Marksans Pharma U.K. Limited

Annual Report and Financial Statements

For the year ended 31 March 2016

Company Registration No. 05467597 (England and Wales)

Marksans Pharma U.K. Limited

Company Information

Directors	Mr M Saldanha Mrs S Saldanha Mr J Sharma
Secretary	Mr D Barlow
Company number	05467597
Registered office	Cheshire House Gorsey Lane Widnes WA8 ORP
Auditors	Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH

Strategic Report

For the year ended 31 March 2016

The directors present the strategic report and financial statements for the year ended 31 March 2016.

Fair review of the business

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

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 decreased from £19,419,682 to £18,516,229 and the profit on ordinary activities before taxation was £480,150 (2015: £1,523,916). The directors expect an increase in the level of activity in the forthcoming year.

The directors consider the results of Relonchem Limited for the year to be disappointing. During the year like for like sales decreased from £17,052,510 to £12,580,618 and this year the company made a profit on ordinary activities before taxation of £813,357 (2015: £3,810,241).

The business model of the company is to secure sustained profitable growth via a change in the customer base to support long term supply arrangements and a progressive commercial reactivation of its substantial product portfolio (leveraging on the low cost manufacturing of its parent Marksans Pharma Limited). The directors therefore expect the performance of the company to continue to be improved in the next financial year.

Increasing purchasing costs continue to threaten margins. The group manages this risk by establishing strong relationships with suppliers (in particular its parent Marksans Pharma Limited), 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 through new product development and acquisition of licences, to meet market needs.

The group profit for the year, after taxation, amounted to £645,378 (2015: £3,889,173).

On behalf of the board

....

Mr M Saldanha

Director

26 May 2016

The directors present their group annual report and financial statements for the year ended 31 March 2016.

Principal activities
The principal activity of the company continued to be that of a holding company.

The principal activity of Bell, Sons and Co. (Druggists) Limited is the manufacture and sale of pharmaceuticals, while the principal activity of Relonchem Limited continued to be the development, registration and distribution of generic prescription pharmaceuticals in the UK.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Saldanha
Mrs S Saldanha
Mr J Sharma

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditors
In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the group will be put at a General Meeting.

Statement of disclosure to auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

....
Mr M Saldanha
Director

....
26 May 2016

Directors' Responsibilities Statement

For the year ended 31 March 2016

The directors are responsible for preparing the group 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

To the Members of Marksans Pharma U.K. Limited

We have audited the group financial statements of Marksans Pharma U.K. Limited for the year ended 31 March 2016 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the group financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

P. Chadda

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

26 May 2016

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Consolidated Statement of Total Comprehensive Income
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	3	30,222,226	33,688,703
Cost of sales		(25,687,623)	(25,580,575)
Gross profit		4,534,603	8,108,128
Distribution costs		(574,532)	(564,684)
Administrative expenses		(2,856,297)	(2,240,388)
Other operating income		-	6,787
Operating profit	4	1,103,774	5,309,843
Interest receivable and similar income	7	486	683
Interest payable and similar charges	8	(195,838)	(248,175)
Profit on ordinary activities before taxation		908,422	5,062,351
Tax on profit on ordinary activities	9	(263,044)	(1,173,178)
Profit on ordinary activities after taxation		645,378	3,889,173

Total comprehensive income for the year is all attributable to the owners of the parent company.

Marksans Pharma U.K. Limited

Group Balance Sheet

As at 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Goodwill	10		3,396,887		3,682,744
Other intangible assets	10		2,990,780		3,240,017
Total intangible assets			6,387,667		6,922,761
Tangible assets	11		3,214,074		3,062,803
			9,601,741		9,985,564
Current assets					
Stocks	14	8,137,967		7,747,189	
Debtors	15	5,378,557		5,510,307	
Cash at bank and in hand		1,124,034		1,267,173	
		14,640,558		14,524,669	
Creditors: amounts falling due within one year	16	(13,395,011)		(14,308,323)	
Net current assets			1,245,547		216,346
Total assets less current liabilities			10,847,288		10,201,910
Provisions for liabilities	18		(102,488)		(102,488)
Net assets			10,744,800		10,099,422
Capital and reserves					
Called up share capital	21		8,492,565		8,492,565
Profit and loss reserves			2,252,235		1,606,857
Shareholders' funds			10,744,800		10,099,422

The financial statements were approved by the board of directors and authorised for issue on 26 May 2016 and are signed on its behalf by:

....
Mr M Saldanha
Director

Marksans Pharma U.K. Limited

Company Balance Sheet

As at 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Investments	12		20,326,514		20,326,514
Current assets					
Debtors	15	34,957		34,957	
Creditors: amounts falling due within one year	16	(5,266,962)		(5,258,442)	
Net current liabilities			(5,232,005)		(5,223,485)
Total assets less current liabilities			15,094,509		15,103,029
Capital and reserves					
Called up share capital	21		8,492,565		8,492,565
Profit and loss reserves			6,601,944		6,610,464
Shareholders' funds			15,094,509		15,103,029

The financial statements were approved by the board of directors and authorised for issue on 26 March 2016 and are signed on its behalf by:

....

Mr M Saldanha

Director

Company Registration No. 05467597

Group Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2014	8,492,565	(2,282,316)	6,210,249
Period ended 31 March 2015:			
Profit and total comprehensive income for the year	-	3,889,173	3,889,173
Balance at 31 March 2015	8,492,565	1,606,857	10,099,422
Period ended 31 March 2016:			
Profit and total comprehensive income for the year	-	645,378	645,378
Balance at 31 March 2016	8,492,565	2,252,235	10,744,800

Company Statement of Changes in Equity
For the year ended 31 March 2016

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2014	8,492,565	1,096,414	9,588,979
Period ended 31 March 2015:			
Profit and total comprehensive income for the year	-	5,514,050	5,514,050
Balance at 31 March 2015	8,492,565	6,610,464	15,103,029
Period ended 31 March 2016:			
Loss and total comprehensive income for the year	-	(8,520)	(8,520)
Balance at 31 March 2016	8,492,565	6,601,944	15,094,509

Marksans Pharma U.K. Limited

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Cash flows from operating activities					
Cash generated from operations	**26**		926,945		4,373,455
Interest paid			(195,838)		(248,175)
Income taxes paid			(1,118,639)		(336,679)
Net cash (outflow)/inflow from operating activities			(387,532)		3,788,601
Investing activities					
Purchase of intangible assets		-		(87,674)	
Purchase of tangible fixed assets		(339,674)		(349,377)	
Interest received		486		683	
Net cash used in investing activities			(339,188)		(436,368)
Financing activities					
Repayment of bank loans		-		(2,310,364)	
Net cash used in financing activities			-		(2,310,364)
Net (decrease)/increase in cash and cash equivalents			(726,720)		1,041,869
Cash and cash equivalents at beginning of year			(2,895,878)		(3,937,747)
Cash and cash equivalents at end of year			(3,622,598)		(2,895,878)
Relating to:					
Cash at bank and in hand			1,124,034		1,267,173
Bank overdrafts included in creditors payable within one year			(4,746,632)		(4,163,051)

1 Accounting policies

Company information
Marksans Pharma U.K. Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Cheshire House, Gorsey Lane, Widnes, Cheshire, WA8 0RP.

The Group consists of Marksans Pharma U.K. Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 31 March 2016 are the first financial statements of Marksans Pharma U.K. Limited and the group prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. The date of transition to FRS 102 was 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £8,520 (2015 - £5,514,050 profit).

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Marksans Pharma U.K. Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

1 Accounting policies **(Continued)**

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover represents amounts receivable for goods and services supplied in the year net of VAT and trade discounts based on the date the goods are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill is provided as the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life of 20 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

OTC product licenses	10% straight line
Prescription product licenses	5% straight line

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freeland buildings	2% straight line
Plant and machinery	20% reducing balance
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1 Accounting policies (Continued)

1.8 Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

Basic financial assets
Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

1 Accounting policies **(Continued)**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Goodwill on consolidation

The annual amortisation charge of the goodwill arising on consolidation is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Goodwill impairment reviews are also performed annually. These reviews require an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the cash generating unit and a suitable discount rate to calculate present value. See note 10 for the carrying amount of the intangible assets and note 1.5 for the useful economic life of goodwill.

Amortisation of product licenses

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. These reviews require an estimation of how long each license is expected to be used based on expected sales of those licensed products. See note 10 for the carrying amount of the intangible assets and note 1.6 for the useful economic lives for each class of asset.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment and note 1.7 for the useful economic lives for each class of asset

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016	2015
	£	£
Turnover		
Sale of goods	30,222,226	33,688,703

3 Turnover and other revenue (Continued)

Other significant revenue		
Interest income	486	683
Grants received	-	6,787

The analysis of turnover by geographical markets has been omitted as the directors consider that this would be prejudicial to the interests of the group.

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)	(22,159)	(15,835)
Government grants	-	(6,787)
Depreciation of owned tangible fixed assets	188,403	172,680
Loss on disposal of tangible fixed assets	-	8,462
Amortisation of intangible assets	535,094	537,929
Cost of stocks recognised as an expense	19,454,304	19,489,837
Operating lease charges	127,582	112,709

5 Auditors' remuneration

Fees payable to the company's auditor and its associates:	2016 £	2015 £
For audit services		
Audit of the financial statements of the group and company	4,150	4,000
Audit of the company's subsidiaries	19,000	18,500
	23,150	22,500

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Production	167	158
Sales and administration	16	23
	183	181

6 Employees (Continued)

Their aggregate remuneration comprised:

	2016	2015
	£	£
Wages and salaries	4,082,015	3,842,078
Social security costs	370,119	332,050
Pension costs	119,143	101,566
	4,571,277	4,275,694

During the year, no director (2015: none) of Marksans Pharma U.K. Limited received any emoluments from Marksans Pharma U.K. Limited or any of its subsidiaries.

