appeals) & APPELATE TRIBUNAL

- (x) There are no accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit and in the financial year immediately preceding such financial year also.
- (xi) According to information and explanations given to us the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) During this year, the company has not granted any loans and advances on the basis of security or by way of pledge of shares, debentures or other securities.
- (xiii) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (xiv) The company is not in dealing or trading in shares, securities, debentures or other investments.
- (xv) According to information and explanations given to us the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion & According to the information & explanation given to us, on an overall basis The term loan have been applied for the purpose for which they were obtained.
- (xvii) According to information and explanations given to us and on overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investment by the company.
- (xviii) The company has made preferential allotment of shares to parties and companies covered in the registered maintained under section 301 of the Companies Act 1956. In our opinion prices at which shares have been issued is not prejudicial to the interest of the company.
- (xix) No debenture has been issued by the company and hence the question of creating securities in respect thereof does not arise.
- (xx) During the year, the company has not raised any monies by way of public issues.
- (xxi) According to information and explanations given to us, any fraud on or by the company has not been noticed or reported during the year.

FOR, RAJENDRA NATVERLAL SHAH & COMPANY
 CHARTERED ACCOUNTANTS
 (Registration No.:130209W)

PLACE : AHMEDABAD
 DATE : 19-08-2010

(RAJENDRA N. SHAH)
 PROPRIETOR
 Membership No.8733

AUDITED BALANCE SHEET AS ON 31.03.2010

PARTICULARS	SCH NO.	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
[A] SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
(a) Share capital	1	113,108,000	86,108,000
(b) Reserve & surpluses	2	416,431,607	278,297,645
TOTAL SHAREHOLDER'S FUNDS		<u>529,539,607</u>	<u>364,405,645</u>
LOAN FUNDS			
(a) Secured Loans	3	256,107,968	119,973,231
(b) Un-secured loans	4	41,700,179	35,829,035
		<u>297,808,147</u>	<u>155,802,266</u>
DEFERRED TAX LIABILITY		28,592,591	22,250,571
TOTAL		<u>855,940,345</u>	<u>542,458,482</u>
[B] APPLICATION OF FUNDS			
FIXED ASSETS			
(a) Gross Block	5	283,452,994	224,745,739
(b) Depreciation fund		66,604,547	56,052,966
(c) Net Block		<u>216,848,447</u>	<u>168,692,773</u>
INVESTMENTS	6	519,200	519,200
CURRENT ASSETS, LOANS & ADVANCES,			
(a) Inventory	7	229,705,069	143,141,172
(b) Debtors	8	310,554,044	229,839,174
(c) Cash & Bank balance	9	124,033,481	45,468,295
(d) Loans & Advances	10	215,289,111	142,575,822
		<u>879,581,704</u>	<u>561,024,463</u>
LESS:CURRENT LIABILITIES & PROVISIONS			
(a) Creditors	11	178,936,046	114,572,190
(b) Provisions	12	62,072,960	73,205,764
		<u>241,009,006</u>	<u>187,777,954</u>
NET CURRENT ASSETS		<u>638,572,698</u>	<u>373,246,509</u>
TOTAL		<u>855,940,345</u>	<u>542,458,482</u>

As per our report of even date
For Rajendra Natverlal Shah & Company
Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah
Proprietor
Membership No.8733

Place : Ahmedabad
Date : 19-08-2010

P. N. PATEL
Company Secretary

On behalf of the Board of Directors

M. G. PATEL Managing Director
R. G. PATEL Joint Managing Director
H. I. PATEL Whole time Director

Place : Ahmedabad
Date : 19-08-2010

AUDITED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31-03-2010

PARTICULARS	SCH NO.	FOR THE YEAR ENDED 31.03.2010 RUPEES	FOR THE YEAR ENDED 31.03.2009 RUPEES
[A] INCOME			
(a) Sales	13	1,235,882,328	1,140,176,763
(b) Other income	14	---	2,020,644
(c) Stock Variation	15	64,851,506	25,619,272
TOTAL		1,300,733,834	1,167,816,679
[B] EXPENDITURE			
(a) Trading in Securities		---	16,681,637
(b) Purchase of finished goods		357,894,524	506,845,836
(c) Materials consumptiuons	16	414,286,889	229,026,808
(d) Manufacturing expenses	17	60,518,037	28,378,773
(e) Personnel expenses	18	103,294,668	77,424,803
(f) Sales & Administrative expenses	19	250,383,039	216,167,686
(g) Financial charges	20	21,959,731	18,031,339
(h) Depreciation		11,604,804	8,627,216
TOTAL		1,219,941,692	1,101,184,098
PROFIT BEFORE TAXATION		80,792,142	66,632,581
Current Year Income tax provision.		14,000,000	12,500,000
F.B.T. Provision		---	4,000,000
Deferred tax / Excess Deferred tax		6,341,952	7,044,607
PROFIT AFTER TAX		60,450,190	43,087,974
ADD: BALANCE BROUGHT FORWARD		121,432,045	91,075,769
Short income tax written off earlier year		2,736,476	---
Excess deferred tax provision of earlier year		68	453,409
PROFIT AVAILABLE FOR APPROPRIATION	TOTAL	179,145,691	134,617,152
APPROPRIATION			
(a) Proposed Dividend		13,572,960	9,132,960
(b) Dividend tax		2,306,724	1,552,147
(c) General Reserve		5,000,000	2,500,000
		20,879,684	13,185,107
NET BAL. TRANS. TO BALANCE SHHEET	TOTAL	158,266,007	121,432,045

As per our report of even date

For Rajendra Natverlal Shah & Company

Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah
Proprietor
Membership No.8733

Place : Ahmedabad
Date : 19-08-2010

P. N. PATEL
Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31.03.2010

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED		
12,000,000 (10,000,000) Equity share of Rs 10/- each.	120,000,000	100,000,000
ISSUED, SUBSCRIBED & PAID UP		
11310800 (7,610,800) Equity share of Rs 10/- each.	113,108,000	76,108,000
Add : Share Warrants Application Money	---	100,000,000
TOTAL	113,108,000	86,108,000
SCHEDULE - 2 : RESERVE & SURPLUS		
1. SHARE PREMIUM		
Balance as per last	132,744,000	132,744,000
Add: Addition during the year	92,800,000	-
	225,544,000	132,744,000
Less: Deduction during the year	-	-
2. GENERAL RESERVE		
Balance as per last	23,121,600	20,621,600
Add: Addition during the year	5,000,000	2,500,000
	28,121,600	23,121,600
Less : Deduction during the year	0	0
	28,121,600	23,121,600
3. CAPITAL RESERVE		
Balance as per last	0	0
Add: Addition during the year	3,500,000	0
	3,500,000	0
4. SUBSIDY		
Balance as per last	1,000,000	1,000,000
Add: Addition during the year	0	0
	1,000,000	1,000,000
5. Profit & loss Appropriation A/c.		
	158,266,007	121,432,045
TOTAL	416,431,607	278,297,645
SCHEDULE - 3 : SECURED LOANS (Refer Note No. 4)		
State Bank of Saurashtra Term Loan of SBI	29,759,218	13,200,000
TOTAL	29,759,218	13,200,000
Short Term Working Capital Loan Cash Credit Account F.B.P.Account. S.L.C. Loan A/c	162,069,858 44,062,357 20,216,535	61,318,166 25,455,065 20,000,000
TOTAL	226,348,750	106,773,231
GRAND TOTAL	256,107,968	119,973,231
SCHEDULE - 4 : UNSECURED LOANS		
(a) Sales tax diff. credit facility	0	5,128,280
(b) Security- trade deposit	26,648,726	23,700,755
(c) Inter corporate deposit	15,051,453	7,000,000
TOTAL	41,700,179	35,829,035

SCHEDULE - 5 : FIXED ASSETS

ASSETS	GROSS BLOCK				DEPRECIATION FUND				NET BLOCK	
	OP. BAL	ADD.	SALE	NET	OP. BAL	ADD.	SALE	NET	31-03-10	31-03-09
Factory Land	5,085,035	0	0	5,085,035	0	0	0	0	5,085,035	5,085,035
Buildings	63,794,260	22,142,981	0	85,937,241	12,739,991	1,312,262	0	14,052,253	71,884,988	51,054,269
Plant & Machinery	107,657,514	13,730,927	0	121,388,441	25,281,745	4,533,514	0	29,815,259	91,573,182	82,375,769
Ele. Installation	6,309,821	1,258,844	0	7,568,665	3,377,615	309,683	0	3,687,298	3,881,367	2,932,206
Furniture & Fitting	22,791,011	19,274,398	0	42,065,409	10,130,059	3,414,636	0	13,544,695	28,520,714	12,660,952
Vehicles	19,108,098	5,192,623	2,892,519	21,408,202	4,523,556	2,034,709	1,053,223	5,505,042	15,903,160	14,584,542
Grand Total	224,745,739	61,599,773	2,892,519	283,452,993	56,052,966	11,604,804	1,053,223	66,604,547	216,848,446	168,692,773
Previous Year	159,672,703	65,744,199	671,163	224,745,739	47,558,439	8,627,215	132,688	56,052,966	168,692,773	112,114,264

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
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SCHEDULE - 6 : INVESTMENTS

(Unquoted & other than trade)

Equity shares of Navnirman Co.Op.Bank Ltd. each of Rs 25/- fully paid 320 (320)	8,000	8,000
Equity share of Vijay Co.Op.Bank.Ltd. each of Rs 10/- fully paid. 20 (20)	200	200
Equity share of Naroda Ind.Co.Bank Ltd. each of Rs 25/- Fully paid. 10 (10)	1,000	1,000
NSC purchased	10,000	10,000
TOTAL	19,200	19,200
Investment in Subsidiary Company		
Zullinc Healthcare Ltd. - 50,000 Equity shares of Rs. 10 each fully paid up	500,000	500,000
TOTAL	500,000	500,000
TOTAL INVESTMENT	519,200	519,200

