

ANNUAL REPORT 2007 -2008



Marksans Pharma Limited



VISION

Marksans Pharma Limited (here after referred as "Marksans") is a niche Formulations, Bulk drug and Biopharmaceutical player. We are an integrated player with manufacturing facilities for both Formulations and API and a presence across the entire pharmaceutical value chain.

MISSION

“Health care in safe hands”

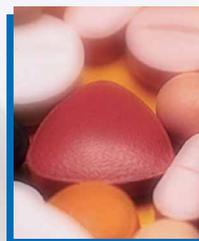
ABOUT US

Marksans Pharma Limited (here after referred as "Marksans") is a niche Formulations, Bulk drug and Biopharmaceutical player. We are an integrated player with manufacturing facilities for both Formulations and API and a presence across the entire pharmaceutical value chain.

Engines of our Growth

Our global perspective, our renewed thrust on research and our empowered team of skilled minds are fueling the engines of our growth story.

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Research Thrust

Global Perspective

People Power



Profile

Marksans Pharma, Headquartered in Mumbai (India) is vertically integrated global player with strong presence across the entire value chain from Active Pharmaceutical Ingredient's (APIs) to Formulations to Biopharmaceuticals. We are also actively engaged in R&D and offers Contract Research and Manufacturing Services (CRAMS) to global pharmaceutical companies.

The specialty focus of Marksans Pharma traverses through a wide array of prescription drugs. These drugs have markets spanning the medical fields of Oncology, Gastroenterology, Antidiabetic, Cardiovascular, Pain Management and others. Furthermore, Marksans also inroads into complex

and intricate markets dealing with Biotechnology and Neuro-psychiatry.

The R&D capabilities of the Company include chemical synthesis and process optimization, formulation development and specialized drug delivery systems.

We have put in place world-class facilities by leveraging state-of-the-art manufacturing technology, incorporating best practices and adhering to stringent regulatory compliances, to ensure that the customer receives products of the highest quality. Plants are built as per US FDA guidelines and approved by venerated UK MHRA, Australia TGA and Brazilian ANVISA health authorities. Marksans Pharma has successfully established itself as a trustworthy name when it comes to customers as well as the pharmaceutical world per se. Needless to mention that it has thus attained global recognition within a very short span of time. The Company straddles across key therapy areas and markets its products in both evolving and developed markets.

Thus, Marksans is aspiring to be a Multinational Company in a true sense.

Mergers & Acquisitions

Mergers

To make Marksans Pharma Ltd. completely integrated what was missing were operations in API and Bulk drugs. Merger of TASC Pharma with Marksans filled in this gap.

TASC was listed on the Mumbai and National Stock Exchanges in 1993 and 2002 respectively. TASC operated large bulk drugs and API manufacturing facilities in Pune that are compliant with CGMP standards and are expected to receive US FDA clearances. TASC's main areas of production were anti-ulcerants and anti-infectives for clients in the domestic market and overseas export markets.

Acquisitions

Nova Pharmaceuticals

Marksans acquired an Australian marketing company - Nova Pharmaceuticals ("NP") in 2005. NP specializes in R&D and marketing of generic pharma products & has robust operating margins. It currently has a basket of 14 products, with additional 25 products filed for TGA approvals. NP has presence in the top pharmacies and major chain stores for the supply of generics and OTC.

Bell, Sons & Co. (Druggist) Limited

Company acquired UK's Hale Group along with its subsidiary company Bell Sons & Co ("Bell") in the year 2008. Bell is a well-established manufacturer of a broad range of OTC pharmaceuticals having full approval of the UK MHRA and currently holds 38 product licences. Bell manufactures licensed products both as own branded products and, for certain customers, in own label form together with a range of unlicensed products. Customers include retailers, pharmacies, chemist wholesalers and cash and carry outlets. The company employs 106 people at its freehold licensed manufacturing site in Southport, Merseyside and has further 12 employees providing sales administration, buying and technical support.

The Company's products baskets consists of:

Cough and cold remedies, Galenicals, Vitamins, Palliative and healthcare items, Oils, Antiseptics and Disinfectants

The Company has been in the export markets for more than 80 years now. Its products are well recognised and respected in the overseas markets. The company products are sold in more than 40 countries. Key markets are West Africa and Middle East.



Research & Development

Goals

- To establish a state-of-the-art research house for focused R & D activities so we can be present over the entire chain of drug discovery and development.
- To pursue value-added collaborative relationships with academia, hospitals and other research-based organizations so that we can track our developmental activities as per the highest standards, in the shortest time and at the lowest cost.
- To enrich a knowledge pool of accomplished scientists to leverage emerging opportunities so that we can broadly define what needs to be developed.

Our first R&D Laboratory at Marksans Pharma plant was set up in the state of Goa, which is instrumental in drug delivery and new formulation development. In view of the growing importance of captive access to cutting edge research, Marksans invested heavily in a state-of-the-art R&D infrastructure and competencies.

It Currently Houses

- A team of scientists who are from IITs, AIIMS and different research institute, many of them are engaged in drug discovery, drug delivery systems, process development and analytical research.
- Modern scientific equipments to carry out drug discovery as per National / International standards and regulations.

Research & Development activities play a vital part in maintaining Marksans market position through Development and subsequent commercial scale ups of new products. Research & Development at Marksans is making a major contribution to strengthen corporate competitiveness by concentrating on product value addition and technological prowess. It also provides technical support to the export markets.

At Marksans, we are committed to do worldclass research that develops innovative medicines. This focus incorporates both a respect for resources and the manner in which resources are committed to specific, defined projects with timelines. The Marksans scientists do represent at various national / international seminars and meetings to present the results of in-house research efforts.

R&D Skills

The activities are well synchronized to provide Marksans a competitive advantage in the new patent regime. Over a period, the company has ambitious plans to further expand the research activities.

Our research effort drives our plans to become an respected, profitable and integrated Pharma company of the world. A focused effort in defined areas and a lasting interest in new technology are key features of our efforts.

Contract Research & Collaboration

Marksans R&D unit initiates major projects through collaboration with interested reputed organizations. With its valuable assets of trained staff, sophisticated equipment and unmatched experience, Marksans encourages collaborations from National as well as International Agencies/ Universities/ Research Institutes.



Growth Strategy

INORGANIC GROWTH STRATEGIES

Acquisitions

- Already taken initiatives in this direction. (Bell Healthcare, UK & Nova Pharmaceuticals, Australia)
- Instantly added new brands and products and state of the art manufacturing facilities.
- Fresh customer base, addition of new geographical locations.
- Economies of scale and integration to operations.
- A fresh breath of management skills and talent acquired.
- Time-to-market has substantially reduced which has given us a significant competitive edge.

Strategic Alliance

- In-licensing for critical divisions (biopharma based oncology and cardio products)
- Out-licensing ANDAs to increase market penetration.
- Combined competitive energies into building competitive advantage & defeating mutual rivals
- Leveraging manufacturing and R&D Competencies in India.
- Using global front-ends for Marketing.
- Leveraging the India Advantage (Low-cost for manufacturing and CRAMS)

Strategic Goals

Global

- Become preferred manufacturing partner for large MNC pharma companies.
- Establish a strong presence in the US & Europe generic pharmaceutical market through organic and in-organic channels.
- Focus on building IP assets specially in Niche dosage forms.
- Out-License IP to drive growth / scalability.
- Build and launch portfolios of generic products in niche segments.
- Build OTC presence in regulated markets.

Domestic

- Become fully integrated pharmaceutical company with a diverse portfolio of ethical, branded, generic and OTC products.
- Continue building presence in speciality markets, including oncology, CNS and biopharmaceuticals.
- Continue evolution as an innovative developer of patented, NDSS, and in-licensed products and post-patent products.

Strategic growth initiatives



Strategic Initiatives taken by us

- Rapid filing of ANDAs / MAs, DMFs / COSs into US, Europe & Emerging Markets
- Expand Custom Research and Manufacturing Support (CRAMS) Services in the Regulated Markets
- Acquisitions of growing, profitable pharmaceutical companies and/or products. The company has recently entered into a share purchase agreement with UK's Hale Group to acquire its entire share capital, along with its subsidiary company Bell Sons & Co. The details of the same are given in the Annexure
- Commercialize strong pipeline of over 10 new API products
- Leverage economies of scale and integrating API and formulation manufacturing
- Pursue additional product in-licensing opportunities for domestic markets
- Enter into out licensing arrangements with big pharma company in US, Europe to manufacture & market post patent & off patent drugs.



Directors

Mr. Mark Saldanha	- Chairman & Managing Director
Mr. V. Nagaraj	- WholeTime Director
Mr. Mahesh B. Parikh	- Director
Dr. Kim Tan	- Director
Mr. Kumar Nair	- Director

Company Secretary & Legal Manager

Mr. Hitesh Kanani

Auditor

M/s. N.K. Mittal & Associates
Chartered Accountants

Legal Advisors

M/s. Crawford Bayley & Co.

Bankers

State Bank of India
Bank of India
Corporation Bank
IDBI

Share Transfer Agent

Big Share Services Pvt. Lt.d,
E-2, Ansa Industrial Estate.,
Sakivihar Road, Saki Naka.,
Andheri (East), Mumbai – 400 072.

Registered Office

21st Floor, Lotus Business Park,
Off New Link Road, Andheri (West),
Mumbai - 400053.

Works

- I L-82 & 83, Verna Industrial Estate, Verna, Goa- 403 722.
- II D-10, Kurkumbh, M.I.D.C. Tal. Daund, District-Pune.
- III A-88, Kurkumbh, M.I.D.C. Tal Daund, District-Pune.
- IV Bell, Sons & Co. (Druggists) Ltd.
Gifford House, Slaidburn Crescent, Southport,
Merseyside. PR9 9AL

16th Annual General Meeting

Day & Date : Monday, 29th September, 2008
Time : 11.00 a.m.
Venue : GMS Community Centre Hall,
Situladevi Complex,
1st Floor, D.N. Nagar, Link Rd.,
Andheri (W), Mumbai – 400 053.

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NOTICE

NOTICE is hereby given that the sixteenth Annual General Meeting of the Members of Marksans Pharma Limited will be held on Monday the 29th day of September, 2008 at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2008, the Profit and Loss Account for the period ended as on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. M.B. Parikh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and If thought fit, to pass, with or without modification, the following resolution as an Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/ guidelines, prescribed by SEBI or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be required, the Board, which term shall be deemed to include any “Compensation Committee”, or any “Sub Committee” thereof, constituted by the Board to exercise its powers, (including the powers conferred by this resolution) be and is hereby authorized, on behalf of the Company to grant from time to time in one or more tranches, options to apply for Equity Shares of the face value of Re. 1/- each, of the Company, to or for the benefit of the key senior level managerial personnel (including Independent Directors of the Company and other senior key management personnel as may be determined by the Compensation Committee of the Company) under a Scheme titled “MARKSANS EMPLOYEES STOCK OPTION PLAN-2008” (hereinafter referred to as “MARKSANS ESOP 2008”) to be evolved in this regard and consequently create, issue, offer, allocate and allot at any time and from time to time, 17970000 Equity Shares of Re. 1/- each in terms of such options. The options and the consequential issue, offer, allocation and allotment of Shares shall be at such price including at a discount, in such manner, during such period in one or more tranches and on such other terms and conditions as the Board may decide. The Board is further authorized to fix such price including at a discount, terms and conditions and criteria for grant of option, as the Board may deem fit, in respect of each

tranches of options granted by the Board. The Board is further authorized to grant such options in the form of warrants with an option exercisable by the warrant holder to subscribe to Equity Shares / Equity Securities and / or Bonds, Debentures, Preference Shares or any other securities convertible into Equity Shares, (collectively referred to as Equity-linked securities) at a price including at a discount, or grant such options in any other manner whatsoever, provided the total number of options granted in the aggregate, and the consequential creation, issue, offer, allocation and allotment, shall not exceed 17970000 Equity Shares of Re. 1/- each.

RESOLVED FURTHER THAT the Exercise Price shall be determined by the Board of Directors and/or Compensation Committee at the time of Grant of an Option.

RESOLVED FURTHER THAT the Company shall be entitled to recover from the employee any tax that may be levied upon or in relation to the Options (including but not limited to the Fringe Benefit Tax).

RESOLVED FURTHER THAT in case of any change in capital structure such as rights issues, bonus issues, merger and sale of division and others, if any, additional Equity Shares are required to be issued by the Company under MARKSANS ESOP 2008, the above ceiling of 17970000 Equity Shares shall be deemed to be appropriately increased to the extent of such additional Equity Shares required to be issued by the Company.”

RESOLVED FURTHER THAT in case the Equity Shares of the Company are either sub-divided or consolidated, then the number of Shares to be allotted and the price of acquisition payable by the option grantees under MARKSANS ESOP 2008 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Re.1 per Equity Share bears to the revised face value of the Equity Shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT in case of any corporate action(s) like merger, sale of undertaking, etc or change in capital structure whether by issue of rights/ bonus Shares, or other changes in the share capital whatsoever, the Board be and is hereby authorised to make such adjustments as it may deem fit to the quantum of Shares to be issued pursuant to the exercise of the options, the exercise price, and other rights and obligations under the options.

RESOLVED FURTHER THAT to the extent permitted as per the existing provisions of law in this regard all / any Equity Shares resulting from the conversion of the Options to be allotted as an outcome of the above mentioned resolution shall, upon allotment, rank pari passu in all respects interse as also with the then existing Equity Shares including dividend entitlement.

RESOLVED FURTHER THAT to determine all other



terms and conditions for the purpose of giving effect to any offer, issue or allotment of Equity Shares or securities or instruments representing the same, as described above, under MARKSANS ESOP 2008, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue(s) or allotment(s) including to amend or modify any of the terms of such issue or allotment(s) without being required to seek any further consent or approval of the members.

RESOLVED FURTHER THAT with regard to MARKSANS ESOP 2008, the Board be and is hereby authorized to delegate all or any of its powers to any Sub Committee consisting of one or more Officers / Directors of the Company and such Sub Committee shall report periodically to the Board / Compensation Committee.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Shares allotted under MARKSANS ESOP 2008 on one or more recognized Stock Exchanges, in India or abroad, where the Company's Shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing."

5. To consider and If thought fit, to pass, with or without modification, the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provision, if any, of the Companies Act, 1956 ('the Act'), the Articles of Association of the Company be and are hereby altered by way of deleting the existing Article 198 (2) of the Articles of Association and replacing the same by the following Article:

198 (2) The Seal shall not be affixed to any instrument except upon the authority of the Board or a Committee of the Board, previously given and in the presence of atleast one Director of the Company and countersigned by the Company Secretary or any other officer specially authorised in this behalf who shall sign every instruments to which the Seal is affixed.

RESOLVED FURTHER THAT the Managing Director and / or the Company Secretary of the Company be and is hereby severally authorized to file necessary forms with the Registrar of Companies and do all such acts, deeds and things and to sign all such documents as may be necessary to give effect to the above."

By order of the Board of Directors
Hitesh Kanani
Company Secretary and Legal Manager

Mumbai, 2nd September 2008

Registered Office

21st Floor, Lotus Business Park,
Off New Link Road,
Andheri (W), Mumbai 400 053.

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE MEMBER OF THE COMPANY. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- b) The relative Explanatory statements pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special business is attached hereto.
- c) The Register of Members and Transfer Books of the Company will be closed from 25th September, 2008 and will remain closed till 29th September, 2008 (both days inclusive).
- d) Shareholders desiring any information as regards the Accounts are requested to write to the Company at least 8 days In advance so as to enable the Management to keep the Information ready.
- e) Members holding Shares in physical form are requested to immediately intimate to the Company /Share Transfer Agents, changes, if any in their registered address along with the pincode number. Members holding Shares in dematerialized mode are requested to forward intimation for change of address, if any, to their respective Depository Participant.

- f) Details of the Directors seeking re-appointment at the forthcoming Annual General Meeting:

"Mr. Mahesh Parikh is gold medalist M.SC. in Mathematics and Statistics from M.S. University, Baroda. He has also done his Diploma in Financial Management from Jamnalal Bajaj Institute of Management, Mumbai. He has worked with Bank of India for a period of 15 years at Senior Management level handling a variety of complex functions. He has also worked with Societe Generale Bank for a period of 9 years at a top management level, as Chief- Business set - up and Development and Marketing \ Credit. He also acted as a adviser to the Board and Chairman of Development Credit Bank Limited."

By order of the Board of Directors
Hitesh Kanani
Company Secretary and Legal Manager

Mumbai, 2nd September, 2008

Registered Office

21st Floor, Lotus Business Park,
Off New Link Road,
Andheri (W), Mumbai 400 053.

ANNEXURE TO THE NOTICE

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

In the present competitive environment in the country and in the long terms interest of the Company and its shareholders, it is necessary that the Company adopt suitable measures for attracting and retaining qualified, talented and competent personnel. An ESOP, designed to foster a sense of ownership and belonging amongst personnel is well expected approached to this end. It is therefore; appropriate to consider introducing a stock option scheme for employees of the Company.

Section 81 of the Act provides, inter – alia that wherever it is proposed to increase the subscribed capital of the Company by the allotment of further Shares, such further Shares shall be offered to the existing Shareholders of the Company in the manner laid down in the said section unless the Shareholders in the general meeting decide otherwise. The consent of the Shareholders is, therefore, sought to authorize the Board of Directors to grant options and allot Shares to employees in the manner set out in the resolution.

