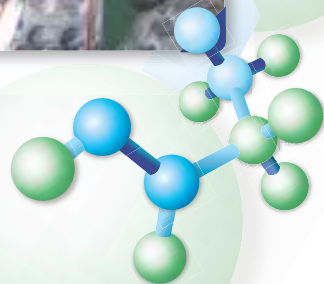
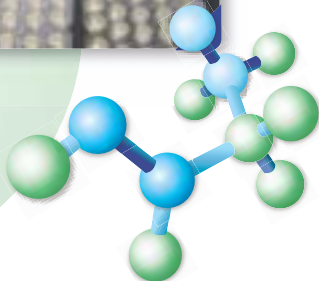
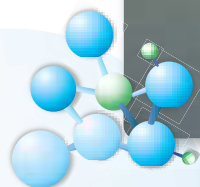
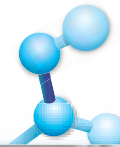
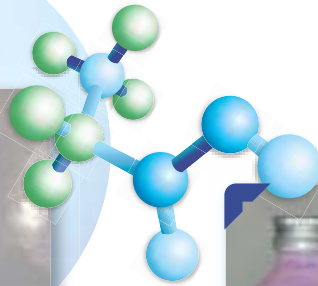


21st Annual Report
2009 - 2010

Few of own Branded Products of Sharon



Few of own Branded Products of Sharon



Sharon's Staff Picnic
at The Silent Hill Resort, Palghar



Distribution of Medicine
to Chief Minister's Relief Fund, Uttarakhand



CONTENTS

Particulars	Pg. No.
Managing Directors' Letter	04
Notice	06
Directors' Report	10
Corporate Governance	15
Management Discussion & Analysis	26
Auditors' Report	30
Balance Sheet	34
Profit & Loss Account	35
Cash Flow Statement	36
Schedules	37
Balance Sheet Abstract	49
Reports and Accounts of the Subsidiary Company Yusur International FZE, UAE	50
Consolidated Financial Statement of Sharon Bio-Medicine Limited and Yusur International FZE	57

BOARD OF DIRECTORS

Ms. Savita Gowda

Mr. Lalit Misra

Mr. Mohan P. Kala

Mr. Vijay Kirpalani

Dr. V. N. Badoni

Mr. Drunal Shah

Mr. Harish Palecanda

Mr. Sanjay Shah

Dr. Nivedita Patil

Managing Director

**Whole Time Director
Director**

Whole Time Director

Independent Director

Independent Director

Independent Director

Independent Director

Independent Director

AUDITORS

M/s. Jain Gangwal & Associates

Chartered Accountants

BANKERS

Canara Bank

Prime Corporate Branch - I, Cuffe Parade, Mumbai

State Bank of India

Overseas Branch, Cuffe Parade, Mumbai

Standard Chartered Bank

Fort Branch, Mumbai

Axis Bank

Andheri West Branch, Mumbai

Barclays Bank Plc,

Worli Branch, Mumbai

COMPANY SECRETARY

Mr. R. M. Gaud

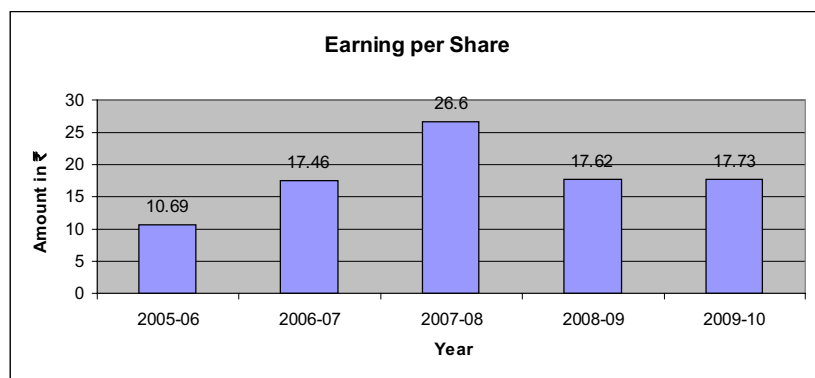
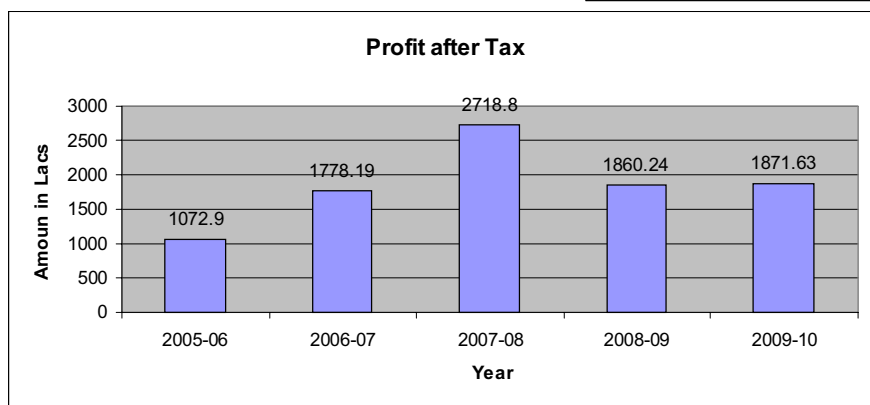
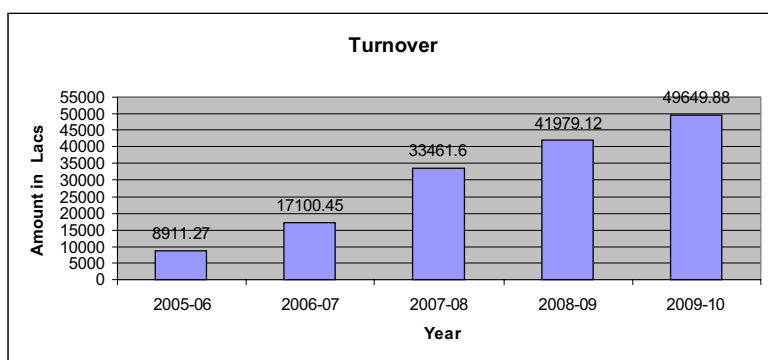
COMPANY SECRETARIES (in Practice)

Jagdish Patel & Co.

Financial Highlights of Sharon Bio-Medicine Limited

₹ in Lacs

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Turnover	8911.27	17100.45	33461.6	41979.12	49649.88
Other Income	15.34	51.22	250.51	183.23	156.97
PBDIT	1403.42	2637.15	4158.03	4073.33	5142.05
Interest	63.48	249.88	658.70	1436.32	2099.88
Depreciation	55.70	117.92	359.96	417.90	639.98
PBT	1284.24	2269.35	3139.37	2219.11	2402.19
Tax	202.75	478.00	407.00	310.00	350.00
PAT	1072.90	1777.28	2718.79	1860.24	1871.63



Dear Shareholders,

Having achieved almost ₹ 500 crores of Turnover of our company, I am sure you will join in celebrating the achievements of our company. Needless to say these achievements are possible by relentless focus on quality, control of costs, addition of new factories and products, spreading sales to more geographical areas and efficient management with complex situations. Ultimately, the success of any company depends on its customers and the strong sustained demand of company's products.

Consistently over the years, our Board of Directors have emphasized the need for creating an enabling culture in the organization in which performance with ethical practices receive the highest emphasis. To push the envelope on enablement the management undertake special programmes during the year with the objective of achieving greater engagement, better communication and an appreciation driven culture in the company. Some employees who had alone better performance in their respective fields are awarded certificate along with cash award. This focus on the softer side of the culture has led to greater team efforts, spirit, motivation and sincerity with which employees approach their tasks in meeting corporate objectives .

During the current year, we have added many more products in Active Pharma Ingredients (API), Intermediates and Formulations. We were able to start commercial productions in our two new plants based in Taloja, near Navi Mumbai and has got approval of U.K. MHRA at our Dehradun Formulation plant. Our ultimate goal is to get the USFDA approval of API plant at Taloja and Formation plant at Dehradun which will open word market to us including Europe and USA.

Further, our company will be opening more and more market for its products in India as well as abroad. Though global economy has been recovering from the shocks of 2008-09, some uncertainty still remains. Customers, now demand solutions that deliver guaranteed cost savings, qualities, tangible productivity and efficiency benefits. Our company is fully geared to convert any challenges into opportunities. We will make every effort to ensure a sustainable framework in which your company can thrive in future.

Here, I will talk some line on Diversification of company in Power sector. In the previous year, our company has applied to Uttarakhand Government 75 MW Hydro power under self identified scheme. In 2008, Uttarakhand Government has come out with the scheme where any Indian Company/Individual/Firm etc. can identify the Probable Hydro Power Projects in Uttarakhand and will be allotted the Hydro Power sites as per the scheme, announced by Uttarakhand Jal Vidyut Nigam Ltd. As per the scheme, our company also Identified 3 sites with total of 75MW capacity near Karan Prayag at Pinder Valley. In the Process some Indian companies / Individual / Firms were allotted few sites by Uttarakhand Government after due diligence and evaluation but later cancelled due to initial invitation for self identification & wrong advertisement in newspaper in 2008 for self identify power project by Uttarakhand Government. However, the allotted company/individual etc. has taken the matter to the High court in Uttarakhand against State Government and we are also waiting for outcome of the court judgment.

We understand that Hydro Power generation is not our core business but to get the HydroPower site in Uttarakhand would have added very high values to our company since cost of the per unit cost is just 35 paise whereas sale price per unit is almost ₹ 3/-per unit.

I will like to mention that we continue to be innovative in our thinking and are confident that our strategies will continue to create immense value for each and every stakeholder of our organization.

I am thankful to all stakeholders like Shareholders, Employees, Bankers, Suppliers, Customers and Board of Directors for their continuous support and confidence in bringing our company in successful growth and assure our stakeholders to deliver the maximum value to their stake in future.

For and on behalf of the Board

Sd/-

Place : Mumbai
Date : 04.12.2010

Ms. Savita Gowda
(Chairman & Managing Director)

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of Sharon Bio-Medicine Limited will be held at the Registered office at Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208 on 31st December, 2010 at 9.00 a.m. to transact following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2010 and Profit and Loss Account as on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Lalit Misra, who retires by rotation, and being eligible, offers himself for appointment.
4. To appoint a Director in place of Mr. Vijay Kirpalani, who retires by rotation, and being eligible, offers himself for appointment.
5. To appoint a Director in place of Dr. Nivedita Patil who retires by rotation, and being eligible, offers herself for appointment
6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution
"RESOLVED THAT M/s. Shyam C. Agrawal & Co., Chartered Accountants, Mumbai be and are hereby appointed as Statutory Auditors of the Company in place of M/s. Jain Gangwal & Associates, Chartered Accountants, Mumbai, who do not seek re-appointment, due to pre occupancy to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and that the remuneration and other out of pocket expenses incurred by them as may be decided by the Board of Directors as per recommendation by the Audit Committee of the Company."

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass with or without modifications the following resolution as a Ordinary Resolution:
"RESOLVED THAT subject to the provisions of section 198, 269, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the consent of the Members be and is hereby accorded for the appointment of Ms. Savita Gowda, as a Managing Director for the period of five year w.e.f. from 11.08.2010 to 10.08.2015 on monthly salary not exceeding ₹ 3,00,000 per month with an annual increment not exceeding 25% of the last salary drawn and all types of perquisites as may be allowed under the policy of the Company
RESOLVED FURTHER THAT the remuneration payable to the Appointee, in the event of absence or inadequacy of profit, be paid within the permissible limit, and in accordance with, the provisions of section 198 of the Companies Act, 1956, read with the provisions of section II of Part II of Schedule XIII thereto as duly approved and recommended by the remuneration committee.
RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or proper from time to time which may have the effect of increasing the remuneration or perquisites or benefits and for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company."
8. To consider and if thought fit, to pass with or without modifications the following resolution as a Ordinary Resolution:
"RESOLVED THAT subject to the provisions of section 198, 269, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the consent of the Members be and is hereby accorded for the appointment of Mr. Lalit Misra, as a Whole-time Director for the period of five year w.e.f. from 11.08.2010 to 10.08.2015 on monthly salary not exceeding ₹ 3,00,000 per month with an annual increment not exceeding 25% of the last salary drawn and all types of perquisites as may be allowed under the policy of the Company

RESOLVED FURTHER THAT the remuneration payable to the Appointee, in the event of absence or inadequacy of profit, be paid within the permissible limit, and in accordance with, the provisions of section 198 of the Companies Act, 1956, read with the provisions of section II of Part II of Schedule XIII thereto as duly approved and recommended by the remuneration committee.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or proper form time to time which may have the effect of increasing the remuneration or perquisites or benefits and for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company.”

9. To consider and if thought fit, to pass with or without modifications the following resolution as a Ordinary Resolution:

“RESOLVED THAT subject to the provisions of section 198, 269, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the consent of the Members be and is hereby accorded for the Revision of Remuneration of Mr. Vijay Kirpalani, as a Whole-time Director for the residual period of w.e.f. from 01.11.2010 to 31.12.2012 on monthly salary not exceeding ₹ 3,00,000 per month with an annual increment not exceeding 25% of the last salary drawn and all types of perquisites as may be allowed under the policy of the Company.

The other terms and conditions remain unchanged.”

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

“RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions of the Companies Act, 1956, and Subject to approval of the Central Government consent of the members be and is hereby accorded to the appointment of Mrs. Asha Kala, relative of the Non executive Director of the Company with effect from 1st January, 2011 at the remuneration of ₹ 2,00,000 p.m. (inclusive of all perquisites) with annual increment not exceeding 50% of the last salary drawn.”

For and on Behalf of the Board

Sd/-

**Ms. Savita Gowda
(Chairman & Managing Director)**

Place : Mumbai
Date : 04.12.2010

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself, and proxy so appointed need not be a member of the Company. In order to be effective, proxy form must be lodged with the company not less than 48 hours before the commencement of the meeting.
2. Explanatory Statements Pursuant to Section 173 (2) of the Companies Act 1956, relating to the special business is annexed herewith
3. The register of members and the share transfer book of the Company shall remain closed from 27th December, 2010 to 31st December, 2010 (both days inclusive).
4. The Dividend as recommended by the Board, if approved at the members meeting will be payable on or after 31st December, 2010 to those whose names are on the Register of Members of the Company as
 - (a) As beneficial owner as at the end of the business day on 24th December, 2010 as per the list to be furnished by the depositories in respect of the shares held in electronic form.
 - (b) In the Register of Members of the Company as on 31st December, 2010 after giving effect to all valid shares transfer in physical form lodged with the company before 27th December, 2010.
5. Members are requested to bring their copy of the Annual Report along with them as copies of the same will not

be distributed at the meeting.

6. Members desirous of asking any questions in regards to accounts published herein at the Annual General Meeting are requested to send in their questions in writing so as to reach the Company at least 10 days before the Annual General Meeting so that the same can be suitably replied.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Members who hold shares in electronic form are requested to write their DP Id and client Id numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the Meeting to facilities identification of membership at the Meeting. Members are requested to bring their attendance slip along with their copy of the Annual Report to the Meeting. As copies of Annual Report will not be distributed at the meeting.
9. Members are requested to intimate change of address, if any, to the company quoting reference to their Registered Folio Number.
10. The Members holding shares in dematerialized form may please note that while opening a depository account with participants, they may have given their bank account details, which will be printed on their dividend warrants. However, if Members want to change/ correct the bank account details, they should send the particulars to their depository participant with MICR code. The Company will not entertain any direct request from Members for deletion/ Changes in the bank account details furnished by the Depository Participants to the Company.
11. As required under Clause 49 (IV) of the Listing Agreement the details of the appointment of new Director or re-appointment of a Director is given below:

Name of the Directors	Age	Brief Resume, Expertise,	Directorships in other Companies	No. of Shares held
Mr. Lalit Misra	34	B.E(Chemical)	2	3,00,000
Mr. Vijay Kirpalani	54	B.E(Chemical)	1	NIL
Dr. Nivedita Patil	37	MBBS,DOMS	NIL	NIL

For and on Behalf of the Board

Sd/-

**Ms. Savita Gowda
(Chairman & Managing Director)**

Place : Mumbai
Date : 04.12.2010

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No. 7**

Ms. Savita Gowda, Managing Director, aged 38 years, is a Graduate in B.Sc. (Chemistry). MBA in 1999 from Newport University, California (USA). She has over 17 years experience in manufacturing and marketing of Drug Intermediates & Bulk Drugs. Her expertise in Marketing and Supply Chain Management has ensured that Sharon has a very high customer retention. Her visionary approach and indepth understanding of market dynamics reflects in decisions which led to Sharon's forward integration into Formulations contract manufacturing for regulated markets.

Ms. Savita Gowda, was re- appointed as the Managing Director of the Company in Board Meeting held on 12.8.2010, for Five years from 11.8.2010 to 10.8.2015, on monthly salary not exceeding ₹ 2,25,000. However looking at her achievements, the Board of Directors in its meeting held on 04.12.2010 has approved remuneration as provided in the resolution.

Her term of appointment is in conformity with Schedule XIII to the Companies Act, 1956, as amended upto date. The above statement may be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors are concerned or interested in this resolution except Mrs. Savita Gowda.

Item No. 8:

Mr. Lalit Misra, Whole Time Director, aged 34 years is a Post Graduate in Business Administration from Derbyshire Business School, United Kingdom & a Graduate in B.E. (Chemical). He has over 8 years experience in Operations, Projects & Business Development. He is responsible for Operations, Business Development and New Projects in the organization. He has contributed in setting up Sharon's Taloja Facility, which is highly efficient for multiproduct handling.

Mr. Lalit Misra, was re- appointed as the Whole Time Director of the Company in Board Meeting held on 12.8.2010, for Five years from 11.8.2010 to 10.8.2015, on monthly salary not exceeding ₹ 2,25,000. However looking at his achievements, the Board of Directors in its meeting held on 04.12.2010 has approved remuneration as provided in the resolution.

His term of appointment is in conformity with Schedule XIII to the Companies Act, 1956, as amended upto date. The above statement may be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors are concerned or interested in this resolution except Mr. Lalit Misra

Item No. 9

Mr. Vijay L. Kirpalani, B.E. in Chemical. He has around 29 years of experience in Designing, Executing & Engineering of Projects, Product Development, Technology development, Feasibility Study of the Projects. He was associated with the following organizations namely BARC, Bharat Petroleum Corporation, United Phosphorous and IPCL & Baroda Productivity Council. Further he has also worked with the following International Companies namely B.I.L. Chem Ltd. (Bangladesh), POLSERVICE (Poland), Egis Pharmaceuticals (Hungary), Fermion, O.Y. (Finland), Gist Brocades (Holland), Inter Chem Technical Associated (USA), Synthon Corp (USA), Green Valleys Estb. (Oman), Thomas H. Barton & Co. (USA).

Looking at his achievements, the Board of Directors in its meeting held on 04.12.2010 has approved remuneration as provided in the resolution.

