

Annual Report 2008-2009



Marksans Pharma Limited



Vision

To become a research driven pharmaceutical company globally

Mission

Health care in safe hands

About us

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



Going Global

Marksans Acquired

Hale group along with its subsidiary Bell, Sons & Co. (Druggist) Ltd. of UK.

Relonchem Ltd. of UK.

Nova Pharmaceuticals Australasia Pty Ltd. of Australia.



Bell, Sons & Co. (Druggist) Ltd.

A well established manufacturer of broad range of OTC pharmaceuticals having full approval of UKMHRA.

The state of the art factory is in Southport that is 20 miles north of Liverpool.

Has its roots in the North West of England for over 162 years.

It manufactures OTC medicines for majority of major UK retailers such as TESCO, ASDA, MORRISONS, COOP, BOOTS, SUPERDRUG.

It also supplies to major pharmaceutical companies such as ALLIANCE-UNICHEM, Lloyds, AAH and NUMARK.

Has its traditional well known Branded products such as KILKOF, in addition to its popular range of cough remedies.

Has been in the export market for more than 80 years now. Its products are well recognized and respected in the overseas markets.

Has distributors in over 20 countries in Europe, Africa, Asia and the Caribbean.



Relonchem

Founded in 2002 and has rapidly grown into a broad based generic pharmaceutical company.

Supplies and distributes branded and generic pharmaceutical products in the UK and abroad.

Has over 60 MA's that can be made valid pan Europe.

Has a spacious warehouse in Dartford. Kent.

Nova Pharmaceuticals Australasia

A research driven Pharmaceutical Company focussing on pain management, Gastroenterology, Anti-Diabetic, Cardio Vascular segments.

It has become one of the leading supplier of Generic Products in Australia and is rapidly expanding into key therapeutic classes .

Has its headquarters in Sydney, Australia from where it conducts Australasian operations covering all Australian states & territories and New Zealand. Actively pursuing in licensing opportunities for these markets which can be supported by its experienced commercial and regulatory team. Its marketing team and flexible field force are ready to deliver results in this well established market.

Directors

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

Company Secretary & Legal Manager

Mr. Harshavardhan Panigrahi

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
Lakshmi Vilas Bank Limited

Share Transfer Agent

Big Share Services Pvt. Ltd.,
E-2/3, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (East), Mumbai - 400 072.

Registered Office

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

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, PR9 9AL

17th Annual General Meeting

Day & Date : Friday, 25th September, 2009
Time : 10.30 a.m.
Venue : GMS Community Centre Hall,
Sitaladevi Complex,
1st Floor, D.N. Nagar, Link Rd.,
Andheri (W), Mumbai - 400 053

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NOTICE

To the Members of Marksans Pharma Limited,

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Marksans Pharma Limited will be held on Friday the 25th day of September, 2009 at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053, at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009, the Profit and Loss Account for the period ended on that date and the Report of the Directors and the Auditors thereon.
2. 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

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

“RESOLVED THAT pursuant to the provisions of Section 256(4)(a) and other applicable provisions of the Companies Act, 1956, the vacancy in the office of Director caused due to the retirement of Dr. Kim Tan will not be filled up for the time being.”

By order of the Board of Directors

Harshavardhan Panigrahi
Company Secretary and Legal Manager

Mumbai, 31st July, 2009

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 Statement 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 Monday 21st September, 2009 and will remain closed till Friday 25th September, 2009 (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's 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) Trading in the Company's shares through Stock Exchange is permitted only in dematerialized /electronic form. The equity shares of the Company have been inducted in both National Securities Depository Limited and Central Depository Services (India) Limited to enable shareholders to hold and trade the securities in dematerialized /electronic form. In view of the numerous advantages offered by the Depository System, members holding shares of the Company in physical form are requested to avail of the facility of dematerialization.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 3

In terms of Article of Association of the Company, Dr. Kim Tan, Director of the Company will be retiring by rotation in the forthcoming Annual General Meeting. He has expressed not to seek re-appointment due to his pre occupations. The Board proposes not to fill up the said vacancy for the time being. The specific resolution in this item of the Notice is being proposed to be passed pursuant to Section 256(4)(a) of the Companies Act, 1956. The Board, therefore, recommends the approval of the resolution by the Shareholders.

None of the Directors of the Company are in any way concerned or interested in the resolution.

By order of the Board of Directors

Harshavardhan Panigrahi
Company Secretary and Legal Manager

Mumbai, 31st July, 2009

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

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 17th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	2008-09	2007-08
Turnover	20356.11	24298.35
Profit Before Depreciation, Taxation & non recurring items	1212.04	2786.72
Less: Depreciation	972.97	859.44
Provision for Taxation	66.01	283.21
Non Recurring Items	-	-
Deferred Tax	123.57	151.38
Net Profit for the year	49.49	1492.69
Add: Profit & Loss A/c. Balance at the beginning of the year	6427.26	4934.57
Balance Carried to Balance Sheet	6476.75	6427.26

OPERATIONS:

During the year ended 31.03.2009, total turnover achieved by the Company was Rs. 20356.11 Lacs as compared to previous year of Rs 24298.35 Lacs, i.e., a decline of Rs. 3942.24 Lacs and net profit for the year has also come down to Rs. 49.49 Lacs as compared to previous year of Rs. 1492.69 Lacs. This is mainly due to fluctuating foreign exchange rates, global recession, increased raw material prices and competition.

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, your company has continuously sharpen its focus on R & D, which is the need of the hour and will continue to commit funds to strengthen the R & D capabilities. In fact, one of your company's 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. Your company will continue to invest in R & D to keep pace with the changing domestic and global scenario. During the year, your company continued product development and dossier filing in US, Europe and other emerging markets. Drug discovery and new chemical entity development projects needs huge amount of funding. Due to insufficient profits and recessionary market conditions, your company has stopped funding all Drug Discovery and NCF research projects.

INTERNAL CONTROL SYSTEMS:

The Company has in place adequate system of internal control and management information systems which covers all financial and operating functions. These systems are designed in a manner which provide 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 Company's tangible and intangible assets and compliance with policies, applicable laws, rules and regulations.

INFORMATION TECHNOLOGY:

Your company continues to make required investments in the Information Technology area to cope up with growing information needs necessary to manage operations efficiently.

HEALTH, SAFETY & ENVIRONMENT:

Your company is committed to ensure sound Safety, Health and Environment performance related to its activities, products and services. The Company is committed to strengthen pollution prevention and waste management practices in order 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 is not recommending any dividend for the financial year ended 31st March, 2009.

FIXED DEPOSITS:

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

DIRECTORS RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217(AA) of the Companies Act, 1956 your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed except AS – 11 (Effects of changes in foreign exchange rates) with proper disclosure made in Note (3) of the Notes forming part of the Accounts for the year ended 31st March, 2009;
- appropriate accounting policies have been selected and applied consistently and judgments 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, 2009 and the Profit and Loss Account for the period ended 31st March, 2009;
- 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 under review. From the Consolidated Profit and Loss Account, it may be observed that the turnover stands at Rs. 36013 Lacs and net loss after tax stands at Rs. 795 Lacs. This is mainly on account of payments related to acquisition



of a company in Europe, foreign exchange fluctuation and amortization of goodwill on acquisition.

ACQUISITIONS

During the year under review, your company has acquired 100% share capital of Relonchem Limited, one of the UK's leading generic pharma company. This acquisition will help your company to make deep and immediate inroads in the high growth regulated UK generic licensing market of wholesalers, retailers and hospitals.

SUBSIDIARIES:

Nova Pharmaceuticals Australasia Pty Ltd (your company holds 60% of the share capital) which operates mainly in Australia, is doing well. This Company achieved a turnover of Australian \$ 3806240 in 2008-09 as compared to Australian \$ 2096974 in 2007-08. The operating profit after tax was Australian \$ 286574 in 2008-09 as compared to Australian \$ 214456 in 2007-08.

Performance of Bell, Sons & Co. (Druggists) Limited and Relonchem Limited (wholly owned subsidiaries of Marksans Pharma (UK) Limited), which operate in the European market, are satisfactory considering the adverse economic scenario in that market.

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.

US FDA APPROVAL

Your company has obtained US FDA approval for an Abbreviated New Drug Application (ANDA) for generic Ibuprofen Capsules (Liquid Filled) 200mg. It is bioequivalent to a brand name drug product Advil Liqui-Gels 200mg of Wyeth Consumer Healthcare in dosage form, safety, strength, route of administration, quality, performance characteristics and intended use. Your company has commenced manufacturing of the same at its US FDA approved state-of-the-art solid dosage facility located at Goa.

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 for the year ended 31st March, 2009 is given here under :

Name	Designation	Age	Gross Remuneration	Qualification	Experience	Date of Appointment	Last Employment & Designation
Mr.Anurag Pathak *	Associate Director - Golbal Exports	37	2323208	PGDBM - Mktg	13	9/8/2008	Pan India Network Infravest Pvt.Ltd. / Vice President - Sales
Dr.Desai Balwant Shankarrao	Director - Quality & Regulatory Affairs	45	3116832	Ph.D.	21	3/7/2006	Alembic Ltd / Vice President - Quality & Regulatory Affairs
Dr.P B Deshpande **	Director - API	54	525007	Ph.D	26	18/06/2007	Alembic Ltd / Sr.Vice President (R & D)

Notes:

* Mr. Anurag Pathak employed for part of the year i.e. from 9th August, 2008 to 31st March, 2009.

** Dr. P. B. Deshpande employed for part of the year i.e. from 1st April, 2008 to 30th April, 2008.

DIRECTORS:

Dr. Kim Tan, Director of the Company will retire by rotation at the ensuing Annual General Meeting and has expressed his willingness not to seek re-appointment. The vacancy caused by his retirement will not be filled for the time being. As such there is no proposal for appointment/re-appointment of any Director in the ensuing Annual General Meeting.

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 their 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 accounts relating to Bulk Drugs and Formulations for the year ending 31st March, 2010.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS:

The guiding principle of HR Policy at Marksans is that the "Intellectual Capital" and dedication of employees will help the Company emerge as a successful player in this highly competitive scenario.

The recruitment procedure ensures that people with talent and the right skill sets are selected. Nurturing of talent and a Performance Management System (PMS) is in place to ensure that the coordinated efforts of our people lead to achievement of the business goals of the Company.

Empowerment and a motivational package ensure that employees keep performing at peak levels. The HR Policy is directed towards creating "Ownership of Goals" at levels and synchronizing the efforts of all employees to achieve the Company's quality and business goals.

Development of skills through mentoring and training by our seasoned professionals ensures that the talent pool keeps expanding. The Leadership Role played by our senior professionals helps to keep the next rung of leadership ready to take up the challenges thrown up by the global market.

Your management helps the process of decision making by decentralizing and empowering professionals to execute tasks in a speedy manner. The management fosters information sharing and free exchange of ideas. Above all, the sense of ownership and empowerment to take decisions

helps the Company to adapt and be ahead of the competition in this rapidly changing global environment.

The industrial relations at all the plant sites of your company is cordial.

As on 31st March, 2009 the Company's permanent employees strength was 442.

APPRECIATION:

Your 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.

Your directors also appreciate the valuable co-operation and continued support extended by Company's Bankers, Medical Professionals, 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, 29th June, 2009

Registered office:

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



ANNEXURE TO THE REPORT OF THE BOARD 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, 2009.

A. CONSERVATION OF ENERGY

a. Energy Conservation measures taken:

The Company continues 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.

- a) Changed over to Agro Waste Fired boilers.
- b) Scheduled production to avoid usage of diesel during "Weekly Power Shutdown".
- c) Optimisation in use of cooling water pumps.
- d) Use of energy efficient pumps and motors.
- e) Chemical dosing of cooling/chilling water system.
- f) Cold Insulation ducting and HVAC system was checked and sections redone.
- g) Installed energy efficient motors for chilling plant compressors.
- h) 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:

	Particulars	2008-09	2007-08
1	Electricity		
	(a) Purchases		
	Units (in'000 kwhs)	5777.30	7579.17
	Total Amount (Rs. In '000)	23288.39	30781.24
	Rate/ Unit (Rs.)	4.03	4.06
	(b) Own Generation		

	Particulars	2008-09	2007-08
	(i) Through Diesel Generation		
	Units (in'000 kwhrs)	301.17	136.07
	Units per Ltr of Diesel Oil	2.96	2.96
	Cost/ Unit (Rs.)	12.19	11.20
	(ii) Through Steam		
	Turbine/ Generator	Nil	Nil
2	Coal	Nil	Nil
3	Furnace Oil		
	Qty (units in'000 K.Ltrs)	887.07	2225.67
	Total Amount (Rs.in'000)	23953.50	46118.53
	Average Rate (Rs./K/Ltr)	27.00	20.72
4	Light Diesel Oil		
	Units (K.Ltrs)	Nil	32.3
	Total Amount (Rs.in'000)	Nil	870
	Average Rate (Rs./K.Ltr)	Nil	26.93
5	Other Internal Generation	Nil	Nil

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

- (1) 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.

- (2) Benefits derived as a result of above R & D

Increase in number of products exported to US, Europe and other regulated markets.

- (3) Future plan in action

Development of new and innovative products will lead to evolution of robust pipeline of products and comprehensive range of generics leading to Abbreviated New Drug Applications.

- (4) Expenditure on R&D

The Company continues to benefit from the extensive Research and Development (R&D) activity carried on. During the year, your company has incurred major expenses of R & D nature for new products development and ANDA/DMF/COS filing for regulated and emerging markets, that has been capitalized as intangible assets. The total amount capitalized during the year as intangible assets is Rs. 7516.48 Lacs.

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

(Rs. In lacs)

(a) Capital	Nil
(b) Recurring	5.59
(c) Total	5.59
(d) Total R & D as a percentage of total turnover	0.03 %

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.

Bio Fuel being substantially cheaper to Furnace Oil, 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

The Company used foreign exchange amounting to Rs. 2130.35 Lacs and earned foreign exchange amounting to Rs. 4787.80 Lacs during the Financial Year 2008-09 as compared to previous year of Rs. 2960.43 Lacs and Rs. 5308.69 Lacs respectively.



MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Global Pharmaceutical Market

The year 2008-09 was a very challenging year for the world economy due to slowdown across all the sectors. This slowdown is expected to continue in the current fiscal also. The global pharmaceutical market is expected to grow at a compounded annual growth rate of 6% over the next five years.

The US market slowed down to 1% to 2% in 2008. This will further decline in 2009. This is mainly on account of i) less than expected demand, ii) economic climate, iii) Govt. policy on drug pricing, iv) high level of generic penetration in key therapeutic area.

The Europe market grew at 5% to 6% in 2008 and is expected to grow at 3% to 4% in 2009.