The information as required under clause 6.2 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 with subsequent amendments thereto, are given below:

a) Total Number of Options to be granted:

Options not exceeding 17970000 Equity Shares of Re. 1/- each can be granted under the ESOP.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI guidelines require that in case of any corporate action(s) or change in capital structure such as rights issues, bonus issues, sub-division / consolidation of the nominal value of Shares, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional Equity Shares are required to be issued for making such fair and reasonable adjustment, the ceiling of 17970000 Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued/to be issued. Further the Board and/or Compensation Committee shall in such cases also have the power to make appropriate adjustments to the number of Shares to be allotted pursuant to the exercise of the Options, the Exercise price and other rights and obligation under the options granted

b) Identification of classes of employees entitled to participate in the Scheme:

The Scheme will be offered to all eligible Employees of

the Company belonging to the following categories:

Independent Directors, Senior key Management personnel, designated officers as may be determined by the Compensation Committee of the Company.

The following are not eligible for the Scheme.

- Promoters or Promoter group
- A Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Equity Shares of the Company.

c) Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death or permanent disability of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

d) Requirements of vesting and period of vesting:

The continuation of employee in the service of the Company shall be the primary requirement of the vesting. The Compensation Committee may, at its discretion, lay down the period of time and/or specify certain performance metrics, on the achievement of which the granted options may vest (subject to the minimum vesting period as specified below). The vesting of the Options may also happen in tranches in accordance with the above mentioned conditions.

The options would vest not earlier than one year but not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board / Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options and may be customised for individual employees.

e) Exercise price or pricing formula:

As per SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999, the Companies granting options to its employees pursuant to ESOP will have the freedom to determine the exercise price subject to conforming to the accounting policies specified in clause 13.1, which specifies that any option discount to the market price should be accounted for as deferred employee compensation and amortised over the vesting period. (Option discount means the excess of the market price of the Share as on the date of grant of the option under ESOP over the exercise price of the option).



Subject to the above clause, the Company has the freedom to price the options and the exercise price shall be Re. 1/- per Share.

The exercise price in respect of each tranche of the Options shall not be less than the face value of the Equity Share (which shall be calculated in accordance with the applicable law and if applicable, adjusted from time to time for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the Company) on the date of grant of option.

f) Exercise period and procedure for exercise:

The Exercise period would commence from the date of vesting and will expire on completion of a period of upto 3(three) years from the date of vesting of the options. The options shall become exercisable in part or in full within the overall exercise period permitted under the Plan.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board / Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period and would be available for being re-granted in future.

g) The appraisal process for determining the eligibility of Employees to the ESOP:

The eligible employees from each of the categories will be determined by the Board or Compensation Committee. The Board or the Committee as the case may be, may prescribe different sets of criteria for each of the tranche of options/ categories of the eligible employees with respect to the position held by the Employees in the Organisation, the designations, job responsibilities, contribution to earnings and employment period in the Company.

h) Maximum Number of options to be issued per employees and in aggregate:

It is proposed that options not exceeding 17970000 Equity Shares of Re. 1/- each in the aggregate can be granted under ESOP. Further, options under each Grant to an Employee shall not be less than 50 (Fifty) and shall not exceed 1% of the total issued capital of the Company in any year provided that the aggregate number of options granted per employee under the total tenure of the plan in any case shall not exceed 10,00,000 options.

i) Accounting Policies:

The Company shall comply with the accounting policies specified in Schedule I referred in clause 13.1 of the SEBI guidelines in respect of the Shares issued under ESOP.

j) Method of Valuation:

The Company shall use one of the applicable methods (intrinsic value or fair value) to value its options.

In case the Company calculates the employee compensation cost using the intrinsic value of the Stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Company shall be disclosed in the Directors Report.

In case the options are made available to the Directors of the Company (other than promoter Directors) then such Directors may be deemed to be interested in this item of business.

ITEM NO. 5.

In order to improve administrative convenience while executing various documents under common seal of the Company, it is proposed to alter Article 198 (2) of the Articles of Association of the Company by giving authority to any one Director of the Company along with Company Secretary or any other officer of the Company specially authorized to execute any instrument under the common seal of the Company instead of any two Directors of the Company along with Company Secretary or any other officer of the Company specially authorized as mentioned under earlier Article 198 (2) of the Articles of Association of the Company.

A copy of the existing Memorandum and Articles of Association of the Company together with the proposed amendment/alteration is available to the members of the Company for inspection at the Registered office of the Company between 11.00 A.M. to 1.00 P.M. on any working days (except Saturdays) upto the date of the meeting.

The consent of the shareholders is, therefore, sought for the proposed amendment to the Articles of Association of the Company. None of the Directors of the Company are, in any way, concerned or interested in the said resolution, except as a member of the Company.

By order of the Board of Directors

Hitesh Kanani
Company Secretary and Legal Manager

Mumbai, 2nd September, 2008

Registered Office
21st Floor, Lotus Business Park,
Off New Link Road,
Andheri (W), Mumbai 400 053.

DIRECTOR'S REPORT

To,

Dear Shareholders,

Your Directors take pleasure in presenting the Sixteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

(RS. IN LACS)

Particulars	2007-08	2006-07
Turnover	24298.35	23988.74
Profit Before Depreciation, Taxation & non recurring items	2786.72	1688.43
Less: Depreciation	859.44	732.32
Provision for Taxation	283.21	-17.47
Non Recurring Items		0
Deferred Tax	151.38	281.04
Net Profit for the year	1492.69	692.59
Add: Profit & Loss A/c. Balance at the beginning of the year	4934.57	4241.98
Balance Carried to Balance Sheet	6427.26	4934.57

OPERATIONS:

During the year ended 31.03.2008, total turnover achieved by the Company was Rs.24298.35 Lacs as compared to previous year of Rs 23988.74 Lacs.

RESEARCH AND DEVELOPMENT:

The global challenges for the Indian pharma industry at large have increased several folds in the face of the transition from process to product patent regime in India from 2005 and to face the challenge Company has continuously sharpen its focus on R & D, which is the need of the hour and will continue to commit funds to strengthen our R & D capabilities. In fact one of the Companies biggest strength lies in vibrant and productive R & D function that has continuously placed Marksans ahead through consistent development of niche technology, processes and products. Company will continue to invest in R & D to keep pace with the changing domestic and global scenario.

INTERNAL CONTROL SYSTEMS:

The Company has in place adequate system of internal control and management information systems which covers all financial and operating functions. This system are designed in a manner which provides assurance with regard to maintenance of strict accounting control, efficiency of operations, optimum efficiency in operations and utilization of resources as well as financial reporting, protection of Companies tangible and intangible assets and compliance with policies, applicable laws, rules and regulations.

INFORMATION TECHNOLOGY:

Company continues to make required investments in the Information Technology area to cope up with the growing

information needs necessary to manage operations efficiently.

HEALTH, SAFETY & ENVIRONMENT:

Company is committed to ensure sound Safety, Health and Environment performance related to its activities, products and services. Company is committed to strengthen pollution prevention and waste management practices and to provide a safe and healthy environment.

DIVIDEND:

In view of Company's ongoing expansion plans and to support the fund requirements of the Company to stimulate further growth, your Board of Directors are not recommending any dividend for the current year.

FIXED DEPOSITS:

During the year under review, Company has not accepted any deposits.

DIRECTORS RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217(AA) of the Companies Act, your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 ended 31st March, 2008 and the Profit and Loss Account for the period ended 31st March, 2008;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis,

CONSOLIDATED FINANCIAL STATEMENTS:

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year. From the Consolidated Profit and Loss Account, it may be observed that the net Profit after tax stands at Rs.1541.83 lacs.

ACQUISITION:

During the financial year under review Company acquired 100% share capital of Hale Group Limited, the parent company of Bell, Sons & Co (Druggists) Limited ("Bell"). This acquisition was made through Companies United Kingdom based 100% subsidiary Company, M/s. Marksans Pharma (U.K.) Limited.



CHANGE OF REGISTERED OFFICE OF THE COMPANY:

During the financial year under review, Company shifted its registered office from 601-622, Chintamani Plaza, Mohan Studio Compound, Andheri - Kurla Road, Andheri (E), Mumbai 400 099 to 21st Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai 400 053.

SUB DIVISION OF SHARES:

During the financial year under review Company sub divided its Equity Share capital from Rs. 10/- per Share to Re. 1/- per Share.

SUBSIDIARY:

As required under the provisions of Section 212 of the Companies Act, 1956 the audited accounts together with Director's Report and Auditor's Report of the subsidiaries namely M/s. Nova Pharmaceuticals Australasia PTY Limited and M/s. Marksans Pharma (U.K.) Limited, made out in accordance with the requirements of the Companies Act, 1956 are appended to and form part of the Annual Report. For the Financial Year 2007-08, M/s. Nova Pharmaceuticals Australasia PTY Limited achieved a turnover of Rs. 734.15 lacs and net profit (before tax) of Rs. 104.82 lacs and M/s. Marksans Pharma (U.K.) Limited achieved a turnover of Rs. 1361.56 lacs and net profit (before tax) of Rs. 19.18 lacs.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

EMPLOYEES:

Information under Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employee) Rules 1975, as amended up to date and forming part of the Report of the Directors for the year ended 31st March, 2008 is given as under.

DIRECTORS:

During the financial year under review Mr. Ajay Mittal tendered his resignation from directorship of the Company with effect from 24th December, 2007. Mr. M. B. Parikh retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

CORPORATE GOVERNANCE:

Pursuant to the Clause 49 of the Listing Agreement, a detailed report on Corporate Governance and Management Discussion and Analysis and a certificate from the Auditors regarding compliance with the conditions of Corporate Governance forms a part of this report.

AUDITORS:

Members of the Company are requested to appoint Auditors for the ensuing year. It is proposed to appoint M/s. N. K. Mittal and Associates, Chartered Accountant, as the Statutory Auditor of the Company. The Company has received letter from them to the effect that his appointment, if made, would be within the prescribed limits Under Section 224 of the Companies Act, 1956. The Board recommends their appointment as Statutory Auditors.

COST AUDITORS:

The Directors appointed Girish S. Maniar, Cost Accountant, as Cost Auditor to Audit the Cost accounts of the Company relating to Bulk Drugs and Formulations for the year ending 31st March, 2009 and for which Company has received necessary approvals from the Central Government.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS:

Company firmly believes that intellectual capital and people power will see organisations through successfully in today's highly competitive global environment. Therefore employees of the Organisation will be a source of competitive advantage.

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975 AND FORMING PART OF THE REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2008

Sr. No.	Name	Designation	Age	Gross Remuneration	Qualification	Experience In Years	Date of Appointment	Last Employment & Designation
1	Dr.P.B Deshpande*	Director-API	53	4,952,566	Ph.D in Organic Chemistry	25	18.6.2007	Alembic Ltd Sr.Vice President (R&D, IPR, CR, CRMS& Regulatory affairs)
2	Mr.V.Chandra Mohan Reddy**	Head-Operation	51	814,442	M.Sc(Chemistry)	25	25.6.2007	Avon Organics Ltd Sr.Vice President (Operations)

Notes:

* Dr.P.B Deshpande employed for part of the year i.e from 18.6.2007 to 31.3.2008

** Mr.V.Chandra Mohan Reddy employed for part of the year i.e from 25.6.2007 to 13.10.2007

To make this happen, Company has put in place a forward-looking human resource policy that factors people, their skill sets and the business needs of the Organisation in a holistic manner.

Building, developing and upgrading employee competences is an ongoing endeavor. As part of a proactive strategy, one that envisages a continual process of renewal, Company has been inducting fresh talent and new skills at different management levels, attuned to the needs of the businesses.

Alongside your management is ensuring more of delegation, empowerment and decentralisation in a meaningful manner, to foster the sense of ownership among its people.

APPRECIATION:

Directors place on record their appreciation for the contribution made by the employees at all levels enabling the Company to achieve the performance during the year under review.

Directors also appreciate the valuable co-operation and continued support extended by Company's Bankers, Medical Professionals and Business associates and investors who have put their faith in the Company.

By order of the Board of Directors

Mark Saldanha
Chairman & Managing Director

Mumbai, 2nd September, 2008.

Registered office:
21st Floor, Lotus Business Park,
Off New Link Road, Andheri (W),
Mumbai 400 053.



ANNEXURE TO THE REPORT OF THE BORAD OF DIRECTORS

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES \ DISCLOSURE OF PARTICULAR IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2008.

A. CONSERVATION OF ENERGY**a) Energy Conservation measures taken:**

The Company continuous its policy of giving priority to energy conservation measures including regular review of energy generation and consumption and effective control on utilization of energy.

The following energy conservation methods were implemented during the year.

- Optimisation in use of cooling water pumps.
- Use of energy efficient pumps and motors.
- Chemical dosing of cooling/chilling water system.
- Cold Insulation ducting and HVAC system was checked and sections redone.
- Installed energy efficient motors for chilling plant compressors.
- Intensified internal audit aimed at detecting wastage and leakage of utility circuits,

b) Additional investments:

The Company is continuously installing electronic devices to improve quality of power and reduction of energy consumption:

c) Impact of above measure:

The adoption of energy conservation measures have resulted in considerable savings and increased level of awarness amongst the employees. The energy conservation measures have also resulted in improvement of power factor, consequential tariff benefits

d) Energy Consumption:

ENERGY CONSERVATION		
Particulars	2007-08	2006-07
1. Electricity		
(a) Purchase		
Units (in '000 kWhrs)	7579.17	8172.35
Total Amount (Rs.In'000)	30781.24	34027.31
Rate/ Unit (Rs.)	4.06	4.16
(b) Own Generation		

Particulars	2007-08	2006-07
(i) Through Diesel Generator		
Units (in'000 kWhrs)	136.07	526.23
Units per Ltr of Diesel oil	2.96	2.96
Cost/Unit (Rs.)	11.20	12.26
(ii) Through Steam		
Turbine/Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil		
Qty (K.Ltrs)	2225.67	2536.70
Total Amount (Rs.in'000)	46118.53	48858.58
Average Rate (Rs/K.Ltr)	20721.15	19260.68
4. Light Diesel Oil		
Units(K.Ltrs)	32.30	167.68
Total Amount (Rs.in '000)	870	4841
Average Rate (Rs./K.Ltr)	26965	28870
5. Other/Internal Generation	Nil	Nil

B. TECHNOLOGY ABSORPTION**Research and Development (R&D)**

- Specific areas in which R&D carried out by the Company.
Foray into Generic business and identification of few niche areas for product development, mainly in dossier development, post patent filing for regulated market.
- Benefits derived as a result of above R & D increase in number of products exported to US, Europe and other regulated markets. Dossiers filings of new developed drugs.
- Future plan in action Development of new and innovative products will lead to Novel Drug Delivery System pipeline and comprehensive range of generics leading to Abbreviated New Drug applications.
- Expenditure on R&D

Company continues to benefit from the extensive Research and Development (R&D) activity carried on. During the year company has incurred major expenses of R & D nature for new products development and ANDA/DMF/COS filing for regulated market, has capitalized as intangible assets, the total amount capitalized during the year as intangible assets is Rs. 4019.08 Lacs

The details of expenditure debited to profit and loss account by Company is as under:

	Rs. In lacs
(a) Capital	Nil
(b) Recurring	23.95
(c) Total	23.95
(d) Total R & D as a percentage of total turnover.	0.10 %

Technology absorption, adaptation and innovation.

1. Efforts in brief, made towards technology absorption adaptation and innovation.

Improvements in process parameters, Up gradation of Plant and Systems facility, working systems, documentation and practices to international regulatory standards for European and U.S. Market.

2. Benefits derived as a result of the above efforts.

Furnace oil being substantially cheaper to high-speed diesel, its usage will generate savings in fuel cost. Also it will save time on steam generation and add to operator safety, Access to highly regulated markets, thereby increasing the sales volumes, Installation of new testing

equipment has substantially reduced dependency on external testing, thereby reducing the overall operational time cycles. The same has also resulted in reduction in manpower. Improvements in process parameters have reduced the percentage rejection in the process thereby reducing the wastage of costly raw material.

3. Imported Technology

Nil

C. FOREIGN EXCHANGE EARNINGS & OUTGO

(a) Activities relating to export; initiatives taken to increase exports; development of new export markets for products and export plans Regulatory Standards to increase exports to regulated markets; maintaining focus on less regulated markets as well, synergise the export activities in that direction and achieve significant growth in exports.

(b) Foreign Exchange Earnings and Outgo The Company used foreign exchange amounting to Rs.2960.43 lacs and earned foreign exchange amounting to Rs. 5308.69 lacs during the Financial Year 2007-08 as compared to previous year's Rs.3864 lacs and Rs.4281.08 lacs respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Key Dynamics shaping Market:

- Drug treatment Costs decline in major therapy areas
- Shift in growth from top seven markets to emerging markets, and from primary care to specialty care.
- Increased uncertainty over safety, pricing and market access, and intellectual property issues.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Global Pharmaceutical Market

The global pharmaceutical market is expected to grow at a 5-6% in 2008 compared with 6-7% in 2007. The forecast, the leading annual industry indicator of market dynamics and therapy performance, predicts global pharmaceutical sales to expand to US \$735–745 billion in 2008.

❖ Growth contribution from top seven markets falls.

In the U.S. and the five largest European markets, sales growth in 2008 is expected to range from 4-5% while Japan market growth is forecast to grow 1-2% in 2008

❖ “Pharmerging” market growth accelerates :

The seven “pharmerging” markets of China, Brazil, Mexico, South Korea, India, Turkey and Russia are expected to grow 12-13% to \$ 85-90 billions.

❖ Wave of genericization continues :

Drugs with appr. \$20 billion in annual sales will face patent expiry in 2008, leading products are expected to lose market, these will help derive to growth of generics by 14-15%, to \$ 70 billion in 2008. New government contracting initiative in Germany, educational programmes in Japan, Spain and Italy, will drive greater generics use in those markets.

- ❖ Intellectual property rights challenged on multiple fronts
- ❖ Increased use of evidence supporting the value of medicines.
- ❖ Safety issues increase level of uncertainty
- ❖ Implication for Pharmaceuticals, Biotech and Generics Manufacturer.