This may be treated as an abstract under section 302 of the Companies Act, 1956

None of those Directors of the Company, except Mr. Vijay Kirpalani is interested and concerned in this resolution.

Item No. 10

Mrs. Asha Kala, M.A. in English and B. Ed. from Kurukshetra University relative of Director has contributed to the growth of Sharon and looking to her contribution and efforts, the Board recommends remuneration as provided in the special resolution as above.

This may be treated as an abstract under section 302 of the Companies Act, 1956

None of those Directors of the Company, except Mr. Mohan Kala is interested and concerned in this resolution.

For and on behalf of the Board

Sd/-

**Ms. Savita Gowda
(Chairman & Managing Director)**

Place : Mumbai
Date : 04.12.2010

DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present their 21st Annual Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditors Report for the year ended 30th June, 2010. The Financial highlights for the period under review are given below.

COMPANY'S PERFORMANCE:

Your Company has achieved turnover of ₹ 49649.88 lacs for the year-ended 30.06.2010 as against the turnover of ₹ 41979.12 lacs for the year-ended 30.06.2009.

The Financial Results are as under:

(₹ in Lacs)

Particulars	30.06.2010		30.06.2009	
	Standalone	Consolidated	Standalone	Consolidated
Turnover & Other Income	49806.85	52483.81	42162.35	42172.32
Profit Before Depreciation, Interest & Tax (PBID&T)	5142.04	5503.40	4073.33	4076.48
Interest	2099.88	2100.01	1436.32	1436.48
Depreciation	639.98	639.98	417.90	417.90
Profit Before Tax	2402.18	2763.41	2219.11	2222.10
Provision for Tax	350.00	350.00	300.00	300.00
Provision for Deferred Tax Liability	180.55	180.55	48.87	48.87
Provision for Fringe Benefit tax	—	—	10.00	10.00
Profit after Tax	1871.63	2232.86	1860.24	1863.23
<u>Earnings Per Share</u>				
- Basic	17.73	21.15	17.62	17.65
- Diluted	17.56	20.95	17.62	17.65

OPERATIONAL PERFORMANCE:

Your Directors are happy to report that the year under review witnessed achievement of milestone by the Company, in terms of its total income, both on Stand alone and consolidated basis. While Stand alone above total Income stood at ₹ 49806.85 Lacs the consolidated turnover was ₹ 52483.81 Lacs. However, the Profitability could not cope up with this growth, mainly on account of high operating and finance costs. The Profit in current year was ₹ 1871.63 against ₹ 1860.24 Lacs in the previous year 2008-09.

The Consolidated Financial statements include the financial statements of M/s. Yusur International FZE, UAE which is 100% subsidiary of Sharon Bio-Medicine Limited.

BUSINESS DEVELOPMENT AND PROSPECTS:

During the year your Company has set up a State of art Active Pharmaceutical Ingredients Plant in Taloja near Navi Mumbai and a World class Toxicology Lab again in Taloja. Both the Sites are in operations and started Commercial Production. Further, during the year your Formulation unit at Dehradun has got UK-MHRA approval. Our goal is to get the US FDA approval of Taloja and Dehradun unit and make Toxicological Lab member of European Union. With all these development, we expect increase in Turnover as well as better Margins in coming years.

Further, during the current year your company has made the Investment in M/s. Siddhivinayak Developers, Dehradun having 40 % stake in the firm. Sharon is having its Formulation plant at Silaqui which is close to Dehradun. The total Investment by Sharon is ₹ 2,75,00,000/- (Rupees Two Crores Seventy Five Lacs Only). M/s. Siddhivinayak Developers is having almost 4.25 acres of Land in Prime area in Dehradun. M/s. Siddhivinayak Developers wants to construct a housing society in that plot in future. The reason for investing in M/s. Siddhivinayak Developers by Sharon was to construct houses for the employees of the company and let out to employees in future. In Dehradun area, to get good houses on rent is very expensive and Sharon wants to let these houses on rent to its employees so that employees will have no problem in searching the houses.

DIVIDEND:

In view of the outer performance during the year 2009-10, your Directors are happy to recommend a payment of Dividend of ₹ 1.50 (Rupee One and Paise Fifty only), (i.e. 15%) per Equity share of ₹ 10/- each (i.e. 15%) as compared to ₹ 1.20 (Rupee One and Paise Twenty only), (i.e. 12%) per Equity of ₹ 10/- each (i.e. 12%) during the previous year 2008-09. The Total payout of ₹ 1,58,35,350/- is expected during the current year due to dividend payout excluding Dividend Distribution Tax amount.

INDUSTRIAL RELATIONS:

Industrial Relation of the Company continued to be cordial and peaceful. The Directors express their appreciation to all the employees for their dedications and support.

HUMAN RESOURCES:

Every year your Company introduces new initiatives. During the year, your company introduced a very successful employee engagement initiative. Those employees who have performed extra ordinary in their fields and have better co-ordination with their colleagues were awarded cash and a certification of appreciation.

This Program was managed by the HR Department and the intention was to get all the employees in the Company connected to the business and co-ordination among employees. Employees were encouraged to contribute potential business leads under this program.

Our Company continues to maintain a very diverse workforce which also manifests a diverse culture to support the successful growth of the business.

PARTICULARS OF EMPLOYEES :

Information regarding particulars of employees required Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts has been sent to all the Members excluding the statement of particulars under section 217(2A). Any Member interested in obtaining a copy of the statement may write to the Company secretary at the Registered Office of the company

EMPLOYEE STOCK OPTION SCHEME

During the year under review, your Company granted 2,31,103 options to 351 selected employees and Directors under Sharon ESOS 2010. Approval of shareholders was sought during Annual General Meeting held on 31st December, 2009. These options have been granted at market price at the time of grant. Details of the same are given in the annexure to this report.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**CONSERVATION OF ENERGY:**

(₹ in Lacs)

	2009-2010			2008-2009		
	Units	Avg. Rate	Amount	Units	Avg. Rate	Amount
Power & Fuel Consumption	11883484	4.60	546.64	4786727	4.50	215.40

FOREIGN EXCHANGE TRANSACTIONS

(₹ in Lacs)

	2009-2010	2008-2009
A. CIF value of Goods Imported	795.66	911.81
B. V-alue of Goods Exported (FOB and service charges)	1953.25	1667.57
C. Traveling Expenses	25.51	15.89
D. Commission	39.88	21.85
E. Other Expenses	32.35	23.26



Sharon

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

During the year the Company has not imported any technologies.

INSURANCE:

All the properties of the Company including Plants & Machineries, Stocks etc. have been adequately insured.

FIXED DEPOSITS:

The Company has not accepted any Deposits within the meaning of Section 58A of the companies Act, 1956 and the rules made there under.

DIRECTORS:

Mr. Lalit Misra, Mr. Vijay Kirpalani and Dr. Nivedita Patil retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

CREDIT RATING:

Credit Analysis & Research Limited (CARE) has assigned 'CARE A-' (Single A minus) rating for the Long Term Bank facilities and 'PR1' (PR One) rating for the Short Term Bank facilities of the company.

AUDITORS:

M/s. Jain Gangwal & Associates, Chartered Accountants, Mumbai, Auditors of the Company, retire at the forthcoming Annual General Meeting and do not wish to seek reappointment due to pre occupancy. The Directors place on record their appreciation of the services rendered by M/s. Jain Gangwal & Associates, Chartered Accountants, Mumbai. The Directors recommend the appointment of M/s. Shyam C. Agrawal & Co., Chartered Accountants, Mumbai as the Auditors of the Company. A suitable resolution in this behalf forms part of the agenda for the forthcoming Annual General Meeting for approval by the Members.

The Company has received the letter from the Auditors to the effect that their appointment would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

AUDIT COMMITTEE:

The Audit Committee has been constituted by the company pursuant to section 292(A) of the Companies Act, 1956 and under clause 49 of the Listing Agreement.

CONSOLIDATED FINANCIAL STATEMENTS:

The company has a wholly owned Subsidiary in Abroad.

The Audit consolidated accounts and cash Flow statement comprising of the Company and its subsidiary Company appear in the Annual Report together with the Auditors Report on the consolidated Accounts. The Consolidated Accounts have been prepared in accordance of the Accounting Standard 21 prescribed by the ICAI.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- I. In the preparation of annual accounts, the applicable accounting standards have been followed.
- II. That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for that year.
- III. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- IV. The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

In Pursuance of Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate governance, together with a certificate from the Company's auditors confirming compliance of the conditions of Corporate Governance as stipulated under the said clause is set out separately as Annexure forming part of this report.

ACKNOWLEDGEMENTS:

Your director wish to place record their sincere appreciation and thanks for the valuable cooperation and support received from the employees of the company at all the levels, Company's Bankers, Lenders, Suppliers, Customers, Government Authorities, Business Partners and Members of the company and look forward for the same in greater measure in the coming years.

For and on behalf of the Board

Sd/-

Ms. Savita Gowda

(Chairman & Managing Director)

Place : Mumbai

Date : December 4, 2010

**Annexure to the Directors' report
Sharon Bio-Medicine Ltd
Employee Stock Options Scheme 2010**

(a) Options granted	231103
(b) Pricing Formula	Upto 40% discount to market price
(c) Options vested	Nil
(d) Options exercised	Nil
(e) Total number of shares arising as a result of exercise of options	Nil
(f) Options lapsed (as at 30th June 2010)	21071
(g) Variation of terms options (as at 30th June 2010)	N/A
(h) Money realized by exercise of options	Nil
(I) Total number of options in force (as at 30th June 2010)	210032
(j) Employee wise details of options granted to	
1 Dr. V N Badoni, Director	2000
Dr. Nivedita Patil, Director	2000
Mr. Drunal Shah, Director	2000
Mr. Sanjay Shah, Director	2000
Mr. Harish Palecanda, Director	2000
Mr. Vijay Kirpalani	10075
2 Employees to whom more than 5% options granted during the year	Nil
3 Employees to whom options more than 1% of issued capital granted during the year	Nil
(k) Diluted EPS,pursuant to issue of shares on exercise of options	₹17.56
(l),	
1 Method of calculation of employee compensation cost	Calculation is based on intrinsic value method. Intrinsic value is Nil. All Options granted at market price
2 Difference between the above and employee compensation cost that shall have been recognized if it had used the fair value of the options	Employee compensation cost would have been higher by ₹9,12,308/- had the Company used fair value method for accounting the options issued under ESOS
3 Impact of this difference on Profits and on EPS of the Company	Profits would have been lower by ₹9,12,308/- and EPS would have been lower by ₹ 0.09, had the Company used fair value method of accounting the options issued under ESOS
(m) 1 Weighted average exercise price	₹ 82.65
2 Weighted average fair value of options based on Black Scholes methodology	₹ 53.67
(n) Significant assumptions used to estimate fair value of options including weighted average	
1 Risk free interest rate	7%
2 Expected life	Average life taken as 1 year from date of grant
3 Expected volatility	75%
4 Expected dividends	Not separately included, factored in volatility working
5 Closing market price of share on a date prior to date of grant	₹ 82.65



Sharon

2 Weighted average fair value of options based on Black Scholes methodology ₹ 53.67

(n) Significant assumptions used to estimate fair value of options including weighted average

1 Risk free interest rate	7%
2 Expected life	Average life taken as 1 year from date of grant
3 Expected volatility	75%
4 Expected dividends	Not separately included, factored in volatility working
5 Closing market price of share on a date prior to date of grant	₹ 82.65

Auditors' certificate on Employee Stock Option Scheme

To
The Members of
Sharon Bio-Medicine Ltd

We have examined the books of accounts and other relevant records and based on the information and explanations given to us, certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the Company passed in Annual General Meeting held on 31st December, 2009.

For Jain Gangwal & Associates
Chartered Accountants
Firm Registration No. 114382W

Sd/-
Kamal Gangwal
Partner
M. No. 042234

Place : Mumbai
Date : 04.12.2010

Report on Corporate Governance
(Pursuant to clause 49 of the Listing Agreement)

1. Company's philosophy on code of Governance:

The Company's philosophy on corporate Governance is to attain highest level of transparency, accountability and integrity. This objective extends not merely to meet with statutory requirements but also to go beyond them by putting into place procedures and systems which are in accordance with best practices for governance. Corporate Governance at Sharon means being responsive to aspirations of all the stakeholders, customers, suppliers, lenders, employees, the shareholders and the expectations of the society. The Board of Directors supports the broad principle of Corporate Governance and lays strong emphasis on its trusteeship role to align and direct the action of the organization to achieve its avowed objective of transparency, accountability and integrity. Given below is report on Corporate Governance at Sharon

2. Board of Directors

• **Composition of the Board:**

The Board is well structured with an adequate blend of Executive and Non Executive Directors. All the Directors are experts in their respective fields. The Board consists of Nine (9) Directors of which Three (3) are Executive Directors, Six (6) are Non Executive Directors including Five (5) Independent Directors. The Chairman of the Company is an Executive Director.

Independent Directors are Directors, who apart from receiving Directors' remuneration do not have any other material pecuniary relationship or transactions with the Company and its promoters. Following are Independent Non Executive Directors (I.&N.E.D).

1. Dr. V.N. Badoni
2. Dr. Nivedita Patil
3. Mr. Sanjay Shah
4. Mr. Drunal Shah
5. Mr. Harish Palecanda

Details, as on date of the composition of the Board and changes therein since the last Annual Report, category of the Directors and their attendance at the Board Meetings and the last Annual General Meeting, number of their Directorship in other companies incorporated in India (excluding alternate directorships & directorship in Pvt. Ltd. Companies) &, Chairmanship/Membership of specified committees are given below:

All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies as per Clause 49(I) (C) (iii).

Name of Director	Category of Directorship	No. of Board Mtgs. Attended	Attendance at the last AGM	Directorship in other Companies Incorporated in India	No. of specified Committees in other Companies in which Chairman / Members		No. of Equity Shares held
					Chairman	Member	
Ms. Savita Gowda	Chairman, E.D.	17	P	1	NIL	NIL	693860
Mr. Lalit Misra	E. D.	17	P	2	NIL	1	300000
Mr. Vijay Kirpalani	E. D.	17	A	1	NIL	NIL	NIL
Mr. Mohan P. Kala	N. E. D.	17	P	2	NIL	1	1903630

Dr. V.N. Badoni	I & N.E. D.	17	P	NIL	NIL	NIL	NIL
Mr. Sanjay Shah.	I & N. E. D.	16	A	NIL	NIL	NIL	NIL
Dr. Nivedita Patil	I & N. E. D.	17	A	NIL	NIL	NIL	NIL
Mr. Drunal Shah	I & N. E. D.	8	N.A	NIL	NIL	NIL	NIL
Mr. Harish Palecanda	I & N. E. D.	11	N.A	NIL	NIL	NIL	NIL

E.D. – Executive Director.

N.E.D. – Non-Executive Director,

I & N. E. D. - Independent & Non-Executive Director

- The company Secretary, Mr. R.M. Gaud is the secretary to the all Board Meetings.
- **Number of Board Meetings held during the year along with the dates of Meetings:**

During the year 2009-2010, 17 (Seventeen) Board Meetings were held as follows:-

July 09 to Sept. 09	Oct. 09 to Dec. 09	Jan. 10 to March 10	April 10 to June 10
04.07.2009	05.10.2009	04.01.2010	07.04.2010
06.07.2009	10.10.2009	31.01.2010	27.04.2010
09.07.2009	27.10.2009	07.03.2010	
28.07.2009	07.11.2009		
14.08.2009	16.11.2009		
25.09.2009	02.12.2009		

- **Information placed before the Board of Directors**

To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information is made available to the Board as per the Agenda Papers in advance of the Board Meetings.

In addition to matters statutorily required to be placed before the Board of Directors for its approval, all major decisions regarding resource mobilisation, capital expenditure, etc., are considered by the Board. Following information is regularly put up before the Board for its consideration and approval:

- Strategic plan and direction of the Company;
- Annual Business Plan, Sales Budget;
- Quarterly financial Results of the Company;
- Minutes of the meetings of Management Committee, Audit Committee, Shareholders and Investors Grievance Committee and Special Committee of the Board;
- Matters related to significant environmental issues, accidents, if any, etc.;
- Material information from Government bodies, which may have implications on the business of the Company, if any;
- Information on material transactions, which are not in the ordinary course of business;
- Disclosure of material transactions with potential conflict of interest, if any; and
- Compliance with various listing and statutory requirements.

Code of Conduct:

The Company has adopted the Sharon Bio-Medicine Limited Code of conduct for all the Directors and senior management personnel of the Company. During the year, the Board had approved the Code of Conduct and the

same is posted on the Company's website. The Company is in compliance with all the requirement of Clause 49. In addition the company has engaged experienced consultants to advice for strict compliance of the Clause 49 and other provisions.

Further, all the Board Members and senior management personnel (as per clause 49) have affirmed compliance with code of conduct. A declaration to this effect duly signed by the CEO forms part of this report.

3. Audit Committee

As per clause 49 of the Listing Agreement entered into with the Stock Exchanges. The Present composition of the Audit Committee is as follows:

Name	Designation	Category
Dr. V.N.Badoni	Chairman	Independent & Non-Executive Director
Dr. Nivedita Patil	Member	Independent & Non-Executive Director
Mr. Mohan P. Kala	Member	Non-Executive Director

Ms. Savita Gowda, Managing Director and Head of Accounts is permanent invitees to the Audit Committee Meetings. The Statutory Auditors is also invited to attend the Audit Committee Meetings, as and when required.

The powers and role of the Audit Committee are as per Guidelines set out in Clause 49 of the Listing Agreement with the Stock Exchanges and the Section 292A of the Companies Act, 1956. The salient features of powers and role of the Audit Committee are:

The Audit Committee is vested with the necessary powers, as defined in the Charter such as

- To investigate any activity of the Company;
- To seek and obtain any information and explanation;
- To obtain outside legal or professional advice and if necessary, secure their attendance at the meetings.
- To achieve its objectives.

The terms of reference of Audit Committee are briefly described as follows

- Meeting once in every quarter to review performance of the company along with the financial results of the Company.
- Appointment of statutory auditors, their fees and their payment of any other services is recommended by the committee.
- Reviews with the management, statutory auditors and internal audit system, the adequacy and the compliances of internal control systems.
- Discussions with statutory auditors before the audit commence, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in payment to the depositors, shareholders and creditors.
- Review the financial statements.

Meetings and the attendance during the year

Five (5) meetings of the Audit Committee were held during the year. The attendance of each Member of the Committee is given below:

Name of Director	No. of Meeting Attended	Remarks
Dr. V.N.Badoni	5	-
Dr. Nivedita Patil	5	-
Mr. Mohan P. Kala	5	-

The Minutes of the Audit Committee Meetings were noted by the Board of Directors at the Board Meetings.

The company Secretary, Mr. R.M.Gaud is the secretary to the Committee.