SCHEDULE - 7 : INVENTORIES

(As taken, valued and certified by management)

Raw Materials	34,460,143	17,728,990
Packing Materials	13,263,087	8,281,849
Work In Progress	15,480,751	9,018,754
Finished Goods	116,557,844	78,840,928
Finished Goods - C & F	49,943,244	29,270,651
TOTAL	229,705,069	143,141,172

SCHEDULE - 8 : SUNDRY DEBTORS

(Unsecured & Considered goods)

Exceeding six Month	24,825,400	29,674,280
(Includes Rs. 29.75 lacs are under litigation - considered good)		
Others	285,728,644	200,164,894
TOTAL	310,554,044	229,839,174

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE - 9 : CASH & BANK BALANCES		
Cash on Hand	1,285,121	1,127,165
BALANCE WITH SCHEDULE BANKS		
(a) Current Account	2,292,591	16,743,185
(b) Fixed Deposit Account	10,034,069	10,424,049
(c) Dividend Account	625,067	132,736
	<u>12,951,727</u>	<u>27,299,970</u>
BALANCE WITH NON SCHEDULE BANKS		
(a) Current Account	11,032,631	17,041,160
(b) Fixed Deposit Account	98,764,002	--
	<u>109,796,633</u>	<u>17,041,160</u>
TOTAL	<u>124,033,481</u>	<u>45,468,295</u>
SCHEDULE - 10 : LOANS & ADVANCES		
(Un-secured, Considered Goods)		
(a) Inter-Corporate Deposits	90,747,967	12,677,968
(b) Income Tax & T.D.S.	54,210,533	68,122,104
(c) Advance for Capital Goods	4,538,075	4,019,465
(d) Balance with Govt. Authorities	18,458,870	16,468,520
(e) Advances recoverable in cash or kind for value to be received	47,333,665	41,287,765
TOTAL	<u>215,289,111</u>	<u>142,575,822</u>
SCHEDULE - 11 : CURRENT LIABILITIES		
Sundry creditors - Raw Materials	138,909,349	80,446,467
Sundry Creditors - Expense & Others	29,867,710	27,853,513
Unpaid Dividend A/cs	492,331	
Statutory Liabilities	9,666,656	6,272,210
TOTAL	<u>178,936,046</u>	<u>114,572,190</u>
SCHEDULE - 12 : PROVISIONS		
(a) Taxation Provision	48,500,000	64,072,804
(b) Proposed Dividend	13,572,960	9,132,960
TOTAL	<u>62,072,960</u>	<u>73,205,764</u>

PARTICULARS	FOR THE YEAR ENDED 31.03.2010 RUPEES	FOR THE YEAR ENDED 31.03.2009 RUPEES
SCHEDULE - 13 : SALES		
(a) Export sales	157,136,777	190,666,366
(b) Domestic Sales	1,078,745,551	939,149,818
(c) Trading Sale of Securities	---	10,360,579
TOTAL	1,235,882,328	1,140,176,763
SCHEDULE - 14 : OTHER INCOME		
Dividend	---	1,985,364
Other Income	---	35,280
TOTAL	---	2,020,644
SCHEDULE - 15 : STOCK VARIATION		
(a) Closing stock of :		
Work in Progress	15,480,751	9,018,754
Finished goods	116,557,844	78,840,928
Finished goods - C & F	49,943,244	29,270,651
	<u>181,981,839</u>	<u>117,130,333</u>
(b) opening stock of :		
Work in Progress	9,018,754	17,734,949
Finished goods	78,840,928	54,775,601
Finished goods - C & F	29,270,651	19,000,511
	<u>117,130,333</u>	<u>91,511,061</u>
TOTAL	64,851,506	25,619,272
SCHEDULE - 16 : MATERIALS CONSUMED		
1 Raw Materials Consumption		
Opening stock	17,728,990	20,339,235
Add : Purchase during the year	347,915,489	171,968,547
	<u>365,644,479</u>	<u>192,307,782</u>
Less : Closing Stock	34,460,143	17,728,990
	<u>331,184,336</u>	<u>174,578,792</u>
2 Packing Materials Consumption		
Opening stock	8,281,849	10,670,416
Add : Purchase during the year	88,083,791	52,059,449
	<u>96,365,640</u>	<u>62,729,865</u>
Less : Closing Stock	13,263,087	8,281,849
	<u>83,102,553</u>	<u>54,448,016</u>
TOTAL	414,286,889	229,026,808
SCHEDULE - 17 : MANUFACTURING EXPENSES		
Power & fuel	10,748,946	8,872,933
Stores & spare Consumed	13,604,106	8,148,882
Labour charges	33,571,273	10,923,768
Laboratory Goods & Testing charges	2,593,712	433,190
TOTAL	60,518,037	28,378,773

PARTICULARS	FOR THE YEAR ENDED 31.03.2010 RUPEES	FOR THE YEAR ENDED 31.03.2009 RUPEES
SCHEDULE - 18 : PERSONNEL EXPENSES		
Salaries, Wages, Allowances & Reimbursement of expenses (Including Directors' remuneration of Rs 4,560,000 (Previous year Rs 4,560,000))	97,918,743	74,130,508
Contribution to Staff welfare funds	3,019,455	2,034,492
Staff welfare expenses	2,356,470	1,259,803
TOTAL	103,294,668	77,424,803
SCHEDULE - 19 : SALES & ADMINISTRATIVE EXPENSES		
[A] SELLING EXPENSES		
Export noor	12,226,366	15,377,032
Advertisement	258,314	510,461
Sales Commission & other expenses	23,105,468	16,296,119
Sales promotion & Mkt. Expenses	64,858,587	53,581,851
Travelling	57,916,183	50,341,522
Outward transportation	19,153,469	4,017,222
TOTAL(A)	177,518,387	140,124,207
[B] ADMINISTRATIVE EXPENSES		
Audit fees	150,000	47,500
Computer expenses	673,907	903,690
Conveyance & vehicals	3,318,197	2,366,175
Donation	269,001	86,005
Insurance	450,717	666,119
Legal & registration	5,616,641	8,306,787
Short term loss on Mutual Fund	---	7,318,363
Loss on sale of assets	466,092	258,475
Office expenses	2,986,467	1,868,847
Post, telephone & Telegrams	4,143,280	4,478,602
Professional & consulting fees	9,470,866	5,012,599
Rent, rates & taxes	40,172,753	40,905,554
Repairs & maintenance	3,533,407	2,622,572
Stationary & printing	1,613,324	1,202,191
TOTAL(B)	72,864,652	76,043,479
TOTAL	250,383,039	216,167,686
SCHEDULE - 20 : FINANCIAL CHARGES		
Bank Commission	5,971,728	3,822,846
Interest (Net)	15,988,003	14,208,493
TOTAL	21,959,731	18,031,339

As per our report of even date
For Rajendra Natverlal Shah & Company

Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah

Proprietor

Membership No.8733

Place : Ahmedabad

Date : 19-08-2010

P. N. PATEL
Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31-03-2010

RS IN LACS

	31-03-2010	31-03-2009
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & other ordinary items	807.92	666.32
Adjustment for		
Depreciation	116.05	86.27
Short term loss on share	-	73.18
Short term Trading Loss	-	63.21
Loss on sale of assets	4.66	2.58
Other income	-	(-) 0.35
Dividend	-	(-) 19.85
	<u>120.71</u>	<u>(-) 19.85</u>
Operating profit before working capital change	928.63	871.36
Current Assets	(-) 2399.92	(-) 933.22
Current Liabilities	532.31	450.92
	<u>(-) 1867.61</u>	<u>(-) 482.30</u>
Cash generation from operation	(-) 938.98	389.06
Direct tax paid	167.37	165.01
Sales Tax Deferment	51.28	91.70
	<u>218.65</u>	<u>91.70</u>
Cash flow before investment income	(-) 1157.63	132.35
Other income	-	0.35
Dividend	-	19.85
	<u>-</u>	<u>20.20</u>
Net cash flow from operating activities	(-) 1157.63	152.55
B CASH FLOW FROM INVESTMENT ACTIVITIES		
Investment	-	288.61
Purchase of fixed assets	(-) 616	(-) 657.44
Sale of fixed assets	13.73	2.81
	<u>(-) 602.27</u>	<u>(-) 366.02</u>
Net cash used in investment activities	(-) 602.27	518.57
C CASH FLOW FROM FINANCE ACTIVITIES		
Issue of share capital	270.00	100.00
Share Premium	928.00	-
Capital Reserve	35.00	-
Deposit Accepted	29.48	28.65
Dividend Tax Paid	(-) 23.06	(-) 15.52
Loan from bank & others	1361.35	314.82
Inter corporate deposit	146.70	0.00
Dividend on equity paid	(-) 135.73	(-) 91.32
	<u>2611.74</u>	<u>(-) 91.32</u>
Net cash flow from all activities	851.84	123.16
Cash & bank balance as at 31-03-2009	454.68	331.52
cash & bank balance as at 31-03-2010	1306.52	454.68

**FOR & ON BEHALF OF THE BOARD OF DIRECTORS
FOR, LINCOLN PHARMACEUTICALS LIMITED**

PLACE : AHMEDABAD
DATE : 19-08-2010

MAHENDRA G. PATEL
(MANAGING DIRECTOR)

HASMUKH I. PATEL
(WHOLETIME DIRECTOR)