Indian Pharmaceutical Market

The Pharmaceuticals industry is one of the fastest growing sectors in Indian economy. India has had a strong domestic pharmaceutical industry and a rapidly expanding market with a population of over a billion and a rapidly expanding economy. Prevalence values of many diseases are likely to increase with expansion of population, urbanization and with higher identification rates in the coming decade.

- ❖ India’s pharmaceuticals market is increasingly important in global pharma, with both domestic and foreign companies benefiting. Healthcare provision – both public and private is improving, leading to fast-expanding markets for healthcare products, especially modern pharmaceuticals.
- ❖ Outsourcing for Contract Research and Manufacturing Services from India.
- ❖ India is emerging as a competitive outsourcing hub and is playing a major role in the global pharmaceutical industry in manufacturing Active Pharmaceutical Ingredients [APIs] and intermediates for drug makers. Global Pharmaceutical Companies are establishing long-term relationships with Indian manufacturing companies and contract research providers in India, in addition to establishing manufacturing, R&D and marketing bases there.
- ❖ Generic drugs produced in India are increasingly being accepted worldwide. There are also new drug development programmes by Indian companies, with eventual international market launches. Outsourcing to India has proven to be effective in saving costs and valuable developmental time. The Indian pharmaceutical industry has taken an important role in global pharma, not only as a manufacturer of generic drugs and APIs but also of new formulations.
- ❖ With the introduction of ‘Product patent regime’ in 2005, India is expected to receive further investment from international pharmaceuticals companies in the years ahead as per report of the Indian pharmaceuticals Market Analysis and Forecasts 2008-2023.

OPERATIONAL OVERVIEW

Marksans constantly reviews its product-market portfolio with a view to strength sustainable growth. Marksans has worked towards strengthening its competitive status by investing in long-term value assets.

During the year under review, your company has recovered from the past setbacks and has posted much better overall performance due to optimization of resources. During the year 2007-08, the consolidated turnover of the company has reached to Rs. 2639.40 Million from Rs. 2419.93 Million last year. Similarly profit before tax has been increased from Rs.93.29 Million to Rs. 205.13 Million

To ensure superior control of operations, the company has been able to better monitor its operations and costs.

REVENUES

Turnover of the Marksans has been increased from Rs.2398.87 million in 2006-07 to Rs.2429.84 million in 2007-08 resulting an increase of Sales by 1.29%.

New Acquisition

During the year under review, Company acquired 100% of the share capital of Hale Group Limited [UK], the parent company of Bell sons & Co. [Druggist] Ltd. ["Bell"]. This acquisition was made through companies United Kingdom bases 100% subsidiary company Marksans Pharma [U.K.] Ltd.

COST OF SALES

On account of successfully implementation of Cost reduction policy of the Organization cost of sale reduced by 4.98 percent in 2007-08 i.e. from Rs.1956.78 million to Rs. 1859.22 million.

ADMIN, SELLING AND ADMINISTRATION EXPENSES

Admin, Selling and Operating Expenses were reduced to Rs.273.76 million in 2007-08, reduction by 3.14 percent against Rs.282.66 million in 2006-07 as a result of overall cost cutting policy of the company

DEPRECIATION

The Provision for Depreciation was Rs. 85.94 million in 2007-08 compared with Rs.73.23 million in 2006-07.

INTEREST

The expenditure on account of interest was Rs.114.98 million in 2006-07 compared to Rs. 112.22 million in 2007-08 as a result of decrease in interest cost by 2.76 million. There was a decrease in interest expenditure due to repayment of term loan.

PROVISION FOR TAXATION

The Taxation charged for the financial year 2007-08 was Rs.23.00 million compared with Rs.12.00 million in 2006-07.

PROVISION FOR DEFERRED TAXATION

A Provision for Deferred Tax of Rs.15.13 million was made as per Accounting Standard 22 'Accounting for Taxes on Incomes' issued by the Institute of Chartered Accountant of India.

RESERVES & SURPLUS

The Reserves & Surplus increased from Rs.771.18 million to Rs.920.44 million on account of profits earned during the year.

SECURED LOANS

Secured loans increased from Rs.1007.68 million in 2006-07 to Rs.1032.60 million, due to the fund raised for Working Capital during the year.

UNSECURED LOANS

Unsecured loans decreased to Rs.1998.50 million in 2007-08 compared with Rs.2179.50 million in 2006-07 largely due to revaluation of FCCB on account of Rupee appreciation.

FIXED ASSETS

The Company's gross assets block increased from Rs.1771.27 million for the year ended 31st March, 2007 to Rs.2520.88 million for the year ended 31st March, 2008 on account of purchase of new office at Mumbai and towards development cost of new Intellectual properties.

INTANGIBLE ASSETS

The Company has created Intangible Assets of Rs.401.90 million which represent expenses incurred on New product development & towards compliance with regulatory procedures of the US FDA/ MHRA/EDQM in filing Drug Master Files ("DMF") COS & Abbreviated New Drug Applications ("ANDA") in respect of products for which commercial value has been established by virtue of third party agreements /arrangements.

INVENTORY

Inventory increased from Rs.1234.58 million in 2006-07 to Rs.1237.06 million in 2007-08, mainly to service a larger product basket for the domestic, export and API business.

RECEIVABLE

Receivables has decreased from Rs.533.35 million in 2006-07 to Rs.528.54 million in 2007-08 due to regular monitoring collections of the company.

LOANS AND ADVANCES

Loans and advances increased from Rs. 203.51 million in 2006-07 to Rs.730.02 million in 2007-08 due to advances given to subsidiaries.

CASH AND BANK BALANCE

Cash and Bank balance decreased to Rs.431.99 million from Rs.1584.48 million due to utilization of funds in capex activities and towards investment in the acquisitions.

CURRENT LIABILITIES

Current liabilities and provisions increased from Rs. 449.25 million in 2006-07 to Rs.469.96 million in 2007-08 due to increase in Sundry creditors and other liabilities.



NET WORKING CAPITAL

The Net working capital has reduced from Rs.3106.68 million to Rs. 2457.65 million due to an reduction in the Sundry Debtors and cash and bank balances.

OPPORTUNITIES

Low per capita expenditure on pharmaceuticals.

India has one of the lowest per capita health care expenditures in the world, which is likely to correct over the coming years. For instance, India's capita expenditure on pharmaceuticals is only USD 4 well below USA (USD 192), Canada (USD 1483), Germany (USD 1819) and United Kingdom (USD 1415).

PRIVATISATION OF INSURANCE

Presently, only two million Indian – 0.2 percent of the population are medically insured even as a recent study indicates that 75 percent are potential insurable. Insurance companies have estimated that household healthcare spending will rise from 2 percent to 6 percent in the coming years, translating into attractive growth for India's Pharmaceuticals industry.

RISING INCOME LEVELS

Rising Income and an increase in the geriatrics population, sustained by advance in hygiene and medicine, are driving a shift in market away from vitamins, anti-infectives and gastrointestinal treatment towards products that treat cardiovascular problem, central nervous systems disorders, diabetes and other complex ailments. By 2010, cardiovascular and central nervous systems treatment will account for a higher share of remedies provided. This is expected to result in a faster growth for companies like Marksans that specialize in related niches.

RURAL OPPORTUNITY

Presently, 76 percent of the Indian pharmaceutical off take transpires in urban centers. The four metros namely Mumbai, Delhi, Kolkata and Chennai account for about a fourth of the entire IPM. Within rural India, the market is concentrated in areas where the level of infrastructure development is relatively high. According to the World Development Report 2000, Only 50 percent of the population in India has access to the healthcare facilities. In rural areas, this percentage is lower. As penetration levels improve, a broader growth for India's pharmaceuticals industries is expected.

THREATS

● **Rising Costs and Availability of Materials**

The prices of many API's and input materials have risen significantly due to restriction in production by Chinese chemical manufacturers, rise in price of petroleum-based products, frequent shortages and general inflationary conditions. The Company is looking at alternative arrangements and has also increased its stock levels. However, the increased prices and shortages of materials will adversely affects production schedules of materials and overall margins on all the Company's products.

- Three years after the implementation of the new patent laws, the government is yet to address important issues like ever greening of patents and compulsory licensing. Unless Government takes some decisive steps, these can have serious adverse effect on the functioning and future of the Indian pharmaceutical industry.

OUTLOOK

Marksans short term and long term outlook appears encouraging for the following:

- ✓ An integrated approach with presence in R & D, bulk actives and formulation along with an increasing coverage of regulated markets.
- ✓ A strong focus on establishing each element in its integrated chain as a revenue generators commitment to expand to new global markets with customised strategies.
- ✓ A horizontal and vertical expansion in therapeutic segments in all target markets.
- ✓ A variety of investments ranging from upgrading manufacturing capabilities, understanding regulatory requirements, allowances and building IPR assets like new drugs and delivery systems for the future.

INTERNAL CONTROL AND SYSTEMS

The Company has an adequate internal control system including suitable monitoring procedures commensurate with its size and the nature of the business. The internal control system – based on existing laws, regulations and the company policies – comprises regular internal audits, management reviews and use of standard policies and guidelines aimed at ensuring reliability of financial and other records.

CAUTIONARY STATEMENT

Statements in the Management's Discussion and Analysis Report describing the Company's objective, projections and estimates are forward looking statements and progressive within the meaning of applicable Security Laws and Regulations. Actual results could differ materially from those expressed or implied since the company's operations are influenced by many external and internal factors beyond the control of the Company.

REPORT ON CORPORATE GOVERNANCE

The Company pursuant to the code on the Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) furnishes its report as under:

Philosophy on code of Governance

The Company is committed to the principles of good corporate governance to achieve long term corporate goals and to enhance shareholders value by managing its operations at all levels with highest degree of transparency, responsibility and delegation with equity in all facets of its operations leading to sharply focused and operationally efficient growth. The spirit of Corporate Governance has prevailed in the Company and has influenced its decisions and policies. The compliance report is prepared and given below in conformity with the mandatory requirements of the Listing Agreement with the Stock Exchange.

Board of Directors

The size and composition of the Board conforms to the requirements of the Corporate Governance Code under the Listing Agreement with Stock Exchanges.

During the financial year under review, 6 Board Meetings were held on the following dates: 30th April, 2007, 31st July, 2007, 31st August, 2007, 31st October, 2007, 25th January, 2008 and 27th March, 2008.

During the year Mr. Ajay Mittal resigned as Director of the Company on 24th December, 2007.

None of the Directors are members of more than 10 Committees of the Board nor are the Chairman of more than 5 Committees in which they are Directors. The details as to Composition, Status, Attendance at the Board Meetings and the last Annual General Meeting, outside Directorship and other Committees membership are as follows:

Name of the Director	Status i.e Executive, Non - Executive and independent Director	No. of Board Meetings attended out of 6 held	No. of membership In other Boards or Committees as a member or Chairman, excluding foreign and Private Companies		Whether attended the last AGM
			Board	Committee	
Mr. Mark Saldanha (Chairman and Managing Director)	Executive and Non - Independent	6	3	NIL	YES
Mr. V. Nagaraj (Whole Time Director)	Executive and Non - Independent	6	NIL	NIL	YES
Mr. Ajay Mittal #	Non- Executive and Independent	4	2	6	YES
Dr. Kim Tan	Non- Executive and Independent	6	NIL	NIL	NO
Mr. Mahesh B. Parikh	Non- Executive and Independent	6	2	NIL	YES
Mr. Kumar Nair	Non- Executive and Independent	6	2	3	NO

During the year Mr. Ajay Mittal resigned from Directorship of the Company on 24th December, 2007

Audit Committee

The Audit Committee, consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Mr. Kumar Nair, Mr. V. Nagaraj. The Managing Director, head of Finance along with statutory auditors were invited to the audit committee meetings. Company Secretary acts as a Secretary to the Committee. The constitution, functions and the terms of the reference of the Audit Committee are those prescribed under clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956- During the financial year under review, 4 Audit committee meetings were held, which were attended by all the members of the Committee.

Remuneration Committee

The Remuneration Committee of the Company consists of Directors, namely Mr. Kumar Nair (Chairman), Mr. Mahesh B. Parikh and Mr. V. Nagaraj. The Committee has power to determine the remuneration of the Executive Directors of the Company as per the provision of Clause 49 of the Listing Agreement and applicable provisions of the Companies Act, 1956.



Investors' Grievance Redressal Committee

The Investor Grievance Redressal Committee, consists of Directors, namely Mr Mahesh B. Parikh (Chairman), Mr. Kumar Nair and Mr. V. Nagaraj. The Committee looks into the shareholders' and Investors grievances.

The Committee oversees the performance of the Registrars and Transfer agents and recommends measures to improve the level of investor services.

Bigshare Services Pvt. Limited, Company's registrar and Transfer agent process these transfers. The Company has authorised Mr. Hitesh Kanani, Company Secretary and Legal Manager of the Company to approve the share transfers and all shares have been transferred and returned in 15 days from the date of receipt, so long as the documents have been clear in all respects.

The Board has designated Mr. Hitesh Kanani as compliance officer.

Number of complaints received during the year	:	9
Number of complaints resolved to the satisfaction of shareholders	:	9
Number of share transfers pending as on March 31, 2008.	:	NIL

Management Discussion And Analysis Report

The Annual Report has a separate and detailed chapter on Management Discussion and Analysis which deals with Industry structure and development, opportunities and threats, segment wise performance, outlook, risks and concerns of the Company and discussions on financials with respect to operation.

General Body Meetings

Annual General Meetings	Date	Time	Venue	No. of Special Resolutions
Fifteenth	27/09/2007	11.00 A.M.	Sunville Banquet & Conference Hall, 3 rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018	Nil
Fourteenth	28/09/2006	1.30 P.M.	Hotel Tunga International, B/11.M.I.D.C. Central Road, Andheri (E), Mumbai – 400 093.	Nil
Thirteenth	22/12/2005	2.00 P.M.	Hotel Tunga International, B/11, M.I.D.C., Central Road, Andheri (E). Mumbai - 400 093.	Nil

Postal ballot

During the financial year under review, Company has passed resolutions by way of postal ballot pertaining to Sub – division of Equity Shares, increase in Authorised Share Capital, increase in borrowing power, creation of charge and further issue of securities.

Disclosures

- No material, financial and commercial transactions were reported by the management to the Board of Directors in which management had personal interest having a potential conflict with the interest of the Company at large.
- There was no non-appliance during the last three years by the Company on any matter related to the capital market. Consequently, there were neither any penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
- The Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

Means of Communication

Quarterly, Half-yearly, and Annual results of the Company are published in one English and one Marathi newspaper. These are also submitted to the stock exchanges in accordance with the Listing Agreement and are available on the website of the BSE (www.bseindia.com) & NSE (www.nseindia.com). website of the Company (www.marksanspharma.com) and also on the SEBI's website (www.sebidifar.nic.in).

General Shareholder Information

AGM	:	Sixteenth Annual General Meeting.
Date	:	29 th September, 2008
Time	:	11.00 a.m.
Venue	:	GMS Community Centre Hall, Sittladevi Complex, 1 st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053
Financial calendar	:	Financial Year - April to March First Quarter Results - Last week of July Second Quarter Results - Last week of October Third Quarter Results - Last week of January Last Quarter Results - Last week of April
Date of Book Closure	:	25th September 2008 to 29th September 2008 (both days inclusive)
Dividend payment date	:	Nil, as there is no proposal to declare dividend.
Listing on Stock Exchanges	:	BSE and NSE
Stock Code	:	BSE- 524404. NSE- MARKSANS ISIN No. : INE750C01026.

Market price data on BSE

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares
April 2007	51.85	73.40	48.50	57.80	7750789
May 2007	55.00	60.00	52.00	52.95	1813576
June 2007	53.00	53.60	44.20	46.10	1144951
July 2007	45.95	59.30	44.65	54.60	2525648
August 2007	54.60	57.30	45.10	48.35	1047617
September 2007	49.00	113.65	48.50	113.65	9709561
October 2007	119.30	129.50	94.00	116.35	5312791
November 2007	119.00	177.35	117.00	167.75	5676791
December 2007	170.40	307.80	156.50	307.80	4731083
January 2008	323.15	351.60	217.00	221.25	4541840
February 2008	210.20	272.80	209.50	255.50	2685486
March 2008	242.75	246.75	15.30*	18.55*	20285079

* During the financial year under review, Company sub divided its Equity Share capital from Rs. 10/- per share to Re. 1/- per share.

Registrar and Transfer Agents : Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate,
Saki Vihar Road, Andheri (East). Mumbai 400 072.
Ph. No. 28473747/28473474/28470652 / 28573034/ 28573108

Share Transfer Agent : All the transfers received and processed and approved by the investors' Grievances Redressal Committee, which normally meets twice a month or more depending upon the volume of the transfers.