During the year retirement benefits were accruing to no directors (2015: none) of Marksans Pharma U.K. Limited in respect of defined contribution pension schemes.

7 Interest receivable and similar income

	2016	2015
	£	£
Interest income		
Other interest income	486	683

8 Interest payable and similar charges

	2016	2015
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	195,838	248,175

9 Taxation

	2016	2015
	£	£
Current tax		
UK corporation tax on profits for the current period	263,044	1,119,086
Adjustments in respect of prior periods	-	(696)
Total current tax	263,044	1,118,390
Deferred tax		
Origination and reversal of timing differences	-	54,788
Total tax charge	263,044	1,173,178

9 Taxation (Continued)

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2016	2015
	£	£
Profit before taxation	908,422	5,062,351
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 0%)	181,684	1,063,094
Tax effect of expenses that are not deductible in determining taxable profit	20,998	2,595
Adjustments in respect of prior years	-	(696)
Permanent capital allowances in excess of depreciation	(34,837)	(4,933)
Amortisation on assets not qualifying for tax allowances	95,285	60,031
Deferred tax adjustments in respect of prior years	-	54,788
Other tax adjustments	(86)	(1,701)
Tax expense for the year	263,044	1,173,178

10 Intangible fixed assets

Group	Goodwill	OTC product licenses	Prescription product licenses	Total
	£	£	£	£
Cost				
At 1 April 2015 and 31 March 2016	5,717,140	58,950	4,866,894	10,642,984
Amortisation and impairment				
At 1 April 2015	2,034,396	23,553	1,662,274	3,720,223
Amortisation charged for the year	285,857	5,892	243,345	535,094
At 31 March 2016	2,320,253	29,445	1,905,619	4,255,317
Carrying amount				
At 31 March 2016	3,396,887	29,505	2,961,275	6,387,667
At 31 March 2015	3,682,744	35,397	3,204,620	6,922,761

The company had no intangible fixed assets at 31 March 2016 or 31 March 2015.

11 Tangible fixed assets

Group	Freeland buildings	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2015	2,335,116	3,976,514	9,000	6,320,630
Additions	36,627	303,047	-	339,674
At 31 March 2016	2,371,743	4,279,561	9,000	6,660,304
Depreciation and impairment				
At 1 April 2015	78,364	3,170,463	9,000	3,257,827
Depreciation charged in the year	42,932	145,471	-	188,403
At 31 March 2016	121,296	3,315,934	9,000	3,446,230
Carrying amount				
At 31 March 2016	2,250,447	963,627	-	3,214,074
At 31 March 2015	2,256,752	806,051	-	3,062,803

The company had no tangible fixed assets assets at 31 March 2016 or 31 March 2015.

Freehold land with a valuation of £550,000 (2015: £550,000) and a cost of £268,500 (2015: £268,500) has not been depreciated.

The property was externally valued on 31 March 2013 at £2,300,000 by Eddisons Chartered Surveyors on an open market basis. The directors are not aware of any material change in value subsequently.

12 Fixed asset investments

	Notes	Group 2016	2015	Company 2016	2015
		£	£	£	£
Investments in subsidiaries	24	-	-	20,326,514	20,326,514

13 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,280,879	5,423,021	34,957	34,957
Equity instruments measured at cost less impairment	-	-	20,326,514	20,326,514
Carrying amount of financial liabilities				
Measured at amortised cost	12,706,094	12,993,195	5,266,962	5,258,442

14 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	960,578	1,040,692	-	-
Finished goods and goods for resale	7,177,389	6,706,497	-	-
	8,137,967	7,747,189	-	-

15 Debtors

Amounts falling due within one year:	Group 2016 £	2015 £	Company 2016 £	2015 £
Trade debtors	5,233,047	5,328,605	-	-
Amounts due from fellow group undertakings	-	-	34,957	34,957
Other debtors	47,832	94,416	-	-
Prepayments and accrued income	97,678	87,286	-	-
	5,378,557	5,510,307	34,957	34,957

16 Creditors: amounts falling due within one year

		Group		Company	
		2016	2015	2016	2015
	Notes	£	£	£	£
Loans and overdrafts	17	4,746,632	4,163,051	-	-
Corporation tax payable		263,491	1,119,086	-	-
Other taxation and social security		425,426	196,042	-	-
Trade creditors		2,395,226	2,534,886	-	-
Amounts due to fellow group undertakings		5,061,193	5,887,307	5,255,182	5,246,662
Other creditors		15,976	42,436	-	-
Accruals and deferred income		487,067	365,515	11,780	11,780
		13,395,011	14,308,323	5,266,962	5,258,442

17 Loans and overdrafts

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank overdrafts	4,746,632	4,163,051	-	-
Payable within one year	4,746,632	4,163,051	-	-

Bank overdrafts totalling £4,746,632 (2015 - £4,163,051) are secured on an all asset debenture charge creating a first charge over all freehold property and other assets within the group together with a corporate guarantee from the parent company, Marksans Pharma Limited, for the whole proposed credit facility.

18 Provisions for liabilities

		Group		Company	
		2016	2015	2016	2015
		£	£	£	£
Deferred tax liabilities	19	102,488	102,488	-	-

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2016 £	Liabilities 2015 £
Accelerated capital allowances	102,488	102,488

The company has no deferred tax assets or liabilities.

There were no deferred tax movements in the year.

20 Retirement benefit schemes

Defined contribution schemes	2016 £	2015 £
Charge to profit and loss in respect of defined contribution schemes	119,143	101,566

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

	Group and company	
Ordinary share capital	**2016 £**	**2015 £**
Issued and fully paid		
8,492,565 Ordinary shares of £1 each	8,492,565	8,492,565

22 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2016 £	2015 £
Aggregate compensation	297,226	316,774

22 Related party transactions (Continued)

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly within the Group.

23 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, Maharashta. In the opinion of the directors, Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

24 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency		**Nature of business**	**Class of shareholding**	**% Held Direct**	**Indirect**
Marksans Holdings Limited	England and Wales	Holding company	Ordinary	100	-
Bell, Sons & Co. (Druggists) Limited	England and Wales	Pharmaceuticals	Ordinary	-	100
Relonchem Limited	England and Wales	Pharmaceuticals	Ordinary	100	-

25 Operating lease commitments

Lessee

Operating lease payments represent rentals payable in respect of property, equipment and vehicles.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2016 £	**2015 £**	**Company 2016 £**	**2015 £**
Within one year	56,905	78,390	-	-
Between two and five years	63,850	78,987	-	-
	120,755	157,377	-	-

26 Cash generated from operations

	2016	2015
	£	£
Profit for the year after tax	645,378	3,889,173
Adjustments for:		
Taxation charged	263,044	1,173,178
Finance costs	195,838	248,175
Investment income	(486)	(683)
(Gain)/loss on disposal of tangible fixed assets	-	8,462
Amortisation and impairment of intangible assets	535,094	537,929
Depreciation and impairment of tangible fixed assets	188,403	172,680
Movements in working capital:		
(Increase) in stocks	(390,778)	(3,575,271)
Decrease/(increase) in debtors	131,751	(241,330)
(Decrease)/increase in creditors	(641,299)	2,167,929
(Decrease) in deferred income	-	(6,787)
Cash generated from operations	926,945	4,373,455

27 Reconciliations on adoption of FRS 102

Reconciliation of equity - group

	1 April 2014	31 March 2015
	£	£
Equity as reported under previous UK GAAP and under FRS 102	6,210,249	10,099,422

Reconciliation of profit or loss - group

	2015
	£
As reported under previous UK GAAP and under FRS 102	3,889,173
As restated	3,889,173

Notes to reconciliations on adoption of FRS 102 - group

Long term intercompany balances
Due to the change in accounting convention to FRS 102, the amounts payable to fellow group undertakings no longer meet the recognition criteria as an amount falling due after more than one year and so the current and comparative financial statements have been restated to show the balances as payable on demand.

Marksans Holdings Limited

Annual Report and Financial Statements

For the year ended 31 March 2016

Company Registration No. 05591744 (England and Wales)

Marksans Holdings Limited

Company Information

Director	Mr M Saldanha
Secretary	Mr D Barlow
Company number	05591744
Registered office	Cheshire House Gorsey Lane Widnes WA8 ORP
Auditors	Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH

Marksans Holdings Limited

Director's Report

For the year ended 31 March 2016

The director presents his annual report and financial statements for the year ended 31 March 2016.

Principal activities

The principal activity of the company continued to be that of a holding company. The company holds the entire share capital of Bell, Sons and Co. (Druggists) Limited, a company that manufactures pharmaceutical products.

The company has not traded during the year.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr M Saldanha

Results and dividends

The results for the year are set out on page 5.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Auditors

Kingston Smith LLP were re-appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

....