AUDITORS CERTIFICATE

I have verified the above cash flow statement of Lincoln Pharmaceuticals Limited derived from the audited financial statement for the year ended 31st March, 2010 and found the same to be shown in accordance herewith and also with the requirements of clause 32 of the listing agreement with exchange

FOR, RAJENDRA NATVERLAL SHAH & COMPANY
CHARTERED ACCOUNTANTS
(Registration No.:130209W)

PLACE : AHMEDABAD
DATE : 19-08-2010

(RAJENDRA N. SHAH)
PROPRIETOR
Membership No.8733

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. State Code
 Balance Sheet Date
 Date Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Sources of Funds

Paid up Capital
 Reserves & Surplus
 Secured Loans
 Unsecured Loans
 Deferred Tax Liabilities

Application of Funds

Net Fixed Assets
 Investments
 Net Current Assets
 Misc. Expenditure

Total Liabilities Total Assets

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover Total Expenditure
 Profit Before Tax Profit After Tax
 Earning Per Share in Rs. Dividend Rate %

V. GENERAL NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Pharmaceuticals Formulation
 Pharmaceuticals Formulation
 Antibiotics

As per our report of even date

For Rajendra Natverlal Shah & Company

Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah

Proprietor

Membership No.8733

Place : Ahmedabad

Date : 19-08-2010

P. N. PATEL

Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF LINCOLN PHARMACEUTICALS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN PHARMACEUTICALS LIMITED AND ITS SUBSIDIARY-ZULLINC HEALTHCARE LIMITED

- 1) We have examined the attached consolidated Balance Sheet of Lincoln Pharmaceuticals Limited and its subsidiaries as at 31st March, 2010 and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our 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) We did not audit the financial statements of subsidiaries, whose financial statement reflect total assets of Rs.69,53,084/- as at 31st March, 2010 These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
- 4) We report that the consolidated financial statements have been prepared by the company in accordance with the requirement of Accounting Standard (AS) 21 "Consolidated Financial Statement" on the basis of the separate audited financial statement of Lincoln Pharmaceuticals Limited and its subsidiary included in the Consolidated Financial Statement.
- 5) On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Lincoln Pharmaceuticals Limited and its aforesaid subsidiary and read with the accounting policies and other notes give the information required by the Companies Act, 1956 (as amended) in the manner so required and give a true and fair view:-
 - i) In the case of the consolidated Balance Sheet, of the consolidated state of affairs of Lincoln Pharmaceuticals Limited and its subsidiary as at 31st March, 2010.
 - ii) In the case of the Consolidated Profit & Loss Account, of The profit for the year ended on that date.
 - iii) In the case of the consolidated Cash Flow Statement, of the consolidated Cash Flows of Lincoln Pharmaceuticals Limited and its subsidiary for the year ended on that date.

FOR, RAJENDRA NATVERLAL SHAH & COMPANY
CHARTERED ACCOUNTANTS
(Registration No.:130209W)

PLACE : AHMEDABAD
DATE : 19-08-2010

(RAJENDRA N. SHAH)
PROPRIETOR
Membership No.8733

CONSOLIDATED AUDITED BALANCE SHEET AS AT 31.03.2010

PARTICULARS	SCH NO.	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
[A] SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
(a) Share capital	1	113,108,000	86,108,000
(b) Reserve & surpluses	2	419,761,385	278,297,645
TOTAL SHAREHOLDER'S FUNDS		532,869,385	364,405,645
LOAN FUNDS			
(a) Secured Loans	3	256,107,968	119,973,231
(b) Un-secured loans	4	41,700,179	35,829,035
		297,808,147	155,802,266
DEFERRED TAX LIABILITY		28,592,591	22,250,570
TOTAL		859,270,123	542,458,481
[B] APPLICATION OF FUNDS			
FIXED ASSETS	5		
(a) Gross Block		283,452,994	224,745,739
(b) Depreciation fund		66,604,547	56,052,966
(c) Net Block		216,848,447	168,692,773
INVESTMENTS	6	34,200	19,200
CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventory	7	229,705,069	143,141,172
(b) Debtors	8	313,773,432	229,839,174
(c) Cash & Bank balance	9	134,874,665	45,993,295
(d) Loans & Advances	10	213,983,015	142,508,351
		892,336,181	561,481,992
LESS:CURRENT LIABILITIES & PROVISIONS			
(a) Creditors	11	186,241,944	114,631,219
(b) Provisions	12	63,787,960	73,205,764
		250,029,904	187,836,983
NET CURRENT ASSETS		642,306,277	373,645,009
MISC. EXPENDITURE			
Preliminary Expenses		81,199	101,499
TOTAL		859,270,123	542,458,481

As per our report of even date
For Rajendra Natverlal Shah & Company
 Chartered Accountants
 (Registration No.:130209W)

Rajendra N. Shah
 Proprietor
 Membership No.8733

Place : Ahmedabad
 Date : 19-08-2010

P. N. PATEL
 Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31-03-2010

PARTICULARS	SCH NO.	FOR THE YEAR ENDED 31.03.2010 RUPEES	FOR THE YEAR ENDED 31.03.2009 RUPEES
[A] INCOME			
(a) Sales	13	1,267,283,719	1,140,176,763
(b) Other income	14	0	2,020,644
(c) Stock Variation	15	64,851,506	25,619,272
TOTAL		1,332,135,225	1,167,816,679
[B] EXPENDITURE			
(a) Trading security		-	16,681,637
(b) Purchase of finished goods		373,738,040	506,845,836
(c) Materials consumptiuons	16	414,286,889	229,026,808
(d) Manufacturing expenses	17	60,518,037	28,378,773
(e) Personnel expenses	18	103,420,093	77,424,803
(f) Sales & Administrative expenses	19	260,690,728	216,167,686
(g) Financial charges	20	22,039,714	18,031,339
(h) Depreciation		11,604,804	8,627,216
TOTAL		1,246,298,305	1,101,184,098
PROFIT BEFORE TAXATION		85,836,920	66,632,581
Current yr. Income tax provision.		15,715,000	12,500,000
F.B.T Provision		0	4,000,000
Defer tax / Excess Defered tax		6,341,952	7,044,607
PROFIT AFTER TAX		63,779,968	43,087,974
ADD : BALANCE BROUGHT FORWARD		121,432,045	91,075,769
Short Income tax provision of earlier year		2,736,476	-
Excess deferred tax provision of earlier year		68	453,409
PROFIT AVAILABLE FOR APPROPRIATION		182,475,469	134,617,152
APPROPRIATION			
(a) Proposed Dividend		13,572,960	9,132,960
(b) Dividend tax		2,306,724	1,552,147
(c) General Reserve		7,500,000	2,500,000
		23,379,684	13,185,107
NET BAL.TRANS.TO BALANCE SHHEET		159,095,785	121,432,045

As per our report of even date

For Rajendra Natveralal Shah & Company

Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah

Proprietor

Membership No.8733

Place : Ahmedabad

Date : 19-08-2010

P. N. PATEL

Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31.03.2010

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE : 1 - SHARE CAPITAL		
AUTHORISED		
12,000,000 (10,000,000) Equity Shares of Rs.10 each.	120,000,000	100,000,000
ISSUED, SUBSCRIBED & PAID UP		
11,310,800 (7,610,800) Equity share of Rs. 10 each.	113,108,000	76,108,000
Add : Share Warrents Application Money	0	10,000,000
TOTAL	113,108,000	86,108,000
SCHEDULE : 2 - RESERVE & SURPLUS		
1. SHARE PREMIUM		
Balance as per last	132,744,000	132,744,000
Add: Addition during the year	92,800,000	0
	225,544,000	132,744,000
2. GENERAL RESERVE		
Balance as per last	23,121,600	20,621,600
Add: Addition during the year	7,500,000	2,500,000
	30,621,600	23,121,600
Less : Deduction during the year	0	0
	30,621,600	23,121,600
3. CAPITAL RESERVE		
Balance as per last	-	-
Add: Addition during the year	3,500,000	-
	3,500,000	-
4. SUBSIDY		
Balance as per last	1,000,000	1,000,000
Add: Addition during the year	0	0
	1,000,000	1,000,000
5. Profit & loss Appropriation Account.		
TOTAL	419,761,385	278,297,645
SCHEDULE : 3 - SECURED LOANS		
(a) State Bank of India		
Term loan from SBI	29,759,218	13,200,000
Total	29,759,218	13,200,000
SHORT TERM WORKING CAPITAL LOAN		
Cash Credit Account	162,069,858	61,318,166
F.B.P.Account.	44,062,357	25,455,065
S.L.C Loan A/C	20,216,535	20,000,000
Total	226,348,750	106,773,231
TOTAL	256,107,968	119,973,231
SCHEDULE : 4 - UNSECURED LOANS		
(a) Sales tax differement credit facility	0	5,128,280
(b) Security- trade deposit	26,648,726	23,700,755
(c) Inter corporate deposit	15,051,453	7,000,000
TOTAL	41,700,179	35,829,035