China and India, which are proving to be the emerging market in the pharma sector in the world, grew at more than 12% in 2008 and are expected to grow at 13% to 16% in the year 2009. Rapidly growing economies, increasing population, greater inclination and higher disposable income to spend on healthcare are the main driving forces in these markets.

Indian Pharmaceutical Market

Due to global slowdown across all the sectors, Indian economy is witnessing the lowest growth since the last couple of years. Considering global slowdown, increasing tough approval norms, stiff generic competition, volatile foreign exchange rates and steep rise in interest burden, performance of the Indian pharmaceutical sector at operational level is satisfactory in 2008-09. Indian generic drug manufacturers have also played a vital role in the expansion of the pharma sector, organically and inorganically, thereby increasing their market presence across regulated and semi regulated markets. However, the Indian pharma market is pegged to grow to USD 20 Billion, the tenth largest globally by 2015. The major driving forces will be the followings :

1. Competitive workforce.
2. Low manufacturing cost.
3. Rapidly expanding domestic and global market with aggressive entry into highly regulated market.
4. Increasing expenditure on healthcare.
5. Rising disposable income.
6. Growing penetration of health insurance.
7. Increasing outsourcing for Contract Research and Manufacturing (CRAM) and R & D activities.
8. Billions of US\$ worth of drugs going off patent each year in US paving way to the vast US market for the Indian players.

DIVISION WISE PERFORMANCE

(1) Active Pharmaceuticals Ingredients (API) Division

The API segment continued facing severe pricing pressure. Export sales is causing concern due to sluggish demand and foreign exchange fluctuation thereby impacting the export sales realization. On the other side, raw material price continued to move upwards.

(2) Domestic Formulation Business

- (i) Criticare and Cerebella Divisions : These are the specialty divisions marketing anti cancer drugs, high end antibiotics, biotech research products and drugs meant for lifestyle diseases and psychiatric therapy. The Company is focusing more on these divisions. These divisions are performing well and are expected to grow in the years to come.

In these divisions, two brands of the Company are doing very well in the market. EPIGROF, a research product developed in collaboration with CIGB, Cuba. This is a bio technological product for topical application introduced first time in India for burn wounds. There is tremendous scope for this brand and the focus is to make this a mega brand. The other one is MARKPARIN (Enoxaparin Sodium) used in cardiac ailments. This brand has been approved for purchase in many leading medical institutions in India including Army, Railway and major corporate hospitals. Marksans is the only supplier of this product to Army.

Marksans has created a niche for itself in oncology segment by introducing a basket of anti cancer products. We are also likely to further expand the basket.

- (ii) Zenmark and Mark Remedies Divisions : Due to high cost of operation, high inventory built up, cut throat competition

and low sales realization, these divisions started incurring losses. In order to get rid of high cost of operation and losses, the management as a strategic measure and to focus more on specialty divisions, has restructured the business model for domestic formulation business and has entered into Franchise Agreement with M/s Elixir Life Care Private Limited for its Zenmark Division. During the year the Company has also entered into an Agreement with M/s Veekay Pharma Limited leasing out the brands of Mark Remedies Division. The Company will receive royalty on sales from both these arrangements.

(3) International Formulation

The Company's vision is to be one of the most respected, profitable and integrated pharma company in the world which can match international standards on all counts. To envision this vision, the Company built up a state-of-the-art manufacturing facility at Goa spreading over 18000 sq. meters which is approved by US FDA, UK MHRA, Australian TGA and Brazilian ANVISA and many other regulatory authorities.

Main focus market for the Company is US, UK, Australia, New Zealand, Germany and other European markets. It is also eyeing to tap huge Russian and CIS markets and has started dossier filling in these countries. With the approval of prestigious US FDA and UK MHRA, the Company has actively started exporting formulation products to US and UK and has tied up with renowned players in US and UK for supply of OTC as well as prescription products. About 70% of export turnover is from UK. Besides, acquisition of Bell, Sons & Co. (Druggists) Limited and Relonchem Limited has given more muscle to the Company in UK market.

The Company has already registered 5 products in the Australian markets and is also applying for registration of drugs which are shortly going off patent in Australia. Australia and New Zealand markets are the second highest revenue earner for exports after UK.

The Company is also expanding its business in the rest of the European markets through CRAMS and active products registration. The Company has a strong back up in terms of its formulation development and R & D team aligning itself to aggressive market strategies. New product development for the European and US markets are Metformin XR, Dutasteride, Isotretinoin, Paricullitol, whose patents are nearing expiry and show good market potential in terms of value and volume.

Recently acquired Bell, Sons & Co (Druggists) Limited's products are being introduced to bigger market in South East Asia and Africa.

The British Pound was one of the worst performing currencies in 2008. It fell to a 6 year low against the USD and record low against the Euro in addition to selling off against every other G10 currency. Although the UK economy still faces many risks in 2009, there is hope. If the global economy begins to recover, we expect the UK economy to outperform its peers.

Due to the condition of the Pound, Marksans exports, which are majority to the UK, were affected during the period of December 2008-May 2009. With most of the major raw materials being procured in USD, this has a definite impact on the margins of products.

The Company started its business in the semi regulated markets in the year 2008 and filed more than 250 registrations across all semi regulated markets. It has already got 45 products registered and 205 are awaiting registration in countries like Cambodia, Philippines, Vietnam, Sri Lanka, Kenya, Tanzania, Ukraine, Russia, Hongkong and Nigeria. Further, statutory compliances are in process for entering in other countries.

OPERATIONAL REVIEW

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

During the year under review, though the consolidated turnover of the Company has increased to Rs. 3601.31 Million from Rs. 2639.40 Million last year, it registered a consolidated loss before tax of Rs. 69.99 Million as compared to net profit before tax of Rs. 205.13 Million. This is mainly due to the sluggish demand scenario in the UK market, the global recession, high competition and highly fluctuating foreign exchange rates.

As regards the subsidiaries of the Company, Nova Pharmaceuticals Australasia Pty Ltd (the Company holds 60% of the share capital) which operates mainly in Australia, is doing well. This Company achieved a turnover of Australian \$ 3806240 in 2008-09 as compared to Australian \$ 2096974 in 2007-08. The operating profit after tax was Australian \$ 286574 in 2008-09 as compared to Australian \$ 214456 in 2007-08.

Bell, Sons & Co. (Druggists) Limited and Relonchem Limited, which operate in the European market, are doing satisfactorily considering the adverse economic scenario in that market.

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



Revenue

Turnover of the Company has reduced to Rs. 2035.61 Million in 2008-09 from Rs. 2429.84 Million in 2007-08 resulting a decrease by 16.22%.

Cost of Sales

On account of successful implementation of cost reduction policy of the Company, cost of sales reduced by 18% i.e. from Rs. 1859.22 Million in 2007-08 to Rs. 1524.40 Million in 2008-09.

Admin, Selling and Distribution Expenses

Admin, Selling and Operating Expenses reduced to Rs.242.66 Million in 2008-09 from Rs.273.77 Million in 2007-08, a reduction by 11.36% as a result of overall cost cutting policy of the Company.

Depreciation

The Provision for Depreciation was Rs. 97.30 Million in 2008-09 compared with Rs. 85.94 Million in 2007-08, an increase by 13.21% due to addition of assets.

Interest

The expenditure on account of interest was Rs.153.29 Million in 2008-09 compared with Rs. 112.22 Million in 2007-08 resulting an increase by 36.60 % due to increase in term loans.

Provision for Taxation

The Taxation charged for the financial year 2008-09 was Rs.2.71 Million compared with Rs.23.00 Million in 2007-08.

Provision for Deferred Taxation

A Provision for Deferred Tax of Rs.12.36 Million was made as per Accounting Standard 22 'Accounting for Taxes on Incomes' issued by the Institute of Chartered Accountants of India.

Reserves and Surplus

The Reserves & Surplus increased from Rs.920.44 Million to Rs. 1088.16 Million.

Secured Loans

Secured loans increased from Rs. 1032.60 Million in 2007-08 to Rs.1178.72 Million in 2008-09 due to increase in term loans during the year.

Fixed Assets

The Company's gross assets block increased from Rs.2520.88 Million for the year ended 31st March, 2008 to Rs. 3352.10 Million for the year ended 31st March, 2009 on account of purchase of new assets and towards development cost of new Intellectual properties.

Intangible Assets

The Company has created Intangible Assets of Rs.751.65 Million which represent expenses incurred on New product development and process & 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.

Inventory

Inventory has reduced from Rs.1237.06 Million in 2007-08 to Rs.983.32 Million in 2008-09.

Receivable

Receivables has decreased from Rs.557.11 Million in 2007-08 to Rs.508.16 Million in 2008-09 due to regular monitoring of collections.

Loans and Advances

Loans and advances reduced from Rs. 730.02 Million in 2007-08 to Rs.171.17 Million in 2008-09 due to recovery of deposits and advance paid to subsidiaries converted into investment.

Cash and Bank Balances

Cash and Bank balance decreased from Rs.431.99 Million to Rs.130.10 Million due to utilization of funds in capex activities and towards investment in the acquisitions.

Current Liabilities

Current liabilities and provisions decreased from Rs. 469.97 Million in 2007-08 to Rs.368.62 Million in 2008-09 due to decrease in creditors, other liabilities and provision for taxation.

Net Working Capital

The net working capital has reduced from Rs. 2486.22 Million to Rs. 1424.12 Million due to reduction in inventories, debtors, loans and advances and cash and bank balances.

OPPORTUNITIES

We see the following forces to provide ample opportunities for the Indian pharmaceutical sector.

1. In spite of overall economic slowdown, Indian pharmaceutical market is expected to grow at 13% to 16% in the coming years.
2. Rising disposable income level and increasing health awareness among the vast rural population will boost expenditure on healthcare.
3. Growing penetration of health insurance.
4. Many big global players are outsourcing Contract Research and Manufacturing services (CRAMS) in India.
5. Billions of US\$ worth of drugs going off patent each year in US opening the vast US market for the Indian pharmaceutical sectors.

THREATS, RISKS AND CONCERNS

Compared with other sectors, pharmaceutical sector works in a dynamic environment and are subject to the following threats, risks and concerns.

1. Lack of newer and better molecules availability.
2. High competition adversely affecting the margins.
3. High attrition rate.
4. Lack of talented and technical field staff.
5. Highly demanding customers.
6. Government action on price control.
7. Rising audit burdens, inspections and fitness regulations.
8. Global recession.
9. Foreign Exchange fluctuations
10. IPR issues
11. Too many players

OUTLOOK

Despite the aforesaid threats, risks and concerns, the Management looks forward to a satisfactory performance in the coming years in the light of the opportunities available with more focus on the formulation business which are expected to grow in the years to come.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

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.

**CORPORATE GOVERNANCE REPORT 2008-09****Company's Philosophy on Corporate 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 sharp focus and operationally efficient growth. The spirit of Corporate Governance has prevailed in the Company and has influenced its decisions and policies. The strong internal control system and procedures and codes of conduct for observance by the Company's directors and employees are conducive in achieving good corporate governance practices in the Company. The compliance report is prepared and given below in conformity with the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

Board of Directors

As on the date of this report, the total number of Directors on the Board is five. Out of five, three are non-executive and independent directors. During the financial year under review, 10 Board Meetings were held on the following dates : 30.04.2008, 31.07.2008, 11.08.2008, 02.09.2008, 23.09.2008, 31.10.2008, 19.01.2009, 31.01.2009, 13.03.2009 and 30.03.2009.

None of the Directors are members of more than 10 Committees of the Board nor are the Chairman of more than 5 Committees of the Board across all the companies 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	Executive/ Non-executive/ Independent/ Promoter	No. of Shares in the Company	No. of Board Meetings attended out of 10 held	No. of outside directorship in Public Limited Companies*	Membership held in Committee of Directors**	Chairmanship held in committee of Directors**	Whether attended last AGM
Mr. Mark Saldanha (Chairman & Managing Director)	Executive & Non-Independent	179582910	10	Nil	Nil	Nil	Yes
Mr. V. Nagaraj (Whole-time Director)	Executive & Non-Independent	Nil	10	Nil	Nil	Nil	Yes
Dr. Kim Tan	Non-executive & Independent	Nil	Nil#	Nil	Nil	Nil	No
Mr. Mahesh B. Parikh	Non-executive & Independent	Nil	7	1	Nil	Nil	Yes
Mr. Kumar Nair	Non-executive & Independent	Nil	6	3	4	Nil	No

* This excludes directorship held in private companies, foreign companies, companies formed under Section 25 of the Companies Act, 1956 and directorship held as an alternate director.

** Membership/Chairmanship in Committee of Directors include Audit Committees and Shareholder/Investors Grievance Committees only. This does not include membership/chairmanship in committee of Directors of Marksans Pharma Limited.

Dr. Kim Tan has participated in some of the meetings through telephone conferencing.

Audit Committee

The Audit Committee consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Mr. Kumar Nair and Mr. V. Nagaraj. The Managing Director, head of Finance along with statutory auditors were invited to the audit committee meetings. Company Secretary acts as the 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 292A 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 provisions 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 also oversees the performance of the Registrar and Share Transfer Agent and recommends measures to improve the level of investor services.

Number of complaints received during the year	:	3
Number of complaints resolved to the satisfaction of shareholders	:	3

Share Transfer System

The Company has appointed Bigshare Services Private Limited as its Registrar and Share Transfer Agent for both physical and demat segment. The Company has authorised the Company Secretary of the Company to approve the share transfers lodged in physical mode. The shares lodged in physical mode are transferred and returned in 15 days from the date of receipt, so long as the documents are complete in all respects. As on 31.03.2009, no shares were pending for transfer.

The Board has designated Mr. Harshavardhan Panigrahi, the Company Secretary of the Company as Compliance Officer.

Disclosures

- No material financial and commercial transactions were reported by the Management to the Board of Directors in which the Management had personal interest having a potential conflict with the interest of the Company at large.
- There was no non-compliance 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 Clause 49 of the Listing Agreement on Corporate Governance.
- There is no pecuniary relationship or transaction between the non-executive directors and the Company.
- There is no relationship between the directors inter se except as members of the Board.
- Details of related party transactions during the year ended 31st March, 2009 has been set out under Note No. (10) of Schedule 17 annexed to the Balance Sheet and Profit & Loss Account.

Directors Remuneration

The non-executive directors are not paid any remuneration. The executive directors are paid remuneration under the applicable provisions of the Companies Act, 1956 with approval of the shareholders in the General Meeting. Details of the remuneration paid to the executive directors of the Company during the year ended 31st March, 2009 has been set out under Note No. (10) (a) of Schedule 17 annexed to the Balance Sheet and Profit & Loss Account.

Management's Discussion And Analysis Report

The Annual Report has a separate and detailed chapter on Management's 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.