4. Shareholders/Investors' Grievance Committee:

As per the existing clause 49 of the Listing Agreements entered into with the Stock Exchanges. The present composition of the Shareholders/Investors' Grievance Committee is as follows:

Name	Designation	Category
Dr. Nivedita Patil	Chairman	Independent & Non-Executive Director
Dr. V.N Badoni	Member	Independent & Non-Executive Director
Mr. Lalit Misra	Member	Executive Director

The company Secretary, Mr. R.M.Gaud is the secretary to the Committee.

Role of Shareholders/Investors' Grievance Committee:

- Review the existing "Investor Redressal System" and suggest measures for improvement.
- The Investors' Grievance Committee meets to review and to take note of the Compliance Report submitted to the Stock Exchanges and Grievances of the shareholders and several meetings were held.
- To look into redressing of Shareholders and Investors Complaints regarding transfer of shares, non receipt of annual Reports etc.

During the year 2009-2010, 14 (Fourteen) complaints were received by the Company. No complaint is pending to be resolved at the end of the financial year.

All shares received for transfer were registered and dispatched within 15 days of receipt, wherever documents were correct and valid in all respects.

5. Compensation Committee

The Committee has been constituted to administer Sharon ESOS 2010. Attendance of each member at the Committee meeting held during the year

Name	Position	Meetings held	Meetings attended
Dr. V.N. Badoni	Chairman	1	1
Dr. Nivedita Patil	Member	1	1
Mr. Drunal Shah	Member	1	1
Mr. Lalit Misra	Member	1	1

Members at previous Annual General Meeting approved Sharon ESOS 2010. Committee granted 2,31,103 options to various employees and Directors during the year. Each option represents a right but not obligation to apply for 1 fully paid equity share of ₹10/- each at the exercise price, which is market price of ₹ 82.65 at the time of grant of Options. The options granted will vest over 4 years from the date of grant. Disclosure as required by SEBI guidelines on ESOS is annexed to the Directors' report.

6. Remuneration Policy:

The Board of Directors is authorised to decide the remuneration of the Executive Directors. The remuneration structure comprises of Salary & Perquisites. Salary is paid to Executive Directors within the salary grade approved by the Members.

The Details of remuneration paid to Executive Directors during the Financial Year 2009-2010 are as under.

Executive Directors	Salary (₹)	Perquisite (₹)	Total (₹)
Ms. Savita Gowda, Managing Director	22,94,800	NIL	22,94,800
Mr. Vijay Kirpalani, Whole Time Director	27,74,400	NIL	27,74,400
Mr. Lalit Misra, Whole Time Director	22,94,800	NIL	22,94,800

7. General Body Meetings:*Details of General Meeting*

Financial Year	AGM	Venue/ location	Date and time	Special Resolution Passed
2006-2007	AGM	Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208	31.12.2007 at 9.30 a.m.	2
2007-2008	AGM	Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208	31.12.2008 at 9.30 a.m.	0
2008-2009	AGM	Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208	31.12.2009 at 9.00 a.m.	2

No Special Resolutions requiring a postal ballot is being proposed at the ensuing Annual General Meeting.

7. Disclosure:

There were no transactions of material nature between the Company and its Directors or Senior Management and their relatives or Promoters that may have potential conflict with the interest of the Company. The Register of Contracts containing transactions, in which Directors are interested, have been placed before the Board regularly.

Transactions with the related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.

During the last three years there has been no instance of non-compliance by the Company on any matter related to capital market. Hence there were no strictures or penalties imposed either by SEBI or by the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital market.

8. Implementation of Code of Conduct for Insider Trading:

Sharon Bio-Medicine Limited has adopted Code of Conduct for Insider Trading and is based on the SEBI framework and is stringent than the statutory code being enforced by the SEBI. Sharon Bio-Medicine Limited follows strict guidelines in respect of insiders' stock trading and related disclosures. Mr. R.M. Gaud, designated as the Compliance Officer to over see its implementation. Periodic disclosures have been obtained from all the Directors and 'designated employees'. Under the aforesaid code all Directors and Designated Employees are required to conduct all their dealing in securities of the Company only in valid trading window after obtaining pre clearance form the Company as per the pre dealing procedure described in the Code.

9. Secretarial Audit for reconciliation of Capital.

As stipulated by SEBI, a Compliance officer carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges as well as placed before the Board of Directors. The audit confirms that the total Listed and paid up capital is in agreement with the aggregate of the total number of Shares in dematerialised form (held by NSDL and CDSL) and total number of Shares in physical form.

10. Means of Communication with Shareholders:

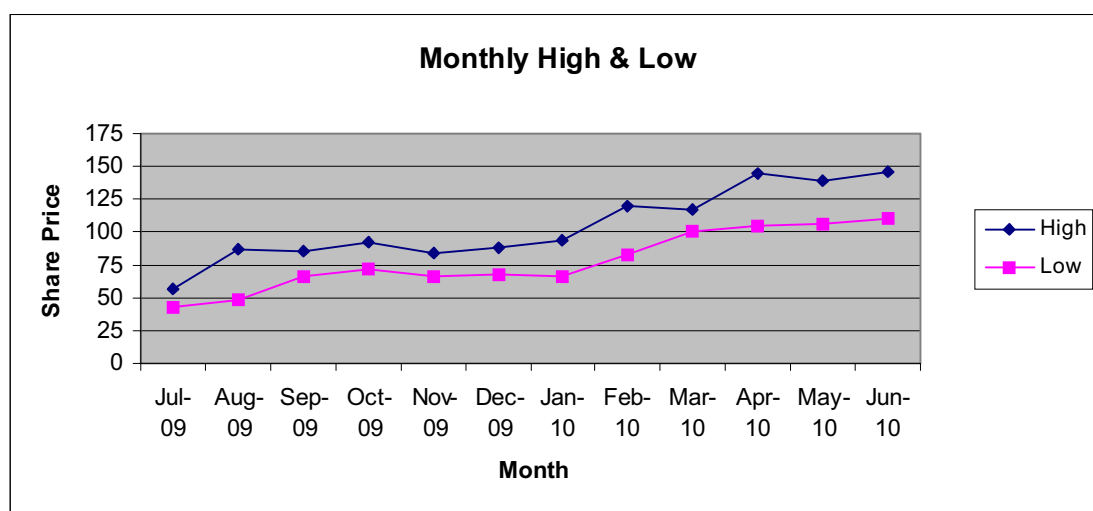
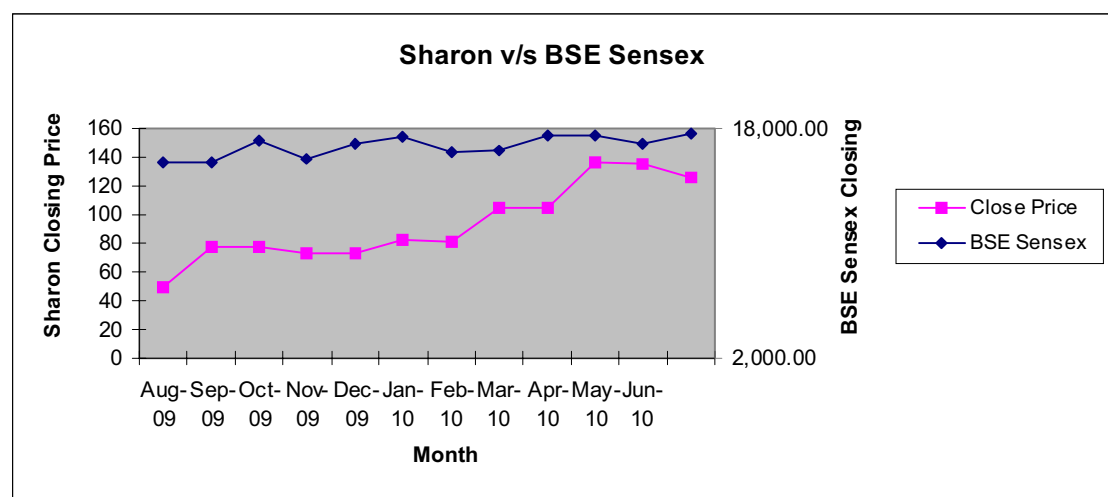
Quarterly Results	The quarterly results of the Company are published in accordance with the requirements of the Listing Agreement of the Stock Exchanges.
News papers in which results are normally published	The Free Press Journal or Economic Times (English) Navshakti or Maharashtra Times (Marathi)
Web site	www.sharonbio.com
e -mail:	investor_complaints@sharonbio.com
Registered office :-	Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208

Corporate Office :-	Plot No. 163, Park Street, Smt. Jankidevi Public School Road, S.V. P. Nagar, Andheri (w), Mumbai – 400053 Tel:- 022-26323192 /93 /94
Fax :-	022- 26323140
Whether Management Discussions and Analysis report is a part of Annual report or not	Yes
General Shareholders' Information	
Twenty First Annual General Meeting Date & Time	31st December, 2010 at 9.00 a.m.
Venue at Regd. Office	Plot No.W-34, W-34/1, MIDC, Taloja, Dist. Raigad, Maharashtra 410 208
Financial Calendars (Tentative)	
Financial reporting for the quarter ended 30th September, 2010	October 30, 2010
Financial reporting for the quarter ended 31st December, 2010	2nd week of February, 2011
Financial reporting for the quarter ending 31st March, 2011	2nd week of May, 2011
Financial reporting for the quarter ending 30th June, 2011.	Last week of August, 2011
Book Closure Date	27th December, 2010 to 31st December, 2010 (Both days inclusive)
Registered Office	Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208
Share Transfers in physical form and other communication in that regard including share certificates, dividends and change of address etc. may be addressed to	Link Intime India Limited Registrar & Share Transfer Agent C-13, Pannalal Silk Mills Compound L. B. S. Marg, Bhandup (W), Mumbai-400078 Tel No.: 022 - 25963838 Fax No.: 022 – 25946969
Listing on Stock Exchange at	1. Bombay Stock Exchange Limited Scrip Code No:-532908 2. The Pune Stock Exchange Ltd. Code No.: SHAPH160274 3. The Hyderabad Stock Exchange Limited Code No.: SOH Listing Fees have been paid for F.Y.2010-2011
Corporate Identity No. & Date of Incorporation	L24110MH1989PLC052251 Dated of Incorporation: - 19.06.1989
NSDL & CDSL – ISIN	INE028B01011

MONTHWISE STOCK MARKET DATA (BSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD 1.7.2009 TO 30.6.2010.

Month	Sharon Bio Medicine Limited			
	High	Low	Close Price	BSE Sensex
July, 2009	56.40	42.20	48.9	15,670.31
August, 2009	86.95	48.00	78.2	15,666.64
September, 2009	85.00	65.55	77.8	17,126.84
October, 2009	92.00	71.10	72.45	15,896.28
November, 2009	83.85	66.00	73.3	16,926.22
December, 2009	87.85	67.25	82.65	17,464.81
January, 2010	94.00	66.00	80.85	16,357.96
February, 2010	120.00	82.40	104.8	16,429.55
March, 2010	117.00	100.50	105.05	17,527.77
April, 2010	144.00	104.30	136.15	17,558.71
May, 2010	138.95	106.00	134.9	16,944.63
June, 2010	145.90	110.15	125.85	17,700.90

(Source -www.bseindia.com)

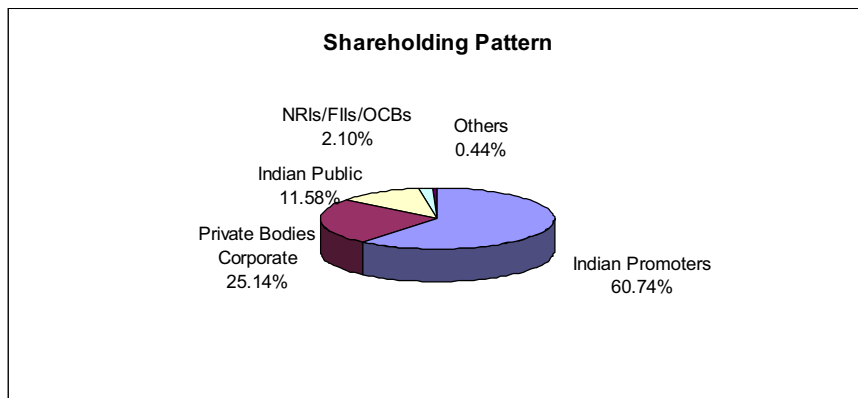


DISTRIBUTION OF SHAREHOLDING AS ON JUNE 30, 2010

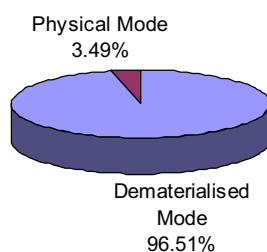
No. of Shares held		No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shares
1	5000	2473	86.8023	398362	3.7735
5001	10000	175	6.1425	140493	1.3308
10001	20000	88	3.0887	135495	1.2835
20001	30000	19	0.6678	47243	0.4475
30001	40000	18	0.6318	64929	0.6150
40001	50000	9	0.3159	42249	0.4002
50001	100000	27	0.9470	193814	1.8359
100001	and above	40	1.4040	9534315	90.3136
Total		2849	100.0000	10556900	100.0000

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2010

Sr. No.	Category	No. of Folios	Total Shares held	% to the Share Capital
1.	Other Bodies Corporate	108	2653802	25.14
2.	Clearing Member	42	46064	0.44
3.	Foreign Institutional Investors *	2	50453	0.48
4.	GIC & its subsidiaries	0	0	0
5.	Mutual Funds	0	0	0
6.	Nationalised Banks	0	0	0
7.	Non Nationalised Banks	0	0	0
8.	Non Resident Indians	24	20923	0.20
9.	Overseas Corporate Bodies	1	150000	1.42
10.	Public	2662	1223083	11.58
11.	Promoters	10	6412575	60.74
12.				
	Total	2849	10556900	100



Mode of Shareholdings



Details of Equity Shares Under lock-in	: NIL
Dematerialization of shares	: As on June 30, 2010 a total of 10556900 equity shares constituting 96.51 % is dematerialized and balance 3.49% shares are in physical mode.
Plant Location	: <ol style="list-style-type: none"> 1. Plot No.W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208 2. Khasara No.1027,1028,1030 & 1037,Central Hope Town, Sillaqui, Dist.Dehradoun, Uttaranchal 248197 3. Plot No.V/10, MIDC, Taloja, Dist. Raigad, Maharashtra 410 208 4. Plot No.L/6, MIDC, Taloja, Dist. Raigad, Maharashtra 410 208
Investors' correspondence to be addressed to :	Link Intime India Private Limited Registrar & Share Transfer Agent C-13, Pannalal Silk Mills Compound L. B. S. Marg, Bhandup (W) Mumbai-400078
Telephone	: 022 - 25963838
Fax	: 022 - 25946969

DECLARATION

I, Ms. Savita Gowda, Managing Director & CEO of Sharon Bio-Medicine Limited hereby declare that all the members of the Board of Directors and the Senior management personnel have affirmed compliances with the Code of conduct for the year ended 30th June, 2010.

For and on behalf of the Board

Place : Mumbai
Date : 04.12.2010

Sd/-
Ms. Savita Gowda
(Managing Director & CEO)

**CERTIFICATE FROM COMPANY SECRETARIES REGARDING COMPLIANCE OF
CONDITIONS OF CORPORATE GOVERNANCE**

To,
The Members of
Sharon Bio-Medicine Limited

We have examined the compliance of the conditions of Corporate Governance by Sharon Bio Medicine Limited for the year ended 30th June, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an Audit nor an expression of the 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 and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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 JAGDISH PATEL & CO.,
Company Secretaries

Place : Vapi
Date : 04.12.2010

Sd/-
JAGDISH P. PATEL
Proprietor
C.P.No. 1782
FCS : 2613

CERTIFICATE

To,
The Board of Directors

SHARON BIO-MEDICINE LIMITED

I, **Ms. Savita Gowda**, Managing Director & CEO of **SHARON BIO-MEDICINE LIMITED** certify that:

- (a) I have reviewed financial statements and the cash flow statement for the year and that to the best of my knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I aware and the steps I have taken or propose to take to rectify these deficiencies.
- (d) I have indicated to the auditors and the Audit Committee:
 - (i) Significant changes in internal control over financial reporting during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Sd/-

Ms. Savita Gowda
Managing Director & CEO

Place : Mumbai
Date : 04.12.2010

MANAGEMENT DISCUSSION AND ANALYSIS:

A report under management discussion and analysis for the financial year under review is annexed and form part of the report.

I MISSION AND BUSINESS STRATEGY:

OUR VISION

- We aim at earning the reputation of being a reliable manufacturer and a force to reckon with in the area of production of Chemical Intermediates, Bulk Actives and Pharmaceutical Formulations.
- We aim at being considered a benchmark when it comes to production efficiency & excellence across the globe.
- We see ourselves in the future as contributing to the success of our customers

OUR MISSION

While aligning all short and long-term strategies with our 'Vision' we shall,

- Put our best foot forward in our R & D efforts to develop important generic alternatives for new drugs.
- Create an operations environment that balances key objectives, quality and costs with a resultant outcome that gives us the competitive advantage.
- Delivering superior customer service and shareholder value.
- "Dedicate ourselves to the pursuit of providing a respectful and rewarding work environment for our employees

BUILDING AN INTEGRATED COMPANY

During the previous year 2009-10 Sharon has set up a world class Active Pharma Ingredient Plant and also Toxicological Plant at Taloja near Navi Mumbai. Today Sharon is already having 3 R&D centres at Various locations in India and also an Formulation Development Lab. In total today Sharon is having 2 Active Pharma Ingredients and Intermediate Plant and one Formulation Plant apart from Tosocology, R & D and F & D centres

In the domestic pharmaceutical environment where numerous Indian manufacturers and multinationals vie to capture market share, where product and quality differentiation is negligible, where overcapacity and industry fragmentation translates into declining realisations, where changing GMP and pharmacopoeia requirements increase production costs, where superior alternatives limit opportunities for synthetic drugs and intermediates, where delay in FDA approvals slows the introduction of drugs to high-margin markets and where curtailing costs aggressively is imperative to maintain profitability, survival, sustainability and success of a pharmaceutical company depends to a large extent on its ability to expedite pace of product innovation, streamline processes, inculcate a culture of operational excellence and straddle the entire value chain to meet diverse customer needs on one hand and enhance profitability on another.

Responding to this industry scenario, Sharon Bio Medicine, a manufacturer of API's and its key intermediates and Formulations has since inception differentiated itself by offering a distinct value proposition to customers such as:

- It has prudently extended its presence across the entire product value chain: manufacturing APIs right after producing the basic raw materials, through the intermediates stage upto the API stage, enabling it to meet the varied needs of its customers and at the same time improve its profitability. Same is the case with some of the Formulation
- Streamlines the customers' supply chain by backward integrating its production line for key basic intermediates, enabling it to evolve a one-time transaction into long-term relationships, and moving forward, offer a larger product and service basket to them, a climb up the value chain.
- Offers customers a non-compete, trusting platform, imbibing high levels of confidence for exclusive product manufacturing, product secrecy and also exclusive marketing rights.
- Enhances customer's profitability by deriving a low cost model through the attainment of cost efficiencies driven by continuous review of its own manufacturing assets, to make sure that they are being used most efficiently while preserving the flexibility to respond to fluctuations in demand.
- Ensures customers continuity of supply, consistency of quality, competitiveness in price and curtailment in response time for customers.