SCHEDULE - 5 : FIXED ASSETS

ASSETS	GROSS BLOCK				DEPRECIATION FUND				NET BLOCK	
	OP. BAL	ADD.	SALE	NET	OP. BAL	ADD.	SALE	NET	31-03-10	31-03-09
Factory Land	5,085,035	0	0	5,085,035	0	0	0	0	5,085,035	5,085,035
Buildings	63,794,260	22,142,981	0	85,937,241	12,739,991	1,312,262	0	14,052,253	71,884,988	51,054,269
Plant & Machinery	107,657,514	13,730,927	0	121,388,441	25,281,745	4,533,514	0	29,815,259	91,573,182	82,375,769
Ele. Installation	6,309,821	1,258,844	0	7,568,665	3,377,615	309,683	0	3,687,298	3,881,367	2,932,206
Furniture & Fitting	22,791,011	19,274,398	0	42,065,409	10,130,059	3,414,636	0	13,544,695	28,520,714	12,660,952
Vehicles	19,108,098	5,192,623	2,892,519	21,408,202	4,523,556	2,034,709	1,053,223	5,505,042	15,903,160	14,584,542
Grand Total	224,745,739	61,599,773	2,892,519	283,452,993	56,052,966	11,604,804	1,053,223	66,604,547	216,848,446	168,692,773
Previous Year	159,672,703	65,744,199	671,163	224,745,739	47,558,439	8,627,215	132,688	56,052,966	168,692,773	112,114,264

PARTICULARS

**AS AT
31.03.2010
RUPEES**

**AS AT
31.03.2009
RUPEES**

**SCHEDULE : 6 - INVESTMENTS
(Unquoted & other than trade)**

Equity shares of Navnirman Co.Op. Bank Ltd. each of Rs 25/- fully paid 320 (320)	8,000	8,000
Equity share of Vijay Co.Op.Bank.Ltd. each of Rs 10/- fully paid 20 (20)	200	200
Equity share of Naroda Ind.Co.Bank Ltd. each of Rs 25/- Fully paid 10 (10)	1,000	1,000
NSC purchased	25,000	10,000
TOTAL	34,200	19,200

**SCHEDULE : 7 - INVENTORIES
(As taken, valued and certified by management)**

Raw Materials	34,460,143	17,728,990
Packing Materials	13,263,087	8,281,849
Work In Progress	15,480,751	9,018,754
Finished Goods	116,557,844	78,840,928
Finished Goods - C & F	49,943,244	29,270,651
TOTAL	229,705,069	143,141,172

**SCHEDULE : 8 - SUNDRY DEBTORS
(Unsecured & Considered goods)**

Exceeding six Month (Includes Rs 29.75 lacs are under litigation - considered good)	24,825,400	29,674,280
Others	288,948,032	200,164,894
TOTAL	313,773,432	229,839,174

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE : 9 - CASH & BANK BALANCES		
Cash on Hand	1,584,891	1,127,165
BALANCE WITH SCHEDULE BANKS		
(a) Current Account	12,834,005	17,268,185
(b) Fixed Deposit Account	10,034,069	10,424,049
(c) Dividend Account	625,067	132,736
	23,493,141	27,824,970
BALANCE WITH NON SCHEDULE BANKS		
(a) Current Account	11,032,631	17,041,160
(b) Fixed Deposit Account	98,764,002	0
	109,796,633	17,041,160
TOTAL	134,874,665	45,993,295
SCHEDULE : 10 - LOANS & ADVANCES (Un-secured, Considered Goods)		
(a) Inter-Corporate Deposits	90,747,967	12,677,968
(b) Income Tax & T.D.S.	54,180,533	68,122,104
(c) Advance for Capital Goods	4,538,075	4,019,465
(d) Balance with Govt. Authorities	19,783,870	16,468,520
(e) Advances recoverable in cash or kind for value to be recd.	44,732,570	41,220,294
TOTAL	213,983,015	142,508,351
SCHEDULE : 11 - CURRENT LIABILITIES		
Sundry creditors - Raw Materials	138,909,349	80,446,467
Sundry Creditors - Expense & others	34,867,866	27,912,542
Sundry Creditors - Finished Goods	1,373,675	-
Unpaid Dividend A/cs	492,331	-
Statutory Liabilities	10,598,723	6,272,210
TOTAL	186,241,944	114,631,219
SCHEDULE : 12 - PROVISIONS		
(a) Taxation Provision	50,215,000	64,072,804
(b) Proposed Dividend	13,572,960	9,132,960
TOTAL	63,787,960	73,205,764
SCHEDULE : 13 - SALES		
(a) Export sales	188,538,168	190,666,366
(b) Domestic Sales	1,078,745,551	939,149,818
(c) Trading sale of securities	0	10,360,579
TOTAL	1,267,283,719	1,140,176,763
SCHEDULE : 14 - OTHER INCOME		
Dividend	0	1,985,364
Other income	0	35,280
TOTAL	0	2,020,644

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE : 15 - STOCK VARIATION		
(a) Closing stock of :		
Work in Progress	15,480,751	9,018,754
Finished goods	116,557,844	78,840,928
Finished goods - C & F	49,943,244	29,270,651
	181,981,839	117,130,333
(b) Opening stock of :		
Work in Progress	9,018,754	17,734,949
Finished goods	78,840,928	54,775,601
Finished goods - C & F	29,270,651	19,000,511
	117,130,333	91,511,061
TOTAL	64,851,506	25,619,272
SCHEDULE : 16 - MATERIALS CONSUMED		
1 Raw Materials Consumption		
Opening stock	17,728,990	20,339,235
Add : Purchase during the year	347,915,489	171,968,547
	365,644,479	192,307,782
Less : Closing Stock	34,460,143	17,728,990
	331,184,336	174,578,792
2 Packing Materials Consumption		
Opening stock	8,281,849	10,670,416
Add : Purchase during the year	88,083,791	52,059,449
	96,365,640	62,729,865
Less : Closing Stock	13,263,087	8,281,849
	83,102,553	54,448,016
TOTAL	414,286,889	229,026,808
SCHEDULE : 17 - MANUFACTURING EXPENSES		
Power & fuel	10,748,946	8,872,933
Stores & spare Consumed	13,604,106	8,148,882
Labour charges	33,571,273	10,923,768
Laboratory Goods & Testing charges	2,593,712	433,190
TOTAL	60,518,037	28,378,773
SCHEDULE : 18 - PERSONNEL EXPENSES		
Salaries, Wages, Allowances & Reimbursement of expenses (Including Directors' remuneration of Rs 4,560,000 (Previous year Rs 4,560,000))	98,043,743	74,130,508
Contribution to Staff welfare funds	3,019,455	2,034,492
Staff welfare expenses	2,356,895	1,259,803
TOTAL	103,420,093	77,424,803

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE : 19 - SALES & ADMINISTRATIVE EXPENSES		
[A] SELLING EXPENSES		
Export noor	13,463,647	15,377,032
Advertisement	258,314	510,461
Sales Commission & other expenses	29,114,938	16,296,119
Sales promotion & Mkt. Expenses	66,434,081	53,581,851
Travelling	58,583,139	50,341,522
Outward transportation	19,153,469	4,017,222
Total - A	<u>187,007,588</u>	<u>140,124,207</u>
[B] ADMINISTRATIVE EXPENSES		
Audit fees	165,000	47,500
Computer expenses	673,907	903,690
Conveyance & vehicals	3,318,197	2,366,175
Donation	269,001	86,005
Insurance	476,973	666,119
Legal & registration	5,677,334	8,306,787
Short term loss on Mutual Fund	0	7,318,363
Loss on sale of assets	466,092	258,475
Administrative Expenses	325,000	0
Office expenses	3,007,572	1,868,847
Preliminary Exp.	20,300	
Post, telephone & Telegrams	4,190,516	4,478,602
Professional & consulting fees	9,470,866	5,012,599
Rent, rates & taxes	40,472,763	40,905,554
Repairs & maintenance	3,533,407	2,622,572
Stationery & printing	1,616,212	1,202,191
Total - B	<u>73,683,140</u>	<u>76,043,479</u>
TOTAL - A + B	<u>260,690,728</u>	<u>216,167,686</u>

SCHEDULE : 20 - FINANCIAL CHARGES

Bank Commission	6,051,711	3,822,846
Interest (Net)	15,988,003	14,208,493
TOTAL	<u>22,039,714</u>	<u>18,031,339</u>

As per our report of even date
For Rajendra Natveralal Shah & Company
 Chartered Accountants
 (Registration No.:130209W)

Rajendra N. Shah
 Proprietor
 Membership No.8733
 Place : Ahmedabad
 Date : 19-08-2010

P. N. PATEL
 Company Secretary

On behalf of the Board of Directors

M. G. PATEL Managing Director
R. G. PATEL Joint Managing Director
H. I. PATEL Whole time Director

Place : Ahmedabad
 Date : 19-08-2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31-03-2010
RS IN LACS

	31-03-2010	31-03-2009
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & other ordiner items	858.37	666.32
Adjustment for		
Depreciation	116.05	86.27
Short term loss on share	0.00	73.18
SHORT TERM TRADING LOSS	0.00	63.21
Loss on sale of assets	4.66	2.58
Other Income	0.00	-0.35
Dividend	0.00	-19.85
	<u>120.71</u>	<u>-19.85</u>
Operating profit before working capital change	979.08	871.36
Current Assets	-2419.73	-932.55
Current Liabilities	621.90	451.51
	<u>-1797.83</u>	<u>-481.04</u>
Cash generation from operation	-818.75	390.32
Direct Tax Paid	184.51	165.01
Sales Tax Differement	51.28	91.70
Preliminary & Preoperative Exp.Paid	0.00	1.01
	<u>235.79</u>	<u>1.01</u>
Cash flow before investment income	-1054.54	132.60
Other Income	0.00	0.35
Dividend	0.00	19.85
	<u>0.00</u>	<u>20.20</u>
Net cash flow from operating activities	-1054.54	152.80
B CASH FLOW FROM INVESTMENT ACTIVITIES		
Investment	0.15	293.61
Purchase of fixed assets	-616.00	-657.44
Sale of fixed assets	13.71	2.81
	<u>-602.14</u>	<u>-361.02</u>
Net cash used in investment activities	-602.14	-361.02
C CASH FLOW FROM FINANCE ACTIVITIES		
Issue of share capital	270.00	100
Share Premium	928.00	
Share Forfeiture (Capital Reserve)	35.00	
Deposits Accepted	29.45	28.65
Dividend Tax paid	-23.06	-15.52
Loan from bank & others	1361.34	314.82
Inter corporate deposit	80.50	0
Dividend on equity paid	-135.73	-91.32
	<u>2545.50</u>	<u>-91.32</u>
Net cash flow from all activities	888.82	128.41
Cash & bank balance as at 31-03-2009	459.93	331.52
Cash & bank balance as at 31-03-2010	1348.75	459.93

**FOR & ON BEHALF OF THE BOARD OF DIRECTORS
FOR, LINCOLN PHARMACEUTICALS LIMITED**

PLACE : AHMEDABAD
DATE : 19-08-2010

MAHENDRA G. PATEL
(MANAGING DIRECTOR)

HASMUKH I. PATEL
(WHOLETIME DIRECTOR)

AUDITORS CERTIFICATE

I have verified the above Consolidated Cash Flow Statement of Lincoln Pharmaceuticals Limited and subsidiary Zullinc Healthcare Limited derived from the audited financial statement for the year ended 31st March, 2010 and found the same to be shown in accordance herewith and also with the requirements of clause 32 of the listing agreement with exchange.