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) and also on the Company's website (www.marksanspharma.com).

The Company has not made any presentation to institutional investors or analysts.

General Body Meetings

Annual General Meetings	Date	Time	Venue	No. of Special Resolutions
Sixteenth	29.09.2008	11.00 A.M.	GMS Community Centre Hall Sitladevi Complex, 1st Floor D.N. Nagar, Link Road Andheri (W), Mumbai - 400053	2*
Fifteenth	27.09.2007	11.00 A.M.	Sunville Banquet & Conference Hall, 3rd 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

* Two Special Resolutions have been passed in the AGM held on 29th September, 2008, one to approve "Marksans Employees Stock Option Plan-2008" and the other to alter the Articles of Association of the Company.

**Postal ballot**

The Company has not passed any special resolution by postal ballot during the financial year under review. As of date, there is no proposal to pass any resolution by postal ballot.

General Shareholder Information

AGM	:	Seventeenth Annual General Meeting.
Day & Date	:	Friday, the 25th September, 2009
Time	:	10.30 a.m.
Venue	:	GMS Community Centre Hall, Sitladevi Complex, 1st 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	:	Monday the 21st September, 2009 to Friday the 25th September, 2009 (both days inclusive)
Dividend payment date	:	Nil, as there is no proposal to declare dividend.
Listing on Stock Exchanges	:	The Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE) The annual listing fees for the year 2009-2010 have been paid.
Stock Code	:	BSE : 524404 NSE : MARKSANS
ISIN	:	INE750C01026

Market price data on BSE during the period April 2008 to March 2009

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
April 2008	19.45	24.40	17.90	23.15
May 2008	23.70	23.70	19.05	20.80
June 2008	20.70	22.10	13.55	13.55
July 2008	13.65	19.49	11.60	19.47
August 2008	20.00	21.75	16.45	19.35
September 2008	19.00	19.30	10.50	11.60
October 2008	11.94	12.18	5.61	5.66
November 2008	5.90	7.83	5.09	5.50
December 2008	5.70	8.64	5.25	7.25
January 2009	7.40	9.20	5.45	6.02
February 2009	6.00	6.10	4.50	5.09
March 2009	5.34	5.60	3.90	4.14

Distribution of Shareholding as on 31.03.2009

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Individual	29483	96.21	290418544	78.96
Bodies Corporate	867	2.83	51426021	13.98
NRIs	188	0.61	1726473	0.47
FII's	2	-	1060507	0.29
Non-Resident Bodies Corporate	3	-	22687211	6.17
Tust	1	-	20000	-
Bank, Financial Institution & Insurance Companies	2	-	7000	-
Clearing Members	100	0.33	460115	0.13
Total	30646	100	367805871	100
Promoters	7	0.02	179583510	48.83
Non-Promoters	30639	99.98	188222361	51.17
Total	30646	100	367805871	100

Registrar and Transfer Agents	<p>Bigshare Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri (East), Mumbai 400 072. Ph. No. (022) 28470652/40430200 Fax. No. (022) 28475207 Email : info@bigshareonline.com Website: www.bigshareonline.com</p> <p>The Registrar and Transfer Agent recently launched Gen-Next Investor Module i'Boss, the most advanced tool to interact with share holders. Share holders are requested to log in to i'Boss (www.bigshareonline.com) and help them to server better.</p>
Dematerialization of the Shares and Liquidity	Based on SEBI directives, Company's shares are traded in dematerialized form. As on 31.3.2009, 97.12% of the paid up share capital of the Company was in 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 9th October, 2010. If all the investors exercise their option to convert the FCCB's into the Equity Shares of the Company, 6665068 shares will have to be issued on conversion. As on 31.03.2009, no one has exercised the option.
Plant Locations	<ul style="list-style-type: none"> - Formulation Plant: L-82 & 83 Verna Industrial Estate, Verna, Goa- 403 722 - 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. - U.K. Plant: Bells Sons & Co (Druggists) Ltd., Slaidburn Crescent, Southport, PR9 9AL
Address for Correspondence	<p>Mr. Harshavardhan Panigrahi Company Secretary & Manager-Legal 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>



Non Mandatory Requirements

- (I) **The Board**
There is no policy in the Company for determining the tenure of independent directors.
- (II) **Shareholders Rights**
Half yearly financial results including summary of the significant events are presently not being sent to the shareholders.
- (III) **Audit Qualifications**
Every endeavour is made to make the financial statements without qualification.
- (IV) **Training of Board Members**
The members of the Board are eminently competent to discharge their duties.
- (V) **Mechanism for evaluating non-executive Board Members**
There is no policy in the Company for evaluation of non-executive Directors.
- (VI) **Whistle Blower Policy**
Presently there is no whistle blower policy in the Company.

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

This is to confirm that during the year ended 31st March, 2009, all the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the Code of Conduct framed pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, in so far as it is applicable to them.

Mumbai
Date: 29th June, 2009

For Marksans Pharma Limited
Mark Saldanha
Managing Director

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, 2009 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 29th June, 2009

AUDITORS' REPORT

To
The Members of
MARKSANS PHARMA LIMITED

We have audited the attached Balance Sheet of MARKSANS PHARMA LIMITED as at 31st March 2009 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, 2009 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, subject to *note no.3 regarding non provision of Foreign exchange loss on Foreign Currency Convertible Bonds*, 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, 2009,
 - ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date, and
 - 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 : 29th June, 2009



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 2009, 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 given guarantee to Bank for loans taken by its subsidiary company.
- 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)

Place : Mumbai
Date : 29th June, 2009

Membership No. 46785

Balance Sheet as on March 31, 2009

(Amount in Rs.)

Particulars	Sch. No.	As on 31.3.2009	As on 31.3.2008
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	502,805,871	494,405,630
Reserves & Surplus	2	1,088,163,261	920,449,574
Loan Funds			
Secured Loans	3	1,178,722,283	1,032,603,170
Unsecured Loans	4	2,011,887,596	2,027,072,018
		<u>4,781,579,011</u>	<u>4,474,530,392</u>
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)			
Fixed Assets (Gross Block)	5	3,352,098,659	2,520,881,282
Less: Provision for Depreciation		562,542,530	470,255,100
Net block		<u>2,789,556,129</u>	<u>2,050,626,182</u>
Investments			
Investments	6	675,583,172	26,964,690
Current Assets, Loans & Advances			
Inventories	7	983,318,046	1,237,067,221
Sundry Debtors	8	508,161,893	557,113,291
Loans & Advances	9	171,171,390	730,022,813
Cash & Bank Balances	10	130,096,196	431,990,101
Total (A)		<u>1,792,747,525</u>	<u>2,956,193,426</u>
Current Liabilities			
Current Liabilities & Provisions	11	368,621,550	469,966,163
Total (B)		<u>368,621,550</u>	<u>469,966,163</u>
Net Current Assets (A) - (B)		<u>1,424,125,975</u>	<u>2,486,227,263</u>
Deferred Tax Assets/(Liability) (Net)		<u>(112,481,173)</u>	<u>(100,124,008)</u>
Miscellaneous Expenditure	12	4,794,908	10,836,265
(To the extent not written off)			
		<u>4,781,579,011</u>	<u>4,474,530,392</u>
Notes to the Accounts	17		

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates
Chartered Accountant

Mark Saldanha
Chairman and Managing Director

N. K. Mittal
Proprietor
Membership No: 46785

V. Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary
& Legal Manager

Place : Mumbai
Date : 29th June, 2009



Profit & Loss Account for the Year ended March 31, 2009

(Amount in Rs)

Particulars	Sch. No.	For the year Ended 31.3.2009	For the year Ended 31.3.2008
INCOME			
Sales		2,035,610,696	2,429,835,017
Other Income	13	<u>73,504,780</u>	<u>63,944,196</u>
		<u>2,109,115,476</u>	<u>2,493,779,213</u>
EXPENDITURE			
Cost of Sales	14	1,524,401,213	1,859,225,818
Administration, Selling & Distribution Expenses	15	242,659,461	273,767,465
Interest & Financial Charges	16	153,286,441	112,227,341
Depreciation	5	97,296,763	85,944,231
Exchange Loss / (Gain)		59,514,339	(38,535,764)
Loss on Sale of Fixed Assets		2,008,878	250,895
Miscellaneous Expenditure Written Off		<u>6,041,354</u>	<u>8,170,583</u>
		<u>2,085,208,449</u>	<u>2,301,050,569</u>
Profit Before Tax		<u>23,907,027</u>	<u>192,728,644</u>
Provision for Taxation			
- Current Year		2,710,000	23,000,000
- Earlier Years		2,538,705	3,472,778
- Deferred Tax		12,357,165	15,138,326
- Fringe Benefit Tax		<u>1,352,537</u>	<u>1,848,756</u>
Net Profit after Tax		<u>4,948,620</u>	<u>149,268,784</u>
Balance Profit brought forward		<u>642,726,303</u>	<u>493,457,519</u>
Closing Balance Transferred to Balance Sheet		<u>647,674,923</u>	<u>642,726,303</u>
Notes to the Accounts	17		

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates

Chartered Accountant

Mark Saldanha

Chairman and Managing Director

N. K. Mittal

Proprietor

Membership No: 46785

V. Nagaraj

Whole Time Director

Harshavardhan Panigrahi

Company Secretary

& Legal Manager

Place : Mumbai

Date : 29th June, 2009

Schedules Forming Part of the Financial Statements as on March 31, 2009

(Amount in Rs.)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 1 [SHARE CAPITAL]		
Authorised		
550,000,000 (Previous Year 550,000,000) Equity Shares of Re. 1/- each	550,000,000	550,000,000
1,400,000 (Previous Year 1,400,000) 7% redeemable cumulative preference shares of Rs. 100/- each	140,000,000	140,000,000
	<u>690,000,000</u>	<u>690,000,000</u>
Issued, Subscribed and Paid-up.		
367,805,871 (Previous Year 359,405,630) Equity Shares of Re. 1/- each	367,805,871	359,405,630
1,350,000 (Previous Year 1,350,000) 7% redeemable cumulative preference shares of Rs. 100/- each	135,000,000	135,000,000
	<u>502,805,871</u>	<u>494,405,630</u>
Schedule - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	2,668,162	2,668,162
Share Premium	437,697,677	274,932,609
Profit & Loss Account – Opening Balance	642,726,302	493,457,519
Add: Transferred During the Year	4,948,620	149,268,784
	<u>1,088,163,261</u>	<u>920,449,574</u>
Schedule - 3 [SECURED LOANS]		
Term Loan	589,258,952	431,252,176
Working Capital Facilities	588,299,271	597,915,656
Other Loans (Vehicle Loans)	1,164,060	3,435,338
	<u>1,178,722,283</u>	<u>1,032,603,170</u>
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	1,998,500,000	1,998,500,000
Deposits & Others	13,387,596	28,572,018
	<u>2,011,887,596</u>	<u>2,027,072,018</u>


Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2008	Additions	Sales/ Dedn.	As on 31.03.2009	Upto 01.04.2008	For the Year	Written Back	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
Land	19,547,708	-	-	19,547,708	-	-	-	-	19,547,708	19,547,708
Building	634,348,324	53,451,616	-	687,799,940	65,719,164	22,810,046	-	88,529,210	599,270,730	568,629,160
Plant & Machinery	1,394,291,042	25,877,461	7,209,448	1,412,959,055	388,220,252	66,626,752	4,339,518	450,507,486	962,451,569	1,006,070,790
Computer & Software	24,269,832	1,955,384	-	26,225,216	5,466,415	4,136,098	-	9,602,513	16,622,703	18,803,417
Office Equipments	5,820,448	204,352	95,567	5,929,233	1,270,012	338,736	2,768	1,605,980	4,323,253	4,550,436
Furnitures & Fixtures	23,341,898	7,468,929	134,171	30,676,656	3,951,697	1,846,680	25,637	5,772,740	24,903,916	19,390,201
Vehicles	17,353,035	-	1,949,257	15,403,778	5,627,560	1,538,451	641,410	6,524,601	8,879,177	11,725,475
Intangible Assets										
Internally Generated*	401,908,995	751,648,078	-	1,153,557,073	-	-	-	-	1,153,557,073	401,908,995
DMF/ANDA & Others										
Total	2,520,881,282	840,605,820	9,388,443	3,352,098,659	470,255,100	97,296,763	5,009,333	562,542,530	2,789,556,129	2,050,626,182
<i>Previous Year</i>	<i>1,771,271,065</i>	<i>751,876,615</i>	<i>2,266,398</i>	<i>2,520,881,282</i>	<i>386,086,371</i>	<i>85,944,231</i>	<i>1,775,502</i>	<i>470,255,100</i>	<i>2,050,626,182</i>	<i>1,385,184,694</i>

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

(Amount in Rs.)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 6 [INVESTMENT]		
Investment in Nova Pharmaceuticals Australasia Pty Ltd .	15,905,002	26,879,850
Investment in Marksans Pharma UK Limited	659,678,170	84,840
	<u>675,583,172</u>	<u>26,964,690</u>
Schedule - 7 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	144,667,430	174,008,068
Work - in - Process/ By Products	121,908,692	60,129,958
Finished Goods	716,741,924	672,479,691
Goods for ANDA's	-	330,449,504
	<u>983,318,046</u>	<u>1,237,067,221</u>
Schedule - 8 [SUNDRY DEBTORS]		
Debtors		
(Unsecured and Considered good)		
Outstanding for over six month	61,285,927	59,583,871
Others	446,875,966	497,529,420
	<u>508,161,893</u>	<u>557,113,291</u>
Schedule - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances to Subsidiaries	-	482,652,269
Advances	131,573,522	145,302,884
(recoverable in cash or kind or value to be received)		
Balances with Excise Authorities	36,161,982	51,111,024
Deposits	3,435,886	50,956,636
	<u>171,171,390</u>	<u>730,022,813</u>
Schedule - 10 [CASH AND BANK BALANCES]		
Cash in Hand	219,654	567,891
Balance with Scheduled Banks in Current Account	5,428,543	429,353,683
Deposits with Banks	124,447,999	2,068,527
	<u>130,096,196</u>	<u>431,990,101</u>
Schedule - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	365,808,457	458,682,894
Unclaimed Dividend	103,093	103,093
Provision for Taxation	2,710,000	11,180,176
	<u>368,621,550</u>	<u>469,966,163</u>