Mr M Saldanha

Director

26 May 2016

Director's Responsibilities Statement

For the year ended 31 March 2016

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Independent Auditors' Report

To the Members of Marksans Holdings Limited

We have audited the financial statements of Marksans Holdings Limited for the year ended 31 March 2016 which comprise the Profit And Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 director and auditors
As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

P. Chadda

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

26 May 2016

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Marksans Holdings Limited

Profit And Loss Account
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Interest receivable and similar income	4	-	3,000,000
Profit before taxation		-	3,000,000
Taxation	5	-	-
Profit for the financial year		-	3,000,000

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Marksans Holdings Limited

Balance Sheet

As at 31 March 2016

	Notes	2016 £	2015 £
Fixed assets			
Investments	7	1,490,874	1,490,874
Total assets less current liabilities		1,490,874	1,490,874
Capital and reserves			
Called up share capital	9	1,000	1,000
Share premium account		1,489,874	1,489,874
Total equity		1,490,874	1,490,874

The financial statements were approved and signed by the director and authorised for issue on 26 May 2016

....

Mr M Saldanha
Director

Company Registration No. 05591744

Marksans Holdings Limited

Statement of Changes in Equity

For the year ended 31 March 2016

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 April 2014		1,000	1,489,874	-	1,490,874
Period ended 31 March 2015:					
Profit and total comprehensive income for the year		-	-	3,000,000	3,000,000
Dividends	6	-	-	(3,000,000)	(3,000,000)
Balance at 31 March 2015		1,000	1,489,874	-	1,490,874
Period ended 31 March 2016:					
Profit and total comprehensive income for the year		-	-	-	-
Balance at 31 March 2016		1,000	1,489,874	-	1,490,874

1 Accounting policies

Company information

Marksans Holdings Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Cheshire House, Gorsey Lane, Widnes, WA8 ORP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Marksans Holdings Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Marksans Holdings Limited is a wholly owned subsidiary of Marksans Pharma U.K. Limited and the results of Marksans Holdings Limited are included in the consolidated financial statements of Marksans Pharma U.K. Limited which are available from Companies House, Cardiff, CF14 3UZ.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Operating profit

The auditor's remuneration for the year was borne by a fellow group undertaking.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was nil.

4 Interest receivable and similar income

	2016	2015
	£	£
Income from fixed asset investments		
Income from shares in group undertakings	-	3,000,000

5 Taxation

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2016	2015
	£	£
Profit before taxation	-	3,000,000
Expected tax charge based on a corporation tax rate of 20% (2015 - 21%)	-	630,000
Income from shares in group undertakings not taxable	-	(630,000)
Tax charge for the year	-	-

6 Dividends

	2016	2015
	£	£
Final paid	-	3,000,000
	-	3,000,000

7 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries	8	1,490,874	1,490,874

The company has not designated any financial assets that are not classified as financial assets at fair value through profit or loss.

Movements in fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 April 2014 & 31 March 2015	1,490,874
Carrying amount	
At 31 March 2016	1,490,874
At 31 March 2015	1,490,874

8 Subsidiaries

These financial statements are separate company financial statements for Marksans Holdings Limited

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct	Indirect
Bell, Sons & Co. (Druggists) Limited	England and Wales	Pharmaceuticals	Ordinary	100.00	-

9 Share capital

	2016 £	2015 £
Issued and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

10 Controlling party

The immediate parent undertaking is Marksans Pharma U.K. Limited, a company registered in England and Wales.

The parent undertaking of the smallest group for which consolidated accounts are prepared is Marksans Pharma U.K. Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.

The parent undertaking of the largest group for which consolidated accounts are prepared 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.

Bell, Sons & Co. (Druggists) Limited

Annual Report and Financial Statements

For the year ended 31 March 2016

Company Registration No. 00351951 (England and Wales)

Bell, Sons & Co. (Druggists) Limited

Company Information

Directors	Mr M Saldanha Mr D Barlow Mr B Gulliver
Secretary	Mr D Barlow
Company number	00351951
Registered office	Gifford House Slaidburn Crescent Southport Merseyside PR9 9AL
Auditors	Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH
Business address	Cheshire House Widnes Cheshire WA8 0RP

Bell, Sons & Co. (Druggists) Limited

Strategic Report

For the year ended 31 March 2016

The directors present the strategic report and financial statements for the year ended 31 March 2016.

Fair review of the business

The directors consider the results for the period to be satisfactory. During the period like for like sales decreased from £19,419,682 to £18,516,229 and the profit on ordinary activities before taxation was £480,150 (2015: £1,523,916). The directors expect turnover and the profit on ordinary activities to increase in the forthcoming year.

Bell's manufactures licensed products - both as own branded products and, for certain customers, in own label form together with a range of unlicensed products. The company owns a state-of-the-art manufacturing facility in Southport and is an established manufacturer of over 200 OTC pharmaceuticals having full approval of the UK MHRA.

Bell's holds 38 product licenses, which contribute towards 40% of its annual turnover. The product portfolio comprises segments like cough and cold remedies, vitamins, palliative and healthcare items, oils, antiseptics and disinfectants.

Bell's customers include retailers, pharmacies, chemist wholesalers and cash and carry outlets. The company enjoys a significant stronghold in the export markets. With more than 80 years of experience and a reach across 50+ countries, the brand is recognized and respected globally. Its key markets are West Africa and Middle East.

Principal risks and uncertainties arise from a competitive market.

Increasing raw material costs continue to threaten margins. The company 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 company will continue to develop its product range to meet market needs.

The profit for the year, after taxation, amounted to £419,167 (2015: £1,191,207).

On behalf of the board

....

Mr M Saldanha

Director

....

26 May 2016

Bell, Sons & Co. (Druggists) Limited

Directors' Report

For the year ended 31 March 2016

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities
The principal activity of the company continued to be that of the manufacture and sale of pharmaceuticals.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Saldanha
Mr D Barlow
Mr B Gulliver

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditors
In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditors
Each of the directors in office at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

....
Mr M Saldanha
Director

....
26 May 2016

Directors' Responsibilities Statement

For the year ended 31 March 2016

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent Auditors' Report

To the Members of Bell, Sons & Co. (Druggists) Limited

We have audited the financial statements of Bell, Sons & Co. (Druggists) Limited for the year ended 31 March 2016 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

P. Chadda

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

26 May 2016

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Bell, Sons & Co. (Druggists) Limited

Statement of Total Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	3	18,516,229	19,419,682
Cost of sales		(16,026,038)	(16,112,200)
Gross profit		2,490,191	3,307,482
Distribution costs		(574,532)	(564,684)
Administrative expenses		(1,273,070)	(1,071,815)
Other operating income		-	6,787
Operating profit	4	642,589	1,677,770
Interest receivable and similar income	7	486	683
Interest payable and similar charges	8	(162,925)	(154,537)
Profit before taxation		480,150	1,523,916
Tax on profit	9	(60,983)	(332,709)
Profit for the financial year		419,167	1,191,207

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Bell, Sons & Co. (Druggists) Limited

Balance Sheet

As at 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	11		29,505		35,397
Tangible fixed assets	12		3,205,599		3,052,879
			3,235,104		3,088,276
Current assets					
Stocks	14	3,855,807		3,350,912	
Debtors	15	4,516,475		4,357,040	
Cash at bank and in hand		751,458		550,383	
		9,123,740		8,258,335	
Creditors: amounts falling due within one year		(7,381,188)		(6,788,122)	
Net current assets			1,742,552		1,470,213
Total assets less current liabilities			4,977,656		4,558,489
Provisions for liabilities	18		(102,488)		(102,488)
Net assets			4,875,168		4,456,001
Capital and reserves					
Called up share capital	21		6,334		6,334
Revaluation reserve			1,040,065		1,042,438
Profit and loss reserves			3,828,769		3,407,229
Total equity			4,875,168		4,456,001

The financial statements were approved by the board of directors and authorised for issue on 26 March 2016

Signed on its behalf by:

....
Mr M Saldanha
Director

Company Registration No. 00351951

Bell, Sons & Co. (Druggists) Limited

Statement of Changes in Equity

For the year ended 31 March 2016

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2014		6,334	1,044,811	5,213,649	6,264,794
Period ended 31 March 2015:					
Profit and total comprehensive income for the year		-	-	1,191,207	1,191,207
Dividends	10	-	-	(3,000,000)	(3,000,000)
Transfers		-	(2,373)	2,373	-
Balance at 31 March 2015		6,334	1,042,438	3,407,229	4,456,001
Period ended 31 March 2016:					
Profit and total comprehensive income for the year		-	-	419,167	419,167
Transfers		-	(2,373)	2,373	-
Balance at 31 March 2016		6,334	1,040,065	3,828,769	4,875,168

Bell, Sons & Co. (Druggists) Limited

Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Cash flows from operating activities					
Cash generated from operations	**25**		729,306		3,796,775
Interest paid			(162,925)		(154,537)
Income taxes paid			(278,170)		(187,328)
Net cash inflow from operating activities			288,211		3,454,910
Investing activities					
Purchase of tangible fixed assets		(338,384)		(336,971)	
Interest received		486		683	
Net cash used in investing activities			(337,898)		(336,288)
Financing activities					
Dividends paid		-		(3,000,000)	
Net cash used in financing activities			-		(3,000,000)
Net (decrease)/increase in cash and cash equivalents			(49,687)		118,622
Cash and cash equivalents at beginning of year			(2,555,007)		(2,673,629)
Cash and cash equivalents at end of year			(2,604,694)		(2,555,007)
Relating to:					
Bank balances and short term deposits			751,458		550,383
Bank overdrafts			(3,356,152)		(3,105,390)

1 Accounting policies

Company information

Bell, Sons & Co. (Druggists) Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Gifford House, Slaidburn Crescent, Southport, Merseyside, PR9 9AL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Bell, Sons & Co. (Druggists) Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts based on the date the goods are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents	10% straight line

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	2% cost or valuation
Plant and machinery	20% reducing balance
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies (Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Useful economic lives of plant, property and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment and note 1.4 for the useful economic lives for each class of asset.