Distribution of Shareholding as on 31st March, 2008 :

Category Code	Category of Shareholders	Total No. of Shares	Total Share holding as percentage of total no. of shares As % age of (A + B)
(A)	Shareholding of Promoter and Promoter Group		
1	Indian		
(a)	Individuals/ Hindu Undivided Family	179783510	50.02245
(b)	Central Govt / State Govts	0	0.00000
(c)	Bodies Corporate	0	0.00000
(d)	Financial Institutions / Banks	0	0.00000
(e)	Any other	0	0.00000
	Sub Total A (1)	179783510	50.02245
2	Foreign		
(a)	Non Resident Individuals / Foreign Individuals	0	0.00000
(b)	Bodies Corporate	0	0.00000
(c)	Institutions	0	0.00000
(d)	Any others	0	0.00000
	Sub Total A (2)	0	0.00000
	Total Shareholding of Promoter Group	179783510	50.02245
(B)	Public Shareholding		
1	Institutions		
(a)	Mutual Funds /UTI	0	0.00000
(b)	Financial Institutions / Banks	7000	0.00195
(c)	Central Govt / State Govt	0	0.00000
(d)	Venture Capital Funds	0	0.00000
(e)	Insurance Companies	0	0.00000
(f)	Foreign Institutional Investors	5700360	1.58605
(g)	Foreign Venture Capital investors	0	0.00000
(h)	Any other	0	0.00000
(i)	NRI Banks	0	0.00000
	Sub Total B (1)	5707360	1.58800
2	Non – institutions		
(a)	Bodies Corporate	73109126	20.34168
(b1)	Individuals - shareholders holding normal Share capital upto Rs 1 Lac	41750681	11.61659
(b2)	Individuals – shareholders holding normal Share capital in excess of Rs 1 Lac	41282527	11.48633
(c)	Any other	0	0.00000
(c1)	Clearing Member	966758	0.26899
(c2)	NRI	998698	0.27787
(c3)	OCBs	15786970	4.39252
(c4)	Trust	20000	0.00556
	Sub total B (2)	173914760	48.38955
	Total Public Shareholding B(1) + B (2)	179622120	49.97755
	TOTAL (A) + (B)	359405630	100.00000
(C)	Shares held by Custodians and against which Depository receipts have been issued	0	0.00000
	Grand Total A + B + C	359405630	100.00000

Dematerialization of the Shares and Liquidity	Based on SEBI directives, Company's shares are traded in dematerialized form. As on 31.3.2008, 99.33% of the paid up share capital of the Company was in the dematerialized form.
Outstanding GDR/ADR/ Warrants or any convertible instruments, conversion dates and likely impact on equity	Company has issued US \$ 50,000,000 FCCB on 08.11.2005, convertible into Equity shares of the Company on or before 9 th October, 2010. If all the investors exercises their option to convert the FCCB's into the Equity Shares of the Company, 6665068 shares will have to be issued on conversion.
Plant Locations	<p>- Formulation Plant: L-82 & 83 Verna Industrial Estate, Verna, Goa- 403 722 Gifford House, Slaidburn Crescent, Southport, Merseyside. PR9 9AL</p> <p>- A.P.I. Plant: D-10, KurKumbh, M.I. D.C. Tal. Daund, District – Pune. A-88, KurKumbh, M.I.D.C.. Tal Daund. District – Pune.</p>
Address for Correspondence	<p>Mr. Hitesh Kanani Company Secretary and Legal Manager Marksans Pharma Limited 21st Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai 400 053. Tel. No. : 022- 40012000 Fax No. 022- 40012099 Email: companysecretary@marksanspharma.com</p>

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

In terms of the requirements of Clause 49 I D (ii) of the Listing Agreement, this is to confirm that all the members of the Board and the senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2008.

Mumbai

Date: 2nd September 2008

For Marksans Pharma Limited

Mark Saldanha
Managing Director.

Brief resume of the person proposed to be appointed / re- appointed as Director of the Company at the Annual General Meeting.

Name	Mr. M. B. Parikh
Age	67 Years
Qualification	M.SC. in Mathematics and Statistics and Diploma in Financial Management.
Experience	Mr. M.B. Parikh has worked with Bank of India for a period of 15 years at Senior Management level handling a variety of complex functions. He has also worked with Societe Generale Bank for a period of 9 years at a top management level, as Chief - Business set up and Development and Marketing \ Credit. He also acted as a adviser to the Board and Chairman of Development Credit Bank Limited.
Name of the other Companies in which also holds directorship	<ol style="list-style-type: none"> 1. M B Parikh Finstocks Limited. 2. Career Launcher Education and Infrastructure Services Limited. 3. Armour Consultants Private Limited.
Name of the other Company in the committee of which also holds membership / chairmanship	NIL
No. of shares held in the Company	NIL



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
MARKSANS PHARMA LTD.

We have examined the compliance of conditions of Corporate Governance by **MARKSANS PHARMA LTD.** for the year ended 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

We state that as per the records maintained by the Company, there were no investor grievances remaining unattended / pending for a period exceeding one month.

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 **N.K.MITTAL & ASSOCIATES**
Chartered Accountants

N.K.MITTAL
Proprietor
Membership No. 46785

Place: Mumbai
Date : 2nd September, 2008

AUDITORS' REPORT

To
the members,
MARKSANS PHARMA LIMITED

We have audited the attached Balance Sheet of **MARKSANS PHARMA LIMITED** as at 31st March 2008 and the Profit & Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

- 1) As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified therein.
- 2) Further to our comments in the Annexure referred to above, we state 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 account as required by law have been kept by the Company so far as appears from our examination of these books;
 - c) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement referred to in

this report are in agreement with the books of account;

- d) In our opinion the Balance Sheet and the Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred with in Section 211(3C) of the Companies Act, 1956;
- e) On the basis of the written representations received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March, 2008 from being appointed as a Director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes give the information required by the Companies Act, 1956 and in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008, and
 - ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For **N.K.MITTAL & ASSOCIATES**
Chartered Accountants

N.K.MITTAL
Proprietor
Membership No. 46785

Place: Mumbai
Date : 2nd September 2008



ANNEXURE

Re : **MARKSANS PHARMA LIMITED**

Referred to in point no.1 of our report of even date.

- i. (a) The company has maintained proper records showing particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals. We have been informed that no material discrepancies were noticed on such verification.
- (c) Substantial part of fixed assets have not been disposed off during the year.
- ii. (a) Physical verification of inventory (excluding stocks with third parties) has been conducted at reasonable intervals by the management. In respect of inventory lying with third parties, these have substantially been confirmed by them.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.
- iii. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- iv. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
- v. (a) According to the information & explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.
- (b) In our opinion, each of these transactions and exceeding the value of five lakh rupees in respect of any party during the financial year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However we are neither required to carry out nor have carried out any detailed examination of such accounts and records.
- ix. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.
- (b) According to the information & explanations given to us, no undisputed amounts payable in respect of Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess were in arrears, as at 31st March 2008, for a period of more than 6 months from the date they became payable.
- (c) According to the information & explanations given to us, there are no dues of Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess which have not been deposited on account of any dispute.
- x. At the end of the financial year, the Company does not have accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- xi. According to the information & explanations given to us, the company has not defaulted in payments of dues to financial institution & banks.
- xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. The company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. Term loans availed by the Company were, prima facie, applied for the purpose for which the loans were obtained.
- xvii. On an overall basis, the funds raised on short-term basis have, prima facie, not been used for long term investment and vice versa.
- xviii. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix. The company has not issued any debentures.
- xx. The company has not raised money by public issues during the year.
- xxi. Based on the checks carried out by us, any fraud on or by the company has not been noticed or reported during the year.

For **N. K. MITTAL & ASSOCIATES**
Chartered Accountants

N. K. MITTAL
Proprietor
Membership No. 46785

Place: Mumbai
Date : 2nd September 2008

BALANCE SHEET AS ON MARCH 31, 2008

(Amount in Rs.)

Particulars	Sch. No.	As on 31.03.2008	As on 31.03.2007
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	494,405,630	494,405,630
Reserves & Surplus	2	920,449,574	771,180,790
Loan Funds			
Secured Loans	3	1,032,603,170	1,007,680,017
Unsecured Loans	4	1,998,500,000	2,179,500,000
		<u>4,445,958,374</u>	<u>4,452,766,437</u>
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	2,520,881,281	1,771,271,065
Less: Provison for Depreciation		470,255,101	386,086,371
Net block		2,050,626,180	1,385,184,693
Investments	6	26,964,690	26,879,850
Current Assets, Loans & Advances			
Inventories	7	1,237,067,221	1,234,580,873
Sundry Debtors	8	528,541,276	533,350,787
Loans & Advances	9	730,022,813	203,517,050
Cash & Bank Balances	10	431,990,101	1,584,489,602
Total (A)		2,927,621,410	3,555,938,313
Current Liabilities			
Current Liabilities & Provisions	11	469,966,163	449,257,585
Total (B)		469,966,163	449,257,585
Net Current Assets (A) - (B)		2,457,655,248	3,106,680,728
Deferred Tax Assets/(Liability) (Net)		(100,124,008)	(84,985,681)
Miscellaneous Expenditure	12	10,836,265	19,006,846
(To the extent not written off)			
		<u>4,445,958,374</u>	<u>4,452,766,437</u>
Notes to the Accounts	17		

For and on Behalf of

N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
M. No.46785

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director

V.Nagaraj
Whole Time Director

Hitesh Kanani
Company Secretary
& Legal Manager

Place : Mumbai
Date : 2nd September 2008

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED AS ON MARCH 31, 2008**

(Amount in Rs.)

Particulars	Sch. No.	31.03.2008	31.03.2007
INCOME			
Sales		2,429,835,017	2,398,873,509
Other Income	13	63,944,196	105,029,440
		2,493,779,213	2,503,902,949
EXPENDITURE			
Cost of Sales	14	1,859,225,818	1,956,780,419
Administration, Selling & Distribution Expenses	15	273,767,465	282,665,909
Interest & Financial Charges	16	112,227,341	114,980,180
Depreciation	5	85,944,231	73,231,953
Exchange Loss/(Gain)		(38,535,764)	(27,779,851)
Loss on Sale of Fixed Assets		250,895	-
Miscellaneous Expenditure Written Off		8,170,583	8,407,815
		2,301,050,569	2,408,286,425
Profit Before Tax		192,728,644	95,616,524
Provision for Taxation			
- Current Year		23,000,000	12,000,000
- Earlier Years		3,472,778	(15,841,311)
- Deferred Tax		15,138,326	28,104,405
- Fringe Benefit Tax		1,848,756	2,094,090
Net Profit after Tax		149,268,784	69,259,340
Balance Profit brought forward		493,457,519	424,198,179
Closing Balance Transferred to Balance Sheet		642,726,303	493,457,519
Notes to the Accounts	17		

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates

Chartered Accountants

Mark Saldanha

Chairman & Managing Director

N. K. Mittal

Proprietor

M. No.46785

V.Nagaraj

Whole Time Director

Hitesh KananiCompany Secretary
& Legal Manager

Place : Mumbai

Date : 2nd September 2008

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2008

(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 1 [SHARE CAPITAL]		
Authorised		
46,00,00,000 Equity Shares of Rs.1/- each	460,000,000	460,000,000
14,00,000 7% redeemable cumulative preference Shares - of Rs.100/- each	140,000,000	140,000,000
	600,000,000	600,000,000
Issued Subscribed and Paid-up		
35,94,05,630 Equity Shares of Rs.1/- each	359,405,630	359,405,630
13,50,000 7% redeemable cumulative preference Shares - of Rs.100/- each	135,000,000	135,000,000
	494,405,630	494,405,630
Schedule - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	2,668,162	2,668,162
Share Premium	274,932,609	274,932,609
Profit & Loss Account - Opening Balance	493,457,519	424,198,179
Add: Transferred During the Year	149,268,784	69,259,340
	920,449,574	771,180,790
Schedule - 3 [SECURED LOANS]		
Term Loan	431,252,176	558,672,829
Working Capital Facilities	597,915,656	444,366,798
Other Loans (Vehicle Loans)	3,435,338	4,640,390
	1,032,603,170	1,007,680,017
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	1,998,500,000	2,179,500,000
	1,998,500,000	2,179,500,000

**Schedule - 5 [FIXED ASSETS]**

(Amount in Rs.)

Particulars	Gross Block				Depreciation				Net Block	
	As on 31.03.2007	Additions	Sales/ Dedn.	As on 31.03.2008	Upto 31.03.2007	For the Year	Wr.Back	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
Land & Building	375,647,653	278,248,378	-	653,896,032	50,018,286	15,700,879	-	65,719,164	588,176,868	325,629,367
Plant & Machinery	1,355,288,561	39,002,483	-	1,394,291,042	322,721,471	65,498,780	-	388,220,253	1,006,070,789	1,032,567,090
Computer & Software	9,305,547	16,462,471	1,498,186	24,269,832	4,881,948	2,082,652	1,498,186	5,466,415	18,803,417	4,423,599
Office Equipments	4,672,128	1,148,321	-	5,820,448	968,454	301,559	-	1,270,012	4,550,436	3,703,674
Furnitures & Fixtures	11,040,102	12,301,796	-	23,341,898	3,177,906	773,792	-	3,951,697	19,390,201	7,862,196
Vehicles	15,317,074	2,804,172	768,211	17,353,035	4,318,306	1,586,569	277,316	5,627,560	11,725,475	10,998,768
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Internally Generated *	-	401,908,994	-	401,908,994	-	-	-	-	401,908,994	-
DMF/ANDA and Others	-	-	-	-	-	-	-	-	-	-
Total	1,771,271,065	751,876,615	2,266,397	2,520,881,281	386,086,371	85,944,231	1,775,502	470,255,102	2,050,626,180	1,385,184,693
<i>Previous Year</i>	<i>1,562,376,609</i>	<i>214,482,930</i>	<i>5,588,475</i>	<i>1,771,271,065</i>	<i>313,718,134</i>	<i>73,231,953</i>	<i>863,715</i>	<i>386,086,372</i>	<i>1,385,184,693</i>	<i>1,248,658,475</i>

* Refer Note No.1 (c) of Schedule 17

(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 6 [INVESTMENT]		
Investment in Nova Pharmaceuticals Australia Pty Ltd.	26,879,850	26,879,850
Investment in Shares of Marksans Pharma UK Limited	84,840	-
	26,964,690	26,879,850
Schedule - 7 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	174,008,068	322,554,572
Work - in - Process	60,129,958	67,780,979
Finished Goods	1,002,929,195	844,245,322
	1,237,067,221	1,234,580,873
Schedule - 8 [SUNDRY DEBTORS]		
Debtors		
(Unsecured and Considered good)		
Outstanding for over six month	59,583,871	45,937,651
Others	468,957,405	487,413,137
	528,541,276	533,350,787
Schedule - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances to Subsidiaries	482,652,269	-
Advances (recoverable in cash or kind or value to be received)	145,302,884	104,460,971
Balances with Excise Authorities	51,111,024	45,886,201
Deposits	50,956,636	53,169,878
	730,022,813	203,517,050
Schedule - 10 [CASH AND BANK BALANCES]		
Cash in Hand	567,891	797,914
Balance with Scheduled Banks in Current Account	429,353,683	25,892,024
Deposits with Banks	2,068,527	1,557,799,665
	431,990,101	1,584,489,602

(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	458,682,894	442,154,492
Unclaimed Dividend	103,093	103,093
Provision for Taxation	11,180,176	7,000,000
	469,966,163	449,257,585
Schedule - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	835,446	1,281,657
Product launch, Investigation and Registration Expenses	10,000,818	17,725,189
	10,836,264	19,006,846
Schedule - 13 [OTHER INCOME]		
DEPB Income	3,757,521	4,544,245
Other Income	60,186,675	100,485,195
	63,944,196	105,029,440
Schedule - 14 [COST OF SALES]		
Purchase	1,326,237,299	1,306,199,467
(Increase)/Decrease in Inventories	(151,032,851)	(406,793,162)
Net Raw Material Consumption	431,077,304	721,635,057
Water Charges	2,044,537	2,545,427
Power & Fuel	67,027,104	91,430,524
Excise Duty Paid	65,173,097	102,814,498
Freight Inward & Raw Material Clearing Charges	16,548,095	20,542,803
Salaries, Wages, Allowances & Staff Welfare	73,830,568	73,434,301
Repairs & Maintenance of Production Facility (plant)	16,672,980	18,568,774
Other Manufacturing Expenses	11,647,685	26,402,728
	1,859,225,818	1,956,780,419
Schedule - 15 [ADMIN., SELLING & DISTRIBUTION EXPENSES]		
Rent , Rates & Taxes	12,081,561	11,340,712
Salaries & Allowances	57,405,412	55,514,961
Staff Welfare	1,257,832	1,237,356
Directors' Remmuneration	3,241,452	3,750,686
Travelling Expenses	9,907,716	10,583,203
Communication Expenses	3,465,979	3,625,650
Courier & Postage Expenses	1,190,895	1,206,991
Printing & Stationery	5,493,428	5,172,464
Repairs & Maintenance (others)	2,144,396	1,503,165
Audit Fees	337,080	333,090
Vehicle Expenses & Local Conveyance	5,778,366	7,072,749
Legal & Professional Fees	6,788,157	12,684,524
Office Expenses	3,235,169	2,725,793
Insurance Charges	2,944,318	2,786,924
Other Operating Expenses	3,241,128	4,677,592
Freight outward & Export Clg. Exps	41,728,939	32,588,490
Selling & Distribution Expenses	111,130,495	71,678,048
Research and Development Expenses	2,395,142	54,183,510
	273,767,465	282,665,909



(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 16 [INTEREST & FINANCIAL CHARGES]		
Interest on Term Loans	47,185,894	49,917,910
Interest on Working Capital, Other Interest & Bank charges	65,041,447	65,062,269
	112,227,341	114,980,180

17) NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Standards

The Accounts have been prepared to comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) Basis of Accounting

The financial are prepared under the Historical cost convention on an accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountant of India referred to in Section 211(3C) of the Companies Act, 1956.

(c) Fixed Assets

1. Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition as reduced by CENVAT credit and Input VAT.

2. Intangibles:

- **Internally Generated Intangible assets- DMF/COS & ANDA/Market Authorisations :**

DMF/COS & ANDA/Market Authorisation costs represent expenses incurred on development of Dossiers and compliance with regulatory procedures of the US FDA in filing Drug Master Files ("DMF") & Abbreviated New Drug Applications ("ANDA") and MHRA/EDQM procedure for Market Authorisation/ COS in respect of products for which commercial value has been established by virtue of third party agreements /arrangements. This is in accordance with the requirements of Accounting Standard 26 of the Institute of Chartered Accountants of India.

The Cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs as applicable as per terms of agreement or over a period of ten years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.

- **Product Development Costs:**

Product Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit from the related project, not exceeding ten years.

(d) Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Department of Company Affairs from time to time. Leasehold land is not amortise.

(e) Impairment of Assets

The company identifies impairable assets at the year end in terms of cash generating unit concept based on para-5 to 13 of AS-28 issued by ICAI for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.