And lastly, continuously expands its product pipeline across diverse fast growing therapeutic segments to meet

the growing needs of its customers.

Having achieved this and moving forward, Sharon is committed to leverage the lucrative opportunities coming up by forward integrating into contract formulation research and manufacturing, entering high-margin, highly-sensitive oncology therapeutic segment, invested in new state-of-the-art API facilities targeting the regulated markets, expanding product pipelines by addressing the growing anti-depressant and anti-retro vials therapeutic segments, filing DMFs for its key products, strengthening R&D capabilities, vigorously improving productivity in pursuit of operational excellence in all its activities and rank amongst the most efficient and effective companies in this sector, all of which will help Sharon Bio Medicine to build a fully integrated company, emerge as a suitable partner for long-term relationships and cumulatively strengthen its potential to deliver substantial upside for all its stakeholders.

II MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

HUMAN RESOURCES :

The company continues to lay great emphasis on human resources development to make its employees attain high standards in efficiency and productivity. A number of focused initiatives have been undertaken by the company constantly upgrading employees knowledge and skills to ensure significant performance and reward them suitably.

III INDUSTRY OUTLOOK:

PHARMACEUTICAL INDUSTRY

GLOBAL SCENARIO

Global pharmaceutical sales grew 9% at a constant US dollar in 2008, to reach a record approx. \$900 billion.

It has been noticed that when North America is showing a growth of 8%, European Unions is showing a growth of 5%, whereas the best part is that Asia is showing a staggering increase of 13% growth which is remarkable and which is second to only Latin America showing 13.4%

The global market is showing a growth of 9%. Though North America accounts for almost 48% of the total global sales, a good 2 digit growth is shown by Asia, Africa and Australia along with Latin America. The world-wide pharmaceutical market is expected to grow by 6-9% between 2008 and 2012

Treatments for hypercholesterolaemia remained the top selling therapy class in 2008, with sales of approx. \$50 billion, followed by anti-ulcerants . Overall, cardiovascular and central nervous system treatments continued to dominate, with antidepressants maintaining a high ranking in the face of lower growth (owing to generic competition). Antipsychotics and anti-epileptics both registered healthy increases in sales over the year. Thanks to their expansion into the treatment of heart failure and the continuing release of promising clinical trial data, the newest class of antihypertensives.

It is very evident that cancer drugs will challenge these long-standing leaders. The antineoplastics and cytostatic hormone antagonists groups approximately registered 18% growth in 2008. An increasing number of newer, targeted cancer therapies are seeing impressive sales, such as Eloxatin, Glivec, Rituxan, and now Avastin – approved for colorectal cancer but also reporting a survival benefit in non-small cell lung cancer

The INDIAN CONTEXT

The Indian Pharmaceutical Industry is one of the largest among Developing Countries. It contributes 9% in volume terms but only 1% in value terms to global pharmaceuticals sales. Thus the Indian Pharmaceutical Industry ranks 4th in terms of volume but 13th in terms of value. India 's small share in value terms is attributable to the relatively lower prices of drugs in the country.

EXPORT POTENTIAL

Pharmaceutical products rank amongst India's top export items. The country's exports of pharmaceutical products increased at a CAGR of 22% during the period FY1999-2008. Various factors that facilitated exports from India include cost competitiveness, established quality, and certification of manufacturing facilities by the United States-Food and Drug Administration (USFDA) and United Kingdom Medicines and Healthcare products Regulatory Agency (UKMHRA).

CONTRACT MANUFACTURING

Many foreign pharma companies are under pressure due to declining R&D productivity, increased generic

competition, drugs going off patent, rising drug development cost and fewer new drugs discovery. Under pressure to protect their margins, companies are outsourcing non-core activities like manufacturing of intermediates and APIs to low cost destinations like India, which is likely to gain momentum over the next few years. India currently accounts for a miniscule proportion of the US\$35bn global outsourcing industry and is set to capitalize on the mega opportunity. By 2010, it is likely to constitute 3-4% of the US\$55bn global outsourcing industry.

1. OUTSOURCING TO GAIN STEAM VERY SOON

Many companies are looking at rationalizing their cost structure in order to protect their margins. Companies are under pressure as the time to get new drugs to the market is increasing, declining rate of approval of new drugs, cost to manufacture a new drug is increasing leading to a decline in R&D productivity. Added to this is competition from generic companies. All these factors would force a company to outsource quality raw materials from cheaper destinations like India and China and focus on R&D and marketing.

2. INDIA GOT ADVANTAGE

India through its strong chemistry and regulatory skills has emerged as a top destination for innovators. India's cost of manufacturing is 30-40% lower as compared to western countries and labour cost is 1/7th of that in USA. India has the highest number of US FDA approved plants outside the USA and has 6 times the number of trained chemists as the US, which is available at 1/10th of cost. We believe MNCs will scale up operations gradually as they get comfortable with Indian partners.

3. STRONG RELATIONSHIP IS THE KEY

This CRAMS opportunity is huge and as a result many companies are eyeing this space. As the opportunity is huge, companies of various scale are likely to bag contracts. Sharon believes establishing a strong relationship with the clients is the key to bagging future contracts. This alone takes around three four years and serves as a huge entry barrier for a company looking to make inroads into this segment.

4. SHARON ADVANTAGE

Sharon has got the R & D centre along with Toxicology, API & Intermediate and Formulation Unit. Therefore, apart from a strong relationship with the clients, presence across the entire CRAMS value chain would be another critical factor for a company looking at partnering the innovator. An innovator would prefer a partner who could turn out to be a one-stop shop for its various requirements. As a result, companies having presence across the entire CRAMS chain i.e. from drug discovery to manufacturing would eventually become preferred vendors for an innovator.

The CRAMS industry is fraught with long gestation periods. It takes around 4-6 years from the time the negotiations begin till the delivery of products commences. A partner has to first set up the facility, initiate production and get it approved by various regulatory authorities before starting shipments of the product. Setting up a facility would be capital intensive and the initial cost has to be borne by the partner.

However, once the supplies commence and offtake at the innovators end pick up, returns are likely to stabilize over a period of time. Most of the contracts are over a period of five years with almost guaranteed revenue on a year on year basis. Consequently, there is a gradual pick up in revenues as the product at the innovators end also gains higher market share.

Although India scores over China on most fronts, the Chinese companies pose a significant threat to the Indian story. Over the years, Chinese companies have been aggressive in filing DMF. Chinese have filed over 60 DMFs in the 2005 as compared to 40 in 2004. Over the next 2-3 years, Chinese companies are likely to move up the value chain by venturing into high-end intermediates and formulations. Leveraging on its low cost advantage and strong backing of the government, China poses a significant threat of making significant inroads into the US market as well as command better share of the CRAMS industry. Other Asian countries like Taiwan and Korea could also pose a threat to Indian companies.

5. GLOBAL PHARMA COMPANIES OUTSOURCING ITS OPERATIONS

A survey carried out by contract pharma attributes various reasons to outsourcing activities by global pharma majors. Amongst the key reasons are focus on core competency like R&D and marketing and lack of capacity at its end. This has led to outsourcing of non-core activities like manufacture of intermediates and APIs from low cost destinations. Outsourcing of non core activities would enable the management to devote time and resources to focus on its core competency skills of R&D and marketing. It would also help the company to save capital as

it sources intermediates/ APIs from low cost manufacturing countries.

Of the estimated US\$15bn global contract manufacturing opportunity, Intermediates / APIs account for 67% of the demand whereas the rest is met by formulations. In 2010, the industry estimates intermediates / APIs to account for 59% of the demand with the balance coming from formulations.

6. WHY WOULD AN MNC PREFER AN INDIAN COMPANY AS ITS PARTNER?

It is believed that the global outsourcing industry is shifting its focus from Europe to low cost destinations like India & China. As mentioned earlier, outsourcing of intermediates/ APIs is not a new phenomenon. Global majors previously used to source these requirements from companies in Europe and to a lesser extent USA. In the light of huge outsourcing opportunity, many European and American companies created huge capacities in anticipation of more contracts. However, due to pressure to reduce cost, the contracts were awarded to Indian & Chinese companies. This meant that the European companies never ran up to full capacity and started making losses. Today Indian & Chinese companies are acquiring these non-productive assets and looking at making them profitable.

India offers the following advantages to innovator companies:

- Strong chemistry skills as demonstrated in the domestic market
- Low labour cost- Labour cost is 1/7th of that in USA
- Cost of manufacturing is 30-40% lower as compared to western countries with the same quality
- Integrated business model creating a 'one stop' shop for innovators
- India has 6 times the number of trained chemists as the US, which is available at 1/10th of cost
- With over 75 USFDA approved plants, India has the highest number of FDA approved plants outside the US
- Abundant English speaking skilled manpower
- Large patient population providing a diverse pool for clinical trials
- High quality telecom and IT infrastructure
- Most importantly Indian companies have better regulatory skills like IPR adherence

7. OPPORTUNITY FOR INDIAN COMPANIES

As mentioned earlier, the global outsourcing industry is estimated to be worth US\$27bn, of which contract manufacturing is US\$15bn and contract research is US\$12bn. India accounts for a miniscule US\$100mn (0.67% market share) in contract manufacturing and an insignificant proportion in contract research.

However with constant pressure on innovators to reduce costs, this proportion is set to change. According to industry sources, by 2010, India is likely to account for \$1bn of the contract manufacturing space as compared to US\$100mn currently, a CAGR of 58.5% over 2005-2010.

On the contract research front, by 2010, India is likely to account for US\$250-300mn in drug discovery outsourcing and US\$300-400mn in clinical research outsourcing. A McKinsey report is ore bullish on India and has placed the clinical research outsourcing at US\$1.5bn.

According to a survey by Contract Pharma, 28% of the respondents believed that they would outsource more than 10% of the quantum they did last year, resulting in tremendous opportunities for Indian companies.

The global pharmaceutical contract manufacturing market is expected to grow from \$13361.4 million in 2005 to \$25709.0 million in 2011 at a CAGR of 11.0 percent over the period 2004 to 2011. The year-on-year (YoY) growth in revenues is forecast to be marginally higher for each of the years from 2005 to 2011. Fig 2-3 and Chart 2.1 show the revenue forecasts for the world pharmaceutical contract manufacturing market from 2001 to 2011.

The outsourcing of finished dosage forms in Asia is primarily driven by generic drugs and the following reasons.

- Low cost of manufacturing
- Availability of a large qualified talent pool
- Huge excess capacity with local pharmaceutical companies
- IPRs enforcement
- Proven expertise in manufacturing of APIs and intermediates

AUDITORS REPORT TO THE MEMBERS OF SHARON BIO-MEDICINE LIMITED

1. We have audited the attached Balance Sheet of Sharon Bio-Medicine Limited as at 30th June, 2010, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) order, 2003, (" the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1996 we enclose in the Annexure a Statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 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 purposes of our audit.
 - b) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from examination of those books.
 - c) The Balance Sheet and the 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 Profit & Loss Account and Balance Sheet and Cash Flow Statement comply with the Accounting Standards referred to in sub Section 3(c) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of Directors are disqualified as on 30th June 2010 from being appointed as a Director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the Notes forming parts of accounts give the information required by the companies Act, 1956 in the manner so required and present 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 30th June, 2010.
 - 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 Cash Flow Statement, of the cash flow for the year ended on that date.

**For Jain Gangwal & Associates
Chartered Accountants
Firm Registration No.114382W**

**PLACE: MUMBAI
DATE : 04.12.2010**

**Sd/-
Kamal Gangwal
Partner
Membership No. 042234**

ANNEXTURE TO AUDITOR'S REPORT

Referred to paragraph 3 of the Auditors Report of even date to the members of Sharon Bio-Medicine Limited on financial statements for the year ended June 30,2010.

- 1) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets.
 - (b) As explained to us, the Fixed Assets have been Physically Verified by the Management during the year. No material discrepancies were noticed on such verifications.
 - (c) In our opinion and according to the information and explanation given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- 2) (a) The inventory have been physically verified during the year by the management. In our opinion the frequency of the verification is reasonable.
 - (b) The procedure for physical verification of stock followed by the Company are reasonable & adequate in relation to the size of the Company & the nature of its business.
 - (c) The Company has maintained proper records of Inventories. The Discrepancies, if any, noticed on physical verification of Stock as compared to book records have been properly dealt within the books of Accounts.
- 3) (a) As per information furnished, the Company has granted interest free unsecured loans, to wholly owned subsidiary company. The Maximum amount outstanding during the year was ₹ 8.39 Lacs and the year end balance of such loan was ₹ 8.39 Lacs.
 - (b) In our opinion , other terms and conditions on which loans have been granted to wholly owned subsidiary company are not, prime facie, prejudicial to the interest of the company.
 - (c) In the case of loans granted to wholly owned subsidiary company, where stipulation have been made, the borrowers have been regular in repaying the principal amounts as stipulated.
 - (d) There is no overdue amount of more than Rupees One Lakh in respect of loan granted to parties covered in the register maintained under section 301 of the companies Act, 1956
 - (e) As per information furnished, the Company has taken interest free unsecured loans, from 9 parties covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount outstanding during the year was ₹ 4402.49 Lacs and the yearend balance of such loan was ₹ 4402.49 Lacs
 - (f) In our opinion, other terms and conditions on which loans have been taken from parties covered in the register maintained under section 301 of the companies Act, 1956 , prime facie, not prejudicial to the interest of the company.
 - (g) The Company has been regular in repaying the principal amount as stipulated, wherever stipulation exists.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regards to purchase of Inventory and Fixed assets and for the sale of Goods & Services. We have not observed any major weakness in the internal control system during the course of audit.
- 5) (a) In our opinion and according to the information and explanations given to us, the particulars of Contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.

- (b) In our opinion and according to the information and explanation given to us, there is no transaction made in pursuance of such contracts or arrangements and exceeding the value of ₹ 5 Lacs in respect of each party during the year.
- 6) In our opinion and according to the information and explanation given to us, the company has not accepted any deposit from public during the year, within the meaning of section 58A and 58AA and other relevant provisions of the companies Act, 1956 and rules frames thereunder.
- 7) In our opinion the company has an internal audit system commensurate with its size and nature of its business.
- 8) According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act,1956.
- 9) (a) According to the information, explanation given to us and records of the company examined by us, in our opinion the company is generally regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Custom Duty, Excise Duty, Cess and other material dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and records of the company examined by us, no dues in respect of Sales Tax, Income Tax, Custom Duty, Excise Duty ,Cess and other material dues have been deposited on account of dispute.
- 10) The company does not have any accumulated losses at the end of financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11) In our opinion and according to information and explanation given to us the company has not defaulted in repayment of any dues to financial Institutions and banks.
- 12) In our opinion and according to the information and explanation given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion the company is not a chit fund or nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors report) Order 2003 are not applicable to the company.
- 14) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15) In our opinion and as per the information and explanations given to us by the company no guarantees has been given by the company for loans taken by others from banks or financial institutions.
- 16) In our opinion, the term loans raised during the year and loans outstanding at the beginning of the year were applied for the purpose for which they were raised.
- 17) According to the information and explanation given to us and on overall examination of the balance sheet we report that no funds raised on short term basis have been used for long term investments.
- 18) According to the information and explanation given to us the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

- 19) The Company has not issued any debentures during the year.
- 20) The company has not raised any money by the way of Public issue during the year.
- 21) According to the information and explanation given to us no fraud on or by the company has been noticed or reported during the course of our audit.

**For Jain Gangwal & Associates
Chartered Accountants
Firm Registration No.114382W**

**Sd/-
Kamal Gangwal
Partner
Membership No. 042234**

PLACE : MUMBAI

DATE : 04.12.2010



Sharon

BALANCE SHEET OF SHARON BIO-MEDICINE LTD. AS ON 30TH JUNE , 2010

	Schedule	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SOURCES OF FUNDS			
SHAREHOLDERS FUND			
Share Capital	I	1,055.69	1,055.69
Advance Recd. Against Share Application Money		801.00	801.00
Reserves & Surplus	II	10,440.83	8,754.46
		<u>12,297.52</u>	<u>10,611.15</u>
LOAN FUNDS			
Secured	III	21,143.98	14,879.28
Unsecured	IV	13,112.44	11,361.52
Deffered Tax Liability (Net)		335.15	154.59
		<u>46,889.10</u>	<u>37,006.55</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	V	20,111.21	6,706.35
Less: Depreciation		1,734.25	1,094.27
Net Block		<u>18,376.96</u>	<u>5,612.08</u>
Capital Work in Progress		2,274.36	10,690.58
INVESTMENTS	VI	413.29	129.04
CURRENT ASSETS, LOANS & ADVANCES			
Current Assets			
Inventories	VII	11,666.61	8,965.93
Sundry Debtors		15,877.20	13,345.79
Cash & Bank Balances		238.82	334.83
Loans & Advances		1,237.80	647.18
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	VIII	2,630.44	2,265.15
Provisions		566.21	458.21
Net Current Assets		<u>25,823.77</u>	<u>20,570.37</u>
MISCELLANEOUS EXPENDITURE			
(To the extent not written off)	IX	0.72	4.47
		<u>46,889.10</u>	<u>37,006.55</u>
NOTES TO THE ACCOUNTS			
XIV			

As per our Report of Even Date
For Jain Gangwal & Associates
Chartered Accountants
Firm Regn. No. 114382W

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

Sd/-
Savita Gowda
Managing Director

Sd/-
M. P. Kala
Director

Sd/-
Lalit Misra
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

PROFIT & LOSS ACCOUNT OF SHARON BIO-MEDICINE LTD. FOR THE YEAR ENDED 30TH JUNE , 2010

	Schedule	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
INCOME			
Sales		49,649.88	41,979.12
Other Income		156.97	183.23
TOTAL		49,806.85	42,162.35
EXPENDITURE			
Cost of Goods	X	41,908.60	36,477.70
Manufacturing Expenses	XI	1,513.83	794.09
Administrative Expenses	XII	791.01	580.95
Selling & Other Expenses	XIII	286.21	235.94
Financial Charges		2,099.88	1,436.32
Loss on Sale of Motor Cars		13.19	0.34
Depreciation		639.98	417.90
Loss on Derivatives		151.97	----
		47,404.67	39,943.24
Profit before Tax (A-B)		2,402.19	2,219.11
Provision for Tax Current		350.00	300.00
Provision for Fringe Benefit Tax		----	10.00
Provision for Tax Deferred		180.55	48.87
Profit after Tax		1,871.63	1,860.24
Reserve for MTM Derivatives written back		415.00	----
Profit Brought Forward from Previous Year		4,784.83	4,406.80
Profit available for Appropriation		7,071.47	6,267.05
APPROPRIATIONS			
General Reserve		300.00	300.00
Reserve for Premium on FCCB		577.76	619.00
Reserve for MTM on Derivatives		----	415.00
Proposed Dividend		158.35	126.68
Provision for Dividend Distribution Tax		26.91	21.53
Balance Carried to Balance Sheet		6,008.44	4,784.83
TOTAL		7,071.47	6,267.05
Earning Per Share		17.73	17.62

NOTES TO THE ACCOUNTS**XIV**

As per our Report of Even Date
For **Jain Gangwal & Associates**
Chartered Accountants
Firm Regn. No. 114382W

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

Sd/-
Savita Gowda
Managing Director

Sd/-
M. P. Kala
Director

Sd/-
Lalit Misra
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010



Sharon

CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2010

	₹ in Lacs 2009-10	₹ in Lacs 2008-09
A) CASH FLOW FROM OPERATING ACTIVITY :		
Net Profit Before Tax	2,402.19	2,219.11
Adjustments for :		
Depreciation	639.98	417.90
Provision for Tax	(350.00)	(310.00)
Miscellaneous expenses w/o	3.76	3.76
Interest Paid	2,099.88	1,436.32
Interest / Other Income Received	(156.97)	(183.23)
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES	4,638.83	3,583.86
Adjustment for:		
Change in Trade & Other Receivables	(3,122.02)	(4,144.38)
Change in Inventories	(2,700.67)	(3,190.52)
Change in Trade Payables & Other Current Liabilities	473.29	181.14
Cash Generated from Operation	(5,349.41)	(7,153.76)
Interest Paid	(2,099.88)	(1,436.32)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(2,810.46)	(5,006.22)
B) CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in Fixed Assets & Capital Work in Progress	(4,988.64)	(7,099.47)
Increase in Investment	(305.94)	---
Sale of Investments	21.70	312.15
Interest / Other Income Received	156.97	183.23
Net Cash from Investing Activity (B)	(5,115.91)	(6,604.09)
C) CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in Securities Premium	---	36.25
Proposed Dividend	(158.35)	(126.68)
Tax on Distributed Profit	(26.91)	(21.53)
Proceeds of Bank Loans & Other Financial Institution	6,264.70	5,106.66
Increase in Unsecured Loans	1,750.93	(310.93)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	7,830.36	4,683.76
NET CASH FLOW DURING THE YEAR (A+B+C)	(96.01)	(6,926.55)
Opening Cash & Cash equivalents	334.83	7,261.38
Cash and Cash equivalent at 30.06.2010	238.82	334.83

NOTES:-

Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard -3 issued by The Institute of Chartered Accountants of India.