FOR, RAJENDRA NATVERLAL SHAH & COMPANY
CHARTERED ACCOUNTANTS
(Registration No.:130209W)

PLACE : AHMEDABAD
DATE : 19-08-2010

(RAJENDRA N. SHAH)
PROPRIETOR
Membership No.8733

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	2 4 2 8 8	State Code	0 4
Balance Sheet Date	3 1 0 3 2 0 1 0		
	Date Month Year		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	3 7 0 0 0

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Sources of Funds	Application of Funds
Paid up Capital	1 1 3 1 0 8
Reserves & Surplus	4 1 9 7 6 1
Secured Loans	2 5 6 1 0 7
Unsecured Loans	4 1 7 0 0
Deferred Tax Liabilities	2 8 5 9 2
Total Liabilities	8 5 9 2 6 8
Net Fixed Assets	2 1 6 8 4 8
Investments	3 4
Net Current Assets	6 4 2 3 0 5
Misc. Expenditure	8 1
Total Assets	8 5 9 2 6 8

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	1 2 6 7 2 8 3	Total Expenditure	1 1 4 1 4 4 7
Profit Before Tax	8 5 8 3 6	Profit After Tax	6 3 7 7 9
Earning Per Share in Rs.	5 . 6 4	Dividend Rate %	1 2

V. GENERAL NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Pharmaceuticals Formulation	3 0 0 3 1 0
Pharmaceuticals Formulation	3 0 0 3 2 0
Antibiotics	2 9 4 1 1 0

As per our report of even date

For Rajendra Natverlal Shah & Company

Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah
Proprietor
Membership No.8733

Place : Ahmedabad
Date : 19-08-2010

P. N. PATEL
Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

SCHEDULE NO. : 21 : GENERAL NOTES FORMING PART OF ACCOUNT -

[A] SIGNIFICANT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

1. Classification of Income and expenditure {Except Otherwise Indicated}

- (i) All Expenditure and income are accounted for under the natural head of accounts.
- (ii) All financial items of income and expenditure having a material bearing on the financial statement are recognised on accrual basis, except income by way of dividend and expenses by way of leave encashment which is accounted on cash basis
- (iii) Consolidated financial statement of parent & subsidiary company prepared in addition to separate financial statement of subsidiary company.

2. VALUATION

(i) FIXED ASSETS

Fixed assets are normally accounted on cost basis including cost of acquisition, installation and net of modvat. Impairment loss, if any is recognised in the year in which impairment take place.

(ii) INVENTORIES

Inventories are valued at cost or net realisable value whichever is lower. The cost is determined on FIFO basis and where applicable includes the cost of materials (net of available cenvet credit), labour and factory overheads. Finished products includes excise duty on products manufactured.

- (iii) Trading Investment are valued at cost of market value whichever is lower if any.

3. Stores, spares tools and dies are charges to revenue.

4. DEPRECIATION

- (i) Depreciation on fixed assets are provided on straight line method at the rate and method prescribed in schedule xiv to the companies Act, 1956.
- (ii) Depreciation on addition/deletion on fixed assets are provided on pro rata basis.
- (iii) Depreciation on R&D Assets are not provided by the Company.

5. SALES

- (i) Export sales are accounted at current prevailing rate and on realisation difference of exchange rate is adjusted in the accounts.
- (ii) Sales goods return, rate difference, currency rate difference and claims, etc. are adjusted in the sales and accounted in the year in which transaction have taken place.
- (iii) The sales is inclusive of excise duty and value added tax as applicable.

6. PURCHASE

- I Purchase goods returns are adjusted from the purchase of the year in which the transaction take place.
- II Purchased goods are inclusive of excise duty, value added tax and purchased related direct expenses.

7. RETIREMENT BENEFITS :

- I The company has taken a group policy for gratuity with the Life Insurance Corporation of india. The gratuity liabilities is accounted as per the actuarial contribution demanded by L.I.C.
- ii The company makes contribution to providend fund which are recongnised in the profit & loss account on accruals basis.

8. INVESTMENT

Long term & short term investment are stated at cost after deducting provision made , if any, for permanat diminution in the value.

Trading Investment are shown as a current assets under the head of inventory. profit or loss arise on sales of trading investment are accounted as business profit or loss if any

9. MISC. EXPENDITURE

Public issue , preliminary expenses and deferred revenue expenses if any are written off over a period.

10. CONTINGENT LIABILITIES :-

Contingent liabilities are not provided for in the accounts. These are disclosed by way of notes to the accounts.

11. CAPITAL WORK IN PROGRESS

These are stated at cost and other relevant overheads incurred during the construction period.

12. CLAIM BY/AGAINST THE COMPANY

Claim by/against the company arising on any account are provided in the accounts on receipts/ acceptance basis.

13. RESERCH & DEVELOPMENT

Revenue expenditure on R & D are charged to respective head of accounts in the year in which they are incurred. Capital expenditure on R & D are treated as addition to fixed assets. No depreciation on R & D assets has been provided.

14. FOREIGN CURRENCY TRANSACTIONS

- 1 Assets and liabilities in foreign currency , covered by forward contracts are stated at forward contract rate while those not covered by forward contracts are stated at the rate ruling at the time of transaction/ settlement taken place.
- 2 Exchange difference relating to fixed assets are adjusted in the cost of the assets.
- 3 Any other exchange difference are dealt with in the profit & loss account.

15 The consolidated financial statement relate to Lincoln Pharmaceuticals Limited (the Parent Company) and its subsidiaries - Zullinc Healthcare limited.

16 Principles of Consolidation

The consolidated financial statement have been prepared in accordance with Accounting Standard 21(AS-21)- "Consolidated Financial Statement issued by the Institute of Chartered Accountant of India. The Consolidated financial statements have been prepared on the following basis.

- i. The financial Statements of the parent and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealised profit or losses of intra group transactions.
- ii The consolidated financial statements have been prepared using uniform accounting policies for like transaction and other events in similar circumstances and are presented, to the extent possible, in the same manner as the parent company's separate financial statement
- iii The excess of cost to the parent company of its investment in the subsidiary over the parent company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill. This goodwill is tested for impairment at end of financial year. The excess of parent company portion of equity over the cost of investment as at the date of its investment is treated as capital reserve
- iv The financial statements of the Subsidiaries used in the consolidation are drawn up to the same reporting date as that of the parent company i.e. year ended march 31, 2010.
- v Consolidated financial statement of parent & subsidiary company prepared in addition to separate financial statement of subsidiary company.
The parent company holding in subsidiary company considered in consolidation financial statement as follow:

vi	Name of company	Country Incorporation.	Proportion of shareholding 31.03.2010	Proportion of shareholding 31.03.2009
	Zullinc Healthcare Ltd.	India	100%	100%
	Grand total		100%	100%

[B] NOTES FORMING PARTS OF ACCOUNTS

1. Previous year's figures have been regrouped and rearranged wherever necessary occurrences.

	2009-2010	2008-2009
	Rupees	Rupees
2. PAYMENT TO AUDITOR		
Audit Fees	150,000	45,000
As advisor in any other in resp. of cert.chg.	0	2,500
Total	150,000	47,500
3. CONTINGENT LIABILITY NOT PROVIDED FOR		
{A} Commitment under letter of credit	38,930,250	41,331,180
{B} Guarantee given	3,126,529	4,551,638
Total	42,056,779	45,882,818

4. DETAILS OF SECURITY OF SECURED LOANS AS PER SCHEDULE NO.: 3

Working Capital and Term Loan is secured by

- (i) Hypothecation of all raw material comprising of bulk drugs and chemicals, stock in progress, finished goods, all other stores and spares and receivable/book debts, both present and future.
- (ii) Personal gurantee of managing director, joint managing director and one whole time director
- (iii) Collateral security by way of mortgage created or to be create on immovable property of the company. Hypothecation of all movable plants, machineries, and other movable assets both present and future and other movables assets present and future of the company.