(f) Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including financing

costs prior to commencement of commercial production is capitalized. All pre-operative and trial run expenditure accumulated as Capital Work in Progress is allocated on a pro- rata basis depending on the prime cost of the assets.

(g) Inventories

Inventories are valued at the lower of cost (net of CENVAT Credit and Input VAT) or Net Realisable Value as under :Raw materials, Packing Material and Stores – At Weighted Average Cost on FIFO basis.

Work in Process - At Cost (Direct Cost plus Conversion Cost) upto estimated stage of completion.

By-Products - At Net Realisable Value.

Finished Goods - At Cost (Direct cost plus Conversion Cost and Excise Duty) or Net Realisable Value, whichever is lower.

(h) Customs / Excise duty

Excise Duty on Finished goods and Custom Duty on imported materials are accounted on production of packed finished goods / receipt of material in Customs bonded warehouses. All the closing stock of finished goods lying at Goa factory is for export, hence Provision for Excise duty does not arise.

(i) Foreign Currency Transaction

Purchase of imported raw materials, capital goods and components are accounted based on presentation memos from bank on the date of the transaction. In respect of liabilities on imports of raw materials, capital goods and components for which invoices / bills are not received, the liability is accounted based on the exchange rates prevailing on the date of the balance sheet.

Export Sales of finished goods are accounted on the basis of export invoices on the invoice date. In respect of the unrealised exports, the receivables are accounted based on the exchange rates prevailing on the date of the balance sheet.

(j) Miscellaneous Expenditure

Expenditure on launch of new products and their sales promotion and expenditure for registration and for obtaining regulatory approvals for products for overseas market are being amortised over a period of 60 months.

(k) Research and Development

Capital expenditure on research and development is capitalized as fixed assets. Other expenditure on R&D is expensed as incurred.

(l) Investments

Long Term Investments are stated at cost.

(m) Gratuity

Gratuity is accounted on accrual basis

(n) Revenue Recognition

The company recognizes sale of goods on the invoice date. Sales comprise of amounts invoiced for goods sold, including excise duty but net of returns and trade discounts. Dividend Income is accounted when right to receive dividend is established.

(o) Income Tax

Current Year:

Provision for Current tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

Deferred Tax:

Deferred Income taxes are recognized for the future tax consequence attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities because of a change in tax rates is recognized in the Statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Fringe Benefit Tax:

Provision for Fringe Benefit Tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

**(2) CONTINGENT LIABILITIES**

(Rs.In Lacs)

	31st March, 2008	31st March, 2007
(a) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	350.26	1708.62
(b) Disputed Taxes/Dues	NIL	NIL

(3) AUDITORS REMUNERATION

(Rs.In Lacs)

	31st March, 2008	31st March, 2007
Audit Fees	3.37	3.30
Other Services	1.34	2.65

(4) DIRECTORS' REMUNERATION

(Rs.In Lacs)

	31st March, 2008	31st March, 2007
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	19.39	19.39
(b) Other Directors' Remuneration Salaries and Allowances	13.02	16.75
(c) Directors' Sitting Fees	NIL	2.00
	<u>32.41</u>	<u>38.14</u>

(5) COMPUTATION OF NET PROFITS IN ACCORDANCE WITH SECTION 349 AND SECTION 309(5) OF THE COMPANIES ACT, 1956

(Rs. In lacs)

	2007-08	2006-07
Profit before taxation as per statement of profit & loss	1927.28	956.16
Add: Depreciation as per statement of profit and loss	859.44	732.31
Add: Loss on sale of assets as per statement of profit & loss	2.51	-
	<u>2789.23</u>	<u>1688.48</u>
Less: Depreciation calculated under Section 350 of the Companies Act, 1956	859.44	732.31
Net Profit in accordance with Section 349	<u>1929.79</u>	<u>956.16</u>
Add: Managerial Remuneration paid / payable to directors	32.41	38.14
Net Profit in accordance with Section 309(3) of the Companies Act, 1956	<u>1962.20</u>	<u>994.30</u>
Maximum managerial remuneration allowed under section 198 of the Companies Act, 1956, 10 percent of the above	196.22	99.43

(6) Balances with Scheduled Banks in Deposit Accounts includes Balances in respect of Unclaimed Dividend of Rs.1.03 lacs (Previous Year Rs.1.03 lacs)

(7) LEASES

The company has taken various residential, office and godown premises under operating lease or leave & license agreement. The leasing agreement which are non cancelable are for a period of three years. As at 31.03.2008, the company had committed minimum lease payment under non-cancelable operating lease as follows: (Rs. In lacs)

	2007-08	2006-07
Minimum lease payments		
Due within one year	Nil	118.76
Due later than one year and not later than five years	Nil	254.02
Total	Nil	372.78

The leasing arrangements, which are cancelable range between 11 months and 3 years, are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally refundable interest free deposits have been given. The aggregate lease rentals payable are charged to Profit & loss accounts as rent.

(8) **Security for Loans in Schedule 3 :**

- 1] Term Loans: Secured by Mortgage on pari-passu charge basis of the Company's all Immovable assets, Present and future, situated at L-82,L-83 Verna(Goa), Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of Plant and machinery situated at the Company's all three Manufacturing facilities.
- 2] Cash Credit from Banks: Secured against hypothecation of Current assets viz; stock of raw material, packing material, work in progress, receivables.
- 3] Vehicle Loans: Secured by Hypothecation of respective vehicle.

(9) **As required by AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, list of parties with whom transactions have taken place during the year are as follows:** (Rs.In lacs)

a) Key Management Personnel / Directors - Remuneration:	31st March 2008
Mark Saldanha	19.39
V.Nagaraj	13.02
Total	32.41
b) Parties where control exists	
Subsidiary companies	
Nova Pharmaceuticals Australasia Pty Ltd	
Marksans Pharma (UK) Limited	
c) Related party relationships where transaction have taken place during the year	
Subsidiary Companies	
Nova Pharmaceuticals Australasia Pty Ltd	
Marksans Pharma (UK) Limited	

d) Transaction with related parties during the year (Rs.in lacs)

	2007 – 2008	2006 – 2007
Subsidiary company		
Sale of Finished products	565.96	153.94
Advance given	4826.52	Nil
Related party balances		
Receivable from subsidiary	5119.53	133.94

(10) The Company has no information as to whether any of its suppliers constitute small scale undertakings and therefore the amount due to such suppliers has not been identified.

(11) **DEFERRED TAX LIABILITY / (ASSET) :**

The major elements of deferred tax liability / (asset) are as under : (Rs.in lacs)

	Deferred Tax (Asset)/ Liability As at 1-4-2007	Current Year charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2008
Depreciation	1069.67	163.06	1232.73
Provision For Excise Duty	3.18	(5.80)	(2.62)
Provision for Doubtful Debts	-	-	-
Preliminary Expenses Written Off	1.85	(1.50)	0.35
FCCB Issue cost	(205.04)	-	(205.04)
Provision for Gratuity	(19.81)	(4.37)	(24.18)
	849.85	151.38	1001.24



(12) Segment-wise Disclosure as per Accounting Standard 17:

BUSINESS SEGMENTS

The Company is primarily engaged in a single segment business of manufacturing and marketing of Pharmaceutical formulations and Active Pharmaceutical ingredients and is managed as one entity, for its various activities and its governed by a similar set of risks and returns.

GEOGRAPHICAL SEGMENTS

In view of the management, the Indian and export markets represent geographical segments.

(Rs. In lacs)

Segment Revenue	31st March, 2008	31st March, 2007
a) Exports	4734.69	4281.08
b) Local	19563.66	19707.65
Total	24298.35	23988.73

(13) Additional information pursuant to the provisions of paragraphs 3, 4C, 4D of Part II of Schedule VI to the Companies Act, 1956 (figures in brackets relates to the previous year)

- a) Licensed capacity, installed capacity and production (as certified by the management and not verified by auditors, it being technical matter)

Bulk Drugs Division	31st March, 2008	31st March, 2007
1) Installed Capacity :	1140.00 TPA	1140.00 TPA
2) Actual Production :	604.57 TPA	960.55 TPA.

NOTE : Licensed capacity is not mentioned since the same is not applicable.

Formulations Division

(Qty in Lacs)

Item	Installed Capacity		Actual Production	
	2007-08	2006-07	2007-08	2006-07
Tablets / Hard Gel	12600	12600	10390.74	6,286.18
Soft Gel Capsules	6000	6000	193.92	401.51

Note : The Products of the company are exempt from Licensing Procedures

- b) Opening Stock, Closing Stock and Sales

(Rs. in lacs)

	Opening Stock		Closing Stock		Sales	
	Quantity (Units)	Value	Quantity (Units)	Value	Quantity (Units)	Value
Bulk Drugs Division	*	4195.85	*	4157.68	*	9602.85
	(*)	(2224.21)	(*)	(4195.85)	(*)	(10359.04)
Formulations Division	*	4246.61	*	5871.61	*	14695.49
	(*)	(2211.20)	(*)	(4246.61)	(*)	(13629.69)

* Quantities cannot be aggregated

- c) Consumption of Raw Materials :

	(Units)	(Rs. In lacs)
Bulk Drugs Division	*	2787.55
	(*)	(6358.43)
Formulations Division	*	1523.22
	(*)	(857.91)

* Quantities cannot be aggregated

d) Value and Percentage of Raw Materials consumed :

	Percentage	Value
	(%)	(Rs. In lacs)
Indigenous	44.12	1902.21
	(53.71)	(3875.62)
Imported	55.88	2408.56
	(46.29)	(3340.73)

e) C. I. F. Value of Imports.	- Raw materials	Rs. 2872.62 lacs
	- Capital Goods	Rs. 57.56 lacs
	- Total forex outflow	Rs. 2930.18 lacs
		(Rs. 3853.11 lacs)

f) Expenditure in Foreign Currency for travelling, brokerage & commission, etc. Rs. 30.25 lacs
(Rs.10.89 lacs)

g) Earnings in foreign currency from exports / other income Rs.5308.69 lacs
(Rs.4281.08 lacs)

(14) Figures of the previous year have been regrouped and re-arranged wherever necessary, so as to make them comparable with the current year's figures.

Signatures to Schedule No. 1 to 17

N.K. MITTAL & ASSOCIATES

Chartered Accountant

N.K. MITTAL

Proprietor

M. NO. 46785

Place : Mumbai

Date : 2nd September 2008

FOR AND ON BEHALF OF THE BOARD

MARK SALDANHA

Chairman & Managing Director

V.NAGARAJ

Whole Time Director

HITESH KANAANI

Company Secretary &
Legal Manager



BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

(Amount in Rs.'000s)

(a) Registration Details			
Registration No.	<input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="4"/>	State Code	<input type="text" value="1"/> <input type="text" value="1"/>
Balance Sheet Date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="8"/>		
(b) Capital raised during the year			
Public Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
(c) Position of mobilisation and deployment of funds			
Total Liabilities and shareholders funds	<input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="8"/>	Total assets	<input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="8"/>
SOURCES OF FUNDS			
Paid-up Capital	<input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/>	Reserves and surplus	<input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="9"/>
Secured loans	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="3"/>	Unsecured loans	<input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>
APPLICATION OF FUNDS			
Net fixed assets and capital work in progress including advances	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="6"/>	Investments	<input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="4"/>
Net current assets	<input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="5"/>	Deffered Tax assets / (Liability)	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/>
Miscellaneous expenditure	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="6"/>	Accumulated losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
(d) Performance of the Company			
Total Revenue	<input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="9"/>	Total Expenditure	<input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="0"/>
Profit/(loss) before tax	<input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="8"/>	Profit/(loss) after tax	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="8"/>
Basic Earning per share in Rs	<input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="4"/> <input type="text" value="2"/>	Diluted Earning per share in Rs	<input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="4"/> <input type="text" value="2"/>
Dividend Rate	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		
(e) Generic Names of Three Principal Products/Services of Company			
Item Code No.	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="3"/>	Product Description	<input type="text" value="CIPROFLOXACIN"/>
	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="6"/>		<input type="text" value="RANITIDINE"/>
	<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="0"/>		<input type="text" value="SOFT GEL CAPSULE"/>

FOR AND BEHALF OF
N.K. MITTAL & ASSOCIATES
 Chartered Accountant

N.K. MITTAL
 Proprietor
 M. NO. 46785

Place : Mumbai
 Date : 2nd September 2008

FOR AND ON BEHALF OF THE BOARD OF DIRECTOR

MARK SALDANHA
 Chairman & Managing Director

V.NAGARAJ
 Whole Time Director

HITESH KANAANI
 Company Secretary &
 Legal Manager

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED AS ON MARCH 31, 2008

(Amount in Rs.)

Particulars	For the period ended as on	
	31.03.2008	31.03.2007
A. Cash Flows Provided by /(used in) Operating Activities		
Profit Before Tax	192,728,644	95,616,524
Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
Depreciation	85,944,231	73,231,953
Preliminary & Deferred Revenue Expenses Written off	8,170,583	8,407,815
Loss on sale of Fixed Assets	250,895	-
Interest Expenses on term loans	47,185,894	49,917,910
Interest Receipt	(57,354,526)	(95,468,974)
Operating Profit before working capital changes	276,925,721	131,705,228
(Increase)/Decrease in Current Assets, Loans & advances		
Inventories	(2,486,348)	(445,505,677)
Trade and other receivables	4,809,512	(26,384,797)
Loans & Advances	(526,505,763)	(74,072,142)
Income Tax Paid	(24,141,355)	(36,627,782)
Deferred Revenue Expenses	-	(8,411,852)
Increase/(Decrease) in current Liabilities and provisions	16,528,402	110,204,491
Net cash used in operating activities	(254,869,832)	(349,092,531)
B. Cash Flows provided by (used in) Investing Activities:		
Purchase of Fixed Assets	(751,636,613)	(209,758,171)
Investment	(84,840)	(26,829,850)
Interest Receipt	57,354,526	95,468,974
Net Cash used in Investing Activities	(694,366,926)	(141,119,047)
C. Cash Flows provided by (used in) Financing Activities:		
Increase in Equity Share Capital	-	-
Increase in Share Premium	-	-
Proceeds/(Repayment) of Secured Loans	24,923,153	200,998,145
Proceeds/(Repayment) of Unsecured Loans	(181,000,000)	(52,450,000)
Interest Paid	(47,185,894)	(49,917,910)
Net cash provided by Financing Activities	(203,262,742)	98,630,235
Net Increase /(Decrease) in Cash and Bank Balances	(1,152,499,501)	(391,581,345)
Cash & Bank Balances as at 31.03.2007	1,584,489,602	1,976,070,947
Cash & Bank Balances as at 31.03.2008	431,990,101	1,584,489,602
	(1,152,499,501)	(391,581,345)

- Notes :**
- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India
 - The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

For and on Behalf of the Board of Directors

MARK SALDANHA
Chairman & Managing Director
Place : Mumbai
Date : 2nd September 2008

V. NAGARAJ
Whole time Director

HITESH KANANI
Company Secretary & Legal Manager

AUDITORS REPORT

We have verified the above Cash flow statement of Marksans Pharma Limited. This statement has been prepared by company from the audited financial statements for the year ended 31 March 2008. Subject to reallocations made by the company, we found the same to be in accordance with requirement of Clause 32 of the Listing Agreement with Stock Exchange.

For and on Behalf of
N. K. Mittal & Associates
Chartered Accountants

N. K. MITTAL
Proprietor
M. No.46785

Place : Mumbai
Date : 2nd September 2008



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES**

Amount in Rs.

		Nova Pharmaceuticals Australasia Pty Ltd	Marksans Pharma (UK) Limited (Consolidated)
1	The Financial year of the Subsidiary companies ended on	31st March, 2008	31st March, 2008
2	Date from which it became a Subsidiary	1st April,2006	31st May, 2005
3 (A)	Numbers of shares held by Marksans Pharma Ltd (Holding Company) in the Subsidiary Companies at the end of the Financial Year of the Subsidiary Companies	90 Equity Shares of A\$ 1 each	1000 Equity Shares of GBP 1 each
3 (B)	Extent of interest of Holding Company at the end of the Financial Year of the Subsidiary Companies	60%	100%
4	The net aggregate amount of the Subsidiary Companies Profit/ (Loss) so far as it concerns Members of the Holding Company and		
	a) Is not dealt with in the Company's Accounts	-	-
	i) For the Financial Year ended 31st March 2008	4,504,863	409,209
	ii) For the previous Financial Year since it became Subsidiary	(1,397,563)	Nil
	b) No part of the Profit/(loss) has been dealt within Company's Accounts for the Financial Year or for the previous financial year since it became Subsidiary		
	Issued & Subscribed Share Capital	4,781	84,840
	Reserves	6,702,193	293,706
	Total Assets	6,706,973	830,668,315
	Total Liabilities	6,706,973	830,668,315
	Turnover	73,415,060	136,155,642
	Profit/(Loss) before Taxation	10,481,749	1,918,300
	Provision for Taxation	2,973,644	1,509,091
	Profit/(Loss) after Taxation	7,508,105	409,209
	Proposed Dividend	-	-
	Exchange Rate	35.01 (Avg. Australian \$)	79.01(Avg. GBP £)

For and on behalf of the Board of Directors

MARK SALDANHA

Chairman & Managing Director

V.NAGARAJ

Whole Time Director

HITESH KANANICompany Secretary & Legal
Manager

Place : Mumbai

Date: 2nd September 2008

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD.