(Amount in Rs.)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 12 [MISCELLANEOUS EXPENDITURE]		
(To the extent not written off)		
Preliminary Expenses	600,562	835,446
Product launch, Investigation and Registration Expenses	4,194,346	10,000,819
	<u>4,794,908</u>	<u>10,836,265</u>
Schedule - 13 [OTHER INCOME]		
Excess Provision Written back	1,887,594	-
Insurance Claim received	78,000	-
Interest Received	69,222,512	57,391,853
Miscellaneous Income	13,375	500
Scrap Sales	2,303,299	2,794,322
DEPB Income	-	3,757,521
	<u>73,504,780</u>	<u>63,944,196</u>
Schedule - 14 [COST OF SALES]		
Purchase	1,164,209,474	1,326,237,299
(Increase)/Decrease in Inventories	(106,040,965)	(151,032,851)
Net Raw Material Consumption	274,044,862	431,077,304
Water Charges	2,711,046	2,044,537
Power & Fuel	57,620,373	67,027,104
Excise Duty Paid	40,312,727	65,173,097
Freight Inward & Raw Material Clearing Charges	8,856,855	16,548,095
Salaries, Wages, Allowances & Staff Welfare	62,024,757	73,830,568
Repairs & Maintenance of Production Facility (plant)	9,145,071	16,672,980
Other Manufacturing Expenses	11,517,013	11,647,685
	<u>1,524,401,213</u>	<u>1,859,225,818</u>
Schedule - 15 [ADMIN., SELLING & DISTRIBUTION EXPENSES]		
Rent , Rates & Taxes	4,095,084	12,081,561
Salaries & Allowances	59,775,205	57,405,412
Staff Welfare	2,451,711	1,257,832
Directors' Remmuneration	4,773,856	3,241,452
Travelling Expenses	8,110,939	9,907,716
Communication Expenses	2,477,145	3,465,979
Courier & Postage Expenses	1,282,223	1,190,895
Printing & Stationery	3,319,088	5,493,428
Repairs & Maintenance (others)	4,282,382	2,144,396
Audit Fees	337,080	337,080
Vehicle Expenses & Local Conveyance	4,489,320	5,778,366
Legal & Professional Fees	14,987,033	6,788,157
Office Expenses	249,531	3,235,169
Insurance Charges	2,036,287	2,944,318
Other Operating Expenses	8,589,784	3,241,128
Freight outward & Export Clearing Expenses	32,757,078	41,728,939
Selling & Distribution Expenses	88,086,705	111,130,495
Research & Development Expenses	559,010	2,395,142
	<u>242,659,461</u>	<u>273,767,465</u>



(Amount in Rs.)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 16 [INTEREST & FINANCIAL CHARGES]		
Interest on Term Loans	81,060,703	47,185,894
Interest on Working Capital, Other Interest & Bank charges	72,225,738	65,041,447
	<u>153,286,441</u>	<u>112,227,341</u>

17) NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2009**(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 Accountants 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 amortised.

(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 custom 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, 2009	31st March, 2008
(a) In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	297.89	350.26
(b) Disputed Taxes/Dues	Nil	Nil
(c) In respect of Material	86.06	Nil

- (3) No Provision have been made during the year for Rs.5335 lacs towards Foreign Exchange Difference account in case of Foreign Currency Convertible Bond. The Management is of the opinion the determination and Crystallisation of Liabilities is dependent upon the outcome of uncertain future events or actions not wholly within the control of the Company and therefore, the same has been considered as 'Contingent Liability' as on 31.3.2009 and to that extent profit for the year ended 31.3.2009 is overstated.

(4) AUDITORS REMUNERATION

(Rs. In Lacs)

	2008-09	2007-08
Audit Fees	3.37	3.37
Other Services	1.40	1.40

(5) DIRECTORS' REMUNERATION

(Rs.In Lacs)

	2008-09	2007-08
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	18.30	19.39
(b) Other Directors' Remuneration Salaries and Allowances	29.44	13.02
(c) Directors' Sitting Fees	Nil	Nil
	<u>47.74</u>	<u>32.41</u>

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

(Rs. In lacs)

	2008-09	2007-08
Profit before taxation as per statement of profit and loss	239.07	1927.28
Add: Depreciation as per statement of profit and loss	972.96	859.44
Add: Loss on sale of assets as per statement of profit and loss	20.09	2.51
	<u>1232.12</u>	<u>2789.23</u>
Less: Depreciation calculated under Section 350 of the Companies Act, 1956	972.96	859.44
Net Profit in accordance with Section 349	259.16	1929.79
Add: Managerial Remuneration paid / payable to directors	47.74	32.41
Net Profit in accordance with Section 309(3) of the Companies Act, 1956	<u>306.90</u>	<u>1962.20</u>
Maximum managerial remuneration allowed under section 198 of the Companies Act, 1956 - 10 percent of the above	<u>30.69</u>	<u>196.22</u>

Due to inadequate profits, Managerial Remuneration paid/ payable to the Directors is in accordance with the Provisions of Schedule XIII of the Companies Act, 1956 and has been approved by the Remuneration Committee of Directors of the Company.

- (7) 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).

(8) 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 31.03.2009, the Company had committed minimum lease payment under non-cancelable operating lease as follows:

	(Rs. In lacs)	
	2008-09	2007-08
Minimum lease payments		
Due within one year	Nil	Nil
Due later than one year but not later than five years	Nil	Nil
Total	Nil	Nil

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 and Loss Accounts as rent.

(9) 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.

(10) 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:**a) Key Management Personnel / Directors - Remuneration:**

	(Rs.In lacs)
	2008-09
Mark Saldanha	18.30
V. Nagaraj	17.75
Total	36.05

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)	
	2008 - 2009	2007-2008
Subsidiary Companies		
Sale of Finished products	1084.20	565.96
Advance given	-	4826.52
Related party balances		
Receivable from subsidiaries	367.23	5119.53

(11) 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.


(12) DEFERRED TAX LIABILITY / (ASSET) :

The major elements of deferred tax liability / (asset) are as under :

(Rs. in lacs)

	Deferred Tax (Asset)/ Liability As at 1-4-2008	Current Year Charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2009
Depreciation	1232.73	115.15	1347.88
Provision for Excise Duty	(2.62)	5.15	2.53
Provision for Doubtful Debts	-	-	-
Preliminary Expenses Written Off	0.35	(0.80)	(0.45)
FCCB Issue cost	(205.04)	-	(205.04)
Provision for Gratuity	(24.18)	4.07	(20.11)
	1001.24	123.57	1124.81

(13) 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 is 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	2008-09	2007-08
a) Exports	4747.60	4734.69
b) Local	15608.51	19563.66
Total	20356.10	24298.35

(14) 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	2008-09	2007-08
1) Installed Capacity :	1140.00 TPA	1140.00 TPA
2) Actual Production :	356.62 TPA	604.57 TPA.

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

Formulations Division
Qty in Lacs

Item	Installed Capacity		Actual Production	
	2008-09	2007-08	2008-09	2007-08
Tablets/ Hard Gel	12600	12600	7051.16	10390.74
Soft Gel Capsules	6000	6000	564.00	193.92

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	*	4157.68	*	4177.02	*	5268.61
	(*)	(4195.85)	(*)	(4157.68)	(*)	(9602.85)
Formulations Division	*	5871.61	*	2990.39	*	15087.50
	(*)	(4246.61)	(*)	(5871.61)	(*)	(14695.49)

* Quantities cannot be aggregated

c) Consumption of Raw Materials :

	(Units)	(Rs. In lacs)
Bulk Drugs Division	*	2120.28
	(*)	(2787.55)
Formulations Division	*	620.17
	(*)	(1523.22)

* Quantities cannot be aggregated

d) Value and Percentage of Raw Materials consumed :

	Percentage	Value
	(%)	(Rs. In lacs)
Indigenous	10.47	287.03
	(44.12)	(1902.21)
Imported	89.52	2453.42
	(55.88)	(2408.56)

e) C. I. F. Value of Imports.	- Raw materials	Rs. 2065.22 Lacs
	- Capital Goods/Spares	Rs. 5.16 Lacs
	- Total forex outflow	Rs. 2070.38 Lacs
		(Rs 2930.18 Lacs)

f) Expenditure in Foreign Currency for travelling, brokerage & commission, etc. Rs. 59.96 lacs

(Rs.30.25 lacs)

g) Earnings in foreign currency from exports / other income

Rs. 4792.88lacs

(Rs.5308.69 lacs)

(15) 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

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates

Chartered Accountant

Mark Saldanha

Chairman and Managing Director

N. K. Mittal

Proprietor

Membership No: 46785

V. Nagaraj

Whole Time Director

Harshavardhan Panigrahi

Company Secretary

& Legal Manager

Place : Mumbai

Date : 29th June, 2009

**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=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <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="9"/>		

(b) Capital raised during the year

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>

(c) Position of mobilisation and deployment of funds

Total Liabilities and shareholders funds	<input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="9"/>	Total assets	<input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="9"/>
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SOURCES OF FUNDS

Paid-up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="5"/>	Reserves and surplus	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="3"/>
Secured loans	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="2"/>	Unsecured loans	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="8"/>

APPLICATION OF FUNDS

Net fixed assets and capital work in progress including advances	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="6"/>	Investments	<input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="3"/>
Net current assets	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="6"/>	Deffered Tax assets / (Liability)	<input type="text" value=""/> <input type="text" value="("/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="1"/>
Miscellaneous expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="5"/>	Accumulated losses	

(d) Performance of the Company

Total Revenue	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/>	Total Expenditure	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="8"/>
Profit/(loss) before tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="7"/>	Profit/(loss) after tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="9"/>
Basic Earning per share in Rs	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="1"/>	Diluted Earning per share in Rs	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="1"/>
Dividend Rate	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <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 on Behalf of

N. K. Mittal & Associates
Chartered Accountant**N. K. Mittal**
Proprietor
Membership No: 46785Place : Mumbai
Date : 29th June, 2009

For and on Behalf of the Board of Directors

V. Nagaraj
Whole Time Director**Mark Saldanha**
Chairman and Managing Director**Harshavardhan Panigrahi**
Company Secretary
& Legal Manager

Statement of Cash Flow for the year ended March 31, 2009

(Amount in Rs.)

Particulars	For the period ended as on	
	31.03.2009	31.03.2008
A. Cash Flows provided by /(used in) Operating Activities		
Profit Before Tax	23,907,027	192,728,644
Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
Depreciation	97,296,763	85,944,231
Preliminary & Deferred Revenue Expenses Written off	6,041,354	8,170,583
Loss on sale of Fixed Assets	2,008,878	250,895
Interest Expenses on term loans	81,060,702	47,185,894
Interest Receipt	(69,222,512)	(57,354,526)
Operating Profit before working capital changes	141,092,212	276,925,721
(Increase)/Decrease in Current Assets, Loans & advances		
Inventories	253,749,175	(2,486,348)
Trade and other receivables	48,951,402	4,809,512
Loans & Advances	558,851,423	(526,505,763)
Income Tax Paid	(17,080,296)	(24,141,355)
Deferred Tax Assets	-	-
Deferred Revenue Expenses	-	-
Increase/(Decrease) in current Liabilities and provisions	(92,874,437)	16,528,401
Net cash used in operating activities	892,689,479	(254,869,832)
B. Cash Flows provided by (used in) Investing Activities:		
Purchase of Fixed Assets	(836,226,711)	(751,636,613)
Investment	(648,618,482)	(84,840)
Interest Receipt	69,222,512	57,354,526
Net Cash used in Investing Activities	(1,415,622,682)	(694,366,926)
C. Cash Flows provided by (used in) Financing Activities:		
Increase in Equity Share Capital	8,400,241	-
Increase in Share Premium	162,765,068	-
Proceeds/(Repayment) of Secured Loans	146,119,113	24,923,152
Proceeds/(Repayment) of Unsecured Loans	(15,184,422)	(181,000,000)
Interest Paid	(81,060,703)	(47,185,894)
Net cash provided by Financing Activities	221,039,298	(203,262,742)
Net Increase /(Decrease) in Cash and Bank Balances	(301,893,905)	(1,152,499,501)
Cash & Bank Balances as at 31.03.2008	431,990,101	1,584,489,602
Cash & Bank Balances as at 31.03.2009	130,096,196	431,990,101
	(301,893,905)	(1,152,499,501)

- Notes : 1 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.
- 2 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

V. Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Place : Mumbai

Date: 29th June, 2009

AUDITORS REPORT

We have verified the above Cash Flow Statement of Marksans Pharma Limited. This statement has been prepared by the Company from the audited financial statements for the year ended 31 March 2009. 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 Exchanges.

For and on Behalf of

N. K. Mittal & Associates
Chartered Accountants

N. K. Mittal
Proprietor
Membership No. 46785

Place : Mumbai

Date: 29th June, 2009

**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, 2009	31st March, 2009
2	Date on Which it become 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,2009	6,008,298	(94,510,777)
	ii) For the Previous Financial Year since it became Subsidiary	4,504,863	409,209
	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 and Subscribed Share Capital	4,781	84,840
	Reserve	11,408,608	92,605,566
	Total Assets	49,169,126	1,859,510,890
	Total Liabilities	49,169,126	1,859,510,890
	Turnover	138,471,011	1,427,228,679
	Profit/(loss) before Taxation	14,321,404	(108,220,325)
	Provision for Taxation	4,307,573	13,709,548
	Profit/(loss) after Taxation	10,013,831	(94,510,777)
	Proposed Dividend	5,457,000	-
	Exchange Rate	36.38(Avg Australian \$)	79.13 (Avg.GBP)

For and on Behalf of the Board of Directors

Mark Saldanha
Chairman & Managing Director**V. Nagaraj**
Whole Time Director**Harshavardhan Panigrahi**
Company Secretary & Legal ManagerPlace : Mumbai
Date: 29th June,2009

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD.

A.C.N. 104838440

REPORT OF DIRECTORS

The directors report on the accounts of the Company for the financial year ended 31st March 2009 as follows :

1. The persons holding office as Directors at the date of this report are :
H. MOHAMMED, O . MOHAMMED, M.B. SALDANHA, J. M. P. SHARMA
2. The principal activity of the Company is that of Medicines Wholeselling.
There were no significant changes in the nature of the activity during the financial year ended 31st March 2009.
3. ACCOUNTS
 - 3.1 During financial year ended 31st March 2009, the Company earned a profit after tax of \$ 286,574.
 - 3.2 Dividends paid during the year amounted to \$ 150,000. The Directors recommend no final dividend be declared for the year ended 31st March 2009.
4. AUDITOR'S INDEPENDENCE DECLARATION
The Auditor's independence Declaration for the year ended 31 March 2009 has been included in the audit report.
5. DIRECTORS BENEFITS
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 Baulkham Hills this 1 st day of June 2009.

DIRECTOR'S DECLARATION

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

The directors of the Company declare that :

1. The financial statements and notes, as set out on the attached pages :
 - (a) comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporations Act 2001, and
 - (b) present fairly the Company's financial position as at 31 March, 2009 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements
2. In the director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due & payable.