5. R & D expenses :

- 1 Since 2001, Company's in house R & D unit has been approved, by Government of india, Ministry of science & technology, Department of Scientific and industrial Reserch. New Delhi. Further ,Company's in house R & D unit has been also approved for weighted deduction u/s 35(2)(AB) of the income tax act 1961.
- 2 The details of In house R & D unit expenses for the year are given hereunder :

Particulars	(Amount in Rs.)			
	CAPITAL	2009-10 REVENUE	CAPITAL	2008-09 REVENUE
Building construction	799,291		0	0
Fixed Assets	9873573		5495947	0
Personnel exp.		7066269		6054927
Material purchases		2953795		2381514
Direct expenses		4604450		2059939
Adminitrative expenses		2745356		947413
TOTAL	10672864	17369870	5495947	11443793

5. **Details of Director Remuneration**

Name	Position held During the Year	Salary & Allowances	Perquisites	Total Remuneration
Shri Mahendra G. Patel	Managing Director	900000	240000	1140000
Shri Rajnikant G. Patel	Jt. Managing Director	900000	240000	1140000
Shri Hasmukh I. Patel	Wholetime Director	900000	240000	1140000
Shri Arvind G. Patel	Wholetime Director	900000	240000	1140000

6. **Quantitative and other information to the provision of paragraph 3&4 part II of schedule VI to the companies act, 1956 (as certified by management)**

6.1 Capacity/Production/Sales/Stocks

Classification	Unit	Licence	2009-2010	2008-2009
(a) Tablets	Nos.	N.A.	1000000000	1000000000
(b) Capsules	Nos.	N.A.	450000000	450000000
(c) Syrup	Nos.	N.A.	6000000	6000000
(d) Cream	Nos.	N.A.	9000000	3000000

6.2 Production

Products	Unit	2009-2010	2008-2009
Acease Tablet	Strip	18055	25800
Chemisprin Tablet	Strip	0	0
Tacizol 400 Tab	Strip	0	1539520
Alldox Capsule	Strip	20800	50900
Quinnox Tablets 250 MG	Strip	0	1192020

Products	Units	2009-2010		2008-2009	
		Qty.	Rs.	Qty.	Rs.
6.3 1. Turnover					
Acease Tablet	Strip	18055	1830989	25800	2704688
Chemisprin Tablet	Strip	0	0	0	0
Tacizol 400 Tab	Strip	0	0	1539520	3844944
Alldox Capsule	Strip	20800	10068375	50900	1011250
Quinnox Tablets 250 MG	Strip	0	0	1192020	4273006
Others			1223983160		1128342875
Total			1235882524		1140176763
6.3 2. Opening Stock					
Acease Tablet	Strip	0	0	0	0
Chemisprin Tablet	Strip	0	0	0	0
Tacizol 400 Tab	Strip	0	0	0	0
Alldox Capsule	Strip	0	0	0	0
Quinnox Tablets 250 MG	Strip	0	0	0	0
Others			108111579		73776112
			108111579		73776112
6.3 3. Closing Stock					
Acease Tablet	Strip	0	0	0	0
Chemisprin Tablet	Strip	0	0	0	0
Tacizol 400 Tab	Strip	0	0	0	0
Alldox Capsule	Strip	0	0	0	0
Quinnox Tablets 250 MG	Strip	0	0	0	0
Others			166501088		108111579
			166501088		108111579

Notes....

1. Production includes :

- (a) Goods manufactured in company's factory premises.
- (b) Goods manufactured on loan licenses basis in the factory premises of third party.
- (c) Goods purchased by the company.

7. Raw Material Consumed

7.1 Raw Material Name	Units	2009-2010		2008-2009	
		Qty.	Rs.	Qty.	Rs.
Betamethasone Valerate	Kgs.	1204	135754	8403	913493
Chloroquine Phosphate	Kgs.	761	627093	3546	2685515
Ciprofloxacin	Kgs.	1667	2209953	3092	3476447
Erythromycin Stearate	Kgs.	570	954166	9	12096
Griseofulvin	Kgs.	1359	5778784	500	2205998
Ibuprofen	Kgs.	7422	3218938	3203	1476155
Paracetamol	Kgs.	47830	9181338	128698	25253945
Rock Phosphate (Calcite)	Kgs.	0	0	0	0
Others			309078310		138555143
			331184336		174578792

Particulars	2009-2010		2008-2009	
	% of total Consum..	Amount Rupees	% of total Consum..	Amount Rupees
7.2 Brake-up of Raw Materials				
Imported	15.32	50723003	15.52	27103342
Indigenous	84.68	280461333	84.48	147475450
	100.00	331184336	100.00	174578792

Particulars	2009-2010	2008-2009
	8. Total Value of stores & spares consumed	
Imported	0	0
Indigenous	13604106	8148883
Total....	13604106	8148883
8.1 C.I.F. Value of Import		
(a) Raw Materials	50723003	31185353
(b) Stores & Spares	6923195	0
(c) Capital Goods	6424638	1180673
Total....	64070836	32366026
9. Particulars regarding foreign exchange earning in foreign exchange		
(a) Export goods calculated on F.O.B. Basis	147785463	181527660
Total....	147785463	181527660
(b) Expenditure in foreign currency		
Travelling	1244642	8115660
Products registration/Inspection/others Expenses	3842998	5606084
Import of Raw materials, Stores & Spares	55916202	32366026
Total....	61003842	46087770

10. Deferred Tax

- 1 During the year, 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. Accordingly the accumulated deferred tax assets & liabilities have been recognised for timing difference identified as on 31.03.2010 with corresponding charges to carry forward prior year balance of profit & loss account.
- 2 The deferred tax during the year for the timing difference is accounted using the tax rates that have been enacted, the net difference arising thereon is debited to profit & loss account.
- 3 The break up of deferred tax assets & liabilities into major components at the year end is as below

(Amount Rs. in lacs)

NO.	PARTICULARS	As at 01.04.2009	tax effects for the period	As at 31.03.2010
1	Fixed Assets	659.60	188.00	847.60
	TOTAL	659.60	188.00	847.60
	Deferred tax liabilities :	222.50	63.42	285.92
	Excess provision of earlier year		0.00	

11. SEGMENT REPORTING [AS PER AS -17]

PRIMARY SEGMENT BUSINESS SEGMENT

- 1 Manufacturing & marketing of Pharmaceuticals Products.
- 2 Trading in chemicals products, Bulk drug & share & securities

PRIMARY SEGMENT		2009-10	2008-09
No.	PRODUCTS	Rupees	Rupees
1.	Pharma products	1068854415	924220537
2.	Chemicals	0	178709815
3.	Bulk Drug	160909327	26885832
4.	Trading - SEC M/f.	0	10360579
5.	Wind Mill Sales	6118782	0
	TOTAL	1235882524	1140176763

Accounting Standard - 17 as issued by Institute of Chartered Accountants of India.

SECONDARY SEGMENT

No.	2009-10		2008-09	
	Geographic	Total (Rs.)	Geographic	Total (Rs.)
1	Export	157136777	Export	190666366
2	Domestic	1078745551	Domestic	949510397
	TOTAL	1235882328	TOTAL	1140176763

The segment revenue in the domestic & export business segments primary includes net sales from supply of manufactured goods, sales of traded items of the respective segments only. It does not include the other income of respective segments.

Revenue within India includes sales to the customers located within India.

Revenue outside India includes sales to customers located outside India.

12. RELATED PARTY DISCLOSURE [AS PER AS -18]

- A Related parties disclosure as required by AS 18, (Related party disclosure) are given below :
- Lincoln Parenteral Limited - significance influence
 - Karnavati Distributors Limited -Significance influence.
 - Downtown Finance Private Limited -Significance influence.

B KEY MANAGEMENT PERSONNEL

- 1 Mahendrabhai G. Patel - Managing Director
- 2 Rajnikant G. Patel - Joint Managing Director
- 3 Hasmukh I Patel, - Whole time director
- 4 Arvind G. Patel - whole time Director

C TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR ENDED MARCH,31,2010

	Type of Transaction	Maximum Outstanding Balance	
		2009-10	2008-09
Lincoln Parenteral Limited	Job work Charges & Trading	Rs 13049658	Rs 24821620
Karnavati Distributors Limited	Loan Given	Rs 2889636	Rs 3724834
Downtown Finance Private Limited	Loan Received	Rs 21746200	Rs 7000000

13. EARNING PER SHARE [AS PER AS- 20]

Outstanding equity shares (nos.) of Rs. 10/-	11310800	7610800
Net profit after tax	Rs. 60450190	Rs. 43087974
Earning per share (Rs.)	Rs 5.34	Rs 5.66

14. Investment in Subsidiary Company

Company	No. of Shares	Total Capital	Parent company	Subsidiary company
Zullinc Healthcare Ltd.	50,000	Rs. 500,000	Rs. 500,000	0
Percentage of holding		100%	100%	0.00

15. IMPAIRMENT [AS PER AS : 28 OF ICAI]

As per guidelines issued by the Institute of Chartered Accountants of India under AS - 28 "Impairment of Assets", the Company has assessed the recoverable amount of the relevant assets and found that there is no indication of any impairment loss exists in relation to its assets as at 31st March, 2010

16. Company has allotted 24,00,000 equity share of face value of Rs.10/- each for cash at a premium of Rs.17/- each by way of preferential allotment during the year and the shares have been listed with the Stock Exchanges.

17. The Company. had issued 10,000,000 warrants with a right to subscribe equal number of equity shares of Rs. 2/- each at a premium of Rs. 8/- per share. The Company had received Re.1/- per warrant in the previous year as required under applicable SEBI guidelines. Subsequently the Company has consolidated the 5 Equity shares of Rs. 2/- each in to one equity share of Rs. 10/- each.

Out of the same, warrant holders holding 65,00,000 warrants exercised the rights by paying balance amount @ Rs. 9/- per share (Face value of Rs. 2/- per share) and against the same, the Company allotted 13,00,000 Equity shares or Rs. 10/- each at a premium of Rs. 40/- per shares to them . The Company forfeited the amount paid on balance 35,00,000 warrants which remained unexercised.