3 Turnover

An analysis of the company's turnover is as follows:

	2016	2015
	£	£
Turnover		
Sale of goods	18,516,229	19,419,682

	2016	2015
	£	£
Other significant revenue		
Interest income	486	683
Grants received	-	6,787

The analysis of turnover by geographical markets has been omitted as the directors consider that this would be prejudicial to the interests of the company's trade.

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)	(21,180)	(15,835)
Government grants	-	(6,787)
Fees payable to the company's auditors for the audit of the company's annual accounts	9,750	8,500
Depreciation of owned tangible fixed assets	185,664	170,199
Amortisation of intangible assets	5,892	8,727
Cost of stocks recognised as an expense	10,329,176	10,588,634
Operating lease charges	109,404	97,381

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Production	160	158
Sales and administration	16	16
	176	174

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,751,135	3,580,742
Social security costs	330,509	301,406
Pension costs	119,143	101,566
	4,200,787	3,983,714

6 Directors' remuneration

	2016	2015
	£	£
Remuneration for qualifying services	181,739	194,094
Company pension contributions to defined contribution schemes	15,487	15,680
	197,226	209,774

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

7 Interest receivable and similar income

	2016	2015
	£	£
Interest income		
Other interest income	486	683

8 Interest payable and similar charges

	2016	2015
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	162,925	154,537

9 Taxation

	2016	2015
	£	£
Current tax		
UK corporation tax on profits for the current period	60,983	278,617
Adjustments in respect of prior periods	-	(696)
Total current tax	60,983	277,921
Deferred tax		
Origination and reversal of timing differences	-	54,788
Total tax charge	60,983	332,709

9 Taxation (Continued)

	2016	2015

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2016 £	2015 £
Profit before taxation on continued operations	480,150	1,523,916
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax of 20% (2015 - 21%)	96,030	320,022
Adjustments in respect of prior years	-	(696)
Capital allowances in excess of depreciation	(34,961)	(42,656)
Deferred tax adjustments in respect of prior years	-	54,788
Other tax adjustment	(86)	1,251
	(35,047)	12,687
Tax expense for the year	60,983	332,709

10 Dividends

	2016 £	2015 £
Final paid	-	3,000,000
	-	3,000,000

11 Intangible fixed assets

	Patents
	£
Cost	
At 1 April 2015 and 31 March 2016	58,950
Amortisation and impairment	
At 1 April 2015	23,553
Amortisation charged for the year	5,892
At 31 March 2016	29,445
Carrying amount	
At 31 March 2016	29,505
At 31 March 2015	35,397

12 Tangible fixed assets

	Freehold buildings	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 April 2015	2,335,116	3,964,109	9,000	6,308,225
Additions	36,627	301,757	-	338,384
At 31 March 2016	2,371,743	4,265,866	9,000	6,646,609
Depreciation and impairment				
At 1 April 2015	78,364	3,167,982	9,000	3,255,346
Depreciation charged in the year	42,932	142,732	-	185,664
At 31 March 2016	121,296	3,310,714	9,000	3,441,010
Carrying amount				
At 31 March 2016	2,250,447	955,152	-	3,205,599
At 31 March 2015	2,256,752	796,127	-	3,052,879

12 Tangible fixed assets (Continued)

Comparable historical cost for the land and buildings included at valuation:

	2016 £	2015 £
Cost	1,796,527	1,796,527
Accumulated depreciation	719,429	683,498
Carrying value	1,077,098	1,113,029

Freehold land with a valuation of £550,000 (2015: £550,000) and a cost of £268,500 (2015: £268,500) has not been depreciated.

The property was externally valued on 31 March 2013 at £2,300,000 by Eddisons Chartered Surveyors on an open market basis. The directors are not aware of any material change in value subsequently.

13 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,432,755	4,286,544
Carrying amount of financial liabilities		
Measured at amortised cost	6,901,645	6,321,842

14 Stocks

	2016 £	2015 £
Raw materials and consumables	960,578	1,040,692
Finished goods and goods for resale	2,895,229	2,310,220
	3,855,807	3,350,912

15 Debtors

Amounts falling due within one year:	2016 £	2015 £
Trade debtors	2,889,589	2,787,174
Amounts due from fellow group undertakings	1,543,166	1,499,370
Prepayments and accrued income	83,720	70,496
	4,516,475	4,357,040

Trade debtors disclosed above are measured at amortised cost.

16 Loans and overdrafts

	2016	2015
	£	£
Bank overdrafts	3,356,152	3,105,390
Payable within one year	3,356,152	3,105,390

The company's overdraft facility is secured on an all asset debenture charge creating a first charge over all freehold property and other assets within the company together with a corporate guarantee from the ultimate parent company, Marksans Pharma Limited, for the whole credit facility.

17 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Loans and overdrafts	16	3,356,152	3,105,390
Trade creditors		1,549,928	1,779,186
Amounts due to fellow group undertakings		1,631,206	1,135,613
Corporation tax payable		61,430	278,617
Other taxation and social security		418,113	187,663
Other creditors		15,976	42,438
Accruals and deferred income		348,383	259,215
		7,381,188	6,788,122

18 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	19	102,488	102,488
		102,488	102,488

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2016	Liabilities 2015
Balances:	£	£
Accelerated capital allowances	102,488	102,488

There were no deferred tax movements in the year.

20 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £119,143 (2015 - £101,566)

21 Share capital

	2016	2015
	£	£
Issued and fully paid		
6,334 Ordinary shares of £1 each	6,334	6,334

22 Operating leases commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£	£
Within one year	56,905	78,390
Between two and five years	63,850	78,987
	120,755	157,377

23 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016	2015
	£	£
Aggregate compensation	197,226	209,774

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly within the Group.

24 Controlling party

The immediate parent undertaking is Marksans Holdings Limited, a company incorporated in England and Wales. The company is controlled by Marksans Pharma U.K. Limited by virtue of its 100% ownership of Marksans Holdings Limited.

The parent undertaking of the smallest group for which consolidated accounts are prepared is Marksans Pharma U.K. Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ. The parent undertaking of the largest group for which consolidated accounts are prepared 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.

25 Cash generated from operations

	2016 £	2015 £
Profit for the year	419,167	1,191,207
Adjustments for:		
Income tax expense recognised in profit or loss	60,983	332,709
Finance costs recognised in profit or loss	162,925	154,537
Investment income recognised in profit or loss	(486)	(683)
Amortisation and impairment of intangible assets	5,892	8,727
Depreciation and impairment of tangible fixed assets	185,664	170,199
Movements in working capital:		
(Increase) in stocks	(504,895)	(661,373)
(Increase)/decrease in debtors	(159,435)	1,898,603
Increase in creditors	559,491	709,636
(Decrease) in deferred income	-	(6,787)
Cash generated from operations	729,306	3,796,775

Bell, Sons & Co. (Druggists) Limited

Management Information

For the year ended 31 March 2016

Bell, Sons & Co. (Druggists) Limited

Detailed Trading and Profit and Loss Account
For the year ended 31 March 2016

		2016		2015
	£	£	£	£
Turnover				
Sales of goods		18,583,441		19,507,965
Other income receivable as turnover income		(67,212)		(88,283)
		18,516,229		19,419,682
Cost of sales				
Purchases - raw materials	10,329,176		10,588,634	
Wages and salaries	3,095,081		3,024,634	
Social security costs	262,699		243,632	
Direct manufacturing costs	723,165		617,336	
Carriage inwards and import duty	837,008		902,558	
Light, heat and power	193,356		195,934	
Repairs and maintenance	263,207		250,608	
Product development	31,355		11,682	
Miscellaneous costs	106,682		103,170	
Licenses	5,892		8,727	
Depreciation of plant and equipment	178,417		165,285	
		(16,026,038)		(16,112,200)
Gross profit		2,490,191		3,307,482
Other operating income				
Other operating income		-		6,787
Distribution costs	574,532		564,684	
Administrative expenses	1,273,070		1,071,815	
		(1,847,602)		(1,636,499)
Operating profit		642,589		1,677,770
Interest payable and similar charges				
Bank overdraft interest payable		(162,925)		(154,537)
Profit before taxation		480,150		1,523,916