As per our Report of Even Date
For **Jain Gangwal & Associates**
Chartered Accountants
Firm Regn. No. 114382W

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Savita Gowda
Managing Director

Sd/-
M. P. Kala
Director

Sd/-
Lalit Misra
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - I		
SHARE CAPITAL		
Authorised Capital		
20250000 Equity share of ₹ 10/- Each- (Previous year 20250000 equity shares of 10/-each)	2,025.00	2,025.00
Issued, Subscribed and Paid-Up		
10556900 Equity Share of ₹ 10/- Each fully paid up (Previous Year 10556900 Equity Share of ₹ 10/- Each fully paid up)	1,055.69	1,055.69
Note :- Company has granted 231103 options at market price to 351 eligible employees on 4 th January 2010. (See Note No. 13)	1,055.69	1,055.69
SCHEDULE - II		
RESERVES & SURPLUS		
GENERAL RESERVE		
Opening Balance	1,078.88	778.88
Add: During the year	300.00	300.00
	1,378.88	1,078.88
SECURITIES PREMIUM		
	1,522.50	1,522.50
	1,522.50	1,522.50
REVALUATION RESERVES		
Opening Balance	36.25	----
Add: During the year	----	387.95
Less: Reserve on Amalgamation	----	351.70
	36.25	36.25
RESERVE FOR PREMIUM ON FCCB		
Opening Balance	917.00	298.00
Add: During the year (See Note No. 1)	577.76	619.00
	1,494.76	917.00
RESERVE FOR MTM ON DERIVATIVES		
Opening Balance	415.00	----
Add: During the year	----	415.00
	415.00	415.00
Less : Written back to Profit & Loss A/c	415.00	----
	----	415.00
PROFIT & LOSS ACCOUNT		
	6,008.44	4,784.83
	6,008.44	4,784.83
Total Carried to Balance Sheet	10,440.83	8,754.46

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - III		
LOAN FUNDS		
SECURED LOANS		
WORKING CAPITAL LOANS		
Canara Bank	4,027.34	4,059.45
State Bank of India	6,864.13	6,986.92
Above Working Capital Loan secured by:		
Hypothecation of Companies Entire Inventory, Book Debts and other Current assets on Pari Passu Basis		
First Charge on Fixed Assets and other Immovable Property at Plot No. W/34 & W/34-1, MIDC, Talaja & Second Charge on Fixed Assets of Khasara No. 1027, 1028, 1030 & 1037, Selaqui, Deharadun on Pari Passu Basis		
Standard Chartered Bank	1,579.22	1,584.10
Axis Bank Ltd.	1,955.41	----
Barclays Bank PLC	1,660.38	----
Above Working Capital Loan secured by:		
Hypothecation of Companies Entire Inventory, Book Debts and other Current assets on Pari Passu Basis		
Second Charge on Fixed Assets and other Immovable Property at Plot No. W/34 & W/34-1, MIDC, Talaja on Pari Passu Basis		
TERM LOAN		
Canara Bank	400.00	605.15
State Bank of India	590.78	787.69
The Above Term Loan is Secured by First Charge on Fixed Assets at Khasara No. 1027, 1028, 1030 & 1037, Selaqui, Deharadun on Pari Passu basis		
State Bank of India	1,514.49	----
The Above Term Loan is Secured by First Charge on Fixed Assets of Plot No. V-10, Talaja.		
Axis Bank Ltd.	2,500.00	----
The Above Term Loan is Secured by First Charge on Fixed Assets of Plot No. L-6, Talaja.		
CORPORATE LOAN		
State Bank of India	----	848.76
(The Above Corporate Loan is Secured by First Charge on Office Premises situated at Satra Corporate Office Complex at Palm Beach Road, Vashi, Navi Mumbai.)		
VEHICLE LOAN		
HDFC Bank Ltd.	6.85	----
ICICI Bank Ltd.	45.39	6.66
Kotak Mahindra Primus Ltd.	----	0.54
The above vehicle loan is Hypotheticated against Vehicle Purchased		
	21,143.98	14,879.28
SCHEDULE - IV		
UNSECURED LOANS		
From Directors & Others	5,454.81	3,438.22
Foreign Currency Convertible Bonds	7,657.63	7,923.30
	13,112.44	11,361.52

SCHEDULE V - FIXED ASSETS										₹ in Lacs	
ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK				
	AS ON 01/07/2009	ADDITION	DELETION	AS ON 30/06/2010	Upto 30/06/2009	During the Year	Deletion during the Year	Upto 30/06/2010	AS ON 30/06/2010	AS ON 30/06/2009	
LAND	734.35	399.97		1,134.32	---	---	---	---	1,134.32	734.35	
BUILDING	1,908.54	1,916.75		3,825.28	180.90	121.30	---	302.20	3,523.08	1,727.64	
OFFICE PREMISES	---	2,083.46		2,083.46	---	---	---	---	2,083.46	---	
PLANT & MACHINERY	2,759.78	8,300.63		11,060.41	683.97	431.85	---	1,115.81	9,944.60	2,075.81	
LAB EQUIPMENTS	409.23	208.25		617.48	54.35	24.34	---	78.69	538.79	354.89	
ELECTRICAL FITTINGS	433.03	314.72		747.74	52.94	28.42	---	81.36	666.38	380.09	
OFFICE EQUIPMENT	62.60	13.45		76.05	10.77	3.30	---	14.08	61.97	51.83	
MOTOR CAR	136.71	75.71	37.36	175.05	33.94	14.02	13.18	34.78	140.27	102.77	
FURNITURE & FIXTURE	157.77	102.50		260.27	35.78	13.61	---	49.39	210.88	121.99	
COMPUTER	88.21	17.39		105.60	39.33	15.18	---	54.50	51.10	48.88	
AIR CONDITIONERS	16.14	9.39		25.53	2.29	1.14	---	3.44	22.09	13.84	
TOTAL	6,706.35	13,442.22	37.36	20,111.21	1,094.27	653.16	13.18	1,734.25	18,376.96	5,612.08	
PREVIOUS YEAR	5,912.77	798.30	4.72	6,706.35	678.14	417.90	1.78	1,094.27	5,612.08	5,234.63	

Note :- As certified by the management, the company has obtained the possession of new office premises situated at Vashi for carrying out interior work. Since the same has not been put to used, depreciation has not been charged during the year.

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - VI		
INVESTMENTS		
Investment in Subsidiary Company		
Sharon Internatinal FZE	64.55	64.55
5 shares of AED 1,00,000/- each		
Investment in Partnership Firm		
Siddhivinayak Developers	275.00	----
Quoted other than Trade		
Kilitch Drugs (I) Ltd.	37.05	58.75
19000 Equity Shares of ₹ 10/- Cash, Fully Paid up (125000 Equity Shares of ₹ 10/- Cash, Fully Paid up)		
Unquoted		
Investment in Overseas Company	5.74	5.74
100 Shares of Sharon GMBH of EURO 100/- each		
Long Term other than Trade		
Investment in Bajaj Allianz Stable Gain Fund	15.47	----
Investment in Bajaj Allianz Secure Gain Fund	15.47	----
	413.29	129.04
Aggregate Value of Unquoted Shares	70.29	70.29
Aggregate Value of Quoted Shares	37.05	58.75
Aggregate Market value of Quoted Shares	19.38	100.00
SCHEDULE - VII		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES		
(As taken, valued and certified by the management)		
Raw Materials	3,579.59	2,807.54
Packing Materials	98.10	51.98
Stores & Spares	325.13	255.96
Work in Progress	3,865.23	3,261.95
Finished Goods	3,798.56	2,588.51
	11,666.61	8,965.94
SUNDRY DEBTORS		
(Unsecured, considered good as certified by the management)		
Debt for the period exceeding more than 6 months	342.80	175.79
Other Debts	15,534.40	13,170.00
	15,877.20	13,345.79

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010	30/06/2009
	₹ in Lacs	₹ in Lacs
CASH & BANK BALANCE		
Cash on Hand	35.61	27.35
In Current Account	93.22	83.77
Fixed Deposit	109.99	31.64
In Fixed Deposit A/c in Foreign Currency (Kept out of Unutilised Money out of FCCB proceeds)	----	192.06
	<u>238.82</u>	<u>334.83</u>
LOANS & ADVANCES		
(Unsecured, considered good as certified by the management)		
Loans Given to Subsidiary	8.39	8.39
Advances recoverable in cash or in kind	1,229.40	638.78
	<u>1,237.80</u>	<u>647.18</u>
	<u>17,353.82</u>	<u>14,327.80</u>
SCHEDULE - VIII		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
For Goods	2,357.64	2,201.68
For Expenses	272.80	63.47
PROVISIONS		
Proposed Dividends	158.35	126.68
Distribution Tax on Dividends	26.91	21.53
For Taxation	350.00	310.00
For Employee Benefit	30.94	----
	<u>3,196.65</u>	<u>2,723.36</u>
SCHEDULE - IX		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses		
Opening Balance	4.47	8.23
Less: Written off	3.76	3.76
	<u>0.72</u>	<u>4.47</u>

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - X		
COST OF GOODS SOLD		
Opening Stock	8,965.93	5,775.41
Add:Purchases during the year	44,609.28	39,668.22
	53,575.21	45,443.63
Less:Closing Stock	11,666.61	8,965.93
	<u>41,908.60</u>	<u>36,477.70</u>
SCHEDULE - XI		
MANUFACTURING EXPENSES		
Wages	582.87	304.17
Power & Fuel Expenses	546.64	215.40
Repairs Maintenance	99.48	83.50
Factory Expenses	81.20	75.91
Reserarch & Development Expenses	203.63	115.10
	<u>1,513.83</u>	<u>794.09</u>
SCHEDULE - XII		
ADMINISTRATIVE EXPENSES		
Employee Compensation	330.49	232.48
Auditors Remeuneration	3.50	2.00
Telephone Expenses	17.85	19.21
Office Expenses	47.66	45.96
Staff Welfare	27.40	15.96
Printing & Stationery	32.09	30.98
Travelling Expenses	77.14	28.49
Rent, Rates & Taxes	47.65	38.10
Legal & Professional Charges	53.16	51.55
Books & Periodicals	0.87	2.16
Car Expenses	21.57	15.23
Advertisement Expenses	2.39	3.55
Conveyance	18.35	13.29
Membership & Subscription	1.40	3.94
Insurance	21.65	20.39
Directors Remuneration	73.64	43.04
Stock Exchange Listing Fees	1.15	1.58
Amortisation of expenditures	13.04	13.04
	<u>791.01</u>	<u>580.95</u>
SCHEDULE - XIII		
SELLING & OTHER EXPENSES		
Brokerage & Commission	26.33	22.03
Foreign Commission	39.88	21.85
Product Registration Expenses	75.88	6.35
Postage & Telegram Charges	13.96	10.80
Business Promotions Expenses	25.01	22.12
Exhibition Expenses	38.44	36.22
Foreign Exchange Fluctuations	66.70	116.57
	<u>286.21</u>	<u>235.94</u>

SCHEDULE XIV**SIGNIFICANT ACCOUNTING POLICIES :****1. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS:**

The Financial statements have been prepared under the historical cost convention, on an accrual basis of accounting, to comply in all the material respects with the notified accounting standards by the Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. The Accounting principles discussed more fully below are consistent with those used in the previous year.

2. REVENUE RECOGNITION:

Sales of products are recognized when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods. Exports sale are recognized on the basis of Shipping/Airway Bills. Sales stated are excluding sales tax and net of returns.

3. USE OF ESTIMATES:

The presentation of financial statement in conformity with the generally accepted principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

4. FIXED ASSETS:

- a) Fixed Assets are stated at their historical cost, adjusted by revaluation of certain land & building less provision for impairment losses, if any, depreciation, amortization and adjustments on account of foreign exchange fluctuations in respect of changes in rupee liability of foreign currency loans used for acquisition of fixed assets
- b) Borrowing cost eligible for Capitalization, incurred in respect of acquisition/construction of a qualifying assets, till the asset is substantially ready for use, are capitalized as part of the cost of that assets.
- c) Pre operative, Trial run and incidental expenses relating to the projects are carried forward to be capitalized and apportioned to various assets on commissioning of the Project.

5. DEPRECIATION:

Depreciation on fixed assets is provided using the straight line method and as per rate provided in the XIV schedule of the Companies Act, 1956, based on the useful life as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

6. INVENTORIES:

Items of inventories are valued on the basis given below:

Raw Materials and Packing Materials: at Cost net of CENVAT/VAT computed on first-in –first out method. Bulk Drugs produced for captive consumption are valued at cost.

Work in process and Finished Goods: at Cost including material cost net of CENVAT, labour cost and all overheads other than selling and distribution overheads for work-in- process and the same or realizable value, whichever is lower in case of finish goods except physician samples which are valued at cost as computed above.

Stores and Spares: Stores and spares parts are valued at purchase cost.

7. FOREIGN CURRENCY TRANSACTION:

Foreign currency assets and liabilities are translated at exchange rate prevailing on the last working day of accounting year. Gain or loss on the restatement of foreign currency transaction or on cancellation of forward contract if any is reflected in the Profit and Loss account except gain or loss relating to acquisition of fixed assets which is adjusted to the carrying cost of fixed assets.

Transaction in Foreign Currency is recorded in the Books of Account in Indian Rupee at the rate of exchange prevailing on the date of transaction.

8. INVESTMENTS:

Long Term Investments are Valued at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the Management.

9. BORROWING COST:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily takes substantial period of times to get ready for it's intend use. All other borrowing costs are charged to revenue.

10. EARNING PER SHARE:

The Company reports basic and diluted earning per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earning per share is computed by dividing the net profit or Loss for the period by the weighted average number of Equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive. This includes employee stock options granted and outstanding

11. TAXATION:

Current Tax: Current Tax is calculated as per the provisions of the Income Tax Act, 1961

Deferred Tax: Deferred tax is recognized on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets are subject to the consideration of prudence are recognized and carried forward only to the extent that there is reasonably certainly that sufficient taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and law enacted or substantially enacted on balance sheet date.

Fringe Benefit Tax: Fringe Benefit Tax (FBT) payable under the provisions of section 115WC of the Income tax Act, 1961 is in accordance with the Guidance note on Accounting for fringe Benefits Tax issued by the ICAI regarded as an additional income tax and considered in determination of the profits/(losses) for the year.

MAT Credit: MAT Credit entitlement is recognized only when the company actually avails MAT credit based on its annual tax computation.

12. PROVISIONS AND CONTINGENT LIABILITIES:

Provisions are recognized for present obligations, of uncertain timing or amount, arising as a result of past event where reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Where it is not probable that an outflow of resources embodying economic benefit will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of resources embodying economic benefit is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are so also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefit is remote.

13. EMPLOYEE BENEFITS

a. Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

b. Long Term Employee Benefits

- Retirement Benefits in the for of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss account for the year/period when the contributions are due.
- Gratuity being a defined benefit obligation is provided on the basis of payment.
- Leave Encashment is recognized on the basis of payment at the end of the year.

c. Employee Stock Options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed by Guidance Note on 'Accounting for Employee Share-based payments' issued by ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines 1999

issued by SEBI. The excess of market value, if any, of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to the profit and loss account on vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding, which is shown under Reserves and Surplus.

14. CENVAT and Service Tax Credit

CENVAT and Service Tax credit utilized during the year is accounted in excise duty and unutilized CENVAT/ Service Tax balance at the year end is considered as advance excise duty.

NOTES TO ACCOUNTS:

- The company had issued 165 Nos. of Zero Coupon Foreign Currency Convertible Bonds of US\$ 1,00,000 each aggregating to US\$ 16.5 Million on November 27, 2007. These Bonds are convertible Bonds at the option of bond holders into equity shares of ₹ 10/- each fully paid at the reset price of ₹ 228/- per share, subject to the terms of issue, with a fixed exchange rate of ₹ 39.15/- equal to US\$ 1.00 within 5 years and 4 days from the date of issue. The Bonds are redeemable at maturity on December 4, 2012 representing a YTM of 7.00%. A Reserve of ₹ 577.76 Lacs (P.Y. ₹ 619.00 Lacs) for the year has been created for the redemption premium.
- In the absence of information as regards to the status/classification of the relevant enterprises into Micro, Small and Medium Enterprises, information as required under Notification No. G.S.R. 719(E) dated 16.11.2007 issued by the Department of the Company Affairs in respect of the total amount payable and amount of interest thereon paid during the year and payable at the end of the year to the Sundry Creditors could not be disclosed.