ACN 104 838 440

REPORT OF DIRECTORS

The Directors report on the accounts of the Company for the financial year ended 31st March 2008 as follows:-

1. The persons holding office as Directors at the date of this report are :
H. Mohammed, O. Mohammed
2. The Principal activity of the Company is that of Medicines Wholesaling. There were no significant changes in the nature of the activity during the financial year ended 31st March 2008
3. ACCOUNTS.
 - 3.1 During the Financial year ended 31st March 2008 the Company earned a profit after tax of \$ 214,456.
 - 3.2 No Dividend were paid during the year, other than dividends, if any which may have been provided in the previous year and the Directors recommend no dividend be declared for the year ended 31st March 2008
4. AUDITORS INDEPENDENCE DECLARATION
The Auditor's Independence Declaration for the year ended 31st March 2008 has been included in the audit report.
5. DIRECTORS BENEFIT
Since the end of the previous financial year no Director of the Company has received or become entitled to receive a benefit, other than an amount disclosed in the accounts or a fixed salary paid to a full time employee of the Company, by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he or she is a member or with a company in which he or she has a substantial financial interest.

Signed in accordance with a resolution of the Directors.

Director

Dated at Crows Nest this 28th day of April 2008

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity. The Directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that :

1. The financial accounts and notes present fairly the company's financial position as at 31 March 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial accounts.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Dated at Crows Nest this 28th day of April 2008



AUDITORS REPORT

Independent Audit Report to the Members of Nova Pharmaceuticals Australasia Pty Ltd

Scope

We have audited the attached financial report, being a special purpose financial report of Nova Pharmaceuticals Australasia Pty Ltd (the company) for the year ended 31st March 2008, consisting of the statement of financial position, Notes to the Financial statements, Directors' Declaration, Director's Report, Statement of cash flows, Trading statement and the Profit and Loss Statement (including Changes in Equity), as set out on pages 1 to 7. The Company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are consistent with the financial reporting requirements of the company's constitution and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the company's constitution. We disclaim any assumption of responsibility for reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our Procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with accounting policies described in Note 1. so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operation and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Auditor's Independent Declaration

I declare that, to the best of my knowledge and belief, during the year ended 31st March 2008, there have been :

1. No contraventions of the auditor's independence requirements as set out in the Corporations Act, 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Audit opinion

In our opinion, the financial report presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of Nova Pharmaceuticals Australasia Pty Ltd as at 31st March 2008 and the results of its operations and its cash flows for the year then ended.

Robert William Mitchell
Of Robert Mitchell & Company
Chartered Accountants

Dated at Neutral Bay

29 day of April 2008

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

A.C.N. 104 838 440

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2008

Particulars	As at	As at	As at	As at
	31.03.2008	31.03.2008	31.03.2007	31.03.2007
	Amt. in A\$	Amt. equivalent in Rs.	Amt. in A\$	Amt. equivalent in Rs.
CURRENT ASSETS				
Cash				
Cash at Bank	86,910	3,176,561	69,113	2,414,110
Receivables				
Trade Debtors	457,560	16,723,818	254,629	8,894,191
Inventory				
Stock in hand and in Transit	701,009	25,621,879	136,496	4,767,805
Total current assets	1,245,479	45,522,257	460,238	16,076,106
Non-Current Assets				
Property, Plant and Equipment				
Plant & Equipment at cost	6,426	234,870	4,017	140,323
Less: Provision for Depreciation	(2,856)	(99,989)	(990)	(34,383)
	3,570	134,882	3,027	105,941
Intangible Assets				
Formation Expenses at Cost	480	17,544	800	27,944
Total Non Current assets	4,050	152,426	3,827	133,885
TOTAL ASSETS	1,249,529	45,674,683	464,065	16,209,991
CURRENT LIABILITIES				
Payables				
Trade Creditors	875,765	32,009,211	383,472	13,394,677
Accrued Expenses	34,485	1,260,427	18,469	645,122
GST & Payg Payable	70,311	2,569,867	92,549	3,232,737
Shareholders Loan	650	23,758	650	22,705
	981,211	35,863,262	495,140	17,295,240
Tax Liabilities				
Provision for Income Tax	84,937	3,104,447	-	-
TOTAL LIABILITIES	1,066,148	38,967,709	495,140	17,295,240
NET ASSETS	183,381	6,706,974	(31,075)	(1,085,250)
EQUITY				
Contributed Equity				
150 Ordinary Share	150	4,781	150	4,781
Accumulated Losses	183,231	6,702,193	(31,225)	(1,090,031)
Total Equity	183,381	6,706,974	(31,075)	(1,085,250)

PROFIT & LOSS STATEMENT FOR THE
YEAR ENDED 31ST MARCH 2008

Particulars	As at	As at	As at	As at
	31.03.2008	31.03.2008	31.03.2007	31.03.2007
	Amt. in A\$	Amt. equivalent in Rs.	Amt. in A\$	Amt. equivalent in Rs.
Income				
Sales	2,096,974	73,415,060	606,503	21,063,849
Interest Received	3,940	137,939	4,026	139,823
Total Income	2,100,914	73,552,999	610,529	21,203,672
Cost of Sales				
Purchase	1,686,373	59,039,919	363,859	12,636,823
(Increase)Decrease in Inventory	(564,513)	(19,763,600)	(58,104)	(2,017,952)
Expenses				
Accounting Fess	2,200	77,022	2,100	72,933
Advertising & Promotion	3,343	117,038	-	-
Amortisation	320	11,203	-	-
Auditor's Remuneration	2,900	101,529	-	-
Bank Charges	923	32,314	1,167	40,530
Bookeeping Fees	2,420	84,724	2,871	99,710
Consultant Fees	18,137	634,976	29,857	1,036,934
Depreciation	1,866	65,329	990	34,383
Directors Fees	10,350	362,354	-	-
Filing Fees	212	7,422	-	-
Freight & Cartage	86,703	3,035,472	23,977	832,721
Insurance	9,038	316,420	10,162	352,926
Interest	7,711	269,962	-	-
Leasing Charges	3,258	114,063	2,730	94,813
Legal Cost	-	-	9,099	316,008
Licence, Registrations, Permits	105,051	3,677,836	77,501	2,691,610
Office Expenses	-	-	5,291	183,756
Postage & Stationery	6,164	215,802	2,871	99,710
Publications	-	-	1,902	66,056
Rent	26,132	914,881	27,032	938,821
Salaries & Allowances	272,104	9,526,361	149,835	5,203,770
Staff Training & Amenities	1,529	53,530	2,140	74,322
Storage	12,060	422,221	2,819	97,904
Superannuation	24,489	857,360	13,485	468,334
Telephone	3,327	116,478	-	-
Travelling Expenses	54,489	1,907,660	-	-
Warehouse Expenses	24,935	872,974	6,013	208,831
Total Expenses	1,801,521	63,071,250	677,597	23,532,944
Operating Profit before Income Tax	299,393	10,481,749	(67,068)	(2,329,272)
Income Tax Expenses	84,937	2,973,644	-	-
Operating Profit for the year	214,456	7,508,105	(67,068)	(2,329,272)
Operating Profit and Extraordinary Items	214,456	7,508,105	(67,068)	(2,329,272)
Retained Profit at 1 April	(31,225)	(1,186,956)	35,843	1,142,316
Profit Available for Appropriation	183,231	6,321,149	(31,225)	(1,186,956)



NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

A.C.N. 104 838 440

STATEMENT ON CASH FLOWS FOR
THE YEAR ENDED 31ST MARCH 2008

Particulars	As at	As at	As at	As at
	31.03.2008	31.03.2008	31.03.2007	31.03.2007
	Amt. in A\$	Amt. equivalent in Rs.	Amt. in A\$	Amt. equivalent in Rs.
Cashflows from Operating Activities:				
Receipts from Customers	1,894,042	69,227,235	534,613	18,674,032
Payment to Suppliers & Employees	(1,877,776)	(68,632,713)	(539,564)	(18,846,971)
Interest Received	3,940	144,007	4,026	140,628
Net Cash used by Operating Activities	20,206	738,529	(925)	(32,310)
Cashflows to Investing Activities:				
Payment for Equipment	(2,409)	(88,049)	(4,017)	(140,314)
Net Decrease in Cash	17,797	650,480	(4,942)	(172,624)
Cash at the beginning of the financial year	69,113	2,526,080	74,055	2,586,741
Cash at the end of the Financial year	86,910	3,176,561	69,113	2,414,117
(As per the Balance Sheet at 31 March 2008)				
Note to the Statement of Cashflows				
Reconciliation of Net Cash provided by Operating Activities				
to Profit for the Financial year:				
Profit/Loss for the year	299,393	10,942,814	67,068	2,342,685
less : Depreciation	2,186	79,898	(990)	(34,581)
Increase in Trade Creditors & Accruals	508,309	18,578,694	(173,544)	(6,061,892)
Increase in Taxes Payable	(22,238)	(812,799)	(71,628)	(2,501,966)
Add : Increase in Inventory	(564,513)	(20,632,950)	58,104	2,029,573
Increase in Trade Debtors	(202,931)	(7,417,128)	121,915	4,258,491
Net Cash used by Operating Activities	20,206	738,529	(925)	(32,310)

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST MARCH 2008NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING
POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporation Act 2001. The directors have determined that the company is not a reporting entity.

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD. ACN 104 838 440 is a company limited by shares, incorporated and domiciled in Australia.

The report has been prepared in accordance with the requirements of the Corporation Act 2001, and the following applicable Accounting standards and Urgent Issues Group Consensus Views :

- AAS 1 : Statement of Financial Performance
- AAS 5 : Materiality
- AAS 8 : Events Occuring After Reporting Date
- AAS 10 : Recoverable Amounts of Non-current Assets.
- AAS 36 : Statement of Financial Position
- AAS 37 : Financial Report Presentation and Disclosures

No other Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

MARKSANS PHARMA U.K. LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

The directors present their report and the financial statements for the ten months period ended 31 March 2008.

Business review and principal activities

The principal activity of the Company is that of being a holding company. The Company acquired the entire ordinary share capital of Hale Group Limited (now Marksans Holdings Limited) on 18 January 2008. Marksans Holdings Limited owns 100% of the ordinary share capital of Bell Sons and Co. (Druggists) Limited.

The Group's principal activities are the manufacture and sale of pharmaceuticals. There have not been any significant changes in the Group's principal activities in the period since acquisition. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

Principal risks and uncertainties

Principal risks and uncertainties arise from a competitive market.

Increasing raw material costs continue to threaten margins. The Group manages this risk by establishing strong relationships with suppliers, to enable negotiation and controlled management of potential future price increases and secure reliable supply. In addition production methods are constantly being reviewed to ensure the most efficient operations are in place.

The Group will continue to develop its product range to meet market needs.

Dividends

The Directors do not propose a dividend for the period.

Results

The profit for the period, after taxation, amounted to £3,763.

Directors

The directors who served during the period were:

- Mark Saldanha
- Sandra Saldanha

Financial Instruments

The Group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price or liquidity risk.

The group does not enter into forward exchange contracts for foreign currencies. Therefore the foreign exchange risk is that associated with exchange rate fluctuations when buying and selling goods in foreign currencies.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

This report was approved by the board on 20 August 2008 and signed on its behalf.

M Saldanha
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 31 MARCH 2008

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



MARKSANS PHARMA U.K. LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARKSANS PHARMA U.K. LIMITED

We have audited the group and parent company financial statements ("the financial statements") of Marksans Pharma U.K. Limited for the period ended 31 March 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice") are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2008 and of the Group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PKF (UK) LLP
Registered Auditors
Liverpool, UK
28 August 2008

**MARKSANS PHARMA U.K. LIMITED
CONSOLIDATED BALANCE SHEET
AS ON MARCH 31, 2008**

	Notes	31 March 2008		31 May 2007	
		Amt. in £	Amt. equivalent in Rs.	Amt. in £	Amt. equivalent in Rs.
FIXED ASSETS					
Intangible assets	7	4,874,274	379,413,003	-	-
Tangible assets	8	3,343,990	260,295,848	-	-
		<u>8,218,264</u>	<u>639,708,851</u>	-	-
CURRENT ASSETS					
Stocks	11	1,656,654	131,637,729	-	-
Debtors	12	1,318,777	104,790,020	-	-
Cash at bank and in hand		2,274,281	180,714,368	1,000	80,540
		<u>5,249,712</u>	<u>417,142,117</u>	<u>1,000</u>	<u>80,540</u>
CREDITORS: amounts falling due within one year	13	<u>(2,680,596)</u>	<u>(213,000,158)</u>	-	-
NET CURRENT ASSETS		<u>2,569,116</u>	<u>204,141,959</u>	<u>1,000</u>	<u>80,540</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,787,380</u>	<u>843,850,810</u>	<u>1,000</u>	<u>80,540</u>
CREDITORS: amounts falling due after more than one year	14	<u>(10,616,716)</u>	<u>(830,289,769)</u>	-	-
PROVISIONS FOR LIABILITIES					
Deferred tax	15	(106,841)	(8,489,586)	-	-
Other provisions	16	(59,060)	(4,692,909)	-	-
NET ASSETS		<u>4,763</u>	<u>378,546</u>	<u>1,000</u>	<u>80,540</u>
CAPITAL AND RESERVES					
Called up share capital	17	1,000	84,840	1,000	80,540
Profit and loss account	18	3,763	293,706	-	-
SHAREHOLDERS FUNDS	19	<u>4,763</u>	<u>378,546</u>	<u>1,000</u>	<u>80,540</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 August 2008.

M Saldanha
Director

The notes on pages 10 to 22 form part of these financial statements.

**MARKSANS PHARMA U.K. LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE PERIOD ENDED 31 MARCH 2008**

	Notes	2008 Amt. in £	2008 Amt. equivalent in Rs.
TURNOVER	2	1,723,271	136,155,642
Cost of sales		<u>(1,342,589)</u>	<u>(106,093,726)</u>
GROSS PROFIT		380,682	30,061,916
Selling and distribution costs		(58,279)	(4,604,624)
Administration expenses		(239,385)	(18,786,159)
Other operating income		<u>3,502</u>	<u>276,696</u>
OPERATING PROFIT	3	86,520	6,947,829
Interest payable		(76,248)	(6,024,354)
Interest receivable		<u>12,591</u>	<u>994,825</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22,863	1,918,300
Tax on profit on ordinary activities	6	<u>(19,100)</u>	<u>(1,509,091)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	<u>3,763</u>	<u>409,209</u>

All amounts relate to continuing operations that were acquired during the period.

There were no recognised gains and losses for the period other than those included in the profit and loss account.

The notes on pages 10 to 22 form part of these financial statements.



MARKSANS PHARMA U.K. LIMITED
BALANCE SHEET AS ON MARCH 31, 2008

	Notes	31 March 2008		31 May 2007	
		Amt. in £	Amt. equivalent in Rs.	Amt. in £	Amt. equivalent in Rs.
FIXED ASSETS	9	11,581,214	920,243,264	-	-
Investments		11,581,214	920,243,264	-	-
CURRENT ASSETS					
Cash at bank and in hand		8,236	654,433	1,000	85,400
		8,236	654,433		
CREDITORS:					
amounts falling due within one year	13	(1,025,725)	(81,504,109)	-	-
NET CURRENT (LIABILITIES)/ ASSETS		(1,017,489)	(80,849,676)	1,000	85,400
TOTAL ASSETS LESS CURRENT LIABILITIES		10,563,725	839,393,589	1,000	85,400
CREDITORS:					
amounts falling due after more than one year	14	(10,616,716)	(843,604,253)	-	-
NET (LIABILITIES) / ASSETS		(52,991)	(4,210,665)	1,000	85,400
CAPITAL AND RESERVES					
Called up share capital	17	1,000	79,460		
Profit and loss account	18	(53,991)	(4,290,125)	1,000	85,400
SHAREHOLDERS' (DEFICIT) / FUNDS	19	(52,991)	(4,210,665)	1,000	85,400

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 August 2008.

M Saldanha
Director

The notes on pages 10 to 22 form part of these financial statements.

MARKSANS PHARMA U.K. LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2008

	2008	2008
	Amt. in £	Amt. equivalent in Rs.
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	86,520	6,947,829
Depreciation	36,047	2,864,295
Amortisation	49,916	3,966,325
Decrease in debtors	416,195	33,070,855
Increase in stock	(295,439)	(23,475,583)
Decrease in creditors	113,003	8,979,218
(Increase) in provisions	(2,091)	(166,151)
Net cash inflow from operating activities	404,151	32,186,788
CASH FLOW STATEMENT (note 20)		
Net cash inflow from operating activities	404,151	32,186,788
Returns on investments and servicing of finance	10,533	836,952
Taxation	(45,000)	(3,575,700)
Acquisitions	(9,742,542)	(774,142,387)
	(9,372,858)	(744,694,347)
Financing	11,241,716	893,266,753
Increase in cash	1,868,858	148,572,406
Reconciliation of net cash flow to movement in net debt (note 21)		
Increase in cash in the period	1,868,858	148,572,406
Increase in long term loans	(11,241,716)	(893,266,753)
Change in net debt	(9,372,858)	(744,694,347)
Net debt at 1 June 2007	1,000	84,840
Net debt at 31 March 2008	(9,371,858)	(744,609,507)

The notes on pages 10 to 22 form part of these financial statements.

MARKSANS PHARMA U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

A separate profit and loss account for the parent company has not been prepared as permitted by section 230(2) of the Companies Act 1985. The loss after tax for the financial year of the parent company was £53,991.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Marksans Pharma U.K. Limited and its subsidiary undertakings ('subsidiaries') made up to 31 March 2008.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

Amortisation on goodwill arising on consolidation is provided at the following rates:

Goodwill - 5% straight line

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following basis:

Freehold buildings - 2% cost or valuation
Plant and machinery - 20% written down value
Motor vehicles - 25% cost
Computer equipment - 20% cost

1.6 Investments

Investments in subsidiaries are valued at cost less provision of impairment.

1.7 Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

1.8 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

1.9 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is determined on a first in first out basis, and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.12 Pensions

The company operate a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

2 TURNOVER

Turnover is attributable to one class of business. The analysis of turnover by geographical market has been omitted as the directors consider that this would be prejudicial to the interests of the group's trade.