Bell, Sons & Co. (Druggists) Limited

Schedule of Administration Expenses

For the year ended 31 March 2016

	2016 £	2015 £
Distribution costs		
Wages and salaries	271,524	211,705
Social security costs	31,130	24,536
Vehicle leasing	27,177	23,032
Salesman expenses	36,298	25,585
Sales rebates	154,710	256,334
Advertising and promotions	45,341	14,140
Sundry expenses	8,352	9,352
	574,532	564,684
Administrative expenses		
Wages and salaries	212,453	170,180
Social security costs	36,680	33,238
Staff recruitment costs	40,241	38,079
Staff training and welfare	20,152	4,927
Staff pension costs defined contribution	103,656	85,886
Directors' remuneration	172,077	174,223
Directors' pension costs - defined contribution scheme	15,487	15,680
Rent	61,411	54,747
Rates	67,184	64,829
Repairs and maintenance	66,441	63,251
Premises insurance	67,885	64,064
Motor vehicle leasing (operational)	20,816	19,602
Motor running costs	2,261	3,005
Professional subscriptions	5,575	5,297
Legal and professional fees	28,202	11,953
Audit and accountancy fees	15,545	13,388
Charitable donations	400	40
Bank charges	33,552	31,927
Bad and doubtful debts	(1,271)	(3,107)
Discounts allowed	26,847	19,559
Life and medical insurance	22,792	20,319
Printing and stationery	61,591	53,978
Telephone and fax	32,944	26,010
Canteen	34,372	38,744
Employee expenses	6,454	8,248
Sundry expenses	18,473	18,206
Product registrations and trademarks	114,782	46,464
Depreciation	7,248	4,913
Profit on foreign exchange	(21,180)	(15,835)
	1,273,070	1,071,815

Relonchem Limited

Annual Report and Financial Statements

For the year ended 31 March 2016

Company Registration No. 04773758 (England and Wales)

Relonchem Limited

Company Information

Directors	Mr M Saldanha Mr J Sharma
Secretary	Mr D Barlow
Company number	04773758
Registered office	27 Old Gloucester Street London WC1 3XX
Auditors	Kingston Smith LLP Surrey House 36-44 High Street Redhill Surrey RH1 1RH
Business address	Cheshire House Widnes Cheshire WA8 0RP

Relonchem Limited

Strategic Report
For the year ended 31 March 2016

The directors present the strategic report and financial statements for the year ended 31 March 2016.

Fair review of the business
The directors consider the results for the period to be disappointing. During the period like for like sales decreased from £17,052,510 to £12,580,618 and the profit on ordinary activities before taxation was £813,357 (2015: £3,810,241). The directors expect turnover and the profit on ordinary activities to increase in the forthcoming year.

The company develops, registers and distributes prescription generic pharmaceuticals in the UK.

Principal risks and uncertainties arise from a competitive market.

Increasing raw material costs continue to threaten margins. The company is able to manage this risk by utilising the low cost manufacturing capability of the parent company, which also secures reliable supplies.

The company will continue to develop its product range through new product development and acquisition of licences, to meet market needs.

The profit for the year, after taxation, ampunted to £611,296 (2015: £2,969,772).

On behalf of the board

....
Mr M Saldanha
Director

....
25 May 2016

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities
The principal activity of the company continued to be that of development, registration and distribution of generic prescription pharmaceuticals in the UK.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Saldanha
Mr J Sharma

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditors
In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

....
Mr M Saldanha
Director

....
26 May 2016

Directors' Responsibilities Statement

For the year ended 31 March 2016

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent Auditors' Report

To the Members of Relonchem Limited

We have audited the financial statements of Relonchem Limited for the year ended 31 March 2016 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

P. Chadda

Parveen Chadda (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

26 May 2016

Chartered Accountants
Statutory Auditor

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Relonchem Limited

Statement of Total Comprehensive Income
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	3	12,580,618	17,052,510
Cost of sales		(10,512,712)	(12,340,147)
Gross profit		2,067,906	4,712,363
Administrative expenses		(1,288,848)	(915,422)
Other operating income		67,212	88,283
Operating profit	4	846,270	3,885,224
Interest payable and similar charges	6	(32,913)	(74,983)
Profit before taxation		813,357	3,810,241
Tax on profit	7	(202,061)	(840,469)
Profit for the financial year		611,296	2,969,772

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Relonchem Limited

Balance Sheet

As at 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	9		2,961,273		3,204,618
Tangible fixed assets	10		8,476		9,925
			2,969,749		3,214,543
Current assets					
Stocks	12	4,372,866		4,396,277	
Debtors	13	4,738,479		5,136,077	
Cash at bank and in hand		372,576		716,790	
		9,483,921		10,249,144	
Creditors: amounts falling due within one year		(4,658,215)		(6,279,528)	
Net current assets			4,825,706		3,969,616
Total assets less current liabilities			7,795,455		7,184,159
Capital and reserves					
Called up share capital	16		2,300		2,300
Share premium account			6,909,121		6,909,121
Profit and loss reserves			884,034		272,738
Total equity			7,795,455		7,184,159

The financial statements were approved by the board of directors and authorised for issue on 26 May 2016

Signed on its behalf by:

....
Mr M Saldanha
Director

Company Registration No. 04773758

Relonchem Limited

Statement of Changes in Equity

For the year ended 31 March 2016

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 April 2014		2,300	6,909,121	(197,034)	6,714,387
Period ended 31 March 2015:					
Profit and total comprehensive income for the year		-	-	2,969,772	2,969,772
Dividends	8	-	-	(2,500,000)	(2,500,000)
Balance at 31 March 2015		2,300	6,909,121	272,738	7,184,159
Period ended 31 March 2016:					
Profit and total comprehensive income for the year		-	-	611,296	611,296
Balance at 31 March 2016		2,300	6,909,121	884,034	7,795,455

Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Cash flows from operating activities					
Cash generated from operations	**19**		197,639		3,747,661
Interest paid			(32,913)		(74,983)
Income taxes paid			(840,469)		(149,351)
Net cash (outflow)/inflow from operating activities			(675,743)		3,523,327
Investing activities					
Purchase of intangible assets		-		(87,674)	
Purchase of tangible fixed assets		(1,290)		(12,406)	
Net cash used in investing activities			(1,290)		(100,080)
Financing activities					
Dividends paid		-		(2,500,000)	
Net cash used in financing activities			-		(2,500,000)
Net (decrease)/increase in cash and cash equivalents			(677,033)		923,247
Cash and cash equivalents at beginning of year			(340,871)		(1,264,118)
Cash and cash equivalents at end of year			(1,017,904)		(340,871)
Relating to:					
Bank balances and short term deposits			372,576		716,790
Bank overdrafts			(1,390,480)		(1,057,661)

1 Accounting policies

Company information

Relonchem Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 27 Old Gloucester Street, London, WC1 3XX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Relonchem Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts based on the date they are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies **(Continued)**

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Product Licenses	5% straight line

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 Accounting policies (Continued)

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1 Accounting policies **(Continued)**

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amortisation of product licenses

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. These reviews require an estimation of how long each license is expected to be used based on expected sales of those licensed products. See note 9 for the carrying amount of the intangible assets and note 1.3 for the useful economic lives for each class of asset.

3 Turnover

An analysis of the company's turnover is as follows:

	2016	2015
	£	£
Turnover		
Sale of goods	12,580,618	17,052,510

The analysis of turnover by geographical markets has been omitted as the directors consider that this would be prejudicial to the interests of the company's trade,

4 Operating profit

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)	(979)	-
Fees payable to the company's auditors for the audit of the company's annual accounts	11,250	10,000
Depreciation of owned tangible fixed assets	2,739	2,481
Loss on disposal of tangible fixed assets	-	8,462
Amortisation of intangible assets	243,345	243,345
Cost of stocks recognised as an expense	9,638,262	11,367,305
Operating lease charges	18,178	15,328

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Administration and sales	7	7

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	330,880	261,336
Social security costs	39,610	30,644
	370,490	291,980

6 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	32,913	74,983

7 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	202,061	840,469
Total tax charge	202,061	840,469

7 Taxation

	2016	(Continued) 2015

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2016 £	2015 £
Profit before taxation on continued operations	813,357	3,810,241
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax of 20% (2015 - 21%)	162,671	800,151
Tax effect of expenses that are not deductible in determining taxable profit	1,152	2,594
Capital allowances in excess of depreciation	-	(2,296)
Depreciation in excess of capital allowances	124	-
Amortisation of intangible assets	38,114	40,020
	39,390	40,318
Tax expense for the year	202,061	840,469

8 Dividends

	2016 £	2015 £
Final paid	-	2,500,000
	-	2,500,000

9 Intangible fixed assets

	Product Licenses
	£
Cost	
At 1 April 2015 and 31 March 2016	4,866,892
Amortisation and impairment	
At 1 April 2015	1,662,274
Amortisation charged for the year	243,345
At 31 March 2016	1,905,619
Carrying amount	
At 31 March 2016	2,961,273
At 31 March 2015	3,204,618

10 Tangible fixed assets

	Fixtures, fittings & equipment
	£
Cost	
At 1 April 2015	12,406
Additions	1,290
At 31 March 2016	13,696
Depreciation and impairment	
At 1 April 2015	2,481
Depreciation charged in the year	2,739
At 31 March 2016	5,220
Carrying amount	
At 31 March 2016	8,476
At 31 March 2015	9,925

11 Financial instruments

	2016	2015
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,724,521	5,119,287
Carrying amount of financial liabilities		
Measured at amortised cost	4,448,841	5,430,680

12 Stocks

	2016	2015
	£	£
Finished goods and goods for resale	4,372,866	4,396,277

13 Debtors

	2016	2015
Amounts falling due within one year:	£	£
Trade debtors	2,343,458	2,541,431
Amounts due from fellow group undertakings	2,332,961	2,483,440
Other debtors	48,102	94,416
Prepayments and accrued income	13,958	16,790
	4,738,479	5,136,077

Trade debtors disclosed above are measured at amortised cost.