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

Director **H. Mohammed**

Director **O. Mohammed**

Dated at Baulkham Hills this 1st day of June 2009.



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 31 st March 2009, consisting of the statement of Financial Position, Notes to the Financial Statements, Director's 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 9. 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 director's 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 operations and its cashflows. 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.

Auditors's Independence Declaration

I declare that to the best of my knowledge and belief during the year 31 March 2009 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 31 March 2009 and the results of its operations and its cashflows for the year then ended.

Robert William Mitchell
of Robert Mitchell & Company.

Dated at Neutral Bay 1 st day of June 2009

STATEMENT OF FINANCIAL POSITION AS AT 31 ST MARCH 2009

PARTICULARS	AS AT 31.03.2009 AMT IN A\$	AS AT 31.03.2009 AMT equivalent in Rs.	AS AT 31.03.2008 AMT IN A\$	AS AT 31.03.2008 AMT equivalent in Rs.
CURRENT ASSETS				
Cash				
Cash at Bank	39062	1392951	86910	3176561
Receivables				
Trade Debtors	761830	27166858	457560	16723818
Rental Bond	14773	526805	-	-
Deposits	25909	923915	-	-
Loans Holding Company	80000	2852800	-	-
	<u>882512</u>	<u>31470378</u>	<u>457,560</u>	<u>16,723,818</u>
Inventories				
Stock in Hand & in Transit	406333	14489835	701009	25621879
Total Current Assets	<u>1327907</u>	<u>47353164</u>	<u>1245479</u>	<u>45522258</u>
Non-Current Assets				
Property, Plant and Equipment				
Plant & Equipment - at Cost	14622	522590	6426	234870
Less : Provision for Depreciation	(6027)	(215706)	(2856)	(99989)
	<u>8595</u>	<u>306884</u>	<u>3570</u>	<u>134881</u>
Furniture & Fittings - at Cost	44418	1587499	-	-
Less : Provision for Depreciation	(2355)	(84285)	-	-
	<u>42063</u>	<u>1503214</u>	<u>-</u>	<u>-</u>
	<u>50658</u>	<u>1810098</u>	<u>3570</u>	<u>134881</u>
Intangible Assets				
Formation Cost	160	5865	480	17544
Total Non-Current Assets	<u>50818</u>	<u>1815963</u>	<u>4050</u>	<u>152425</u>
TOTAL ASSETS	<u>1378725</u>	<u>49169127</u>	<u>1249529</u>	<u>45674683</u>
CURRENT LIABILITIES				
Payables				
Trade Creditors	906031	32309065	875765	32009211
Accrued Expenses	89003	3173847	34485	1260427
GST & PAYG Payable	-	-	70311	2569867
Director's Loans - D & O Mohammed	37848	1349660	650	23758
	<u>1032882</u>	<u>36832572</u>	<u>981211</u>	<u>35863263</u>
Tax Liabilities				
Provision for Income Tax	25888	923166	84937	3104447
Total Current Liabilities	<u>1058770</u>	<u>37755738</u>	<u>1066148</u>	<u>38967710</u>
TOTAL LIABILITIES	<u>1058770</u>	<u>37755738</u>	<u>1066148</u>	<u>38967710</u>
NET ASSETS	<u>319955</u>	<u>11413389</u>	<u>183381</u>	<u>6706973</u>
EQUITY				
Contributed Equity				
150 Ordinary Shares	150	4781	150	4781
Retained Profits	319805	11408608	183231	6702192
TOTAL EQUITY	<u>319955</u>	<u>11413389</u>	<u>183381</u>	<u>6706973</u>

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31 ST MARCH 2009

PARTICULARS	AS AT 31.03.2009 AMT IN A\$	AS AT 31.03.2009 AMT equivalent in Rs.	AS AT 31.03.2008 AMT IN A\$	AS AT 31.03.2008 AMT equivalent in Rs.
INCOME				
Sales	3806240	138471011	2096974	73415060
Interest Received	2635	95861	3940	137939
Total Income	<u>3808875</u>	<u>138566872</u>	<u>2100914</u>	<u>73552999</u>
Cost of Sales				
Purchases	1917363	69753666	1686373	59039919
(Increase)/Decrease in Inventory	294676	11132044	(564513)	(19763600)
EXPENSES				
Accountancy	2780	101136	2200	77022
Advertising & Graphic Design	65128	2369357	3343	117038
Amortisation	320	11642	320	11203
Audit & Inspection	9112	331495	2900	101529
Bank Charges	3527	128312	923	32314
Bookkeeping Expenses	-	-	2420	84724
Consultants Fees	89359	3250880	18137	634976
Computer Exepnses	5855	213005	-	-
Depreciation	5526	201036	1866	65329
Directors Fees	-	-	10350	362354
Electricity	2699	98190	-	-
Entertainment	4660	169531	-	-
Filing Fees	1520	55298	212	7422
Freight & Cartage	126349	4596577	86703	3035472
Insurance	12970	471849	9038	316420
Interest	2280	82946	7711	269962
Leasing Charges	3252	118308	3258	114063
Legal Costs	37288	1356537	-	-
Licences & Permits	169100	6151858	105051	3677836
Office Expenses	12663	460680	-	-
Postage & Stationery	12429	452167	6164	215802
Rent	37122	1350498	26132	914881
Salaries & Allowances	366957	13349896	272104	9526361
Staff Training & Amenities	2310	84038	1529	53530
Storage	58871	2141727	12060	422221
Superannuation	37421	1361376	24489	857360
Telephone	12827	466646	3327	116478
Travelling Expenses	66120	2405446	54489	1907660
Warehouse Expenses	30969	1126652	24935	872974
Waste Disposals	12443	452676	-	-
TOTAL EXPENSES	<u>3403896</u>	<u>124245468</u>	<u>1801521</u>	<u>63071250</u>
OPERATING PROFIT BEFORE INCOME TAX	404979	14321404	299393	10481749
Income Tax Expense	118405	4307573	84937	2973644
OPERATING PROFIT FOR THE YEAR	<u>286574</u>	<u>10013831</u>	<u>214456</u>	<u>7508105</u>
OPERATING PROFIT AND EXTRAORDINARY ITEMS				
Retained Profits at 1 April	183231	6321149	(31225)	(1186956)
PROFIT AVAILABLE FOR APPROPRIATION	<u>469805</u>	<u>16334980</u>	<u>183231</u>	<u>6321149</u>
Dividends				
Ordinary Dividend Paid	150000	5457000	-	-
RETAINED PROFITS	<u>319805</u>	<u>10877980</u>	<u>183231</u>	<u>6321149</u>



**STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 MARCH 2009**

PARTICULARS	AS AT	AS AT	AS AT	AS AT
	31.03.2009 AMT IN A\$	31.03.2009 AMT equivalent IN Rs.	31.03.2008 AMT IN A\$	31.03.2008 AMT equivalent IN Rs.
Cashflows from Operating Activities :				
Receipts from Customers	3527725	128295737	1894042	69227235
Payments to Suppliers & Employees	(3292110)	(119766962)	(1877776)	(68632713)
Interest Received	2635	95861	3940	144007
Net Cash provided by Operating Activities (per Note) :	238250	8624636	20206	738529
Cashflows to Investing Activities :				
Payments for Equipment	(52614)	(1914097)	(2409)	(88049)
Rental Bond & Deposits	(40682)	(1480011)	-	-
	(93296)	(3394108)	(2409)	(88049)
Cashflows to Financial Activities :				
Dividend Paid	(150000)	(5457000)	-	-
Loan to Holding Company	(80000)	(2910400)	-	-
Loan from Directors	37198	1353263	-	-
	(192802)	(7014137)	-	-
Net decrease in Cash	(47848)	(1783609)	17797	650480
Cash at the beginning of the financial year	86910	3176561	69113	2526080
Cash at the end of the financial year	39062	1392951	86910	3176561
(as per the Balance Sheet at 31 March 2009)				
Note to the Statement of Cashflows				
Reconciliation of Net Cash provided by Operating Activities to Profit for the Financial Year :				
	A\$	Rs.	A\$	Rs.
Profit for the year	404979	14321404	299393	10481749
Add : Depreciation & Amortisation	5846	212678	2186	79898
Decrease in Inventory	294676	10720313	(564513)	(20632950)
Increase in Trade Creditors & Accruals	14473	526528	508309	18578694
Less : Decrease in Taxes Payable	(177454)	(6455777)	(22238)	(812799)
Increase in Trade Debtors	(304270)	(10700510)	(202931)	(6956063)
Net cash provided by Operating Activities	238250	8624636	20206	738529

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 ST MARCH 2009.**

NOTE : 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 Corporations 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 Corporations 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 & Disclosures

No other Accounting Standards, Urgent Issue 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 YEAR ENDED 31ST MARCH 2009

The directors present their report and the financial statements for the year ended 31 March 2009.

Principal activities and Business review

The principal activity of the Company is that of being a holding company.

The Company holds the entire ordinary share capital of Marksans Holdings Limited. Marksans Holdings Limited owns 100% of the ordinary share capital of Bell Sons and Co. (Druggists) Limited.

The principal activity of Bell Sons and Co (Druggists) Limited is the manufacture and sale of pharmaceuticals. The directors consider the results of Bell Sons and Co (Druggists) Limited for the year to be satisfactory. During the year like for like sales increased from £11,161,599 for the 15 month period to 31 March 2008 to £9,502,245 for the 12 month period to 31 March 2009 and the profit on ordinary activities before taxation was £40,817 (2008 - £1,059,702). The directors expect a similar level of activity to continue in the forthcoming year.

The Company acquired the entire ordinary share capital of Relonchem Limited on 27 August 2008. The principal activity of Relonchem Limited is the wholesale distribution of pharmaceuticals. The directors consider the results for the period since acquisition to be satisfactory. During the year turnover fell from £13,603,830 for the 10 month period ended 31 March 2008 to £13,939,962 for the year ended 31 March 2009 and the profit on ordinary activities before taxation was £515,995 (2008 - £107,879 as restated). The directors expect a similar level of activity to continue in the forthcoming year.

Principal risks and uncertainties

Principal risks and uncertainties arise from a competitive market.

Increasing purchasing 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 year.

Results

The loss for the period, after taxation, amounted to £1,194,374 (2008 profit - £3,763).

Directors

The directors who served during the year were:

- Mark Saldanha
- Sandra Saldanha
- Jitendra Sharma (appointed on 16.06.08)

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 and signed on 17th June 2009 and signed on its behalf.

M Saldanha
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31ST MARCH 2009

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 the group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group 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 year ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated 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 2009 and of the Group's loss for the year 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

Date: 18 June, 2009

MARKSANS PHARMA U.K. LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	Note	31st March, 2009		31st March, 2008	
		Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
FIXED ASSETS					
Intangible assets	8	9,803,600	736,921,316	4,874,274	379,413,003
Tangible assets	9	3,327,622	263,556,780	3,343,990	260,295,848
		<u>13,131,222</u>	<u>1,000,478,096</u>	<u>8,218,264</u>	<u>639,708,851</u>
CURRENT ASSETS					
Stocks	12	2,602,712	192,991,095	1,656,654	131,637,729
Debtors	13	6,493,420	481,487,093	1,318,777	104,790,020
Cash at bank and in hand		1,240,041	91,949,040	2,274,281	180,714,368
		<u>10,336,173</u>	<u>766,427,228</u>	<u>5,249,712</u>	<u>417,142,117</u>
CREDITORS:					
Amounts falling due within one year	14	(8,411,717)	(623,728,816)	(2,680,596)	(213,000,158)
NET CURRENT ASSETS		<u>1,924,456</u>	<u>142,698,412</u>	<u>2,569,116</u>	<u>204,141,959</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>15,055,678</u>	<u>1,143,176,508</u>	<u>10,787,380</u>	<u>843,850,810</u>
CREDITORS:					
Amounts falling due after more than one year	15				
Bank loans and overdrafts		(7,625,000)	(565,393,750)	(4,375,000)	(347,637,500)
Amounts due to parent undertaking		(8,475,850)	(659,593,330)	(6,241,716)	(482,652,269)
		<u>(16,100,850)</u>	<u>(1,224,987,080)</u>	<u>(10,616,716)</u>	<u>(830,289,769)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	16	(95,832)	(7,105,946)	(106,841)	(8,489,586)
Other provisions	17	(48,607)	(3,604,209)	(59,060)	(4,692,909)
		<u>(144,439)</u>	<u>(10,710,155)</u>	<u>(165,901)</u>	<u>(13,182,495)</u>
NET (LIABILITIES)/ASSETS		<u>(1,189,611)</u>	<u>(92,520,726)</u>	<u>4763</u>	<u>378546</u>
CAPITAL AND RESERVES					
Called up share capital	18	1,000	84,840	1000	84,840
Profit and loss account	19	(1,190,611)	(92,605,566)	3763	293,705
SHAREHOLDERS' (DEFICIT)/FUNDS	20	<u>(1,189,611)</u>	<u>(92,520,726)</u>	<u>4763</u>	<u>378545</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17th June, 2009.

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 YEAR ENDED 31 MARCH 2009

	Note	31st March, 2009		31st March, 2008	
		Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
TURNOVER					
Continuing operations	1,2	9,502,245	751,912,685	1,723,271	136,155,642
Acquisitions		8,534,260	675,315,994	-	-
		<u>18,036,505</u>	<u>1,427,228,679</u>	<u>1,723,271</u>	<u>136,155,642</u>
Cost of sales		(16,235,811)	(1,284,739,724)	(1,342,589)	(106,093,726)
GROSS PROFIT		<u>1,800,694</u>	<u>142,488,954</u>	<u>380,682</u>	<u>30,061,916</u>
Selling and distribution costs		(237,884)	(18,823,761)	(58,279)	(4,604,624)
Administrative expenses		(2,325,975)	(184,054,440)	(239,385)	(18,786,159)
Other operating income		10,455	827,304	3,502	276,696
OPERATING (LOSS) / PROFIT	3	<u>(284,005)</u>	<u>(22,473,316)</u>	<u>86,520</u>	<u>6,947,829</u>
Continuing operations		(468,705)	(37,088,627)	-	-
Acquisitions		(752,710)	(59,561,942)	86,520	6,947,829
Interest payable	6	(693,416)	(54,870,008)	(76,248)	(6,024,354)
Interest receivable		78,499	6,211,626	12,591	994,825
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,367,627)</u>	<u>(108,220,325)</u>	<u>22,863</u>	<u>1,918,300</u>
Taxon(loss)/profit on ordinary activities	7	173,253	13,709,548	(19,100)	(1,509,091)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,194,374)</u>	<u>(94,510,777)</u>	<u>3,763</u>	<u>409,209</u>

All amounts relate to continuing operations.