3 OPERATING PROFIT

The operating profit is stated after charging:

	2008 Amt. in £	2008 Amt. equi. in Rs.
Depreciation of tangible fixed assets:		
- owned by the company	36,047	2,848,073
Amortisation of goodwill	49,916	3,943,863
Operating lease rentals:		
- plant and machinery	5,552	438,664
Auditors' remuneration	6,615	522,651
Government grants released	(1,700)	(134,317)
Difference on foreign exchange	9,459	747,356

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2008 Amt. in £	2008 Amt. equi. in Rs.
Directors' emoluments	17,614	1,391,682
Contributions to money purchase pension schemes	1,654	130,683
The number of directors accruing benefits under pension schemes were:	No.	
Money purchase schemes	1	

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2008 Amt. in £	2008 Amt. equi. in Rs.
Wages and salaries	418,403	33,058,021
Social security costs	39,380	3,111,414
Other pension costs	11,340	895,973
	469,123	37,065,408

The average monthly number of employees, including directors, during the period was:

	No.
Production	107
Sales and administration	11
	118



MARKSANS PHARMA U.K. LIMITED

6 TAXATION

	2008 Amt. in £	2008 Amt. equi. in Rs.
Analysis of tax charge in the period		
UK corporation tax		
Current tax on income for the period	19,100	1509091
Deferred tax		
Origination or reversal of timing differences:	-	
Tax on profit on ordinary activities	19,100	1509091
Factors affecting tax charge for the period		
The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:		
Profit on ordinary activities before tax	22,863	1918300
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30%	6,859	541,930
Effects of:		
Capital allowances for period in excess of depreciation	(1,112)	(87859)
Amortisation of goodwill	14,975	1183175
Expenses not deductible for tax	1,195	94417
Marginal relief	(136)	(10745)
Other timing differences	(2,681)	(211826)
Current tax charge for the period	19,100	1,509,091

7 INTANGIBLE FIXED ASSET

	2008 Amt. in £	2008 Amt. equi. in Rs.
Group-Goodwill		
Cost		
Acquisition of subsidiary undertaking	4,924,190	377,961,652
At 31 March 2008	4,924,190	377,961,652
Amortisation		
Charge for the period	49,916	3,966,325
At 31 March 2008	49,916	3,966,325
Net book value		
At 31 March 2008	4,874,274	373,995,327

8 TANGIBLE FIXED ASSETS

Group	Land & buildings	Plant & machinery	Motor vehicles	Total	Total
Cost or valuation	Amt. in £	Amt. in £	Amt. in £	Amt. in £	Amt. equi. in Rs.
Acquisition of subsidiary undertaking	2,510,000	2,882,356	17,250	5,409,606	429,847,372
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2008	2,510,000	2,882,356	17,250	5,409,606	429,847,372
Depreciation					
Acquisition of subsidiary undertaking	-	2,020,652	8,917	2,029,569	161,269,553
Charge for the period	-	35,588	459	36,047	2,864,295
Eliminated on disposals	-	-	-	-	-
At 31 March 2008	-	2,056,240	9,376	2,065,616	164,133,848
Net book value					
At 31 March 2008	2,510,000	826,116	7,874	3,343,990	265,713,525

Freehold land amounting to £570,000 has not been depreciated.
Tangible fixed assets are stated at fair value to the group on acquisition.

9 FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings Amt. in £	Shares in subsidiary undertakings Amt. equi. in Rs.
Cost		
Acquired during the period	11,581,214	920,243,264
At 31 March 2008	11,581,214	920,243,264

The company holds 100% of the equity of the following companies:

Name	Country of incorporation/ registration and operation	Nature of business	Type of shares	Nominal value of shares	Nominal value of shares
Marksans Holdings Limited	United Kingdom	Holding company	£1 Ordinary	1,000	79,460
Bell Sons and Co. (Druggists) Limited	United Kingdom	Trading company	£1 Ordinary	6,334	503,300

Bell Sons and Co. (Druggists) Limited is indirectly held by Marksans Pharma U.K. Limited with 100% of the ordinary share capital being held by Marksans Holdings Limited.

10 ACQUISITION OF SUBSIDIARY UNDERTAKINGS

10.1 Marksans Holdings Limited

On 18 January 2008 the company acquired 100% of the issued share capital of Marksans Holdings Limited for consideration comprising of £11,218,792 cash. The fair value of the total consideration was £11,218,792.

The following table sets out the book values of the identifiable assets and liabilities acquired of the Marksans Holdings Limited Group and their fair value to the Marksans Pharma UK Limited Group:

	Book value Amt. in £	Accounting policy alignment Amt. in £	Fair value to Group Amt. in £	Fair value to Group Amt. equi. in Rs.
Fixed assets				
Tangible	3,380,037	-	3,380,037	268,577,740
Current assets				
Stock	1,361,215	-	1,361,215	108,162,144
Debtors	1,734,972	-	1,734,972	137,860,875
Cash at bank and in hand	1,489,882	-	1,489,882	118,386,024
Total Assets	7,966,106	-	7,966,106	632,986,783

MARKSANS PHARMA U.K. LIMITED

Creditors	Book value Amt. in £	Accounting policy alignment Amt. in £	Fair value to Group Amt. in £	Fair value to Group Amt. equi. in Rs.
Trade creditors	596,774	-	596,774	47,419,662
Other creditors	370,772	-	370,772	29,461,543
Provisions	171,730	-	171,730	13,645,666
Taxation	169,806	-	169,806	13,492,785
Total liabilities	1,309,082	-	1,309,082	104,019,656
Net assets	6,657,024	-	6,657,024	528,967,127
Goodwill			4,924,190	391,276,137
			11,581,214	920,243,264
Satisfied by				
Cash			11,000,000	874,060,000
Deferred payment			218,792	17,385,212
Acquisition expenses			362,422	28,798,052
			11,581,214	920,243,264

Net cash outflows in respect of the acquisition comprised:

	Amt. in £	Amt. equi. in Rs.
Cash consideration	11,000,000	874,060,000
Deferred payment	218,792	17,385,212
Acquisition expenses	232,422	18,468,252
Deferred acquisition expenses	130,000	10,329,800
Cash at bank and in hand acquired	(1,489,882)	(118,386,024)
	10,091,332	801,857,241

Marksans Holdings Limited did not trade in the period ended 31 March 2008. Bell Sons and Co. (Druggists) Limited made a profit after taxation of £837,909 in the 15 month period ended 31 March 2008 of which £106,670 arose in the period from 18 January 2008 to 31 March 2008. The summarised profit and loss account and statement of total recognised gains and losses for the period from 1 January 2007 to 31 March 2008 is as follows:

Profit and Loss account

	Amt. in £	Amt. equi. in Rs.
Turnover	11,161,599	881,877,937
Cost of sales	(8,486,162)	(670,491,660)
Gross profit	2,675,437	211,386,277
Other operating expenses (net)	(1,631,219)	(128,882,613)
Operating profit	1,044,218	82,503,664
Finance charges (net)	15,484	1,223,391
Profit on ordinary activities before taxation	1,059,702	83,727,055
Tax on profit on ordinary activities	(221,793)	(17,523,865)
Profit on ordinary activities after taxation	837,909	66,203,190

Statement of total recognised gains and losses

	Amt. in £	Amt. equi. in Rs.
Profit for the financial period	837,909	66,203,190
Unrealised surplus on revaluation of tangible fixed assets	777,620	61,439,756
Total recognised gains and losses relating to the period	1,615,529	127,642,946

11 STOCKS

	Group 31 March 2008 Amt. in £	Group 31 March 2008 Amt. equi. in Rs.
Raw materials	778,413	61,852,697
Finished goods	878,241	69,785,030
	1,656,654	131,637,727

12 DEBTORS

	Group 31 March 2008 Amt. in £	Group 31 March 2008 Amt. equi. in Rs.
Due within one year		
Trade debtors	1,247,574	99,132,230
Other debtors	485	38,538
Prepayments & accrued income	70,718	5,619,252
	1,318,777	104,790,020

13 CREDITORS

Amounts falling due within one year

	Group 31 March 2008 Amt. in £	Group 31 March 2008 Amt. equi. in Rs.
Bank loans and overdrafts	1,029,423	81,797,952
Trade creditors	393,730	31,285,786
Corporation tax	157,143	12,486,583
Other tax and social security	96,234	7,646,754
Other creditors	348,994	27,731,063
Accruals and deferred income	655,072	52,052,021
	2,680,596	213,000,158

Amounts falling due within one year

	Company 31 March 2008 Amt. in £	Company 31 March 2008 Amt. equi. in Rs.
Bank loans and overdrafts	625,000	49,662,500
Other creditors	400,725	31,841,609
	1,025,725	81,504,109

The bank loan is repayable by instalments with interest charged at 1.75% above Libor. The loan is secured by a corporate guarantee provided by the parent company, Marksans Pharma Limited and a pledge of shares in Marksans Holdings Limited.

14 CREDITORS

Amounts falling due after more than one year

	Group 31 March 2008 Amt. in £	Group 31 March 2008 Amt. equi. in Rs.
Bank loans and overdrafts	4,375,000	347,637,500
Amounts due to parent undertaking	6,241,716	495,966,753
	10,616,716	843,604,253

The bank loan is repayable by instalments with interest charged at 1.75% above Libor. The loan is secured by a corporate guarantee provided by the parent company, Marksans Pharma Limited and a pledge of shares in Marksans Holdings Limited.

15 DEFERRED TAX

	Group Amt. in £	Group Amt. equi. in Rs.
On acquisition of subsidiary company	106,841	8,489,586
At 31 March 2008	106,841	8,489,586

Deferred tax is analysed as follows:

	Group 2008 Amt. in £	Group 2008 Amt. equi. in Rs. £
Capital allowances	106,841	8,489,586



MARKSANS PHARMA U.K. LIMITED

16 PROVISIONS

	Group	Group
	Amt. in £	Amt. equi. in Rs.
On acquisition of subsidiary company	59,060	4,692,908
At 31 March 2008	59,060	4,692,908

17 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	Amt. in £	No	Amt. in £
Ordinary shares of £1 each	1,000	1,000	1,000
	1,000	1,000	1,000

18 RESERVES

	Group	Group	Company	Company
	Amt. in £	Amt. equi. in Rs.	Amt. in £	Amt. equi. in Rs.
Profit and loss account				
Profit / (loss) for the period	3,763	293,706	(53,991)	(4,287,425)
At 31 March 2008	3,763	293,706	(53,991)	(4,287,425)

19 SHAREHOLDERS FUNDS

	Group	Group	Company	Company
	Amt. in £	Amt. equi. in Rs.	Amt. in £	Amt. equi. in Rs.
Opening shareholders funds	1,000	84,840	1,000	80,540
Profit / (loss) for the period	3,763	293,706	(53,991)	(4,287,425)
Shareholders' funds / (deficit) at 31 March 2008	4,763	378,546	(52,991)	(4,206,885)

20 GROSS CASH FLOWS

	2008	2008
	Amt. in £	Amt. equi. in Rs.
Returns on investments and servicing of finance		
Interest paid	(2,058)	(162,603)
Interest received	12,591	994,815
	10,533	832,212
Acquisitions		
Purchase of subsidiary undertakings	(11,232,424)	(892,528,411)
Cash acquired on acquisition	1,489,882	118,386,024
	(9,742,542)	(774,142,387)
Financing		
New secured loans	5,000,000	397,300,000
New unsecured loans	6,241,716	495,966,753
	11,241,716	893,266,753

21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 June 2007	Cash flows	Other Changes	At 31 March 2008	At 31 March 2008
	Amt. in £	Amt. in £	Amt. in £	Amt. in £	Amt. equi. in Rs.
Cash at bank and in hand	1,000	2,273,281	-	2,274,281	180,714,368
Loans and overdrafts	-	(404,423)	-	(404,423)	(32,135,452)
		1,868,858		1,869,858	148,578,917
Debt due within one year	-	-	(625,000)	(625,000)	(49,662,500)
Debt due after one year	-	(11,241,716)	625,000	(10,616,716)	(843,604,253)
Total	1,000	(9,372,858)	-	(9,371,858)	(744,687,837)

22 OTHER COMMITMENTS

Group

At the balance sheet date the Group had annual commitments under operating leases as follows:

	2008	At 31 March 2008
	Amt. in £	Amt. equi. in Rs.
Expiry date:		
Within 1 year	3,159	251,014
Between 2 and 5 years	35,247	2,800,727

23 PENSION COSTS

The Group maintains a money purchase scheme covering some of its employees which limits benefits to those which can be provided by the available assets. There is no liability on the company in excess of contributions paid. Details of contributions paid are in note 5.

24 RELATED PARTY TRANSACTIONS

There have been various transactions throughout the period with the extended group companies. However, as the Group will ultimately be included in the extended group consolidated accounts and those are publicly available, the company has taken advantage of the exception allowed by FRS8 not to disclose these transactions.

25 POST BALANCE SHEET EVENTS

On 27 August 2008 the company announced the acquisition of Relonchem Limited, a UK based generic pharmaceutical company.

26 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Marksans Pharma Limited, a company incorporated in India. Consolidated accounts are available from The Registrar of Companies, Everest IOO, Marine Drive, Mumbai – 400 002, Maharashtra. In the opinion of the directors Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

AUDITORS' REPORT

To the Board of Directors of
MARKSANS PHARMA LIMITED

We have audited the attached consolidated Balance Sheet of **MARKSANS PHARMA LIMITED** (the company) and its subsidiaries as at 31st March 2008 and the related Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. 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 component. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statement of a subsidiaries, Whose financial statement reflect total assets of Rs. 11025.25 Lacs As at 31st March 2008 and total revenues of Rs. 2109.80 For the year ended. These financial statements have been audited by other auditors whose reports have been furnished to us ,and our opinion ,insofar as it relates to the amounts included in respect of these subsidiaries ,is based on solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of AS-21 on consolidated financial statements issued by the Institute of Chartered Accountants of India.

On the basis of information and explanation given to us and on consideration of separate audit reports on individual audited financial statements of Marksans Pharma Ltd. and its aforesaid subsidiary, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of Consolidated Balance Sheet, of the state of affairs of Marksans Pharma Ltd. and its subsidiary as at 31st March, 2008; and
- b) In the case of Consolidated Profit and Loss Account, of the profit of Marksans Pharma Ltd. and its subsidiary for the year ended on that date.
- c) In the case of the Consolidated Cash Flow Statement, of the Cash Flow of Marksans Pharma Ltd. and its subsidiary for the year ended on that date.

FOR N.K.MITTAL & ASSOCIATES
Chartered Accountants

N.K.MITTAL
(Proprietor)
M.NO.46785

Place : Mumbai

Date : 2nd September 2008.



Consolidated Balance Sheet as on March 31, 2008

(Amount in Rs.)

Particulars	Sch. No.	As on 31.03.2008	As on 31.03.2007
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	494,405,630	494,405,630
Reserves & Surplus	2	924,079,209	769,841,382
Loan Funds			
Secured Loans	3	1,380,240,670	1,007,680,017
Unsecured Loans	4	1,998,500,000	2,179,500,000
Minority Interest		2,682,790	(434,100)
		4,799,908,300	4,450,992,929
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)			
Fixed Assets (Gross Block)	5	3,341,749,875	1,784,236,246
Less: Provision for Depreciation		638,465,501	386,120,755
Net block		2,703,284,374	1,398,115,491
Current Assets, Loans & Advances			
Inventories			
Inventories	6	1,394,326,826	1,239,348,681
Sundry Debtors	7	650,055,115	542,244,979
Loans & Advances	8	247,370,544	203,517,050
Cash & Bank Balances	9	615,881,030	1,586,903,713
Total (A)		2,907,633,515	3,572,014,422
Current Liabilities			
Current Liabilities & Provisions	10	713,232,260	453,158,148
Total (B)		713,232,260	453,158,148
Net Current Assets (A) - (B)		2,194,401,255	3,118,856,274
Deferred Tax Assets/(Liability) (Net)		(108,613,594)	(84,985,681)
Miscellaneous Expenditure	11	10,836,264	19,006,848
(To the extent not written off)			
		4,799,908,300	4,450,992,929
Notes to the Accounts	16		

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates

Chartered Accountants

Mark Saldanha

Chairman & Managing Director

N. K. Mittal

Proprietor

M. No.46785

V.Nagaraj

Whole Time Director

Hitesh KananiCompany Secretary
& Legal Manager

Place : Mumbai

Date : 2nd September 2008

Consolidated Profit & Loss Account for the Period ended as on March 31, 2008

(Amount in Rs.)