14 Loans and overdrafts

	2016	2015
	£	£
Bank overdrafts	1,390,480	1,057,661
Payable within one year	1,390,480	1,057,661

The company's overdraft facility is secured on an all asset debenture charge creating a first charge over all freehold property and other assets within the company together with a corporate guarantee from the ultimate parent company, Marksans Pharma Limited, for the whole credit facility.

15 Creditors: amounts falling due within one year

		2016	2015
	Notes	£	£
Loans and overdrafts	14	1,390,480	1,057,661
Trade creditors		845,298	755,700
Amounts due to fellow group undertakings		2,086,159	3,522,799
Corporation tax payable		202,061	840,469
Other taxation and social security		7,313	8,379
Accruals and deferred income		126,904	94,520
		4,658,215	6,279,528

16 Share capital

	2016	2015
	£	£
Issued and fully paid		
2,300 Ordinary shares of £1 each	2,300	2,300

17 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel, including those who are also directors, is as follows.

	2016	2015
	£	£
Aggregate compensation	100,000	107,000

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the the Group.

18 Controlling party

The immediate parent undertaking is Marksans Pharma U.K. Limited. The parent undertaking of the smallest group for which consolidated accounts are prepared is Marksans Pharma U.K. Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.

The parents undertaking of the largest group for which consolidated accounts are prepared 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.

19 Cash generated from operations

	2016	2015
	£	£
Profit for the year	611,296	2,969,772
Adjustments for:		
Income tax expense	202,061	840,469
Finance costs	32,913	74,983
Operating profit	846,270	3,885,224
Loss on disposal of tangible fixed assets	-	8,462
Amortisation and impairment of intangible assets	243,345	243,345
Depreciation and impairment of tangible fixed assets	2,739	2,481
Movements in working capital:		
Decrease/(increase) in stocks	23,411	(2,913,898)
Decrease in debtors	397,598	843,555
(Decrease)/increase in creditors	(1,315,724)	1,678,492
Cash generated from operations	197,639	3,747,661

Relonchem Limited

Management Information

For the year ended 31 March 2016

Relonchem Limited

Detailed Trading and Profit and Loss Account
For the year ended 31 March 2016

		2016		2015
	£	£	£	£
Turnover				
Sales		12,580,618		17,052,510
Cost of sales				
Purchases	9,638,262		11,367,305	
Laboratory testing	192,233		262,052	
Pharmaceutical licence fee	145,760		143,618	
Carriage and packaging	268,936		311,737	
Storage	267,521		255,435	
		(10,512,712)		(12,340,147)
Gross profit		2,067,906		4,712,363
Other operating income				
Sundry income		67,212		88,283
Administrative expenses		(1,288,848)		(915,422)
Operating profit		846,270		3,885,224
Interest payable and similar charges				
Bank interest on loans and overdrafts		(32,913)		(74,983)
Profit before taxation		813,357		3,810,241

Relonchem Limited

Schedule of Administration Expenses

For the year ended 31 March 2016

	2016 £	2015 £
Administrative expenses		
Wages and salaries	330,880	261,336
National Insurance	39,610	30,644
Recruitment expenses	24,500	3,000
Rent	18,178	15,328
Repairs and maintenance	852	1,585
Insurance	54,581	59,562
Motor running expenses	16,061	6,600
Travelling expenses	33,119	20,153
Subscriptions	3,077	6,724
Legal and professional fees	68,864	101,413
Consultancy fees	324,002	63,675
Audit and accountancy fees	21,495	11,888
Bank charges	7,764	12,797
Bad debts	(4,193)	(17,369)
Printing, postage and stationery	16,181	12,937
Advertising & promotion	7,000	15,570
Telecommunications	8,378	9,439
Entertaining	5,755	7,793
Sundry expenses	589	2,227
Amortisation	243,345	243,345
Depreciation	2,739	2,481
Loss on sale of tangible assets	-	8,462
Profit on foreign exchange	(979)	-
GMP inspection fees	67,050	35,832
	1,288,848	915,422

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

Darshan Dhillon
Suite 1, 11 Bridge Street, Epping, NSW, 2121
Telephone: 9876 2678 Fax: 9876 1164
Email: ***darshan.info@bigpond.com***

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

ACN 104 838 440

CONTENTS

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

DIRECTORS' REPORT

The Directors present their report on the Company for the financial year ended 31st March 2016 as follows:-

1. DIRECTORS

The names of the Directors in office since the start of the financial year to the date of this report, unless otherwise stated, are:

H Mohammed	O Mohammed
M Saldanha	J M P Sharma

2. PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was that of Medicines Wholesaling.No significant change in the nature of these activities occurred during the year.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the year.

4. REVIEW OF OPERATIONS

During the year ended 31st March 2016 the company earned a profit after tax of $2,084,461.

5. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or state of affairs of the company in future financial years.

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the company and the expected results of those operations in the future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

7. ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

8. DIVIDENDS

Dividends paid during the year amounted to $2,166,667. The Directors decided that no final dividends be declared for the year ended 31st March 2016.

9. OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

10. INDEMNIFICATION OF OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

11. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Signed by a Director.

....Director

Dated at Bella Vista this 5th day of May 2016.

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

ACN 104 838 440

DIRECTORS' DECLARATION

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

The directors of the company declare that:

1. The financial statements and notes present fairly the company's financial position as at 31st March 2016 and 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 directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

....Director

Dated at Bella Vista this 5th day of May 2016.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

DARSHAN DHILLON
Bsc(Hons), DMA,CA
Chartered Accountant, Tax Agent

Telephone: (02)9876 2678
Facsimile: (02)9876 1164
Email: darshan.info@bigpond.com

INDEPENDENT ACCOUNTANT'S REPORT TO

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

Scope

I have prepared the acompanying special purpose financial statements of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD, which comprise the statement of financial position as at 31st March 2016, the statement of comprehensive income, the statement of profit or loss, the trading account, the notes to the financial statements, and the statement of cashflows for the year then ended.

The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1.

The Responsibility of the Directors of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

The directors of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD are solely responsible for the information contained in the special purpose financial statements and have determined that the significant accounting policies adopted as set out in Note 1 to the financial statements are appropriate to meet their needs and for the purpose that the financial statements were prepared.

My Responsibility

On the basis of information provided by the directors of NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD, I have prepared the accompanying special purpose financial statements in accordance with the significant accounting policies adopted as set out in Note 1 to the financial statements.

Dated at Epping, this 5th day of May 2016

D. Dhillon
Darshan Dhillon

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF FIANANCIAL POSITION AS AT 31ST MARCH 2016

	NOTE		2015
CURRENT ASSETS			
Cash	2	1,752,593	1,236,919
Receivables	3	2,608,964	1,880,218
Inventories	4	1,347,909	1,481,046
		5,709,466	4,598,183
NON-CURRENT ASSETS			
Investments	5	94	94
PROPERTY PLANT AND EQUIPMENT	6	83,810	98,911
		83,904	99,005
TOTAL ASSETS		5,793,370	4,697,188
CURRENT LIABILITIES			
Creditors & Borrowings	7	1,477,620	403,660
Provisions	8	203,273	98,845
		1,680,893	502,505
TOTAL LIABILITIES		1,680,893	502,505
NET ASSETS		$ 4,112,477	$ 4,194,683
SHARE CAPITAL AND RESERVES			
Share Capital		150	150
Accumulated Profit		4,112,326	4,194,532
TOTAL CAPITAL & RESERVES		$ 4,112,476	$ 4,194,682

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2016

	NOTE		2015
Profit			
Before Income Tax		2,977,802	1,705,355
Income Tax Expense		893,341	511,607
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,084,461	1,193,748
Retained Profits at July 1		4,194,532	3,000,784
PROFIT AVAILABLE FOR APPROPRIATION		6,278,993	4,194,532
Dividends		2,166,667	-
RETAINED PROFITS	$	4,112,326$	4,194,532

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31ST MARCH 2016

	NOTE	2015
INCOME		
Gross Profit Trading	5,262,620	4,571,266
Interest Received	7,427	33,710
TOTAL INCOME	5,270,047	4,604,976
EXPENSES		
Accountancy	5,840	4,971
Advertising & Selling	131,166	243,214
Audit & Inspections	6,421	6,650
Bad Debts/(Recoveries)	(4,086)	-
Bank Charges	1,056	2,466
Cleaning	3,600	4,050
Commission	-	11,336
Consultants Fees	19,825	25,555
Computer Supplies	8,995	8,316
Depreciation	16,737	14,912
Donations	9,800	200
Electricity	9,412	8,596
Filing Fees	243	236
Freight & Cartage	349,256	802,358
Insurance	27,491	31,324
Interest	2,621	4,541
Legal Costs	2,976	-
Licences & Registrations	126,753	161,441
Loss of Profits Claims	-	15,404
Motor Vehicle Expenses	2,686	3,365
Office Expenses	4,224	5,512
Payroll Tax	20,876	17,789
Printing & Stationery	1,905	3,597
Rent	182,929	162,713
Repairs & Maintenance	1,125	-
Salaries	1,002,651	992,001
Staff Recruitment&Amenities	13,071	10,821
Storage	99,799	110,400
Superannuation	130,879	91,864
Telephone & Internet	13,380	13,347
Testing Fees	15,496	7,135
Travelling Expenses	26,640	48,222
Warehouse Expenses	58,478	87,285
TOTAL EXPENSES	2,292,245	2,899,621

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31ST MARCH 2016

	NOTE	2015
OPERATING PROFIT BEFORE INCOME TAX	2,977,802	1,705,355
Income Tax Expense	893,341	511,607
OPERATING PROFIT FOR THE YEAR	2,084,461	1,193,748
OPERATING PROFIT AND EXTRAORDINARY ITEMS	2,084,461	1,193,748
Retained Profits at July 1	4,194,532	3,000,784
PROFIT AVAILABLE FOR APPROPRIATION	6,278,993	4,194,532
Dividends		
Ordinary Dividend Paid	2,166,667	-
RETAINED PROFITS	$ 4,112,326	$ 4,194,532

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2016

	NOTE		2015
Sales		15,481,427	10,816,046
LESS COST OF SALES			
Opening Stock		1,481,046	987,142
Purchases		9,910,017	6,553,279
Foreign Exchange		175,653	185,405
		11,566,716	7,725,826
Closing Stock		1,347,909	1,481,046
		10,218,807	6,244,780
TOTAL TRADING PROFIT		$ 5,262,620	$ 4,571,266

NOTE 1 - Statement of Significant Accounting Policies

Nova Pharmaceuticals Australasia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity beacause there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members and to meet the requirements of the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members.Such accounting policies are consistent with the previous period.