(₹ in Lacs)

- | | | |
|--|----------------|----------------|
| 3. Contingent Liabilities not provided for: | 2009-10 | 2008-09 |
| a) Letter of Credit against goods
(Margin Money with bank ₹ 39.49 Lacs) | 558.64 | 556.75 |
| b) Bank Guarantee for MPCB | 4.50 | 4.50 |
- The Previous Years figures have been regrouped/rearranged, wherever necessary to make them comparable with the current years' figures.
 - Sundry Debtors, Sundry Creditors, Unsecured Loans, Loans & Advances are subject to confirmation and reconciliation.
 - In the opinion of the Board the current assets, loans and advances are approximately of the value stated if realized in ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
 - Installed Capacity & Its Utilisation

Class of Goods	Installed Capacity	Utilisation
Active Pharma Ingredients and Intermediates	150,000 Liters of Reactors Capacity	73% (Approx.)
Formulation	2.5bn Tablets per shift per annum 1 bn Capsules per shift per annum	52% (Approx.)

The licensed & installed capacities are as certified by the Management and have not been verified by the Auditors as this is a technical matter.

8. Directors Remuneration paid

Name of the Directors	Salary (₹)	Perquisite (₹)	Total (₹)
Ms. Savita Gowda, Managing Director	22,94,800/- (9,90,000/-)	NIL (NIL)	22,94,800/- (9,90,000/-)
Mr. Vijay Kirpalani, Whole Time Director	27,74,400/- (23,24,400/-)	NIL (NIL)	27,74,400/- (23,24,400/-)
Mr. Lalit Misra, Whole Time Director	22,94,800/- (9,90,000/-)	NIL (NIL)	22,94,800/- (9,90,000/-)

9. As per Accounting Standards (AS-18) on related party disclosures issued by the Institute of Chartered Accountants of India,

i) Details of Related Parties :

- | | |
|--|---|
| 1) Key Management Personnel | Ms. Savita Gowda (Managing Director)
Mr. Lalit Misra (Whole Time Director)
Mr. M. P. Kala (Director)
Mr. Vijay Kirpalani (Whole Time Director) |
| 2) Related Parties of Key Management Personnel | Ms. Asha M. Kala
Ms. Amita Kala |
| 3) Subsidiary Company | Yusur International FZE, UAE
(Formerly Known as Sharon International FZE,UAE) |
| 4) Companies over which Key Management Personnel and their relatives have interest | Ramco Properties Pvt. Ltd.
Revon Finance & Investments Pvt. Ltd.
Bagulvani General Trading Pvt. Ltd. (Earlier known as Bagulvani Trading & Investments Pvt. Ltd.)
Venus Finance & Investments Pvt. Ltd.
Sharon Biotech Limited. |
| 5) Associate Firm | Siddhivinayak Developers |

ii) Transaction with related parties during the year:

(₹ in Lacs)

Sr. No.	Nature of transactions	Key Management personnel		Related parties of Key Management Personnel		Subsidiary Company/ Companies over which Key Management Personnel and their relatives have interest & Associate Firm	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1	Remuneration	73.64	43.04	5.94	5.58	—	—
2	Rent Paid	7.20	—	—	—	32.40	22.50
3	Unsecured Loan Received	--	—	—	—	964.45	2355.54
4	Investment made	—	—	—	—	275.00	64.55
5	Loans & Advances given	—	—	—	—	—	8.39
6.	Purchases	—	—	—	—	70.06	—

iii) Balance at the year end of Related Parties

(₹ in Lacs)

Sr. No.	Nature of transactions	Key Management personnel		Related parties of Key Management Personnel		Subsidiary Company/ Companies over which Key Management Personnel and their relatives have interest & Associate Firm	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1	Unsecured Loan Received	37.16	37.16	31.08	31.08	4334.25	3369.98
2	Investment made	—	—	—	—	339.55	64.55
3	Loans & Advances	—	—	—	—	8.39	8.39

10. The Company has a Single Segment namely Pharmaceuticals/Chemicals. Therefore the company does not fall under different business segments as defined by AS- 17 "Segmental Reporting" issued by ICAI.

	(₹ in Lacs)	
11. Earnings Per Share :-	<u>2009-2010</u>	<u>2008-2009</u>
Profit Attributable to Equity Shareholders	1871.63	1860.24
Weighted average no. of Equity Shares outstanding-Basic	10556900	10556900
Weighted average no. of Equity Share outstanding -Diluted	10658751	10556900
Nominal value of Equity Share	10/-	10/-
Basic Earnings per Share	17.73	17.62
Diluted Earnings per Share	17.56	17.62

12. Deferred Tax Liability :-

Deferred Tax Liability relating to earlier years is ₹ 48.86 Lacs and liability for current years is ₹180.55 Lacs.

13. a) The Compensation Committee of the Board granted 2,31,103 options on 4th January, 2010 to selected employees and Directors of the Company under Sharon ESOS 2010. Each option is convertible into One equity share of ₹ 10/- each at exercise price of ₹ 82.65/- per share. The options granted would vest over a vesting period of 4 years from the date of grant.
- b) The closing market price of share on 31st December, 2009, a day prior to the date of grant on BSE was ₹82.65 per share. This is considered as market price as per SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999. As per this the intrinsic value per option works out to be Nil, as the options have been granted market price of ₹82.65 per share
- c) If the employee compensation cost is worked out in accordance with fair value method mentioned in the aforesaid SEBI Guidelines, net profit of the Company and EPS for the year would have been lower by ₹9,12,308 and ₹ 0.09 respectively
14. The company has entered into Derivate Transaction with ICICI Bank Ltd. of Currency swaps of USD/CHF on June 29,2007. The company has incurred net loss of ₹ 151.97 Lacs on the settlement date as on June 28,2010 which has been debited to the Profit & Loss account.
15. During the year, the company has started its commercial productions of new plant of API & Intermediates at Taloja, Navi Mumbai in the month of January 2010.
- The company has also started its Toxicology Laboratory and Research & Development unit at Taloja, Navi Mumbai in the month of January 2010.
16. During the year, the company has made the provision of Gratuity for Employees of ₹ 30.94 Lacs and the same has been invested in the Mutual Funds.

17. FOREIGN EXCHANGE TRANSACTIONS

	(₹ in Lacs)	
	<u>2009-2010</u>	<u>2008-2009</u>
A. CIF value of goods imported	795.66	911.81
B. Value of Goods Exported (FOB and service charges)	1953.25	1667.57
C. Traveling Expenses	25.51	15.89
D. Commission	39.88	21.85
E. Other Expenses	32.35	23.26

18. AUDITORS REMUNERATION:	(₹ in Lacs)	
	<u>2009-2010</u>	<u>2008-2009</u>
Audit Fee	2.50	1.50
Tax Audit Fees	0.50	0.30
Other Matters	0.50	0.20
Total	<u>3.50</u>	<u>2.00</u>

As per our Report of Even Date
For Jain Gangwal & Associates
 Chartered Accountants
 Firm Regn. No. 114382W

Sd/-
Kamal Gangwal
 (Partner)
 Membership No. 042234

PLACE : MUMBAI
 DATED : 4th December, 2010

For **Sharon Bio-Medicine Ltd.**
 For and on behalf of Board of the Directors

Sd/-
Savita Gowda
 Managing Director

Sd/-
Lalit Misra
 Director

Sd/-
M. P. Kala
 Director

 Sd/-
R. M. Gaud
 Company Secretary

Additional Information in Pursuant to Part IV of the Schedule VI to the Companies Act,1956.**Balance Sheet Abstracted and Company's General Business Profile:****I. Registration Details:**

a) Registration No. L24110MH1989PLC052251	b) State Code :	11
c) Balance Sheet Date: 30.06.2010		

II. Capital raised during the year (Amount in ₹ Thousands):

a) Public Issue :	NIL	b) Right Issue :	NIL
c) Bonus Issue :	NIL	c) Private Placement:	NIL

III. Position of Mobilization and Development of Funds: (Amount in ₹ Thousands)

a) Total Liabilities :	4688909	b) Total Assets :	4688909
c) Sources of Fund :			
- Paid Up Capital:	105569	Reserves & Surplus:	1044083
- Secured Loans :	2114398	Unsecured Loans:	1311244
-Deferred Tax liability	33515	Advance against Share application Money	80100
d) Application of Funds:			
- Net Fixed Assets :	1837696	Investments:	41329
- Net Current Assets :	2582377	Misc. Expenditure:	71
-Accumulated Losses:	Nil	Capital WIP	227436

IV. Performance of the Company (Amount in ₹ Thousands):

a) Turnover (Sales) :	4964988	b) Total Expenditure :	4740466
c) Profit Before Tax :	240219	d) Profit After Tax :	187163
e) Earning per Share :	17.73	f) Dividend per Share :	1.50

V. Generic Names of three principal products of the Company:

Sr. No.	Product Description	Item Code No.(ITC)
1.	Trimetazidine Di Hydrochloride	29214190
2.	Ketoconazole	29221900
3.	Pentaprazole	29299000

**YUSUR INTERNATIONAL FZE, UAE
(FORMERLY KNOWN AS SHARON INTERNATIONAL FZE)**

DIRECTORS REPORT

To,

The Members,

Yusur International FZE

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended June 30, 2010.

FINANCIAL RESULTS

Your Company is a wholly owned subsidiary of Sharon Bio-Medicine Limited. The business activity of the company is trading and marketing of pharmaceutical and Other items. During the year under report your Company achieved a net total income of ₹ 2676.96 Lacs (Previous Year ₹ 9.97 Lacs). The operations for the financial year have resulted in a net Profit of ₹ 361.22 lacs (Previous Year ₹ 2.99 Lacs).

DIVIDEND

No dividend is proposed by the Directors.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors confirm:

- a) that in the preparation of annual accounts, the applicable accounting standards have been followed.
- b) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the year ended 30th June, 2010 and the profit of the Company for the year.
- c) that the Directors had taken proper and sufficient care 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.
- d) that the Directors have prepared annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

During the year under report, the company had no employee who was in receipt of remuneration of not less than ₹ 24,00,000/- per annum or not less than ₹ 2,00,000/- per month or any part thereof.

The relationship between the company and its employees remained cordial throughout the year.

AUDITORS

M/s Kala Deepak & Company, Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Company has not carried out any manufacturing activities. Therefore, information required pursuant to Section 217(1)(e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

**Sd/-
Mr. M.P. Kala
Manager**

AUDITORS REPORT TO THE MEMBERS OF YUSUR INTERNATIONAL FZE, UAE (FORMERLY KNOWN AS SHARON INTERNATIONAL FZE)

1. We have audited the attached Balance Sheet of Yusur International FZE,UAE as at 30th June, 2010 and the Profit and Loss Account of the Company 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. In carrying out our audit we have placed reliance on the work of MASTER AUDITING, Chartered International Accountant, UAE and have carried out such further checks as 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 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. Since the company is a not foreign company as defined in Section 591 of the Companies Act, 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.
4. Further to our comments 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 purpose of our Audit
 - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.
 - iii. The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
 - iv. These accounts are prepared to comply with the requirements of the Companies Act, 1956 relating to the subsidiary and holding company disclosure requirements.
 - v. In our opinion, the Balance sheet and Profit & 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.
 - vi. Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1) (g) of the Companies Act,1956 does not apply to this company.
 - vii. In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act 1956 in the manner so require and give a true and fair view
 - (a) in the case of Balance sheet, of the State of Affairs of the Company as on 30th June 2010
 - (b) in the case of Profit and Loss Account of the Profit for the year ended on that date and
 - (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Kala Deepak & Co.**
Chartered Accountants
Firm Reg. No. 129226W

Place : Mumbai
Date : December 4, 2010

Sd/-
Deepak Kala
Proprietor
Membership No. : 128328



Sharon

YUSUR INTERNATIONAL FZE

(Formerly known as SHARON INTERNATIONAL FZE)

BALANCE SHEET AS AT 30TH JUNE, 2010

PARTICULARS	SCHEDULE	(₹ in Lacs)	
		AS AT 30/6/2010	AS AT 30/6/2009
SOURCES OF FUNDS:			
Share Holder's Funds			
Capital	A	64.55	64.55
Reserves & Surplus	B	362.53	3.64
Loan Funds			
Unsecured Loans	C	8.39	8.39
TOTAL		435.48	76.58
APPLICATION OF FUNDS:			
Current Assets, Loans & Advances			
Sundry Debtors	D	1,140.81	-
Cash & Bank Balance	E	0.88	3.66
Loans & Advances	F	2.97	73.50
		1,144.67	77.16
Less : Current Liabilities	G	709.19	0.57
Net Current Assets		435.48	76.58
TOTAL		435.48	76.58
Significant Accounting Policies and Notes to the Accounts	I		----

For Kala Deepak & Co.
Chartered Accountants
Firm Reg. No. 129226W

Sd/-
(Deepak Kala)
Proprietor
M.No. 128328

FOR YUSUR INTERNATIONAL FZE

Sd/-
(Mr. M. P. Kala)
Manager

Place : Mumbai
Date : 4th December, 2010

YUSUR INTERNATIONAL FZE**(Formerly known as SHARON INTERNATIONAL FZE)****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2010**

(₹ in Lacs)

PARTICULARS	SCHEDULE	FOR THE YEAR ENDED ON 30/6/2010	FOR THE YEAR ENDED ON 30/6/2009
INCOME			
Sales		2,647.87	----
Consulting Income		29.09	9.97
		<u>2,676.96</u>	<u>9.97</u>
Expenses			
Purchases		2,219.81	----
Administrative and Other Expenses	H	95.93	6.99
		<u>2,315.74</u>	<u>6.99</u>
Net Profit for the Period		361.22	2.99
Transferred to Statutory Reserve		31.59	0.30
Transfer to Profit & Loss Account		329.63	2.69
		<u>361.22</u>	<u>2.99</u>
Basic & Diluted earning per Share		72,24,417	59,794
Weighted No. of Equity Shares of AED 100000/- each		5	5
Significant Accounting Policies and Notes to the Accounts	I		

For Kala Deepak & Co.
Chartered Accountants
Firm Reg. No. 129226W

FOR YUSUR INTERNATIONAL FZE

Sd/-
(Deepak Kala)
Proprietor
M.No. 128328

Sd/-
(Mr. M. P. Kala)
Manager

Place : Mumbai
Date : 4th December, 2010



Sharon

YUSUR INTERNATIONAL FZE

(Formerly known as SHARON INTERNATIONAL FZE)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2010

PARTICULARS	(₹ in Lacs)	
	Amount 2009-2010	Amount 2008-2009
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax	361.22	2.99
Adjustments for:		
Depreciation	----	----
Provision for Tax	----	----
Miscellaneous expenses w/off	----	----
Interest paid	----	----
Interest/Other Income Received	----	----
Loss on Sale of Assets	----	----
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES	<u>361.22</u>	<u>2.99</u>
Adjustments for:		
Changes in Trade & Other Receivables	70.52	(73.50)
Change in Debtors	(1,140.81)	----
Change in Inventories	----	----
Change in Trade Payables & Other Current Liabilities	708.62	0.57
Cash Generated from Operation	----	----
Interest paid	----	----
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>(0.45)</u>	<u>(69.93)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in Fixed Assets & Capital Work in Progress	----	----
Increase in Share Investments	----	----
Sale of Assets	----	----
Interest / Other Income Received	----	----
NET CASH FROM INVESTING ACTIVITIES(B)	<u>----</u>	<u>----</u>
C) CASH FLOW FROM FINANCING ACTIVITIES:		
Advance Received against Share Application Money	----	----
Increase in Share Capital	----	64.55
Increase in Capital Translation Reserve	(2.33)	0.65
Proposed Dividend	----	----
Tax on Distributed Profit	----	----
Proceeds of Bank Loans & Other Financial Institution	----	----
Decrease in Unsecured Loans	----	8.39
Increase in Miscellaneous Exp.	----	----
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	<u>(2.33)</u>	<u>73.59</u>
NET CASH FLOW DURING THE YEAR (A+B+C)	<u>(2.78)</u>	<u>3.66</u>
Opening Cash & Cash equivalents	<u>3.66</u>	<u>----</u>
Cash & Cash equivalent at 30/06/2010	<u>0.88</u>	<u>3.66</u>

NOTES:-

Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard -3 issued by The Institute of Chartered Accountants of India.

For Kala Deepak & Co.
Chartered Accountants
Firm Reg. No. 129226W

FOR YUSUR INTERNATIONAL FZE

Sd/-
(Deepak Kala)
Proprietor
M.No. 128328

Sd/-
(Mr. M. P. Kala)
Manager

Place : Mumbai
Date : 4th December, 2010

YUSUR INTERNATIONAL FZE
(Formerly known as SHARON INTERNATIONAL FZE)
SCHEDULES FORMING PART OF THE ACCOUNTS

(₹ in Lacs)

PARTICULARS	AS AT 30/6/2010	AS AT 30/6/2009
SCHEDULE - ["A"]		
SHARE CAPITAL		
AUTHORISED CAPITAL		
5(P.Y.5) Equity Shares of AED 1,00,000/- each	64.55	64.55
TOTAL	<u>64.55</u>	<u>64.55</u>
ISSUED, SUBSCRIBED & PAIDUP CAPITAL		
5 (P.Y. 5) Equity Shares of AED 1,00,000/- each fully paid up.	64.55	64.55
TOTAL	<u>64.55</u>	<u>64.55</u>
SCHEDULE - ["B"]		
RESERVE & SURPLUS		
Statutory Reserve	31.89	0.30
Profit & Loss Account	332.32	2.69
Capital Translation Reserve	(1.68)	0.65
TOTAL	<u>362.53</u>	<u>3.64</u>
SCHEDULE - ["C"]		
UNSECURED LOANS		
From Holding Company Sharon Bio-Medicine Ltd.	8.39	8.39
TOTAL	<u>8.39</u>	<u>8.39</u>
SCHEDULE - ["D"]		
CURRENT ASSETS		
Sundry Debtors	1,140.81	----
TOTAL	<u>1,140.81</u>	<u>----</u>
SCHEDULE - ["E"]		
CASH & BANK BALANCE		
Cash in Hand	0.11	----
Cash at Bank	0.77	3.66
TOTAL	<u>0.88</u>	<u>3.66</u>
SCHEDULE - ["F"]		
LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances Recoverable in Cash or Kind or for value to be received	----	70.43
Deposits	2.97	3.07
TOTAL	<u>2.97</u>	<u>73.50</u>
SCHEDULE - ["G"]		
CURRENT LIABILITIES		
Sundry Creditors	709.19	0.57
TOTAL	<u>709.19</u>	<u>0.57</u>
SCHEDULE - ["H"]		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	3.29	2.26
Audit Fees	0.56	0.57
Legal & license related expenses	2.99	3.72
Bank service charges	0.13	0.16
Other General Expenses	0.27	0.27
Salaries	88.70	----
TOTAL	<u>95.93</u>	<u>6.99</u>

YUSUR INTERNATIONAL FZE, UAE (FORMERLY KNOWN AS SHARON INTERNATIONAL FZE)

SCHEDULE - I

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2010

1. Accounting Policies

a) The financial statements are prepared under the historical cost convention on accrual basis. The financial statements conform to the requirements of Schedule VI to the Companies Act, 1956

b) Conversion into Indian Rupees:

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised The Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f. 01.04.2004). The resultant Foreign Exchange Fluctuation reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital and unsecured loans, which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

c) Revenue Recognition: Revenue of Consulting Income has been accounted on accrual basis.