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, 2009

	Note	31st March, 2009		31st March, 2008	
		Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
FIXED ASSETS					
Fixed asset investments	10	17,726,514	1,314,421,013	11,581,214	920,243,264
		<u>17,726,514</u>	<u>1,314,421,013</u>	<u>11,581,214</u>	<u>920,243,264</u>
CURRENT ASSETS					
Debtors: Amounts falling due after more than one year	13	1,219,040	90,391,816	-	-
Debtors: Amounts falling due within one year		1,012,300	75,062,045	-	-
Cash at bank and in hand		3,947	292,670	8,236	654,433
		<u>2,235,287</u>	<u>165,746,531</u>	<u>8,236</u>	<u>654,433</u>
CREDITORS:					
Amounts falling due within one year	14	(4,296,773)	(318,605,718)	(1,025,725)	(81,504,109)
NET CURRENT LIABILITIES					
		<u>(2,061,486)</u>	<u>(152,859,187)</u>	<u>(1,017,489)</u>	<u>(80,849,676)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>15,665,028</u>	<u>1,161,561,826</u>	<u>10,563,725</u>	<u>839,393,588</u>
CREDITORS:					
Amounts falling due after more than one year	15	(7,625,000)	(565,393,750)	(4,375,000)	(347,637,500)
Bank loans and overdrafts		(8,475,850)	(659,593,330)	(6,241,716)	(495,966,753)
Amounts due to parent undertaking		(16,100,850)	(1,224,987,080)	(10,616,716)	(843,604,253)
NET LIABILITIES					
		<u>(435,822)</u>	<u>(63,425,254)</u>	<u>(52,991)</u>	<u>(4,210,665)</u>
CAPITAL AND RESERVES					
Called up share capital	18	1,000	84,840	1,000	84,840
Profit and loss account (Includes Foreign Exchange Fluctuation reserve account)	19	(436,822)	(63,510,094)	(53,991)	(4,295,505)
SHAREHOLDERS' DEFICIT					
	20	<u>(435,822)</u>	<u>(63,425,254)</u>	<u>(52,991)</u>	<u>(4,210,665)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17th June, 2009.

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 YEAR ENDED 31 MARCH 2009

	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Reconciliation of operating profit to net cash inflow from operating activities				
Operating (loss)/profit	(752,710)	(59,561,942)	86,520	6,947,829
Depreciation	184,478	13,679,044	36,047	2,864,295
Amortisation	422,357	31,317,772	49,916	3,966,325
Decrease in debtors	631,975	46,860,946	416,195	33,070,855
Increase in stock	(363,932)	(26,985,558)	(295,439)	(23,475,583)
Increase in creditors	802,694	59,519,760	113,003	8,979,218
(Increase) in provisions	(10,453)	(775,090)	(2,091)	(166,151)
Profit on disposal of tangible fixed assets	(1,250)	(92,688)	-	-
Net cash inflow from operating activities				
	<u>913,159</u>	<u>63,962,244</u>	<u>404,151</u>	<u>32,186,788</u>
CASH FLOW STATEMENT (note 21)				
Net cash inflow from operating activities				
	913,159	63,962,244	404,151	32,186,788
Returns on investments and servicing of finance	(725,710)	(53,811,397)	10,533	836,952
Taxation	(324,601)	(24,069,164)	(45,000)	(3,575,700)
Capital expenditure and financial investment	(3,107,622)	(230,430,171)	-	-
Acquisitions and disposals	(5,049,483)	(374,419,164)	(9,742,542)	(774,142,387)
	<u>(8,294,257)</u>	<u>(618,767,652)</u>	<u>(9,372,858)</u>	<u>(744,694,347)</u>
Financing				
	7,609,134	564,217,286	11,241,716	893,266,753
Increase in cash				
	<u>(685,123)</u>	<u>(54,550,366)</u>	<u>1,868,858</u>	<u>148,572,406</u>
Reconciliation of net cash flow to movement in net debt (note 22)				
Increase in cash in the period	(685,123)	(54,550,366)	1,868,858	148,572,406
Increase in long term loans	(7,609,134)	(564,217,286)	(11,241,716)	(893,266,753)
Change in net debt				
	<u>(8,294,257)</u>	<u>(618,767,652)</u>	<u>(9,372,858)</u>	<u>(744,694,347)</u>
Net debt at 1 April 2008				
	<u>(9,371,858)</u>	<u>(744,609,507)</u>	<u>1,000</u>	<u>84,840</u>
Net debt at 31 March 2009				
	<u>(17,666,115)</u>	<u>(1,363,377,159)</u>	<u>(9,371,858)</u>	<u>(744,609,507)</u>

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 YEAR ENDED 31 MARCH 2009

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 £382,831 (2008 - £53,991).

The group has made a loss after tax of £1,194,374 and has net liabilities of £1,189,611. The accounts have been prepared on a going concern basis as the parent company, Marksans Pharma Limited, intends to support the Group financially in order for the group to continue in operational existence.

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 2009.

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

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 acquired. It is amortised to the profit and loss account over its estimated economic life.

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

Goodwill - 5% straight line

Intangible fixed assets are capitalised at cost and amortised over their expected useful lives being a period of 10 years for Bell Sons and Co (Druggists) Limited product licences (OTC) and 20 years for Relonchem Limited product licences (prescription).

1.5 Property, plant and equipment

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 land and buildings - 2% cost
Plant and machinery - 20% written down value
Motor vehicles - 25% cost
Computer equipment - 20% cost
Fixtures and fittings - 25% reducing balance

1.6 Investments

Investments in subsidiaries are valued at cost less provision for 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 in the profit and loss account 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. Raw materials cost is determined on a weighted average purchase price basis. Finished goods cost is determined on a weighted production or purchase cost basis. Net realisable value is based on estimated selling price less the estimated cost of 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 group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

2 TURNOVER

Turnover is attributable to two distinct classes of business, being the wholesale distribution of pharmaceuticals in Relonchem Limited, and the manufacture and sale of pharmaceuticals in Bell Sons and Co (Druggists) Limited.

The analysis of turnover of Bell Sons and Co (Druggists) Limited has been omitted as the directors consider that this would be prejudicial to the interests of the group's trade.

A geographical analysis of wholesale turnover is as follows:

	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
United Kingdom	5,028,346	397,893,019	-	-
Rest of World	3,505,914	277,422,975	-	-
	8,534,260	675,315,994	-	-

3 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Depreciation of tangible fixed assets:				
- owned by the company	184,478	14,597,744	36,047	2,848,073
Amortisation of goodwill	269,338	21,312,716	49,916	3,943,863
Amortisation of intangible fixed assets	153,019	12,108,393	-	-
Operating lease rentals:				
- plant and machinery	20,918	1,655,241	5,552	438,664
- land and buildings	115,036	9,102,799	-	-
Government grants released	(10,453)	(827,146)	(1,700)	(134,317)
Difference on foreign exchange	105,692	8,363,408	9,459	747,356

During the year, no director received any emoluments from Marksans Pharma U.K. Limited or any of its subsidiaries.

4 AUDITORS' REMUNERATION

	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Fees payable to the group's auditors for the audit of the group's annual accounts	24,412	1,931,722	6,615	522,585
Fees payable to the group's auditors in respect of: Taxation services	4,500	356,085	-	-
Other services	4,250	336,303	-	-
	33,162	2,624,109	6,615	522,585



5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Wages and salaries	2,713,459	214,716,011	418,403	33,058,021
Social security costs	242,480	19,187,442	39,380	3,111,414
Other pension costs	64,833	5,130,235	11,340	895,973
	<u>3,020,772</u>	<u>239,033,688</u>	<u>469,123</u>	<u>37,065,408</u>

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

	31st March, 2009	31st March, 2008
	No.	No.
Production	113	107
Sales and administration	27	11
	<u>140</u>	<u>118</u>

6 INTEREST PAYABLE

	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
On bank loans and overdrafts	677,416	53,603,928	76,248	6,024,354
Finance costs payable on debt finance	16,000	1,266,080	-	-
	<u>693,416</u>	<u>54,870,008</u>	<u>76,248</u>	<u>6,024,354</u>

7 TAXATION

	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Analysis of tax charge in the year				
UK corporation tax				
Current tax on income for the year	(140,428)	(11,112,068)	19,100	1,509,091
Adjustment in respect of prior periods	(21,816)	(1,726,300)	-	-
Total current tax	<u>(162,244)</u>	<u>(12,838,368)</u>	<u>19,100</u>	<u>1,509,091</u>

	31st March, 2009		31st March, 2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Deferred tax (see note 16)				
Origination or reversal of timing differences:	(11,009)	(871,180)	-	-
Tax on loss on ordinary activities	<u>(173,253)</u>	<u>(13,709,548)</u>	<u>19,100</u>	<u>1,509,091</u>
Factors affecting tax charge for the year				
The tax assessed for the year is higher than (2008 higher than) the standard rate of corporation tax in the UK of 28% (2008 30%). The differences are explained below:				
(Loss)/profit on ordinary activities before tax	<u>(1,367,627)</u>	<u>(108,220,325)</u>	<u>22,863</u>	<u>1,918,300</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008 30%)	(382,935)	(30,301,647)	6,859	541,930
Effects of:				
Capital allowances for period in excess of depreciation	(1,850)	(146,391)	(1,112)	(87,859)
Amortisation of goodwill	75,414	5,967,510	14,975	1,183,175
Expenses not deductible for tax	2,295	181,603	1,195	94,417
Marginal relief	-	-	(136)	(10,745)
Other timing differences	(2,962)	(234,383)	(2,681)	(211,826)
Losses carried forward	102,302	8,095,157	-	-
Adjustments to tax charge in respect of prior periods	(21,816)	(1,726,300)	-	-
Under provision of corporation tax in the period from 1 April 2008 to 27 August 2008	67,308	5,326,082	-	-
Current tax (Credit)/charge for the year	<u>(162,244)</u>	<u>(12,838,368)</u>	<u>19,100</u>	<u>1,509,092</u>

8 INTANGIBLE FIXED ASSETS

Group	Prescription Product Licences £	OTC Product Licences £	Goodwill £	31st March, 2009		31st March, 2008	
				Total Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Cost							
At 1 April 2008	-	-	4,924,190	4,924,190	377,961,652	-	-
Acquisition of subsidiary undertaking	777,779	-	792,950	1,570,729	116,469,555	4,924,190	383,379,328
Additions	3,860,879	16,500	-	3,877,379	287,507,653	-	-
At 31 March 2009	<u>4,638,658</u>	<u>16,500</u>	<u>5,717,140</u>	<u>10,372,298</u>	<u>781,938,860</u>	<u>4,924,190</u>	<u>377,961,652</u>
Amortisation							
At 1 April 2008	-	-	49,916	49,916	3,966,325	-	-
Acquisition of subsidiary undertaking	96,425	-	-	96,425	7,630,110	-	-
Charge for the year	153,019	-	269,338	422,357	33,421,109	49,916	3,966,325
At 31 March 2009	<u>249,444</u>	<u>-</u>	<u>319,254</u>	<u>568,698</u>	<u>45,017,545</u>	<u>49,916</u>	<u>3,966,325</u>
Net book value							
At 31 March 2009	<u>4,389,214</u>	<u>16,500</u>	<u>5,397,886</u>	<u>9,803,600</u>	<u>736,921,316</u>	<u>4,874,274</u>	<u>379,413,003</u>
At 31 March 2008	<u>-</u>	<u>-</u>	<u>4,874,274</u>	<u>4,874,274</u>	<u>379,413,003</u>	<u>-</u>	<u>-</u>

9 TANGIBLE FIXED ASSETS

Group	Freehold land & buildings £	Plant machinery fixtures, fittings & equipments £	Motor Vehicles £	31st March, 2009		31st March, 2008	
				Total Amt in £ £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Cost or valuation							
At 1 April 2008	2,510,000	2,882,356	17,250	5,409,606	429,847,372	-	-
Acquisition of subsidiary undertaking	-	15,137	-	15,137	1,122,409	5,409,606	429,847,372
Additions	-	157,864	-	157,864	11,705,616	-	-
Disposals	-	-	(8,250)	(8,250)	(611,738)	-	-
At 31 March	2,510,000	3,055,357	9,000	5,574,357	442,063,659	5,409,606	429,847,372
Depreciation							
At 1 April 2008	-	2,056,240	9,376	2,065,616	164,133,848	-	-
Acquisition of subsidiary undertaking	-	4,891	-	4,891	387,025	2,029,569	166,687,229
Charge for the year	-	182,230	2,248	184,478	14,597,744	36,047	2,864,295
Eliminated on disposals	-	-	(8,250)	(8,250)	(611,738)	-	-
At 31 March	-	2,243,361	3,374	2,246,735	178,506,879	2,065,616	169,551,524
Net book value							
At 31 March	2,510,000	811,996	5,626	3,327,622	263,556,779	3,343,990	260,295,848

Freehold land amounting to £570,000 (2008 - £570,000) has not been depreciated.
Tangible fixed assets are stated at fair value to the group on acquisition.

10 FIXED ASSET INVESTMENTS

	Company Shares in subsidiary undertakings Amt in £	Company Shares in subsidiary undertakings Amt Equi. In Rs.
Cost		
At 1 April 2008	11581214	858,747,018
Acquired during the year	6145300	455,673,995
At 31 March 2009	17726514	1,314,421,013

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 Amt in £	Nominal value of shares Amt. Equivalent in Rs.
Marksans Holdings Limited	United Kingdom	Holding Company	£1 Ordinary	1,000	84840
Bell Sons and Co. (Druggists) Limited	United Kingdom	Trading Company	£1 Ordinary	6,334	503300
Relonchem Limited	United Kingdom	Trading Company	£1 Ordinary	1,000	74150

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.

11 ACQUISITION OF SUBSIDIARY UNDERTAKING

11.1 Relonchem Limited

On 27 August 2008 the Company acquired 100% of the issued share capital of Relonchem Limited for consideration comprising of £6,145,300 cash. The fair value of the total consideration was £6,145,300.