The financial statements have been prepared on an accruals basis and are based on historic costs and do not take into account changing money values. The amounts presented in the financial statements have been rounded to the nearest dollar.

The significant accounting policies that have been adopted in the preparation of the financial statements are as follows:

1) Income Tax

The income tax expense,if any, for the year comprises current income tax expense. Current income tax charged to the profit or loss is the tax payable on income calculated using applicable income tax rates appicable at the end of the reporting period.

2) Property, Plant & Equipment

All depreciable assets are depreciated over their useful lives of 3-7 years, using straight line basis. Depreciation commences from the time the asset is available for its intended use. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount.

3) Trade and Other Receivables

Trade receivables at measured at transaction price less any provision for impairment.

4) Inventories

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

The inventories held at the balance sheet date are measured at lower of cost and the net realisable value.

5)Provisions

Provisions are recognised when the company has a legal or constructive obligation, for which it is probable that an outflow of economic benefits will result.The provision is the best estimate of the amounts required to settle the obligation at the end of the reporting period.

6) Revenue

All revenue is stated net of, if any, goods and services tax. Revenue is measured at the value of the consideration received or receivable.

7) Leases

Lease payments for operating leases are recognised as expenses on a straight-line basis over the lease term.

8) Critical Accounting Estimates

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information.

The registered office and the principal place of business of the company is at Suite 305, 10 Norbrik Drive, Bella Vista, NSW, 2153.

NOTE 2 - Cash

		2015
Cash in Hand	157	561
Westpac Cheque account	228,328	274,384
Westpac Term Deposit	38,258	38,258
Westpac Maxi-Business account	1,091,113	923,716
USD account	394,737	-
	$ 1,752,593	$ 1,236,919

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

				2015
NOTE 3 - Current				
Trade Debtors		2,260,974		1,871,671
Prepayments		25,354		8,547
Payments-in-advance		322,636		
	$	2,608,964	$	1,880,218
NOTE 4 - Current				
Stock on Hand	$	1,347,909	$	1,481,046
NOTE 5 - Non Current				
Shares in Nova Pharmaceuticals Ltd- Wholly owned subsidiary	$	94	$	94
NOTE 6 - Property Plant and Equipment				
Office Equipment - at Cost	$	10,081	$	8,445
Less Prov'n for Depreciation	$	8,074	$	6,539
		2,007		1,906
Motor Vehicles - at Cost	$	92,815	$	92,815
Less Prov'n for Depreciation	$	36,202	$	24,598
		56,613		68,217
Office Equipment - at cost	$	30,000	$	30,000
Less Prov'n for Depreciation	$	4,810	$	1,212
		25,190		28,788
		83,810		98,911

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD
ACN 104 838 440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016

NOTE 7 - Current

		2015
Credit Cards	23,323	25,797
Trade Creditors	1,381,359	325,988
Accrued Expenses	72,938	51,875
	$ 1,477,620	$ 403,660

NOTE 8 - Current

Provision for Income Tax	$ 203,273	$ 98,845

NOVA PHARMACEUTICALS AUSTRALASIA PTY LTD

A.C.N 104 838 440

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2016

			2016		2015
			$		$
Cashflows from Operating Activities:					
Receipts from Customers			15,092,124		9,977,906
Payments to Suppliers & Employees			-12,412,953		-9,694,041
Interest Received			7,427		33,710
Interest Paid			-2,621		-4,541
Net Cash Provided by Operating Activities(per Note below):			2,683,977		313,034
Cashflows to Investing Activities:					
Payments for Equipment			-1636		-30908
Cashflows from Financing Activities					
Dividends Paid			-2,166,667		-
Net Increase in Cash			515,674		313,034
Cash at the beginning of the financial year			1,236,919		954,793
Cash at the end of the financial year			1,752,593		1,267,827
Cash at the end of the Financial year:	Petty Cash	157		561	
	Main account	228,328		274,384	
	Term Deposit	38,258		38,258	
	USD account	394,737			
	Business account	1,091,113		923,716	
Cash at the end of the financial year			1,752,593		1,236,919

Note to the Statement of Cashflows

Reconciliation of Net Cash provided by Operating Activities to Profit for the financial year:

	$	$
Profit after Income Tax	2,084,461	1,193,748
Depreciation &Amortisation	16,737	14,912
Increase in Inventory	133,137	-493,904
Increase in Trade Creditors & Accruals	1,073,960	178,954
Decrease in Taxes Payable	104,428	266,011
Decrease in Trade Debtors &Prepayments	-728,746	-846,687
Net Cash provided by Operating Activities	2,683,977	313,034

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2016

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Marksans Pharma, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying financial statements of Marksans Pharma, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of March 31, 2016, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the year ended March 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MARCUMGROUP
MEMBER

Marcum LLP ▪ 10 Melville Park Road ▪ Melville, New York 11747 ▪ Phone 631.414.4000 ▪ Fax 631.414.4001 ▪ marcumllp.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marksans Pharma, Inc. and Subsidiaries as of March 31, 2016, and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of cost of revenues and schedule of selling, general and administrative expenses for the year ended March 31, 2016 on pages 19-20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

Melville, NY
May 20, 2016

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2016

Assets		
Current Assets		
Cash and cash equivalents	$ 1,811,265	
Accounts receivable	2,968,828	
Inventories	5,420,013	
Prepaid expenses and other current assets	366,866	
Total Current Assets		$ 10,566,972
Property, Equipment and Building Improvements, Net		7,155,256
Other Assets		
Goodwill, net	7,862,134	
Deposits	1,372,610	
Deferred income taxes	486,110	
Total Other Assets		9,720,854
Total Assets		$ 27,443,082

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2016

Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,569,391	
Capital lease obligations, current portion	7,791	
Total Current Liabilities		$ 2,577,182
Long-Term Liabilities		
Capital lease obligations, net of current portion		16,383
Total Liabilities		2,593,565
Commitments and Contingencies		
Stockholder's Equity		
Common stock, $.01 par value; 200 shares authorized, 100 shares issued and outstanding	1	
Additional paid-in capital	25,806,742	
Retained earnings	(957,226)	
Total Stockholder's Equity		24,849,517
Total Liabilities and Stockholder's Equity		$ 27,443,082

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

Revenues		$ 23,324,917
Cost of Revenues		19,864,105
Gross Profit		3,460,812
Expenses		
Research and development	$ 17,503	
Selling, general and administrative	4,568,190	
Total Operating Expenses		4,585,693
Loss From Operations		(1,124,881)
Other Income (Expense)		
Interest income	20,557	
Interest expense	(235,340)	
Total Other Expense		(214,783)
Loss Before Income Tax Benefit		(1,339,664)
Income Tax Benefit		(478,014)
Net Loss		$ (861,650)

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED MARCH 31, 2016

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance - April 1, 2015	100	$ 1	$ 100,499	$ (95,576)	$ 4,924
Contributions	--	--	25,706,243	--	25,706,243
Net loss	--	--	--	(861,650)	(861,650)
Balance - March 31, 2016	100	$ 1	$ 25,806,742	$ (957,226)	$ 24,849,517

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

Cash Flows From Operating Activities		
Net loss		$ (861,650)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	$ 257,267	
Amortization	655,188	
Deferred income taxes	(486,110)	
Changes in assets and liabilities:		
Accounts receivable	895,121	
Inventories	(570,538)	
Prepaid expenses, deposits and other current assets	(114,494)	
Accounts payable and accrued expenses	742,772	
Net Cash Provided by Operating Activities		1,379,206
Cash Flows From Investing Activities		
Purchases of equipment	(241,068)	
Deposit on other assets	(1,372,610)	
Cash paid for acquisition (see Note 3)	(28,079,293)	
Net cash acquired in the acquisition	5,280,106	
Net Cash Used by Investing Activities		(24,412,865)
Cash Flows From Financing Activities		
Contributions	25,706,243	
Payments of capital lease obligations	(5,676)	
Net Cash Provided by Financing Activities		25,700,567
Net Increase in Cash and Cash Equivalents		1,805,258
Cash and Cash Equivalents – Beginning		6,007
Cash and Cash Equivalents – Ending		$ 1,811,265

The accompanying notes are an integral part of these consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2016

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:		
Interest	$	235,340
Income taxes	$	28,000

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - NATURE OF BUSINESS

Marksans Pharma, Inc. (“Marksans”), was formed in the state of New York in December 2014 and then reincorporated in the State of New Jersey on March 31, 2015. Marksans is a wholly owned subsidiary of Marksans Pharma, Ltd., India (“Parent”). On June 22, 2015, Marksans acquired the stock of Time-Cap Laboratories Inc. (“Time-Cap”) and its wholly owned subsidiary Custom Coating Inc. (“Coatings”). Simultaneously, Marksans Realty LLC (“Realty”), a wholly owned subsidiary of Time-Cap, was formed and acquired the real estate in which Time-Cap and Coatings have their operations. Time-Cap and Coatings are engaged primarily in the manufacture, coating and sales of pharmaceutical products in the continental United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of Marksans and its wholly owned subsidiaries Time-Cap, Coatings and Realty (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

REVENUE RECOGNITION

The Company recognizes product sales revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collection is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, and certificates of deposit with original maturity dates of three months or less from the date of purchase. At times, the Company’s cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. At March 31, 2016, all of the Company’s cash was held in two financial institutions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

The Company's exposure to credit risk is dependent, to a large extent, on the pharmaceutical industry. The Company routinely addresses the financial strength of its customers, and, as a consequence, believes that its receivable credit risk is limited.