2) The Company is 100% subsidiary of Sharon Bio-Medicine Limited. The Accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act, 1956

3) For the purpose of conversion of the local currency (AED) into Indian Currency (INR), the exchange rate applied is as per para 1(b) of the accounting policies.

4) As per Accounting Standards (AS-18) on related party disclosures issued by the Institute of Chartered Accountants of India,

Details of Related Parties :

- | | |
|-----------------------------|-----------------------------|
| 1) Key Management Personnel | M. P. Kala (Manager) |
| 2) Holding Company | Sharon Bio-Medicine Limited |

i) Transaction with related parties during the year:

(₹ in Lacs)

Sr. No.	Nature of transactions	Holding Company		Key Management Personnel	
		2009-10	2008-09	2009-10	2008-09
1	Unsecured Loan Received	NIL	8.39	NIL	NIL

ii) Balance at the yearend of related parties

(₹ in Lacs)

Sr. No.	Nature of transactions	Holding Company		Key Management Personnel	
		2009-10	2008-09	2009-10	2008-09
1	Unsecured Loan Received	8.39	8.39	NIL	NIL

For Kala Deepak & Co.
Chartered Accountants
Firm Reg. No. 129226W

FOR YUSUR INTERNATIONAL FZE

Sd/-
(Deepak Kala)
Proprietor
M.No. 128328

Sd/-
(Mr. M. P. Kala)
Manager

Place : Mumbai
Date : 4th December, 2010

**AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENT
TO THE BOARD OF DIRECTORS OF SHARON BIO-MEDICINE LIMITED**

To,

The Board of Directors,

Sharon Bio-Medicine Limited

1. We have audited the attached Consolidated Balance Sheet of Sharon Bio-Medicine Limited and its subsidiary as at 30th June, 2010, and also the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto.
2. These financial statements are the responsibility of the company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & 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. We did not audit the financial statement of Yusur International FZE included in the consolidated financial statements, which constitute total assets of ₹ 435.48 Lacs as at June 30,2010, Total revenue of ₹ 2676.96 Lacs, Net profit of ₹ 361.22 Lacs, net cash flow amounting to ₹ 3.66 Lacs as for the year ended June 30,2010. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
5. We Report that the consolidated financial statement have been prepared by the Group's Management in accordance with the requirements of Accounting Standard issued by the Institute of Chartered Accountants of India viz. Accounting Standard 21 ' Consolidated Financial Statements' and on the basis of the separate financial statements of Sharon Bio-Medicine Limited and its subsidiary included in the consolidated financial statement.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the Notes forming parts of accounts give the information required by the companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:-
 - i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Sharon Bio-Medicine Limited and its subsidiary as at 30th June, 2010.
 - ii) In the case of the Consolidated Profit and Loss Account, of the profit of the Sharon Bio-Medicine Limited and its subsidiary for the year ended on that date.
 - iii) In the case of Consolidated Cash Flow Statement, of the cash flow of the Sharon Bio-Medicine Limited and its subsidiary for the year ended on that date.

**For Jain Gangwal & Associates
Chartered Accountants
Firm Registration No. 114382W**

**Sd/-
Kamal Gangwal
Partner
Membership No. 042234**

PLACE : MUMBAI

DATE : 04.12.2010



Sharon

CONSOLIDATED BALANCE SHEET AS ON 30TH JUNE , 2010

	Schedule	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SOURCES OF FUNDS			
SHAREHOLDERS FUND			
Share Capital	I	1,055.69	1,055.69
Advance Recd. Against Share Application Money		801.00	801.00
Reserves & Surplus	II	10,803.37	8,758.10
		<u>12,660.06</u>	<u>10,614.79</u>
LOAN FUNDS			
Secured	III	21,143.98	14,879.28
Unsecured	IV	13,112.44	11,361.52
Deffered Tax Liability (Net)		335.15	154.59
		<u>47,251.63</u>	<u>37,010.19</u>
APPLICATION OF FUNDS			
FIXED ASSTES			
Gross Block	V	20,111.21	6,706.35
Less: Depreciation		1,734.25	1,094.27
Net Block		<u>18,376.96</u>	<u>5,612.08</u>
Capital Work in Progress		2,274.36	10,690.58
INVESTMENTS	VI	348.74	64.49
CURRENT ASSETS, LOANS & ADVANCES			
Current Assets	VII		
Inventories		11,666.61	8,965.93
Sundry Debtors		17,018.01	13,345.79
Cash & Bank Balances		239.70	338.49
Loans & Advances		1,232.38	712.28
Less: CURRENT LIABILITIES & PROVISIONS	VIII		
Current Liabilities		3,339.63	2,265.72
Provisions		566.21	458.21
Net Current Assets		<u>26,250.86</u>	<u>20,638.56</u>
MISCELLANEOUS EXPENDITURE			
To the extent not written off	IX	0.72	4.47
		<u>47,251.63</u>	<u>37,010.19</u>
NOTES TO THE ACCOUNTS	XIV		

As per our Report of Even Date
For **Jain Gangwal & Associates**
Chartered Accountants
Firm Regn. No. 114382W

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

Sd/-
Savita Gowda
Managing Director

Sd/-
M. P. Kala
Director

Sd/-
Lalit Misra
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE , 2010

	Schedule	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
INCOME			
Sales		52,297.75	41,979.12
Other Income		186.06	193.20
TOTAL		52,483.81	42,172.32
EXPENDITURE			
Cost of Goods	X	44,128.41	36,477.70
Manufacturing Expenses	XI	1,513.83	794.09
Administrative Expenses	XII	886.81	587.77
Selling & Other Expenses	XIII	286.21	235.94
Financial Charges		2,100.01	1,436.48
Loss on Sale of Motor Cars		13.19	0.34
Depreciation		639.98	417.90
Loss on Derivatives		151.97	----
		49,720.41	39,950.22
Profit before Tax (A-B)		2,763.41	2,222.10
Provision for Tax Current		350.00	300.00
Provision for Fringe Benefit Tax		----	10.00
Provision for Tax Deferred		180.55	48.87
Profit after Tax		2,232.86	1,863.23
Reserve for MTM Derivatives written back		415.00	----
Profit Brought Forward from Previous Year		4,787.52	4,406.80
Profit available for Appropriation		7,435.38	6,270.04
APPROPRIATIONS			
General Reserve		331.59	300.30
Reserve for Premium on FCCB		577.76	619.00
Reserve for MTM on Derivatives		----	415.00
Proposed Dividend		158.35	126.68
Provision for Dividend Tax		26.91	21.53
Balance Carried to Balance Sheet		6,340.76	4,787.52
TOTAL		7,435.38	6,270.04
Earning Per Share		21.15	17.65

NOTES TO THE ACCOUNTS**XIV**

As per our Report of Even Date
For **Jain Gangwal & Associates**
Chartered Accountants
Firm Regn. No. 114382W

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

Sd/-
Savita Gowda
Managing Director

Sd/-
M. P. Kala
Director

Sd/-
Lalit Misra
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2010

	₹ in Lacs 2009-10	₹ in Lacs 2008-09
A) CASH FLOW FROM OPERATING ACTIVITY :		
Net Profit Before Tax	2,763.41	2,222.15
Adjustments for :		
Depreciation	639.98	417.90
Provision for Tax	(350.00)	(310.00)
Miscellaneous expenses w/o	3.76	3.76
Interest Paid	2,099.88	1,436.48
Interest / Other Income Received	(156.97)	(193.20)
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES	5,000.05	3,577.09
Adjustment for:		
Change in Trade & Other Receivables	(4,192.31)	(4,209.48)
Change in Inventories	(2,700.67)	(3,190.52)
Change in Trade Payables & Other Current Liabilities	1,181.91	181.66
Cash Generated from Operation	(5,711.08)	(7,218.34)
Interest Paid	(2,099.88)	(1,436.48)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(2,810.91)	(5,077.73)
B) CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in Fixed Assets & Capital Work in Progress	(4,988.64)	(7,099.47)
Increase in Investment	(305.94)	----
Sale of Investments	21.70	376.70
Interest / Other Income Received	156.97	193.20
Net Cash from Investing Activity (B)	(5,115.91)	(6,529.57)
C) CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in Share Premium	----	36.90
Increase in Capital Transalation Reserve	(2.33)	----
Proposed Dividend	(158.35)	(126.68)
Tax on Distributed Profit	(26.91)	(21.53)
Proceeds of Bank Loans & Other Financial Institution	6,264.70	5,106.66
Increase in Unsecured Loans	1,750.93	(310.93)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	7,828.03	4,684.41
NET CASH FLOW DURING THE YEAR (A+B+C)	(98.79)	(6,922.89)
Opening Cash & Cash equivalents	338.49	7,261.38
Cash and Cash equivalent at 30.06.2010	239.70	338.49

NOTES:-

Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard -3 issued by The Institute of Chartered Accountants of India.

As per our Report of Even Date
For **Jain Gangwal & Associates**
Chartered Accountants
Firm Regn. No. 114382W

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Savita Gowda
Managing Director

Sd/-
Lalit Misra
Director

Sd/-
M. P. Kala
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

CONSOLIDATED SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - I		
SHARE CAPITAL		
Authorised Capital		
20250000 Equity share of ₹ 10/- Each- (Previous year 20250000 equity shares of 10/-each)	2,025.00	2,025.00
Issued, Subscribed and Paid-Up		
10556900 Equity Share of ₹ 10/- Each fully paid up (Previous Year 10556900 Equity Share of ₹ 10/- Each fully paid up Note :- Company has granted 231103 options at market price to 351 eligible employees on 4th January 2010. (See Note No. 13)	1,055.69	1,055.69
	1,055.69	1,055.69
SCHEDULE - II		
RESERVES & SURPLUS		
GENERAL RESERVE		
Opening Balance	1,079.18	778.88
Add: During the year	331.59	300.30
	1,410.77	1,079.18
SECURITIES PREMIUM		
	1,522.50	1,522.50
	1,522.50	1,522.50
REVALUATION RESERVES		
Opening Balance	36.25	----
Add: During the year	----	387.95
Less: Reserve on Amalgamation	----	351.70
	36.25	36.25
CAPITAL TRANSLATION RESERVE		
Opening Balance	0.65	----
Add: During the year	(2.33)	0.65
	(1.68)	0.65
RESERVE FOR PREMIUM ON FCCB		
Opening Balance	917.00	298.00
Add: During the year	577.76	619.00
(See Note No. 1)	1,494.76	917.00
RESERVE FOR MTM ON DERIVATIVES		
Opening Balance	415.00	----
Add: During the year	----	415.00
	415.00	415.00
Less : Written back to Profit & Loss A/c	415.00	----
	----	415.00
PROFIT & LOSS ACCOUNT		
	6,340.76	4,787.52
	6,340.76	4,787.52
Total Carried to Balance Sheet	10,803.37	8,758.10

**CONSOLIDATED SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.**

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - III		
LOAN FUNDS		
SECURED LOANS		
WORKING CAPITAL LOANS		
Canara Bank	4,027.34	4,059.45
State Bank of India	6,864.13	6,986.92
Above Working Capital Loan secured by: Hypothecation of Companies Entire Inventory, Book Debts and other Current assets on Pari Passu Basis First Charge on Fixed Assets and other Immovable Property at Plot No. W/34 & W/34-1, MIDC, Talaja & Second Charge on Fixed Assets of Khasara No. 1027, 1028, 1030 & 1037, Selaqui, Deharadun on Pari Passu Basis		
Standard Chartered Bank	1,579.22	1,584.10
Axis Bank Ltd.	1,955.41	---
Barclays Bank PLC	1,660.38	---
Above Working Capital Loan secured by: Hypothecation of Companies Entire Inventory, Book Debts and other Current assets on Pari Passu Basis Second Charge on Fixed Assets and other Immovable Property at Plot No. W/34 & W/34-1, MIDC, Talaja on Pari Passu Basis		
TERM LOAN		
Canara Bank	400.00	605.15
State Bank of India	590.78	787.69
The Above Term Loan is Secured by First Charge on Fixed Assets at Khasara No. 1027, 1028, 1030 & 1037, Selaqui, Deharadun on Pari Passu basis		
State Bank of India	1,514.49	---
The Above Term Loan is Secured by First Charge on Fixed Assets of Plot No. V-10, Talaja.		
Axis Bank Ltd.	2,500.00	---
The Above Term Loan is Secured by First Charge on Fixed Assets of Plot No. L-6, Talaja.		
CORPORATE LOAN		
State Bank of India	---	848.76
(The Above Corporate Loan is Secured by First Charge on Office Premises situated at Satra Corporate Office Complex at Palm Beach Road, Vashi, Navi Mumbai.)		
VEHICLE LOAN		
HDFC Bank Ltd.	6.85	---
ICICI Bank Ltd.	45.39	6.66
Kotak Mahindra Primus Ltd.	---	0.54
The Above Vehicle Loan is Hypotheticated against Vehicle Purchased		
	21,143.98	14,879.28
SCHEDULE - IV		
UNSECURED LOANS		
From Directors & Others	5,454.81	3,438.22
Foreign Currency Convertible Bonds	7,657.63	7,923.30
	13,112.44	11,361.52

SCHEDULE V - FIXED ASSETS										₹ in Lacs	
ASSETS	GROSS BLOCK					DEPRECIATION				NET - BLOCK	
	AS ON 01/07/2009	ADDITION	DELETION	AS ON 30/06/2010	Upto 30.06.2009	during the Year	Deletion during the Year	Upto 30/06/2010	AS ON 30/06/2010	AS ON 30/06/2009	
LAND	734.35	399.97		1,134.32	—	—	—	—	1,134.32	734.35	
BUILDING	1,908.54	1,916.75		3,825.28	180.90	121.30	—	302.20	3,523.08	1,727.64	
OFFICE PREMISES	—	2,083.46		2,083.46	—	—	—	—	2,083.46	—	
PLANT & MACHINERY	2,759.78	8,300.63		11,060.41	683.97	431.85	—	1,115.81	9,944.60	2,075.81	
LAB EQUIPMENTS	409.23	208.25		617.48	54.35	24.34	—	78.69	538.79	354.89	
ELECTRICAL FITTINGS	433.03	314.72		747.74	52.94	28.42	—	81.36	666.38	380.09	
OFFICE EQUIPMENT	62.60	13.45		76.05	10.77	3.30	—	14.08	61.97	51.83	
MOTOR CAR	136.71	75.71	37.36	175.05	33.94	14.02	13.18	34.78	140.27	102.77	
FURNITURE & FIXTURE	157.77	102.50		260.27	35.78	13.61	—	49.39	210.88	121.99	
COMPUTER	88.21	17.39		105.60	39.33	15.18	—	54.50	51.10	48.88	
AIR CONDITIONERS	16.14	9.39		25.53	2.29	1.14	—	3.44	22.09	13.84	
TOTAL	6,706.35	13,442.22	37.36	20,111.21	1,094.27	653.16	13.18	1,734.25	18,376.96	5,612.08	
PREVIOUS YEAR	5,912.77	798.30	4.72	6,706.35	678.14	417.90	1.78	1,094.27	5,612.08	5,234.63	

Note :- As certified by the management, the company has obtained the possession of new office premises situated at Vashi for carrying out interior work. Since the same has not been put to used, depreciation has not been charged during the year.

CONSOLIDATED SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - VI		
INVESTMENTS		
Investment in Partnership Firm	275.00	----
Siddhivinayak Developers		
Quoted other than Trade		
Kilitch Drugs (I) Ltd.	37.05	58.75
19000 Equity Shares of ₹ 10/- Cash, Fully Paid up (125000 Equity Shares of ₹ 10/- Cash, Fully Paid up)		
Unquoted		
Investment in Overseas Company	5.74	5.74
100 Shares of Sharon GMBH of EURO 100/- each		
Long Term other than Trade		
Investment in Bajaj Allianz Stable Gain Fund	15.47	----
Investment in Bajaj Allianz Secure Gain Fund	15.47	----
	348.74	64.49
Aggregate Value of Unquoted Shares	5.74	5.74
Aggregate Value of Quoted Shares	37.05	58.75
Aggregate Market value of Quoted Shares	19.38	100.00
SCHEDULE - VII		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES		
(As taken, valued and certified by the management)		
Raw Materials	3,579.59	2,807.54
Packing Materials	98.10	51.98
Stores & Spares	325.13	255.96
Work in Progress	3,865.23	3,261.95
Finished Goods	3,798.56	2,588.51
	11,666.61	8,965.94
SUNDRY DEBTORS		
(Unsecured, considered good as certified by the management)		
Debt for the period exceeding more than 6 months	342.80	175.79
Other Debts	16,675.21	13,170.00
	17,018.01	13,345.79

CONSOLIDATED SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
CASH & BANK BALANCE		
Cash on Hand	35.72	27.35
In Current Account	93.99	87.43
Fixed Deposit	109.99	31.64
In Fixed Deposit A/c in Foreign Currency (Kept out of Unutilised Money out of FCCB proceeds)	----	192.06
	239.70	338.49
LOANS & ADVANCES (Unsecured, considered good as certified by the management)		
Advances recoverable in cash or in kind	1,232.38	712.28
	1,232.38	712.28
	18,490.09	14,396.56
SCHEDULE - VIII		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
For Goods	3,066.27	2,201.68
For Expenses	273.36	64.04
PROVISIONS		
Proposed Dividends	158.35	126.68
Distribution Tax on Dividends	26.91	21.53
For Taxation	350.00	310.00
For Employee Benefit	30.94	----
	3,905.84	2,723.94
SCHEDULE - IX		
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Preliminary Expenses		
Opening Balance	4.47	8.23
Less: Written off	3.76	3.76
	0.72	4.47

CONSOLIDATED SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2010.