The following table sets out the book values of the identifiable assets and liabilities acquired of Relonchem Limited 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				
Intangible	3022777	(2341423)	681354	50,522,399
Tangible	10246	-	10246	759,741

	Book value Amt in £	Accounting policy alignment Amt in £	Fair value to Group Amt in £	Fair value to Group Amt Equi. In Rs.
Current assets				
Stock	624367	-	624367	46,296,813
Debtors	5573445	43467	5616912	416,494,025
Cash at bank and in hand	1095817	-	1095817	81,254,831
Total Assets	10326652	(2297956)	8028696	595327808
Creditors				
Trade creditors	795268	-	795268	58,969,122
Other creditors	1450456	-	1450456	107,551,312
Other taxation and social security	67599	-	67599	5,012,466
Corporation Tax	363023	-	363023	26,918,155
Total Liabilities	2676346	-	2676346	198,451,056
Net assets	7650306	(2297956)	5352350	396,876,753
Goodwill			792950	58,797,243
			6145300	455,673,995
Satisfied by				
Cash			6100000	452,315,000
Acquisition expenses			45300	3,358,995
			6145300	455,673,995

Net cash outflows in respect of the acquisition comprised:

	Amt in £	Amt Equi. In Rs.
Cash consideration	6100000	452,315,000
Acquisition expenses	45300	3,358,995
Cash at bank and in hand acquired	(1095817)	(81,254,831)
	5049483	374,419,164

Further consideration may be payable depending on the EBITDA of Relonchem Limited in the year ending 31 March 2010. As it is not expected that Relonchem Limited will reach the required level no additional consideration has been provided for.

Relonchem Limited made a profit after taxation of £365,380 in the year ended 31 March 2009 of which £759,635 arose in the period from 1 April 2008 to 27 August 2008 and a loss of £394,255 in the post acquisition period. In the previous period, being 1 June 2007 to 31 March 2008, Relonchem Limited made a profit after tax of £79,466 (as restated). The summarised profit and loss account for the period from 1 June 2007 to 27 August 2008 is as follows:



Profit and Loss account	1.6.2007 To 27.8.2008 Amt in £	1.6.2007 To 27.8.2008 Amt Equi. In Rs.
Turnover	18999061	1,501,115,810
Cost of sales	(16912009)	(1,336,217,831)
Gross profit	2087052	164,897,979
Other operating expenses (net)	(1022484)	(80,786,461)
Operating profit	1064568	84,111,518
Finance income (net)	4874	385,095
Profit on ordinary activities before taxation	1069442	84,496,612
Tax on profit on ordinary activities	(230341)	(18,199,242)
Profit on ordinary activities after taxation	839101	66,297,370

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

In the year ended 31 March 2009, being the first full year since acquisition by Marksans Pharma U. K. Limited, Bell Sons and Co (Druggists) Limited made a profit after tax of £70,842.

12 STOCKS

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
Raw materials	960,522	71,222,706	778,413	61,852,697
Finished goods	1,642,190	121,768,389	878,241	69,785,030
	2,602,712	192,991,095	1,656,654	131,637,727

13 DEBTORS

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
Due within one year				
Trade debtors	5,703,052	422,881,306	1,247,574	99,132,230
Other debtors	622,414	46,151,998	485	38,538
Prepayments & accrued income	167,954	12,453,789	70,718	5,619,252
	6,493,420	481,487,093	1,318,777	104,790,020

	31st March, 2009		31st March, 2008	
	Company Amt in £	Amt. Equivalent in Rs.	Company Amt in £	Amt. Equivalent in Rs.
Due after more than one year				
Amounts owed by Group undertakings	1,219,040	90,391,816	-	-

	31st March, 2009		31st March, 2008	
	Company Amt in £	Amt. Equivalent in Rs.	Company Amt in £	Amt. Equivalent in Rs.
Due within one year				
Other debtors	8,300	615,445	-	-
Prepayments & accrued income	104,000	7,711,600	-	-
Amounts owed by Group undertakings	900,000	66,735,000	-	-
	1,012,300	75,062,045	-	-

14 CREDITORS

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
Amounts falling due within one year				
Bank loans and overdrafts	2,805,306	208,013,440	1,029,423	81,797,952
Trade creditors	3,525,527	261,417,827	393,730	31,285,786
Corporation tax	89,913	6,667,049	157,143	12,486,583
Other tax and social security	104,557	7,752,902	96,234	7,646,754

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
Amounts falling due within one year				
Proceeds of factored debts	222,481	16,496,966	-	-
Other creditors	1,033,379	76,625,053	348,994	27,731,063
Amounts due to parent undertaking	64,172	4,758,354	-	-
Accruals and deferred income	566,382	41,997,225	655,072	52,052,021
	8,411,717	623,728,816	2,680,596	213,000,159

	31st March, 2009		31st March, 2008	
	Company Amt in £	Amt. Equivalent in Rs.	Company Amt in £	Amt. Equivalent in Rs.
Bank loans and overdrafts	2,750,000	203,912,500	625,000	49,662,500
Amounts owed to group undertakings	1,411,927	104,694,387	-	-
Other creditors	134,846	9,998,831	400,725	31,841,609
	4,296,773	318,605,718	1,025,725	81,504,109

The bank loan taken out for the acquisition of Bell Sons and Co (Druggists) Limited is repayable by half yearly instalments with the final payment due in July 2012. Interest is 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.

The bank loan taken out for the acquisition of Relonchem Limited is repayable by half yearly instalments with the final payment due in February 2013. Interest is charged at 3.4% above LIBOR. The loan is secured by a corporate guarantee provided by the parent company, Marksans Pharma Limited and a pledge of shares in Relonchem Limited.

Proceeds of factored debts are secured by a fixed and floating charge over the assets of Relonchem Limited.

15 CREDITORS

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
Amounts falling due after more than one year				
Bank loans and overdrafts	7,625,000	565,393,750	4,375,000	347,637,500
Amounts due to parent undertaking	8,475,850	659,593,330	6,241,716	495,966,753
	16,100,850	1,224,987,080	10,616,716	843,604,253

	31st March, 2009		31st March, 2008	
	Company Amt in £	Amt. Equivalent in Rs.	Company Amt in £	Amt. Equivalent in Rs.
Amounts falling due after more than one year				
Bank loans and overdrafts	7,625,000	565,393,750	4,375,000	347,637,500
Amounts due to parent undertaking	8,475,850	659,593,330	6,241,716	495,966,753
	16,100,850	1,224,987,080	10,616,716	843,604,253

The bank loan taken out for the acquisition of Bell Sons and Co (Druggists) Limited is repayable by half yearly instalments with the final payment due in July 2012. Interest is 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.

The bank loan taken out for the acquisition of Relonchem Limited is repayable by half yearly instalments with the final payment due in February 2013. Interest is charged at 3.4% above LIBOR. The loan is secured by a corporate guarantee provided by the parent company, Marksans Pharma Limited and a pledge of shares in Relonchem Limited.

16 DEFERRED TAXATION

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
At beginning of year	106,841	8,489,586	-	-
On acquisition of subsidiary company	-	-	106,841	8,489,586
Released during year	(11,009)	(1,383,640)	-	-
At end of year	95,832	(7,105,946)	106,841	8,489,586

	31st March, 2009		31st March, 2008	
	Group Amt in £	Amt. Equivalent in Rs.	Group Amt in £	Amt. Equivalent in Rs.
Deferred tax is analysed as follows:				
Capital allowances	95,832	7,105,946	106,841	8,489,586

17 PROVISIONS

	Government Grants Group Amt in £	Amt. Equivalent in Rs.
At 1 April 2008	59,060	4,379,299
Amounts used	(10,453)	(775,090)
At 31 March 2009	48,607	3,604,209

Government grants comprise amounts received under Regional Development and Enterprise Schemes.

18 SHARE CAPITAL

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

19 RESERVES

Profit and loss account	Group Amt in £	Group Amt. Equivalent in Rs.	Company Amt in £	Company Amt. Equivalent in Rs.
At 1 April 2008	3,763	409,209	(53,991)	(4,295,505)
Loss for the year	(1,194,374)	(94,510,777)	(382,831)	(30,293,417)
Exchange Fluctuation Reserve	-	1,496,002	-	(28,921,172)
At 31 March 2009	(1,190,611)	(92,605,566)	(436,822)	(63,510,094)

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Group Opening shareholders' funds	4,763	378,546	1,000	84,840
(Loss)/profit for the year	(1,194,374)	(94,510,776)	3,763	409,209
Exchange Fluctuation reserve	-	1,496,002	-	(115,503)
Closing Shareholders' (deficit)/funds	(1,189,611)	(92,520,726)	4,763	378,546

Company	2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Opening shareholders' (deficit)/funds	(52,991)	(4,210,665)	1,000	84,840
Loss for the year	(382,831)	(30,293,417)	(53,991)	(4,295,505)
Exchange Fluctuation reserve	-	(28,921,172)	-	-
Closing Shareholders' (deficit)	(435,822)	(63,425,254)	(52,991)	(4,210,665)

21 GROSS CASH FLOWS

	2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Returns on investments and servicing of finance				
Interest paid	(684,209)	(50,734,097)	(2,058)	(162,603)
Interest received	78,499	5,820,701	12,591	994,815
Finance costs paid on debt finance	(120,000)	(8,898,000)	-	-
Net cash outflow from returns on investments and servicing of finance	(725,710)	(53,811,397)	10,533	832,212

	2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Capital expenditure and financial investment				
Purchase of intangible fixed assets	(2,959,258)	(219,428,981)	-	-
Purchase of tangible fixed assets	(157,864)	(11,705,616)	-	-
Sale of tangible fixed assets	9,500	704,425	-	-
Net cash outflow from capital expenditure	(3,107,622)	(230,430,171)	-	-

	2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Acquisitions and disposals				
Purchase of subsidiary undertaking	(6,145,300)	(455,673,995)	(11,232,424)	(892,528,411)
Cash acquired on acquisition	1,095,817	81,254,831	1,489,882	118,386,024
Net cash outflow from acquisitions and disposals	(5,049,483)	(374,419,164)	(9,742,542)	(774,142,387)

	2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Financing				
New secured loans	6,000,000	444,900,000	5,000,000	397,300,000
Repayment of loans	(625,000)	(46,343,750)	-	-
New unsecured loans	2,234,134	165,661,036	6,241,716	495,966,753
Net cash outflow from financing	7,609,134	564,217,286	11,241,716	893,266,753



22 ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2009				
	At 1 April 2008 Amt in £	Cash flows Amt in £	Other Changes Amt in £	Total Amt in £	Amt. Equivalent in Rs.
Cash at bank and in hand	2,274,281	(1,034,240)	-	1,240,041	91,949,040
Loans and overdrafts	(404,423)	349,117	-	(55,306)	(4,100,940)
	1,869,858	(685,123)	-	1,184,735	87,848,100
Debt due within one year	(625,000)	-	(2,125,000)	(2,750,000)	(203,912,500)
Debt due after one year	(10,616,716)	(7,609,134)	2,125,000	(16,100,850)	(1,247,312,760)
Total	(9,371,858)	(8,294,257)	-	(17,666,115)	(1,363,377,159)

23 OTHER COMMITMENTS

Group

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

	Land and Buildings				Others			
	2009		2008		2009		2008	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Expiry date:								
Within 1 year	-	-	-	-	8,956	664,087	3,159	251,014
Between 2 and 5 years	120,000	8,898,000	-	-	6,978	517,419	35,247	2,800,727
After more than 5 years	28,000	2,076,200	-	-	-	-	-	-
Total	148,000	10,974,200	-	-	15,934	1,181,506	38,406	3,051,741

24 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.

25 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.

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 100, 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 2009 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 the 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 the subsidiaries, whose financial statement reflect total assets of Rs.18160.74 Lacs As at 31st March 2009 and total revenues of Rs. 15728.34 Lacs 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 subsidiaries, 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 subsidiaries as at 31st March, 2009;
- b) In the case of consolidated Profit and Loss Account, of the loss of Marksans Pharma Ltd. and its subsidiaries for the year ended on that date; and
- c) In the case of the consolidated Cash Flow Statement, of the Cash Flow of Marksans Pharma Ltd. and its subsidiaries for the year ended on that date.

FOR N.K.MITTAL & ASSOCIATES
Chartered Accountants

N.K.MITTAL
(Proprietor)
Membership No. 46785

Place : Mumbai
Date : 29th June,2009.



Consolidated Balance Sheet as on 31st March, 2009

(Amount in Rs.)

Particulars	Sch. No.	As on 31.3.2009	As on 31.3.2008
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	502,805,871	494,405,630
Reserves & Surplus	2	1,000,065,729	924,079,209
Loan Funds			
Secured Loans	3	1,952,129,473	1,380,240,670
Unsecured Loans	4	2,013,237,256	2,027,072,018
Minority Interest		6,900,574	2,682,790
		<u>5,475,138,903</u>	<u>4,828,480,317</u>
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)			
Fixed Assets (Gross Block)	5	4,591,036,961	3,341,749,875
Less: Provison for Depreciation		786,389,860	638,465,501
Net block		<u>3,804,647,101</u>	<u>2,703,284,374</u>
Current Assets, Loans & Advances			
Inventories	6	1,190,798,976	1,394,326,826
Sundry Debtors	7	1,016,815,843	678,627,133
Loans & Advances	8	175,474,910	247,370,544
Cash & Bank Balances	9	223,438,186	615,881,030
Total (A)		2,606,527,915	2,936,205,533
Current Liabilities			
Current Liabilities & Provisions	10	821,243,906	713,232,260
Total (B)		<u>821,243,906</u>	<u>713,232,260</u>
Net Current Assets (A) - (B)		1,785,284,009	2,222,973,273
Deferred Tax Assets/(Liability) (Net)		(119,587,115)	(108,613,594)
Miscellaneous Expenditure	11	4,794,908	10,836,264
(To the extent not written off)			
		<u>5,475,138,903</u>	<u>4,828,480,317</u>
Notes to the Accounts	16		

For and on Behalf of

For and on Behalf of the Board of Directors

N. K. Mittal & Associates

Chartered Accountant

Mark Saldanha

Chairman and Managing Director

N. K. Mittal

Proprietor

Membership No: 46785

V. Nagaraj

Whole Time Director

Harshavardhan PanigrahiCompany Secretary
& Legal Manager

Place : Mumbai

Date : 29th June, 2009

Consolidated Profit & Loss Account for the period ended 31st March, 2009

(Amount in Rs)

Particulars	Sch. No.	For the period ended 31.3.2009	For the period ended 31.3.2008
INCOME			
Sales		3,601,310,387	2,639,405,719
Other Income	12	80,639,536	65,353,656
		<u>3,681,949,923</u>	<u>2,704,759,375</u>
EXPENDITURE			
Cost of Sales	13	2,866,610,459	2,001,811,258
Administration, Selling & Distribution Expenses	14	442,363,262	315,780,990
Interest & Financial Charges	15	213,593,641	118,553,972
Depreciation	5	153,545,429	92,851,382
Exchange Loss/(Gain)		67,877,704	(37,788,399)
Loss on Sale of Fixed Assets		1,909,966	250,895
Miscellaneous Expenditure Written Off		6,041,354	8,170,583
		<u>3,751,941,815</u>	<u>2,499,630,681</u>
Profit Before Tax		(69,991,892)	205,128,694
Provision for Taxation			
- Current Year (Tax Credit In Subsidiary Co.)		(6,804,497)	4,482,735
- Current Year (Tax Provision in Holding Co.)		2,710,000	23,000,000
- Earlier Years		812,370	3,472,778
- Deferred Tax		11,486,023	15,138,326
- FBT		1,352,537	1,848,756
Net Profit after Tax		(79,548,325)	157,186,099
Less: Minority Interest		4,005,532	3,003,242
Balance Profit brought forward		646,242,815	492,059,959
Less: Proposed Dividend by Subsidiary Co.		5,457,000	-
Closing Balance Transferred to Balance Sheet		<u>557,231,958</u>	<u>646,242,815</u>
Notes to the Accounts	16		