18. There is no outstanding GDRs/ADRs as on date Company.

As per our report of even date

For Rajendra Natverlal Shah & Company

Chartered Accountants
(Registration No.:130209W)

Rajendra N. Shah

Proprietor

Membership No.8733

Place : Ahmedabad

Date : 19-08-2010

P. N. PATEL
Company Secretary

On behalf of the Board of Directors

M. G. PATEL

Managing Director

R. G. PATEL

Joint Managing Director

H. I. PATEL

Whole time Director

Place : Ahmedabad

Date : 19-08-2010

ZULLING HEALTHCARE LIMITED

2nd ANNUAL REPORT

2009-2010

BOARD OF DIRECTORS	Shri Mahendra G. Patel	Director
	Shri Has Mukh I. Patel	Director
	Shri Arvind G. Patel	Director

BANKERS HDFC Bank

AUDITORS **K. P. Sompura and Co.**
Chartered Accountants

REGISTERED OFFICE "Lincoln House"
Behind Satyam Complex,
Science City Road, Village Sola,
Ahmedabad.

ZULLINC HEALTHCARE LIMITED.

DIRECTORS' REPORT

To,
The Members,

Your Directors present herewith the Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2010.

FINANCIAL RESULTS :

During the year, your Company has achieved sales of Rs. 31,401,391/- (Previous Year NIL) and earned Net profit of Rs. 3,329,778/- (Previous Year NIL) after making Provision for Taxation of Rs. 1,715,000/- (Previous Year NIL).

DIVIDEND :

In order to conserve the resources, your Directors do not recommend payment of any dividend for the year under review.

DEPOSITS :

The Company has not accepted deposits with in the meaning of Section 58 A of the Companies Act 1956, during the year under review.

DIRECTORS :

Mr. Mahendra Patel, Director of the Company is retiring by rotation and being eligible, offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- (1) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (2) appropriate accounting policies have been selected and applied them consistently and judgements and estimates made that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (3) 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 ;
- (4) the accounts have been prepared on going concern basis.

EMPLOYEES :

As there are no employees drawing remuneration more than the limit prescribed under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, from time to time, statement under section 217(2A) is not required.

AUDITORS :

The Company's Auditors M/s. K. P. Sompura & Company, Chartered Accountants will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Members are requested to appoint auditors for the current year and fix remuneration.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

As the company is not manufacturing company, the statement containing the information as per section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules 1988 is not appended . Details regarding Foreign exchange earning and outgo are mentioned in the notes forming part of the accounts.

ACKNOWLEDGEMENT :

The Board is thankful to its bankers for their continued support and assistance.

**BY ORDER OF THE BOARD
For ZULLINC HEALTHCARE LIMITED**

Place : Ahmedabad

Date : 19-08-2010

(DIRECTOR)

(DIRECTOR)

ZULLINC HEALTHCARE LIMITED.

AUDITORS' REPORT

To
The Members of
Zullinc Healthcare Limited,

1. We have audited the attached Balance Sheet of Zullinc Healthcare Limited as at March 31, 2010 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.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. 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;
 - iii. The balance sheet & profit and loss account dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet & profit and loss account t dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. 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;
 - a) In the case of Balance Sheet of the state of affairs of the Company as at March 31, 2010.
 - b) In the case of Profit and Loss Account of the Profit for the year ended on that date.

FOR K.P.SOMPURA AND COMPANY
CHARTERED ACCOUNTANTS

PLACE : AHMEDABAD
DATE : 19.08.2010

KISHORE P. SOMPURA
PROPRIETOR
MEM. NO. 45155

ZULLING HEALTHCARE LIMITED.

AUDITED BALANCE SHEET AS ON 31.03.2010

PARTICULARS	SCH NO.	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
[A] SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
(a) Share capital	1	500,000	500,000
(b) Reserve & surpluses	2	3,329,778	-
TOTAL SHAREHOLDER'S FUNDS		3,829,778	500,000
LOAN FUNDS			
(a) Secured Loans		-	-
(b) Un-secured loans	3	3,123,306	67,470
		3,123,306	67,470
TOTAL		6,953,084	567,470
[B] APPLICATION OF FUNDS			
FIXED ASSETS			
(a) Gross Block		-	-
(b) Depreciation fund		-	-
(c) Net Block		-	-
INVESTMENTS	4	15,000	-
CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventory		-	-
(b) Debtors	5	3,219,389	-
(c) Cash & Bank balance	6	10,841,184	525,000
(d) Loans & Advances	7	1,817,210	-
		15,877,783	525,000
LESS:CURRENT LIABILITIES & PROVISIONS			
(a) Creditors	8	6,373,831	59,029
(b) Provisions & Other Liabilities	9	2,647,067	-
		9,020,898	59,029
NET CURRENT ASSETS		6,856,885	465,971
PRELIMINARY EXPENSES	10	81,199	101,499
TOTAL		6,953,084	567,470

As per our report on even date
FOR, K.P.SOMPURA AND COMPANY
Chartered Accountants

KISHORE P. SOMPURA
 Proprietor
 Mem. No. 45155

Place : Ahmedabad
 Date : 19.08.2010

On behalf of Directors...

M.G.PATEL DIRECTOR
 H.I.PATEL DIRECTOR

Place : Ahmedabad
 Date : 19.08.2010

ZULLING HEALTHCARE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2010

PARTICULARS	SCH NO.	FOR THE YEAR ENDED 31.03.2010 RUPEES	FOR THE YEAR ENDED 31.03.2009 RUPEES
[A] INCOME			
Sales	11	31,401,391	-
TOTAL		31,401,391	-
[B] EXPENDITURE			
(a) Purchase of Finished Goods	12	15,843,516	-
(b) Personnel Expenditure	13	125,425	-
(c) Sales & Administrative expenses	14	10,307,689	-
(d) Financial charges	15	79,983	-
TOTAL		26,356,613	-
PROFIT BEFORE TAXATION		5,044,778	-
Current yr. Income tax provision		1,715,000	-
Defer tax / Excess Defered tax		-	-
PROFIT AFTER TAX		3,329,778	-
ADD : BALANCE BROUGHT FORWARD		-	-
Short Income tax provision of earlier year		-	-
Excess deferred tax provision of earlier year		-	-
PROFIT AVAILABLE FOR APPROPRIATION		3,329,778	-
APPROPRIATION			
(a) Proposed Dividend		-	-
(b) Dividend tax		-	-
(c) General Reserve		2,500,000	-
		2,500,000	-
NET BAL.TRANS.TO BALANCE SHHEET		829,778	-

As per our report on even date
FOR, K.P.SOMPURA AND COMPANY
Chartered Accountants

KISHORE P. SOMPURA
 Proprietor
 Mem. No. 45155

Place : Ahmedabad
 Date : 19.08.2010

On behalf of Directors...

M.G.PATEL DIRECTOR

H.I.PATEL DIRECTOR

Place : Ahmedabad
 Date : 19.08.2010

**ZULLING HEALTHCARE LIMITED.
SCHEDULE FORMING PART OF BALANCE SHEET**

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE : 1 - SHARE CAPITAL		
AUTHORISED		
50,000 EQUITY SHARES OF 10 EACH (Previous year 50000 Eq.share of Rs.10/-each)	500,000	500,000
ISSUED,SUBSCRIBED & PAID UP		
50,000 EQUITY SHARES OF 10 EACH (Previous year 50000 Eq.share of Rs.10/-each)	500,000	500,000
TOTAL	500,000	500,000
SCHEDULE : 2 - RESERVES AND SURPLUS		
1 GENERAL RESERVE	2,500,000	
2 PROFIT AND LOSS APPROPRIATION A/C	829,778	-
TOTAL	3,329,778	-
SCHEDULE : 3 - UNSECURED LOANS		
Unsecured Loan from Holding Co. (Lincoln Pharamceuticals Ltd.)	3,123,306	67,470
TOTAL	3,123,306	67,470
SCHEDULE : 4 - INVESTMENTS		
(Unquoted & other than trade)		
National Saving Certificates (N.S.C.)	15,000	-
TOTAL	15,000	-
SCHEDULE : 5 - SUNDRY DEBTORS		
Less then 6 months	3,219,389	-
More then 6 months	-	-
TOTAL	3,219,389	-
SCHEDULE : 6 - CASH & BANK BALANCES		
Cash on Hand	299,770	-
BALANCE WITH SCHEDULE BANKS		
Current Account	10,541,414	525,000
TOTAL	10,841,184	525,000
SCHEDULE : 7 - LOANS & ADVANCES		
(Un-secured, Considered Goods)		
(a) Income Tax & T.D.S.	-	-
(b) Balance with Govt. Authorities	1,325,000	-
(c) Advance for Expenses	492,210	-
TOTAL	1,817,210	-
SCHEDULE : 8 - CREDITORS		
Sundry creditors - FOR GOODS	1,373,675	
Sundry Creditors - Expense & others	5,000,156	59,029
TOTAL	6,373,831	59,029

ZULLING HEALTHCARE LIMITED.