	30/06/2010 ₹ in Lacs	30/06/2009 ₹ in Lacs
SCHEDULE - X		
COST OF GOODS SOLD		
Opening Stock	8,965.93	5,775.41
Add:Purchases during the year	46,829.08	39,668.22
	<u>55,795.02</u>	<u>45,443.63</u>
Less:Closing Stock	11,666.61	8,965.93
	<u>44,128.41</u>	<u>36,477.70</u>
SCHEDULE - XI		
MANUFACTURING EXPENSES		
Wages	582.87	304.17
Power & Fuel Expenses	546.64	215.40
Repairs Maintenance	99.48	83.50
Factory Expenses	81.20	75.91
Reserarch & Development Expenses	203.63	115.10
	<u>1,513.83</u>	<u>794.09</u>
SCHEDULE - XII		
ADMINISTRATIVE EXPENSES		
Employee Compensation	419.19	232.48
Auditors Remeuneration	4.06	2.57
Telephone Expenses	17.85	19.21
Office Expenses	47.93	46.23
Staff Welfare	27.40	15.96
Printing & Stationery	32.09	30.98
Travelling Expenses	77.14	28.49
Rent, Rates & Taxes	50.93	40.36
Legal & Professional Charges	56.15	55.26
Books & Periodicals	0.87	2.16
Car Expenses	21.57	15.23
Advertisement Expenses	2.39	3.55
Conveyance	18.35	13.29
Membership & Subscription	1.40	3.94
Insurance	21.65	20.39
Directors Remuneration	73.64	43.04
Stock Exchange Listing Fees	1.15	1.58
Amortisation of expenditures	13.04	13.04
	<u>886.81</u>	<u>587.77</u>
SCHEDULE - XIII		
SELLING & OTHER EXPENSES		
Brokerage & Commission	26.33	22.03
Foreign Commission	39.88	21.85
Product Registration Expenses	75.88	6.35
Postage & Telegram Charges	13.96	10.80
Business Promotions Expenses	25.01	22.12
Exhibition Expenses	38.44	36.22
Foreign ExchaNge Fluctuations	66.70	116.57
	<u>286.21</u>	<u>235.94</u>

SCHEDULE - XIV TO THE CONSOLIDATED ACCOUNTS**SIGNIFICANT ACCOUNTING POLICIES :****1. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS:**

The Financial statements have been prepared under the historical cost convention, on an accrual basis of accounting, to comply in all the material respects with the notified accounting standards by the Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. The Accounting principles discussed more fully below are consistent with those used in the previous year.

2. PRINCIPLES OF CONSOLIDATION:

The Consolidated financial statements have been prepared in accordance with Accounting Standard 21 'Consolidated Financial Statements' issued by the institute of Chartered Accountants of India. These relates to Sharon Bio-Medicine Limited and it's Subsidiary.

The consolidated financial statements have been prepared on the following basis.

- a. The Financial statements of the company and its subsidiary company combined on line-by-line basis by adding together the book value of items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses in year – end inventories.
- b. The difference between the Company's cost of investments in Subsidiaries, over its portion of equity at the time of acquisition of shares is recognized in the consolidated financial statements as Goodwill or Capital Reserve as the Case may be.
- c. The consolidated financial statements are prepared by adopting the 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 company's separate financial statements except otherwise stated elsewhere in this schedule.

3. REVENUE RECOGNITION:

Sales of products are recognized when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods. Exports sale are recognized on the basis of Bill of Lading/Airway Bills. Sales stated are excluding sales tax and net of returns. Revenue of Consulting Income has been accounted on accrual basis.

4. USE OF ESTIMATES:

The presentation of financial statement in conformity with the generally accepted principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

5. FIXED ASSETS:

- a) Fixed Assets are stated at their original cost, adjusted by revaluation of certain land & building less provision for impairment losses, if any, depreciation, amortization and adjustments on account of foreign exchange fluctuations in respect of changes in rupee liability of foreign currency loans used for acquisition of fixed assets
- b) Borrowing cost eligible for Capitalization, incurred in respect of acquisition/construction of a qualifying assets, till the asset is substantially ready for use, are capitalized as part of the cost of that assets.
- c) Pre operative, Trail run and incidental expenses relating to the projects are carried forward to be capitalized and apportioned to various assets on commissioning of the Project.

6. DEPRECIATION:

Depreciation on fixed assets is provided using the straight line method and as per rate provided in the XIV schedule of the Companies Act, 1956, based on the useful life as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

7. INVENTORIES:

Items of inventories are valued on the basis given below:

Raw Materials and Packing Materials: at Cost net of CENVAT/VAT computed on first-in –first method.
Bulk Drugs produced for captive consumption are valued at cost.

Work in process and Finished Goods: at Cost including material cost net of CENVAT, labour cost and all overheads other than selling and distribution overheads for work-in- process and the same or realizable value, whichever is lower in case of finish goods except physician samples which are valued at cost as computed above.

Stores and Spares: Stores and spares parts are valued at purchase cost.

8. FOREIGN CURRENCY TRANSACTION:

Foreign currency assets and liabilities are translated at exchange rate prevailing on the last working day of accounting year. Gain or loss on the restatement of foreign currency transaction or on cancellation of forward contract if any is reflected in the Profit and Loss account except gain or loss relating to acquisition of fixed assets which is adjusted to the carrying cost of fixed assets.

Transaction in Foreign Currency is recorded in the Books of Account in Indian Rupee at the rate of exchange prevailing on the date of transaction.

9. INVESTMENTS:

Long Term Investments are Valued at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the Management,.

10. BORROWING COST:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily takes substantial period of times to get ready for it's intend use. All other borrowing costs are charged to revenue.

11. EARNING PER SHARE:

The Company reports basic and diluted earning per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earning per share is computed by dividing the net profit or Loss for the period by the weighted average number of Equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

12. CASH FLOW STATEMENT:

The cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow statements and present cash flows by operating, investing & financing activities of the company.

13. TAXATION:

Current Tax: Current Tax is calculated as per the provisions of the Income Tax Act, 1961

Deferred Tax: Deferred tax is recognized on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets are subject to the consideration of prudence are recognized and carried forward only to the extent that there is reasonably certainly that sufficient taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and law enacted or substantially enacted on balance sheet date.

Fringe Benefit Tax: Fringe Benefit Tax (FBT) payable under the provisions of section 115WC of the Income tax Act, 1961 is in accordance with the Guidance note on Accounting for fringe Benefits Tax issued by the ICAI regarded as an additional income tax and considered in determination of the profits/(losses) for the year.

MAT Credit: MAT Credit entitlement is recognized only when the company actually avails MAT credit based on its annual tax computation

14. PROVISIONS AND CONTINGENT LIABILITIES:

Provisions are recognized for present obligations, of uncertain timing or amount, arising as a result of past event where reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Where it is not probable that an outflow of resources embodying economic benefit will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of resources embodying economic benefit is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are so also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefit is remote.

15. EMPLOYEE BENEFITS**a. Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

b. Long Term Employee Benefits

- Retirement Benefits in the form of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss account for the year/period when the contributions are due.
- Gratuity being a defined benefit obligation is provided on the basis of payment basis.
- Leave Encashment is recognized on the basis of payment basis at the end of the year.

c. Employee Stock Options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed by Guidance Note on 'Accounting for Employee Share-based payments' issued by ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines 1999 issued by SEBI. The excess of market value, if any, of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to the profit and loss account on vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding, which is shown under Reserves and Surplus.

16. CENVAT and Service Tax Credit

CENVAT and Service Tax credit utilized during the year is accounted in excise duty and unutilized CENVAT/Service Tax balance at the year end is considered as advance excise duty.

17. Accounting Policies and Notes to Accounts of the financial statements of the company and its subsidiary are set out in their respective financial statements.

The Subsidiary Company considered in the consolidated financial statement is

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Accounting Year ended on
M/s Yusur International FZE (Formerly Known as M/ s Sharon International FZE)	United Arab of Emirates (UAE)	100%	30.06.2010

NOTES TO ACCOUNTS:

1. The company had issued 165 Nos. of Zero Coupon Foreign Currency Convertible Bonds of US\$ 1,00,000 each aggregating to US\$ 16.5 Million on November 27, 2007. These Bonds are convertible Bonds at the option of bond holders into equity shares of ₹ 10/- each fully paid at reset price of ₹ 228/- per share, subject to the terms of issue, with a fixed exchange rate of ₹ 39.15/- equal to US\$ 1.00 within 5 years and 4 days from the date of issue.

The Bonds are redeemable at maturity on December 4, 2012 representing a YTM of 7.00%. A Reserve of ₹ 577.76 Lacs (P.Y. ₹ 619.00 Lacs) for the year has been created for the redemption premium.

2. In the absence of information as regards to the status/classification of the relevant enterprises into Micro, Small and Medium Enterprises, information as required under Notification No. G.S.R. 719(E) dated 16.11.2007 issued by the Department of the Company Affairs in respect of the total amount payable and amount of interest thereon paid during the year and payable at the end of the year to the Sundry Creditors could not be disclosed.

	(₹ in Lacs)	
	2009-10	2008-09
3. Contingent Liabilities not provided for:		
a) Letter of Credit against goods (Margin Money with bank ₹ 39.49 Lacs)	558.64	556.75
b) Bank Guarantee for MPCB	4.50	4.50

4. The Previous Years figures have been regrouped/rearranged, wherever necessary to make them comparable with the current years' figures.

5. Sundry Debtors, Sundry Creditors, Loans & advances are subject to confirmation and reconciliation.

6. In the opinion of the Board the current assets, loans and advances are approximately of the value stated if realized in ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

7. Installed Capacity & Its Utilisation:

Class of Goods	Installed Capacity	Utilisation
Active Pharma Ingredients and Intermediates	150,000 Liters of Reactors Capacity	73% (Approx)
Formulation	2.5bn Tablets per shift per annum 1 bn Capsules per shift per annum	52%(Approx.)

The licensed & installed capacities are as certified by the Management and have not been verified by the Auditors as this is a technical matter.

8. Directors Remuneration paid

Name of the Directors	Salary (₹)	Perquisite (₹)	Total (₹)
Ms. Savita Gowda, Managing Director	22,94,800/- (9,90,000/-)	NIL (NIL)	22,94,800/- (9,90,000/-)
Mr. Vijay Kirpalani, Whole Time Director	27,74,400/- (23,24,400/-)	NIL (NIL)	27,74,400/- (23,24,400/-)
Mr. Lalit Misra, Whole Time Director	22,94,800/- (9,90,000/-)	NIL (NIL)	22,94,800/- (9,90,000/-)

9. As per Accounting Standards (AS-18) on related party disclosures issued by the Institute of Chartered Accountants of India,

- i) Details of Related Parties :

1) Key Management Personnel	Ms. Savita Gowda (Managing Director) Mr. Lalit Misra (Whole Time Director) Mr. M. P. Kala (Director) Mr. Vijay Kirpalani (Whole Time Director)
2) Related Parties of Key Management Personnel	Ms. Asha M. Kala Ms. Amita Kala

3) Companies over which Key Management Personnel and their relatives have interest

Ramco Properties Pvt. Ltd.
 Revon Finance & Investments Pvt. Ltd.
 Bagulvani General Trading Pvt. Ltd. (Earlier known as Bagulvani Trading & Investments Pvt. Ltd.)
 Venus Finance & Investments Pvt. Ltd.
 Sharon Biotech Limited
 Siddhivinayak Developers

4) Associate Firm

i) Transaction from related parties:

(₹ in Lacs)

Sr. No.	Nature of transactions	Key Management personnel		Related parties of Key Management Personnel		Companies over which Key Management Personnel and their relatives have interest and Associate Firm	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1	Remuneration	73.64	43.04	5.94	5.58	—	—
2	Rent Paid	7.20	—	—	—	32.40	22.50
3	Unsecured Loan Received	—	—	—	—	964.45	2355.54
4	Investments Made	—	—	—	—	275.00	—
5	Purchases	—	—	—	—	70.06	—

ii) Balance at the year end of Related Parties

Sr. No.	Nature of transactions	Key Management personnel		Related parties of Key Management Personnel		Companies over which Key Management Personnel and their relatives have interest and Associate Firm	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1	Unsecured Loan Received	37.16	37.16	31.08	31.08	4334.25	3369.98
2	Investment made	—	—	—	—	275.00	—

10. The Company has a Single Segment namely Pharmaceuticals/Chemicals. Therefore the company does not fall under different business segments as defined by AS- 17 "Segmental Reporting" issued by ICAI.

(₹ in Lacs)

11. Earnings Per Share :-

	<u>2009-2010</u>	<u>2008-2009</u>
Profit Attributable to Equity Shareholders	2232.86	1863.23
Weighted average no. of Equity Shares outstanding-Basic	10556900	10556900
Weighted average no. of Equity Share outstanding -Diluted	10658751	10556900
Nominal value of Equity Share ₹	10/-	10/-
Basic Earning Per Share	21.15	17.65
Diluted Earning Per Share	20.95	17.65

12. Deferred Tax Liability :-

Deferred Tax Liability relating to earlier years is ₹ 48.86 Lacs and liability for current years is ₹ 180.55 Lacs.

13. a) The Compensation Committee of the Board granted 2,31,103 options on 4th January, 2010 to selected employees and Directors of the Company under Sharon ESOS 2010. Each option is convertible into One equity share of ₹ 10/- each at exercise price of ₹ 82.65/- per share. The options granted would vest over a vesting period of 4 years from the date of grant.
- b) The closing market price of share on 31st December, 2009, a day prior to the date of grant on BSE was ₹ 82.65 per share. This is considered as market price as per SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999. As per this the intrinsic value per option works out to be Nil, as the options have been granted market price of ₹ 82.65 per share
- c) If the employee compensation cost is worked out in accordance with fair value method mentioned in the aforesaid SEBI Guidelines, net profit of the Company and EPS for the year would have been lower by ₹ 9,12,308 and ₹ 0.09 respectively
14. The company has entered into Derivate Transaction with ICICI Bank Ltd. of
Currency swaps of USD/CHF on June 29,2007. The company has incurred net loss of ₹ 151.97 Lacs on the settlement date as on June 28,2010 which has been debited to the profit & Loss account.

15. FOREIGN EXCHANGE TRANSACTIONS

(₹ in Lacs)

	<u>2009-2010</u>	<u>2008-2009</u>
A. CIF value of goods imported	795.66	911.81
B. Value of Goods Exported (FOB and service charges)	1953.25	1667.57
C. Traveling Expenses	25.51	15.89
D. Commission	39.88	21.85
E. Other Expenses	32.35	23.26

16. During the year, the company has made the provision of Gratuity for Employees of ₹ 30.94 Lacs and the same has been invested in the Mutual Funds.

17. AUDITORS REMUNERATION:

(₹ in Lacs)

	<u>2009-2010</u>	<u>2008-2009</u>
Audit Fee	3.06	2.07
Tax Audit Fees	0.50	0.30
Other Matters	0.50	0.20
Total	<u>4.06</u>	<u>2.57</u>

As per our Report of Even Date
For **Jain Gangwal & Associates**
Chartered Accountants
Firm Regn. No. 114382W

Sd/-
Kamal Gangwal
(Partner)
Membership No. 042234

For **Sharon Bio-Medicine Ltd.**
For and on behalf of Board of the Directors

Sd/-
Savita Gowda
Managing Director

Sd/-
Lalit Misra
Director

Sd/-
M. P. Kala
Director

Sd/-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

Statement pursuant to Section 212 of the Companies Act, 1956
Relating to Holding Company's Interest in the Subsidiary Company

(₹ in Lacs)

Sr. No.	Description	Yusur International FZE,UAE (Formerly knows as Sharon International FZE)
1	The Financial Year of the Subsidiary Company ended on	June 30,2010
2	Date from which it became subsidiary	August 10,2008
3(A)	Number of Shares held by Sharon Bio-Medicine Limited (Holding Company) in the Subsidiary company at the end of the Financial Year of the Subsidiary company	5 equity shares of AED 1,00,000/- each
3(B)	Extent of interest of Holding Company at the end of the financial year of the Subsidiary company	100%
4	The Net aggregate amount of subsidiary companies Profit/(Loss) so far as it concerns Members of the Holding company	
	A) Part of the Profit/(Loss) has not been dealt with in Company's Account for the current year or the previous year since it became subsidiary	—
	B) Part of the Profit/(Loss) has been dealt with in Company's Account for the current year or the previous year since it became subsidiary	361.22
	Issued & Subscribed Share Capital	64.55
	Reserves	362.53
	Total Assets	435.48
	Total Liabilities	435.48
	Investments	0
	Turnover	2676.96
	Profit/(Loss) before Taxation	361.22
	Provision for Taxation	0
	Profit/(Loss) after Taxation	361.22
	Proposed Dividend	0
	Exchange Rate	12.6352

For and on behalf of Board of the Directors

Sd /-
Savita Gowda
Chairman & Managing Director

Sd /-
M. P. Kala
Director

Sd /-
Lalit Misra
Whole Time Director

Sd /-
R. M. Gaud
Company Secretary

PLACE : MUMBAI
DATED : 4th December, 2010

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Sharon Bio-Medicine Limited

Regd. Office: Plot No.W-34, W-34/1 MIDC, Taloja,
Dist. Raigad, Maharashtra 410 208

ATTENDANCE SLIP

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.
Joint shareholder may obtain additional slip on request.

D. P. ID*		Folio No.	
Client Id*		No. of Share/(s) held	
Name of the Shareholder :		Name of the Proxy :	

I hereby record my presence at ANNUAL GENERAL MEETING of the Company held at Plot No. W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208 on 31st December, 2010 at 9.00 a.m.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

* Applicable for investors holding shares in electronic form.



Sharon Bio-Medicine Limited

Regd. Office: Plot No.W-34, W-34/1 MIDC, Taloja,
Dist. Raigad, Maharashtra 410 208

PROXY FORM

D. P. ID*		Folio No.	
Client Id*		No. of Share/(s) held	

I/We _____ of _____ in the district of _____ being a Member/Members of the above-named company, hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our Proxy to attend and vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Company held at Plot No. W-34, W-34/1 MIDC, Taloja, Dist. Raigad, Maharashtra 410 208 on 31st December, 2010 at 9.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010

Affix 15 Paise
or more
Revenue
Stamp

*Applicable for investors holding shares in electronic form.

NOTE: The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than FORTYEIGHT HOURS before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

Innauguration of Sa-ford- R & D and Toxicology Unit at Taloja



Sa-ford team

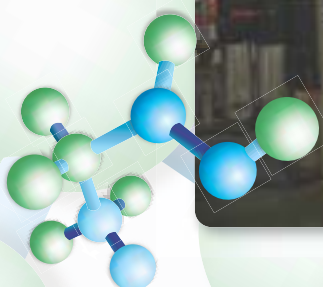
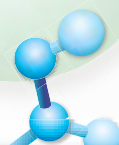
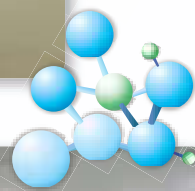
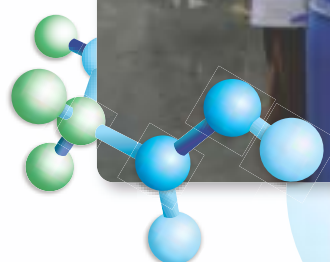
Participation in CPHI India, 2010 at NSE Ground, Mumbai



Participation in CPHI Worldwide, 2010 at Paris



New API & Intermediate Facility at Taloja, Navi Mumbai





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Corporate Office :

Sharon House, Plot No. 163, Park Street, Smt. Jankidevi Public School Road,
SVP Nagar, Andheri (W), Mumbai 400 053
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