Particulars	Sch. No.	For the period ended	
		31.03.2008	31.03.2007
INCOME			
Sales		2,639,405,719	2,419,937,358
Other Income	12	65,353,656	105,169,263
		2,704,759,375	2,525,106,621
EXPENDITURE			
Cost of Sales	13	2,001,811,258	1,967,399,290
Administration, Selling & Distribution Expenses	14	315,780,990	295,505,069
Interest & Financial Charges	15	118,553,972	115,020,709
Depreciation	5	92,851,382	73,266,335
Exchange Loss/(Gain)		(37,788,399)	(27,779,851)
Loss on Sale of Fixed Assets		250,895	-
Miscellaneous Expenditure Written Off		8,170,583	8,407,815
		2,499,630,681	2,431,819,366
Profit Before Tax		205,128,694	93,287,255
Provision for Taxation			
- Current Year		27,482,735	12,000,000
- Earlier Years		3,472,778	(15,841,311)
- Deferred Tax		15,138,326	28,104,405
- FBT		1,848,756	2,094,090
Net Profit after Tax		157,186,098	66,930,071
Less:-Minority Interest		3,003,242	(931,709)
Balance Profit brought forward		492,059,959	424,198,179
Closing Balance Transferred to Balance Sheet		646,242,815	492,059,959
Notes to the Accounts	16		

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates

Chartered Accountants

Mark Saldanha

Chairman & Managing Director

N. K. Mittal

Proprietor

M. No.46785

V.Nagaraj

Whole Time Director

Hitesh KananiCompany Secretary
& Legal Manager

Place : Mumbai

Date : 2nd September 2008



Schedules Forming Part of the Consolidated Financial Statements as on March 31, 2008

(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 1 [SHARE CAPITAL]		
Authorised		
46,00,00,000 Equity Shares of Rs.1/- each	460,000,000	460,000,000
14,00,000 7% redeemable cumulative preference Shares - of Rs.100/- each	140,000,000	140,000,000
	600,000,000	600,000,000
Issued Subscribed and Paid-up.		
35,94,05,630 Equity Shares of Rs.1/- each	359,405,630	359,405,630
13,50,000 7% redeemable cumulative preference Shares - of Rs.100/- each	135,000,000	135,000,000
	494,405,630	494,405,630
Schedule - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	2,668,162	2,668,162
Share Premium	274,932,609	274,932,609
Exchange Fluctuation Reserve	113,123	58,155
Profit & Loss Account - Opening Balance	492,059,959	424,198,179
Add: Transferred During the Year	154,182,857	67,861,777
	924,079,209	769,841,381
Schedule - 3 [SECURED LOANS]		
Term Loan	778,889,676	558,672,829
Working Capital Facilities	597,915,656	444,366,798
Other Loans (Vehicle Loans)	3,435,338	4,640,390
	1,380,240,670	1,007,680,017
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	1,998,500,000	2,179,500,000
	1,998,500,000	2,179,500,000

Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block				Depreciation/Amortisation					Net Block	
	As on 31.03.2007	Additions/ Aquired	Sales/ Dedn.	As on 31.03.2008	Upto 31.03.2007	Depreciation Provided on Aquired assets	For the Year	Wr.Back	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
Land & building	375,647,653	477,692,978	-	853,340,631	50,018,286	-	15,700,879	-	65,719,165	787,621,466	325,629,367
Plant & Machinery	1,355,288,561	268,034,570	-	1,623,323,131	322,721,471	160,561,008	68,326,603	-	551,609,082	1,071,714,050	1,032,567,090
Computer & Software	9,305,547	16,462,471	1,498,186	24,269,832	4,881,948	-	2,082,652	1,498,186	5,466,414	18,803,418	4,423,599
Office Equipments	4,812,611	1,242,708	-	6,055,319	1,002,837	-	367,165	-	1,370,002	4,685,317	3,809,774
Furnitures & Fixtures	11,040,102	12,301,796	-	23,341,898	3,177,906	-	773,792	-	3,951,699	19,390,199	7,862,196
Vehicles	15,317,074	4,174,857	768,211	18,723,720	4,318,306	708,545	1,623,041	277,316	6,372,576	12,351,144	10,998,768
Intangible Assets											
Goodwill	12,796,914	377,961,652	-	390,758,566	-	-	3,966,325	-	3,966,325	386,792,241	12,796,914
Formation Expenses	27,784	-	-	27,784	-	-	10,239	-	10,239	17,545	27,784
Internally Generated *	-	401,908,994	-	401,908,994	-	-	-	-	-	401,908,994	-
DMF/ANDA and Others											
Total	1,784,236,246	1,559,780,026	2,266,397	3,341,749,875	386,120,755	161,269,553	92,850,696	1,775,502	638,465,501	2,703,284,374	1,398,115,491
Previous Year	1,562,376,609	227,448,111	5,588,475	1,784,236,246	313,718,134	-	73,266,335	863,715	386,120,755	1,398,115,491	1,248,658,474

(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 6 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	235,860,765	322,554,572
Work - in - Process	60,129,958	67,780,979
Finished Goods	1,098,336,104	849,013,129
	1,394,326,826	1,239,348,681
Schedule - 7 [SUNDRY DEBTORS]		
Debtors (Unsecured and Considered good)		
Outstanding for over six month	59,583,871	45,937,651
Others	590,471,244	496,307,328
	650,055,115	542,244,979
Schedule - 8 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances (recoverable in cash or kind or value to be received)	145,302,884	104,460,971
Balances with Excise Authorities	51,111,024	45,886,201
Deposits	50,956,636	53,169,878
	247,370,544	203,517,050
Schedule - 9 [CASH AND BANK BALANCES]		
Cash in Hand	567,891	797,914
Balance with Scheduled Banks in Current Account	613,244,612	28,306,134
Deposits with Banks	2,068,527	1,557,799,665
	615,881,030	1,586,903,713
Schedule - 10 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	686,357,961	446,055,055
Unclaimed Dividend	103,093	103,093
Provision for Taxation	26,771,206	7,000,000
	713,232,260	453,158,148



(Amount in Rs.)

Particulars	As on 31.03.2008	As on 31.03.2007
Schedule - 11 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	835,446	1,281,657
Product launch, Investigation and Registration Expenses	10,000,818	17,725,189
	10,836,264	19,006,846
Schedule - 12 [OTHER INCOME]		
DEPB Income	3,757,521	4,544,245
Other Income	61,596,135	100,625,018
	65,353,656	105,169,263
Schedule - 13 [COST OF SALES]		
Purchase	1,385,277,218	1,318,836,290
(Increase)/Decrease in Inventories	(170,796,451)	(408,811,114)
Net Raw Material Consumption	493,052,357	721,635,057
Water Charges	2,536,145	2,545,427
Power & Fuel	68,359,430	91,430,524
Excise Duty Paid	65,173,097	102,814,498
Freight Inward & Raw Material Clearing Charges	21,646,325	20,542,803
Salaries, Wages, Allowances & Staff Welfare	105,023,563	73,434,301
Repairs & Maintenance of Production Facility (plant)	17,590,947	18,568,774
Other Manufacturing Expenses	13,948,628	26,402,728
	2,001,811,258	1,967,399,290
Schedule - 14 [ADMIN., SELLING & DISTRIBUTION]		
Rent , Rates & Taxes	14,743,352	12,374,346
Salaries & Allowances	72,198,652	61,261,387
Staff Welfare	1,646,878	1,237,356
Directors' Remmuration	5,126,170	3,750,686
Travelling Expenses	11,903,550	10,583,203
Communication Expenses	3,909,352	3,625,650
Courier & Postage Expenses	1,518,775	1,206,991
Printing & Stationery	5,577,213	5,338,230
Repairs & Maintenance (others)	2,278,453	1,503,165
Audit Fees	961,232	333,090
Vehicle Expenses & Local Conveyance	6,585,680	7,072,749
Legal & Professional Fees	7,584,879	14,210,109
Office Expenses	3,235,169	2,909,550
Insurance Charges	4,917,468	3,139,850
Other Operating Expenses	7,246,683	4,677,592
Freight outward & Export Clg. Exps	44,764,411	33,421,212
Selling & Distribution Expenses	119,187,931	74,676,393
Research and Development Expenses	2,395,142	54,183,510
	315,780,990	295,505,069
Schedule - 15 [INTEREST & FINANCIAL CHARGES]		
Interst on Term Loans	53,210,249	49,917,910
Interest on Working Capital,Other Interest & Bank charges	65,343,724	65,102,799
	118,553,972	115,020,709

16) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008

(1) PRINCIPAL OF CONSOLIDATION

- a. The consolidated financial statements of Group have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b. The Consolidated financial statement envisages combining of financial statement of Marksans Pharma Limited and its following subsidiary

Name of Subsidiary	Country of Incorporation	Percentage of Ownership
Nova Pharmaceuticals Australasia Pty Ltd	Australia	60%
Marksans Pharma (UK) Limited	UK	100%

- c. Assets and Liabilities of foreign subsidiary are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet Date
Revenues and expenses are translated into Indian Indian rupees at average exchange rates prevailing during the year and the resulting net transaction adjustment has been adjusted to reserve.
- d. The difference between the cost to the company of its investment in the subsidiary companies over the Company's portion of equity is recognised in the financial statements as Goodwill or Capital Reserve.

(2) ACQUISITION :

During the financial year under review the Company has acquired 100% of the share capital of Hale Group Limited (Now known as Marksans Holding Limited), the parent company of Bell, Sons & Co (Druggists) Limited ("Bell"). This acquisition was made through Companies United Kingdom based 100 % subsidiary Company M/s. Marksans Pharma (U.K.) Limited.

The above acquisition was completed on 18th January 2008, the consolidated financial results as at 31st March 2008 includes financials of Hale Group Limited from 18th January 2008 to 31st March 2008 only, to that extant the corresponding year ended figures are not comparable.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Standards

The Accounts have been prepared to comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) Basis of Accounting

The financial are prepared under the Historical cost convention on an accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountant of India referred to in Section 211(3C) of the Companies Act, 1956.

(c) Fixed Assets

1. Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition as reduced by CENVAT credit and Input VAT.

2. Intangibles:

- **Internally Generated Intangible assets- DMF/COS & ANDA/Market Authorisations :**

DMF/COS & ANDA/Market Authorisation costs represent expenses incurred on development of process and compliance with regulatory procedures of the US FDA in filing Drug Master Files ("DMF") & Abbreviated New Drug Applications ("ANDA") and MHRA/EDQM procedure for Market Authorisation/COS. in respect of products for which commercial value has been established by virtue of third party agreements /arrangements. This is in accordance with the requirements of Accounting Standard 26 of the Institute of Chartered Accountants of India.

The Cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs as applicable as per terms of agreement or over a period of ten years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.

- **Product Development Costs:**

Product Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit from the related project, not exceeding ten years.

(d) Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule



XIV to the Companies Act, 1956 read with the relevant circulars issued by the Department of Company Affairs from time to time. Leasehold land is not amortise.

Amortisation on goodwill arising on consolidation is provided straight line basis @ 5%

(e) Impairment of Assets

The company identifies impairable assets at the year end in terms of cash generating unit concept based on para-5 to 13 of AS-28 issued by ICAI for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.

(f) Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including financing costs prior to commencement of commercial production is capitalized. All pre-operative and trial run expenditure accumulated as Capital Work in Progress is allocated on a pro- rata basis depending on the prime cost of the assets.

(g) Inventories

Inventories are valued at the lower of cost (net of CENVAT Credit and Input VAT) or Net Realisable Value as under:

Raw materials, Packing Material and Stores – At Weighted Average Cost on FIFO basis.

Work in Process - At Cost (Direct Cost plus Conversion Cost) upto estimated stage of completion.

By-Products - At Net Realisable Value.

Finished Goods - At Cost (Direct cost plus Conversion Cost and Excise Duty) or Net Realisable Value, whichever is lower.

(h) Customs / Excise duty

Excise Duty on Finished goods and Custom Duty on imported materials are accounted on production of packed finished goods / receipt of material in Customs bonded warehouses. All the closing stock of finished goods lying at Goa factory is for export, hence Provision for Excise duty does not arise.

(i) Foreign Currency Transaction

Purchase of imported raw materials, capital goods and components are accounted based on presentation memos from bank on the date of the transaction. In respect of liabilities on imports of raw materials, capital goods and components for which invoices / bills are not received, the liability is accounted based on the exchange rates prevailing on the date of the balance sheet.

Export Sales of finished goods are accounted on the basis of export invoices on the invoice date. In respect of the unrealised exports, the receivables are accounted based on the exchange rates prevailing on the date of the balance sheet.

(j) Miscellaneous Expenditure

Expenditure on launch of new products and their sales promotion and expenditure for registration and for obtaining regulatory approvals for products for overseas market are being amortised over a period of 60 months.

(k) Research and Development

Capital expenditure on research and development is capitalized as fixed assets. Other expenditure on R&D is expensed as incurred.

(l) Investments

Long Term Investments are stated at cost.

(m) Gratuity

Gratuity is accounted on accrual basis

(n) Revenue Recognition

The company recognizes sale of goods on the invoice date. Sales comprise of amounts invoiced for goods sold, including excise duty but net of returns and trade discounts.

Dividend Income is accounted when right to receive dividend is established.

(o) Income Tax

Current Year:

Provision for Current tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

Deferred Tax:

Deferred Income taxes are recognized for the future tax consequence attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities because of a change in tax rates is recognized in the Statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Fringe Benefit Tax:

Provision for Fringe Benefit Tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

(4) CONTINGENT LIABILITIES

	(Rs.In Lacs)	
	31st March, 2008	31st March, 2007
(a) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	350.26	1708.62
(b) Disputed Taxes/Dues	NIL	Nil

(5) AUDITORS REMUNERATION

	(Rs.In Lacs)	
	31st March, 2008	31st March, 2007
Audit Fees	9.61	3.33
Other Services	1.34	5.12

(6) DIRECTORS' REMUNERATION

	(Rs.In Lacs)	
	31st March, 2008	31st March, 2007
(a) Managing Director	19.39	19.39
(b) Other Directors' Remuneration Salaries and Allowances	31.87	18.72
(c) Directors' Sitting Fees	Nil	0.08
	51.26	38.72

(7) Security for Loans in Schedule 3 :

- 1] Term Loans: Secured by Mortgage on pari-passu charge basis of the Company's all Immovable assets, present and future, situated at L-82,L-83 Verna(Goa), Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of Plant and machinery situated at the Company's all three Manufacturing facilities.
 - 2] Cash Credit from Banks: Secured against hypothecation of Current assets viz; stock of raw material, packing material, work in progress, receivables.
 - 3] Vehicle Loans: Secured by Hypothecation of respective vehicle.
 - 4] Term loan of £ 5 million taken under Marksans Pharma UK limited, the loan is secured by corporate guarantee provided by the parent company and a pledge of shares of Marksans holding limited
- (8) Figures of the previous year have been regrouped and re-arranged wherever necessary, so as to make them comparable with the current year's figures.
Signatures to Schedule No. 1 to 16

N.K. MITTAL & ASSOCIATES
Chartered Accountants

N.K. MITTAL
Proprietor
M. NO.46785

Place : Mumbai
Date : 2nd September 2008

FOR AND ON BEHALF OF THE BOARD

MARK SALDANHA
Chairman & Managing Director

V. NAGARAJ
Whole time Director

HITESH KANANI
Company Secretary &
Legal Manager



STATEMENT OF CONSOLIDATED CASH FLOW FOR THE PERIOD ENDED AS ON MARCH 31, 2008

(Amount in Rs.)

Particulars	For the period ended as on	
	31.03.2008	31.03.2007
A. Cash Flows Provided by /(used in) Operating Activities		
Profit After Tax	154,182,857	67,861,778
Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
Depreciation	92,851,382	73,266,335
Preliminary & Deferred Revenue Expenses Written off	8,170,583	8,407,815
Exchange Fluctuation Reserve	54,968	58,155
Loss on sale of Fixed Assets	250,895	-
Interest Expenses on term loans	53,210,249	49,917,910
Interest Receipt	(57,354,526)	(95,468,974)
Operating Profit before working capital changes	251,366,407	104,043,019
(Increase)/Decrease in Current Assets, Loans & advances		
Inventories	(154,978,146)	(450,273,485)
Trade and other receivables	(107,810,136)	(35,278,988)
Loans & Advances	(43,853,494)	(74,072,142)
Deferred Tax Assets	23,627,913	28,104,404
Deferred Revenue Expenses	-	(8,411,854)
Minority Interest	3,116,890	(434,100)
Increase/(Decrease) in current Liabilities and provisions	260,074,112	75,730,054
Net cash used in operating activities	231,543,545	(360,593,090)
B. Cash Flows provided by (used in) Investing Activities:		
Purchase of Fixed Assets	(1,398,271,158)	(222,723,349)
Investment	-	50,000
Interest Receipt	57,354,526	95,468,974
Net Cash used in Investing Activities	(1,340,916,632)	(127,204,375)
C. Cash Flows provided by (used in) Financing Activities:		
Increase in Equity Share Capital	-	-
Increase in Share Premium	-	-
Proceeds/(Repayment) of Secured Loans	372,560,653	200,998,146
Proceeds/(Repayment) of Unsecured Loans	(181,000,000)	(52,450,000)
Interest Paid	(53,210,249)	(49,917,910)
Net cash provided by Financing Activities	138,350,404	98,630,236
Net Increase /(Decrease) in Cash and Bank Balances	(971,022,683)	(389,167,232)
Cash & Bank Balances as at 31.03.2007	1,586,903,713	1,976,070,945
Cash & Bank Balances as at 31.03.2008	615,881,030	1,586,903,713
	(971,022,683)	(389,167,232)

- Notes :**
- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India
 - The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

For and on Behalf of

N. K. Mittal & Associates
Chartered Accountants

N. K. MITTAL

Proprietor
M. No.46785

Place : Mumbai

Date: 2nd September 2008

For and on Behalf of the Board of Directors

MARK SALDANHA

Chairman & managing Director

V. NAGARAJ

Whole time Director

HITESH KANAANI

Company Secretary &
Legal Manager

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MARKSANS PHARMA LIMITED

Regd Office: 21st Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai – 400 053.

ATTENDANCE SLIP

Regd Folio No./ Client & D.P.I.D. _____

No. of Shares held _____

I hereby record my presence at the 16th Annual General Meeting of the Company to be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai – 400 053, on Monday, the 29th day of September 2008, at 11.00 a.m.

Members / Proxy Name

Members/ Proxy Signature

Note : Please sign this attendance slip and hand over at the entrance of the meeting hall.



MARKSANS PHARMA LIMITED

Regd Office: 21st Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai – 400 053.

PROXY FORM

Regd Folio No./ Client & D.P.I.D. _____

No. of Shares held _____

I/We _____

Of _____

(write full address)

Being a member/members of Marksans Pharma Limited hereby appoint _____

Of _____ or failing him _____

_____ of _____

As my / our proxy to attend and vote for me / us on my / our behalf at the 16th Annual General Meeting of the Company to be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai – 400 053, on Monday, the 29th day of September 2008, at 11.00 a.m.

Affix Re .1/-
Revenue
Stamp

Signature

Signed this _____ day of _____ 2008



Marksans Pharma Limited

w w w . m a r k s a n s p h a r m a . c o m