PARTICULARS	AS AT 31.03.2010 RUPEES	AS AT 31.03.2009 RUPEES
SCHEDULE : 9 - PROVISIONS AND OTHER LIABILITIES		
Statutory Liabilities	932,067	-
INCOME TAX PROVISION	1,715,000	-
TOTAL	2,647,067	-
SCHEDULE : 10 - MISC. EXPENS (NOT WRITTEN OFF)		
OPENING BALANCE	101,499	-
WRITE OFF DURING YEAR	20,300	101,499
TOTAL	81,199	101,499

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	31.03.2010 RUPEES	31.03.2009 RUPEES
SCHEDULE : 11 - SALES		
Export sales	30,278,851	
Freight Reimbursement	1,201,235	
Rate Diffrence and Scheme Expenses	(78,186)	
Kasar Vatav (Discount)	(509)	
TOTAL	31,401,391	
SCHEDULE : 12 - PURCHASE OF FINISHED GOODS		
Purchase of Goods	13,551,265	
Purchase of Packing Material	168,606	
Procurement Charges	2,684,365	
Tempa/Lari Bhada Expense	4,100	
Transportation Expense	31,450	
Inspection Fees	311,998	
Packing Expense	87,696	
Product Development Expense	304,036	-
D.E.P.B. Income	(1,300,000)	
TOTAL	15,843,516	-
SCHEDULE : 13 - PERSONNEL EXPENSES		
Staff Welfare Expenses	425	
Salary	125,000	
TOTAL	125,425	-

ZULLING HEALTHCARE LIMITED.

	31.03.2010	31.03.2009
	RUPEES	RUPEES
SCHEDULE : 14 - SALES & ADMINISTRATIVE EXPENSES		
[A] SELLING EXPENSES		
Export noor	1,237,281	-
Sales Commission & other expenes	6,009,470	-
Sales promotion & Mkt. Expenses	1,575,494	-
Travelling	666,956	-
TOTAL A	9,489,201	-
[B] ADMINISTRATIVE EXPENSES		
Audit fees	15,000	-
Adminstrative Expenses	325,000	-
Insurance	26,256	-
Legal & registration	60,693	-
Office expenses	21,105	-
Post, telephone & Telegrams	47,236	-
Rent, rates & taxes	300,010	-
Preliminary Expenses	20,300	-
Statinery & printing	2,888	-
TOTAL B	818,488	-
TOTAL (A+B)	10,307,689	-
SCHEDULE : 15 - FINANCIAL CHARGES		
Bank Charges	79,983	-
TOTAL	79,983	-

As per our report on even date
FOR, K.P.SOMPURA AND COMPANY
Chartered Accountants

KISHORE P. SOMPURA
 Proprietor
 Mem. No. 45155

Place : Ahmedabad
 Date : 19.08.2010

On behalf of Directors...

M.G.PATEL DIRECTOR

H.I.PATEL DIRECTOR

Place : Ahmedabad
 Date : 19.08.2010

ZULLING HEALTHCARE LIMITED

[A] ACCOUNTING POLICIES SIGNIFICANT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

- 1 Classification of Income and expenditure {Except Otherwise Indicated}
 - I All Expenditure and income are accounted for under the natural head of accounts.
 - II All financial items of income and expenditure having a matterial bearing on the financial statement are recognised on accrual basis , except income by way of dividend and expenses by way of leave encashment which is accounted on cash basis
- 2 Sales
 - I Export sales are accounted at current prevailing rate and on realisation difference of exchnage rate is adjusted in the accounts.
 - II Sales goods return, rate difference, claims, etc. are accounted in the year in which the transaction are taken place.
 - III The sales is inclusive of excise duty and value added tax as applicable.
- 3 Purchase
 - I Purchase goods returns are adjusted from the purchase of the year in which the transaction take place.
 - II purchased goods are inclusive of value added tax and purchased related direct expenses.
- 4 Investment

Long term & short term investment are stated at cost after deducting provision made , if any, for permanat diminution in the value.
- 5 Misc. Expenditure

Public issue , preliminary expenses and defered revenue expenses if any are written off over a period.
- 6 Contingent Liabilities :-

Contigent liabilities are not provided for in the accounts. These are disclosed by way of notes to the accounts.
- 7 Capital work in progress

These are stated at cost and other relevant overheads incurred during the construction period.
- 8 Claim by/against the Company

Claim by/against the company arising on any account are provided in the accounts on receipts/ acceptance basis.
- 9 FOREIGN CURRENCY TRANSACTIONS
 - 1 Assets and liabilities in foreign currency , covered by forward contracts are stated at forward contract rate while those not covered by forward contracts are stated at the rate ruiling at the time of transaction/ settlement taken place.
 - 2 Exchange difference relating to fixed assets are adjusted in the cost of the assets.
 - 3 Any other exchange difference are dealt with in the profit & loss account.

NOTES FORMING PARTS OF ACCOUNTS

- 1 Previous year's figures have been regrouped and rearranged wherever necessary occurances.
- 2 The company has started commercial buisness activities from this current finannil year.
- 3 Payment to auditor

Particulars	2009-10 Rupees	2008-09 Rupees
Audit Fees	15000	0
As advisor in any other in resp. of cert.chg.	0	0
Total....	15000	0

ZULLINC HEALTHCARE LIMITED

4 Quantitative and other information to the provision of paragraph 3&4 part II of schedule VI to the companies act, 1956 (as certified by management)

		2009-2010		
Products	Units	Qty.	Rs.	
1..... Turnover				
Sumocef Injection 1 GM	Strip	92000	4783840	
Minak V Cream 40 GM	Strip	57500	2957475	
Nosak Cefuroxime Oral Suspension	Strip	57500	3628763	
Erylid Suspension 200ML	Strip	57500	2384200	
Earlid Tableds 500MG	Strip	5750	2278170	
Nasak 500 Tablets	Strip	17250	2579041	
Gatrid Injection 1GM	Strip	28750	4258396	
Others			7408966	
Total			30278851	
5 2..... Opening Stock				
	Strip	0	0	
Others		0	0	
		0	0	
6 3..... Closing Stock				
	Strip	0	0	
Others		0	0	
4... C.I.F. Value of Import				

Particulars	Amount (Rs.)	Amount (Rs.)
(a.) Raw Materials	NIL	NIL
(b.) Packing Material	NIL	NIL
(c.) Capital Goods	NIL	NIL
Total....	NIL	NIL

5 Particulars regarding foreign exchange earning in foreign exchange

Particulars	Amount (Rs.)	Amount (Rs.)
(a.) Export goods calculated on F.O.B. Basis	30278851	NIL
Total....	30278851	NIL
(b.) Expenditure in foreign currency		
Travelling	NIL	NIL
Products registration/Inspection/others Expenses	NIL	NIL
Import of Raw materials	NIL	NIL
Total....	NIL	NIL

6 RELATED PARTY DISCLOSURE (AS PER AS - 18)

- A** Related Parties Disclosure as required by AS - 18 (Related Party Disclosure) are given below:
Lincoln Pharmaceuticals Ltd. - 100% Holding Company

ZULLING HEALTHCARE LIMITED

B Key Management Personnel

- 1 Mahendrabhai G. Patel
- 2 Arvindbhai G. Patel
- 3 Hasmukhbhai I. Patel

C Transactions with Related Parties During the Year ended on 31st March, 2010

	2009-10 Rupees	2008-09 Rupees
Lincoln Pharmaceuticals Ltd.(Reimbursement of Expenses)	2584462	Nil

7 EARNING PER SHARE [AS PER AS- 20]

Outstanding equity shares (nos.) of Rs.10/-	50000	50000
Net profit after tax	Rs.3329778	NIL
Earning per share (RS.)	Rs 66.60	NIL

8 The company is wholly subsidiary company of lincoln pharaceuticals limited.

9 The sundry debit / credit balances are subject to the confirmation.

10 SEGMENT REPORTING (AS PER AS - 17)

PRIMARY SEGMENT

BUSINESS SEGMENT

1 Trading of Pharmaceuticals Products

PRIMARY SEGMENT

PRODUTCTS

	2009-10 Rupees	2008-09 Rupees
Pharma Products	31401391	Nil
Chemicals	Nil	Nil
Bulk Drug	Nil	Nil

SECONDARY SEGMENT

No. Particulars

	2009-10 Rupees	2008-09 Rupees
1 Export	31401391	Nil
2 Domestic	Nil	Nil

The segment revenue in the domestic and export business segments primary includes net sales from sales of traded items of the respective segments only. It does not includes the other income of respective segments. Revenue outside the India includes the Sales to customers located outside the India

As per our report on even date
FOR, K.P.SOMPURA AND COMPANY
Chartered Accountants

KISHORE P. SOMPURA
 Proprietor
 Mem. No. 45155

Place : Ahmedabad
 Date : 19.08.2010

On behalf of Directors...

M.G.PATEL DIRECTOR

H.I.PATEL DIRECTOR

Place : Ahmedabad

Date : 19.08.2010

ZULLING HEALTHCARE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. State Code

Balance Sheet Date

Date Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue Rights Issue

Bonus Issue Private Placement

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Sources of Funds		Application of Funds	
Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	Net Fixed Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Reserves & Surplus	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/>	Investments	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/>
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="7"/>
Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/>	Misc. Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="1"/>
Deferred Tax Liabilities	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		
Total Liabilities	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="3"/>	Total Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="3"/>

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover Total Expenditure

Profit Before Tax Profit After Tax

Earning Per Share in Rs. Dividend Rate %

As per our report on even date
FOR, K.P.SOMPURA AND COMPANY
Chartered Accountants

KISHORE P. SOMPURA
 Proprietor
 Mem. No. 45155

Place : Ahmedabad
 Date : 19.08.2010

On behalf of Directors...

M.G.PATEL DIRECTOR
 H.I.PATEL DIRECTOR

Place : Ahmedabad
 Date : 19.08.2010

BOOK-POST

To,

If undelivered, please return to :



LINCOLN
PHARMACEUTICALS LTD.
HEALTHCARE FOR ALL

REGISTERED OFFICE
LINCOLN HOUSE,
Behind Satyam Complex,
Science City Road, Sola,
Ahmedabad-380060

Pratiksha
98252 62512