For and on Behalf of

N. K. Mittal & Associates

Chartered Accountant

N. K. Mittal

Proprietor

Membership No: 46785

Place : Mumbai

Date : 29th June, 2009

For and on Behalf of the Board of Directors

Mark Saldanha

Chairman and Managing Director

V. Nagaraj

Whole Time Director

Harshavardhan PanigrahiCompany Secretary
& Legal Manager

**Schedules Forming Part of the Consolidated Financial Statement as on 31st March,2009**

(Amount in Rs)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 1 [SHARE CAPITAL]		
<u>Authorised</u>		
550,000,000 (Previous Year 550,000,000) Equity Shares of Re.1/- each	550,000,000	550,000,000
1,400,000 (Previous Year 1,400,000) 7% redeemable cumulative preference shares of Rs. 100/- each	<u>140,000,000</u>	<u>140,000,000</u>
	<u>690,000,000</u>	<u>600,000,000</u>
<u>Issued, Subscribed and Paid-up.</u>		
367,805,871 (Previous Year 35,94,05,630) Equity Shares of Re.1/- each	367,805,871	359,405,630
1,350,000 (Previous Year 1,350,000) 7% redeemable cumulative preference shares of Rs. 100/- each	<u>135,000,000</u>	<u>135,000,000</u>
	<u>502,805,871</u>	<u>494,405,630</u>
Schedule - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	2,668,162	2,668,162
Share Premium	437,697,677	274,932,608
Exchange fluctuation reserve	234,5432	113,123
Profit & Loss Account - Opening Balance	646,242,815	492,059,959
Add: Transferred During the Year	<u>(89,010,857)</u>	<u>154,182,857</u>
	<u>1,000,065,729</u>	<u>924,079,209</u>
Schedule - 3 [SECURED LOANS]		
Term Loan	1,358,565,203	778,889,676
Working Capital Facilities	592,400,210	597,915,656
Other Loans (Vehicle Loans)	<u>1,164,060</u>	<u>3,435,338</u>
	<u>1,952,129,473</u>	<u>1,380,240,670</u>
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	1,998,500,000	1,998,500,000
Deposits & Others	<u>14,737,256</u>	<u>28,572,018</u>
	<u>2,013,237,256</u>	<u>2,027,072,018</u>

Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block			Depreciation				Net Block		
	As on 31.03.2008	Additions Acquired	Sales/ Dedn.	As on 31.03.2009	Upto 31.03.2008	For the Year	Written Back	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
Land	19,547,708	-	-	19,547,708	-	-	-	-	19,547,708	19,547,708
Building	833,792,924	53,451,616	-	887,244,540	65,719,165	22,810,046	-	88,529,211	798,715,330	768,073,759
Plant & Machinery	1,623,323,129	38,705,485	7,209,448	1,654,819,166	551,609,082	81,433,636	4,339,518	628,703,200	1,026,115,966	1,071,714,047
Computer & Software	24,269,832	1,955,384	-	26,225,216	5,466,414	4,136,098	-	9,602,512	16,622,704	18,803,418
Office Equipments	6,055,318	496,621	95,567	6,456,373	1,370,002	454,097	2,768	1,821,331	4,635,043	4,685,316
Furnitures & Fixtures	23,341,898	9,052,875	134,171	32,260,602	3,951,699	1,932,355	25,637	5,858,417	26,402,185	19,390,199
Vehicles	18,723,720	-	2,560,995	16,162,726	6,372,576	1,716,336	1,253,148	6,835,764	9,326,962	12,351,144
Intangible Assets										
Goodwill	390,758,566	58,797,243	-	449,555,809	3,966,325	21,324,358	-	25,290,683	424,265,126	386,792,241
Formation Expenses	27,784	-	-	27,784	10,239	-	-	10,239	17,545	17,545
Prescription Product Licences	-	343,956,491	-	343,956,491	-	19,738,504	-	19,738,504	324,217,987	-
OTC Product Licences	-	1,223,475	-	1,223,475	-	-	-	-	1,223,475	-
Internally Generated * DMF/ANDA and Others	401,908,994	751,648,078	-	1,153,557,072	-	-	-	-	1,153,557,072	401,908,994
Total	3,341,749,875	1,259,287,267	10,000,181	4,591,036,961	638,465,502	153,545,429	5,621,071	786,389,860	3,804,647,101	2,703,284,374
<i>Previous Year</i>	<i>1,784,236,246</i>	<i>1,559,780,026</i>	<i>2,266,397</i>	<i>3,341,749,875</i>	<i>386,120,755</i>	<i>254,120,249</i>	<i>1,775,502</i>	<i>638,465,501</i>	<i>2,703,284,374</i>	<i>1,398,115,491</i>

(Amount in Rs.)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 6 [INVENTORIES]		
Raw Material, Packing Material & Other Materials	215,890,137	235,860,764
Work - in - Process/ By Products	121,908,692	60,129,958
Finished Goods	853,000,147	1,098,336,104
	1,190,798,976	1,394,326,826
Schedule - 7 [SUNDRY DEBTORS]		
Debtors (Unsecured and Considered good)	61,285,927	59,583,871
Outstanding for over six month	955,529,916	619,043,262
Others	1,016,815,843	678,627,133
Schedule - 8 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances (recoverable in cash or kind or value to be received)	134,953,127	145,302,884
Balances with Excise Authorities	36,161,982	51,111,024
Deposits	4,359,801	50,956,636
	175,474,910	247,370,544
Schedule - 9 [CASH AND BANK BALANCES]		
Cash in Hand	1,761,119	567,891
Balance with Scheduled Banks in Current Account	97,142,894	613,244,612
Deposits with Banks	124,534,173	2,068,527
	223,438,186	615,881,030
Schedule - 10 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	810,840,598	686,357,961
Unclaimed Dividend	103,093	103,093
Provision for Taxation	10,300,215	26,771,206
	821,243,906	713,232,260



(Amount in Rs.)

Particulars	As on 31.3.2009	As on 31.3.2008
Schedule - 11 [MISCELLANEOUS EXPENDITURE]		
(To the extent not written off)		
Preliminary Expenses	600,562	835,446
Product launch, Investigation and Registration Expenses	4,194,346	10,000,818
	4,794,908	10,836,264
Schedule - 12 [OTHER INCOME]		
Excess Provision Written back	1,887,594	-
Insurance Claim received	78,000	-
Interest Received	76,357,269	57,354,526
Miscellaneous Income	13,374	1,447,287
Scrap Sales	2,303,299	2,794,322
DEPB Income	-	3,757,521
	80,639,536	65,353,656
Schedule - 13 [COST OF SALES]		
Purchase	1,849,270,710	1,385,277,218
(Increase)/Decrease in Inventories	(85,969,201)	(170,796,451)
Net Raw Material Consumption	665,875,621	493,052,357
Water Charges	6,675,066	2,536,145
Power & Fuel	64,730,486	68,359,430
Excise Duty Paid	40,312,727	65,173,097
Freight Inward & Raw Material Clearing Charges	51,755,255	21,646,325
Salaries, Wages, Allowances & Staff Welfare	228,445,664	105,023,563
Repairs & Maintenance of Production Facility (plant)	14,890,914	17,590,947
Other Manufacturing Expenses	30,623,217	13,948,628
	2,866,610,459	2,001,811,258
Schedule - 14 [ADMIN., SELLING & DISTRIBUTION]		
Rent, Rates & Taxes	22,175,534	14,743,352
Salaries & Allowances	132,709,274	72,198,652
Staff Welfare	6,804,594	1,646,878
Directors' Remuneration	12,565,807	5,126,170
Travelling Expenses	14,210,544	11,903,550
Communication Expenses	4,117,226	3,909,352
Courier & Postage Expenses	2,748,667	1,518,775
Printing & Stationery	4,538,274	5,577,213
Repairs & Maintenance (others)	10,154,811	2,278,453
Audit Fees	2,244,211	961,232
Vehicle Expenses & Local Conveyance	7,603,751	6,585,680
Legal & Professional Fees	29,799,085	7,584,879
Office Expenses	976,627	3,235,169
Insurance Charges	12,358,070	4,917,468
Other Operating Expenses	32,252,972	7,246,683
Freight outward & Export Clearing Expenses	37,353,655	44,764,411
Selling & Distribution Expenses	109,191,150	119,187,931
Research & Development Expenses	559,010	2,395,142
	442,363,262	315,780,990
Schedule - 15 [INTEREST & FINANCIAL CHARGES]		
Interest on Term Loans	135,930,734	53,210,248
Interest on Working Capital, Other Interest & Bank charges	77,662,907	65,343,724
	213,593,641	118,553,972

16) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2009

(1) PRINCIPLE 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 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, acquisition of Relonchem Limited was made through Company's 100 % United Kingdom based subsidiary Company M/s. Marksans Pharma (U.K.) Limited.

The above acquisition was completed on 27th August, 2008. The consolidated financial results as at 31st March 2009 includes financials of Relonchem Limited from 28th August, 2008 to 31st March, 2009 only, to that extent 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 Accountants 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 amortised.

Amortisation on goodwill arising on consolidation is provided on 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 custom 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, 2009	31st March, 2008
(a)	In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	297.89	350.26
(b)	Disputed Taxes/Dues	Nil	Nil
(c)	In respect of Material	86.06	Nil

(5) AUDITORS REMUNERATION

(Rs. in Lacs)

	2008-09	2007-08
Audit Fees	22.44	9.16
Other Services	13.47	1.34

(6) DIRECTORS' REMUNERATION

(Rs. in Lacs)

	2008-09	2007-08
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	18.30	19.39
(b) Other Directors' Remuneration Salaries and Allowances	108.35	31.87
(c) Directors' Sitting Fees	Nil	Nil
	126.65	51.26

(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 £ 11 million (Previous Year f 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 in Marksans Holding Limited & Relonchem 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

For and on Behalf of

N. K. Mittal & Associates

Chartered Accountant

N. K. Mittal

Proprietor

Membership No: 46785

For and on Behalf of the Board of Directors

Mark Saldanha

Chairman and Managing Director

V. Nagaraj

Whole Time Director

Harshavardhan PanigrahiCompany Secretary
& Legal Manager

Place : Mumbai

Date : 29th June, 2009



Statement of Consolidated Cash Flow for the period ended as on March 31, 2009

(Amount in Rs.)

Particulars	For the period ended as on	
	31.03.2009	31.03.2008
A. Cash Flows provided by / (used in) Operating Activities		
Profit After Tax	(83,553,857)	154,182,857
Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
Depreciation	153,545,429	92,851,382
Preliminary & Deferred Revenue Expenses Written off	6,041,354	8,170,583
Exchange Fluctuation Reserve	2,232,309	54,968
Loss on sale of Fixed Assets	1,909,966	250,895
Interest Expenses on term loans	135,930,734	53,210,249
Interest Receipt	(76,357,269)	(57,354,526)
Operating Profit before working capital changes	139,748,665	251,366,407
(Increase)/Decrease in Current Assets, Loans & advances		
Inventories	203,527,850	(154,978,146)
Trade and other receivables	(338,188,710)	(107,810,136)
Loans & Advances	71,895,634	(43,853,494)
Income Tax Paid	-	-
Deferred Tax assets	10,973,521	23,627,913
Deferred Revenue Expenses	-	-
Minority Interest	4,217,784	3,116,890
Increase/(Decrease) in current Liabilities and provisions	108,011,645	260,074,112
Net cash used in operating activities	200,186,389	231,543,545
B. Cash Flows provided by (used in) Investing Activities:		
Purchase of Fixed Assets	(1,256,818,118)	(1,398,271,158)
Sale of Fixed Assets	-	-
Investment	-	-
Interest Receipt	76,357,269	57,354,526
Net Cash used in Investing Activities	(1,180,460,849)	(1,340,916,632)
C. Cash Flows provided by (used in) Financing Activities:		
Increase in Equity Share Capital	8,400,241	-
Increase in Preference Share Capital	-	-
Increase in Share Premium	162,765,068	-
Fees paid for Increase in Paid up Capital	-	-
Proceeds/(Repayment) of Secured Loans	571,888,803	372,560,653
Proceeds/(Repayment) of Unsecured Loans	(13,834,762)	(181,000,000)
Dividend Paid	(5,457,000)	-
Interest Paid	(135,930,734)	(53,210,249)
Net cash provided by Financing Activities	587,831,616	138,350,404
Net Increase / (Decrease) in Cash and Bank Balances	(392,442,844)	(971,022,683)
Cash & Bank Balances as at 31.03.2008	615,881,030	1,586,903,713
Cash & Bank Balances as at 31.03.2009	223,438,186	615,881,030
	(392,442,844)	(971,022,683)

- Notes : 1 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.
2 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

V. Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Place : Mumbai
Date: 29th June, 2009

Auditors Report on Consolidatd Cash Flow for the Period Ended as on March 31, 2009

We have verified the above Cash Flow Statement of Marksans Pharma Limited. This statement has been prepared by the Company from the audited financial statements for the year ended 31 March, 2009. 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 Exchanges.

For and on Behalf of

N. K. Mittal & Associates

Chartered Accountants

N. K. Mittal

Proprietor

Membership No. 46785

Place : Mumbai

Date: 29th June,2009



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 17th Annual General Meeting of the Company at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai - 400 053, on Friday, the 25th day of September 2009 at 10:30 a.m.

Member(s) / Proxy Name

Member(s) / 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 17th 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 Friday, the 25th, day of September 2009, at 10.30 a.m.

Affix Re. 1/-
Revenue
Stamp

Signature

Signed this _____ day of _____ 2009



Core Competencies

USFDA ,TGA & MHRA approved Solid Oral Dosage form facility with largest capacity of Soft Gelatin capsules in India.

Modern and Automated manufacturing facility.

Cementing exports to Regulated Markets as well as establishing exports to Semi –Regulated Markets .

Strong Regulatory Support to ensure effective documentation for effective Regulatory clearances.

Contract manufacturing capabilities to become a preferred channel partner.

Aggressive marketing strategies and Proficient Customer Services.

Backward Integration into API Manufacturing to capture entire segment of Value Chain.

Proactive Leadership to drive company's vision .





Marksans Pharma Limited
www.marksanspharma.com