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of their current credit information. While credit losses have historically been within the Company's expectations, the Company cannot guarantee that the same credit loss rates will be experienced in the future. The allowance for doubtful accounts reflects management’s best estimate of probable losses inherent in the accounts receivable balance.

Accounts receivable are written off when they are determined to be uncollectible. Based on management's evaluation of collectability, an allowance for doubtful accounts has not been provided as the amount is not considered material at March 31, 2016.

FINANCIAL INSTRUMENTS

The estimated fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to their short-term maturities. The carrying value of the capital lease obligations approximates fair value based upon the market interest rates available to the Company for capital lease obligations with similar risk and maturities.

INVENTORIES

The Company values its inventories, which consists primarily of raw materials, at the lower of cost or market using the first-in, first-out ("FIFO") method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives which range from five to thirty-nine years.

GOODWILL

Goodwill represents the excess of the purchase price of a business over the fair value of the identifiable net assets acquired. Goodwill is being amortized over 10 years. The Company has recognized $655,188 of amortization expense during the year ended March 31, 2016. As of March 31, 2016, the Company has not identified any triggering events indicating that any goodwill recognized was impaired. Consequently, the Company did not recognize any impairment for the year ended March 31, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Long-lived assets held for use are subject to an impairment assessment if the carrying value is no longer recoverable based upon the undiscounted cash flows of the assets. The amount of the impairment is the difference between the carrying amount and the fair value of the asset. The Company does not believe any of its long-lived assets were impaired at March 31, 2016.

INCOME TAXES

Deferred taxes represent the tax effects of differences between the financial reporting and tax bases of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Income tax expense consists of the income tax within the period and the change during the period in deferred tax assets and liabilities. The Company classifies deferred income taxes as non-current on the consolidated balance sheet.

The accounting for uncertainty in income taxes prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in an income tax return. It also provides guidance in de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Company recognizes such tax benefits based upon the tax position being more-likely-than-not to be sustained upon examination by taxing authorities. The Company has identified its Federal tax returns and its New York State tax returns as "major" tax jurisdictions. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company's evaluation was performed for the tax year ended March 31, 2016. The Company believes that its income tax positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position.

The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the year ended March 31, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense for the year ended March 31, 2016 was $6,400.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include goodwill, accounts receivable allowances and deferred tax valuation allowance. Actual results could differ significantly from those estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842): Accounting for Leases ("ASU 2016-02"). The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous generally accepted accounting principles ("GAAP"). ASU 2016-02 increases the transparency and comparability amount organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification ("ASC") and creating Topic 842, Leases. The guidance in this ASU supersedes Topic 840, Leases. For private business entities, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company is evaluating the effects that adoption for this ASU will have on its consolidated financial statements.

NOTE 3 - ACQUISITION

For any acquisition completed as of the respective acquisition date, the Company recognizes, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. The Company measures and recognizes goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, over (b) the fair value of assets acquired and liabilities assumed. The total amount of goodwill recorded is deductible for tax purposes. On June 22, 2015, Marksans acquired the stock of Time-Cap and Coatings in Farmingdale, New York for a purchase price of $22,573,000. The purpose of the acquisition was to expand the Marksans manufacturing and distribution operations in the United States.

NOTE 3 – ACQUISITION (CONTINUED)

Simultaneously with the stock purchase of Time-Cap and Coatings, Realty, a wholly owned subsidiary of Time-Cap was formed. Realty purchased the property at 7 Michael Avenue, Farmingdale, NY, in which Time-Cap and Coatings operates for $5,506,293 from the seller (Note 4).

The following tables summarizes the consideration transferred to acquire this business and the property and the fair value of identified assets acquired and liabilities assumed associated with business acquired at the acquisition date:

	Amount
Fair value of consideration transferred:	
Cash paid	$28,079,293
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	5,280,106
Accounts receivable	3,863,949
Inventory	4,849,475
Prepaids	251,210
Property and equipment	7,171,455
Accounts payable	(1,132,372)
Accrued expenses	(692,002)
Capital lease obligation	(29,850)
Total Net Identifiable Assets Acquired	19,561,971
Goodwill	$ 8,517,322

NOTE 4 - INVENTORY

Inventory consists of the following at March 31, 2016:

	Amount
Raw materials	$1,521,758
WIP	1,149,970
Finished goods	2,243,433
Supplies	504,852
Total	$5,420,013

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2016:

	Amount
Land	$ 62,080
Building and improvements	5,502,487
Office and computer equipment	225,683
Furniture and fixtures	59,591
Machinery and equipment	1,540,652
Vehicles	22,030
Total Property and Equipment	7,412,523
Accumulated depreciation	(257,267)
Property and Equipment	$7,155,256

Depreciation expense on property and equipment for the year ended March 31, 2016 was $257,267.

NOTE 6 - GOODWILL

Goodwill consisted of the following at March 31, 2016:

	Amount
Goodwill, gross – beginning of year	$ --
Acquisition – see Note 3	8,517,322
Accumulated amortization	(655,188)
Goodwill, net – end of year	$7,862,134

The amortization period of goodwill is ten (10) years. Amortization expense of goodwill for the year ended March 31, 2016 was $655,188. Amortization expense for each of the next five (5) succeeding periods is $851,732.

NOTE 7 - INCOME TAXES

Income tax benefit consists of current State and Local tax expense of $8,096 and deferred tax benefit of $486,110.

Significant components of the Company's deferred tax assets and liabilities at March 31, 2016 are as follows:

	Amount
Deferred Tax Assets (Liabilities):	
Net operating loss carryovers	$198,835
Goodwill and other intangibles	205,517
Property, equipment and capital leases	(87,150)
Accruals and reserves not currently deductible	128,812
Capitalized inventory costs	36,856
State tax credit carryovers	3,240
Net Deferred Tax Assets	$486,110

The Company has $584,808 of Federal and $557,497 of New York State net operating loss carryforwards ("NOL's") that are available to reduce future taxable income. These NOL's expire at various dates through 2035.

The Company has $4,911 of New York investment tax credit carryforwards that will start to expire after 2036.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases office space located in Hauppauge, New York, under a lease which expires November 2016. The Company is responsible for certain utilities and monthly maintenance. Rent expense was approximately $3,800 for the year ended March 31, 2016.

CAPITALIZED LEASE OBLIGATIONS

The Company has acquired equipment under a capital lease with interest of 3.3% that expires in March 2019. The assets and liabilities under capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The cost of the asset included in property and equipment is $39,000 at March 31, 2016. This asset is depreciated over its estimated useful life.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of March 31, 2016, minimum payments under the capital lease are as follows:

For the Years Ending March 31,	Amount
2017	$ 8,479
2017	8,479
2018	8,479
	25,437
Less: Amounts representing interest	(1,263)
Net present value of minimum capital lease payments	24,174
Less: current portion of capital lease obligations	(7,791)
Capital lease obligations net of current portion	$16,383

LEGAL MATTERS

From time to time, the Company is a party to litigation arising in the normal course of its business operations. In the opinion of management, it is not anticipated that the settlement or resolution of any such matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

EMPLOYMENT AGREEMENTS

The Company has employment agreements with certain key employees. These agreements call for annual guaranteed base salaries aggregating approximately $405,000 plus certain fringe benefits and performance bonuses, as defined. The agreements range from one to five years and automatically renew at the end of the term unless cancelled by either party under conditions and terms as defined in the agreements.

As of March 31, 2016, future minimum obligations under these employment agreements are as follows:

For the Years Ending March 31,	Amount
2016	$ 315,000
2017	225,000
2018	225,000
2019	225,000
2020	75,000
Total	$1,065,000

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Company has an employee benefit plan that covers substantially all full-time employees who have met certain age and length of service requirements. Contributions to the plan are at the discretion of the Board of Directors. Employer contributions to the plan were approximately $5,700 for the year ended March 31, 2016.

NOTE 10 - RESEARCH AND DEVELOPMENT COSTS

Research and development costs related to both future and present products are charged to operations as incurred. For the year ended March 31, 2016, the Company expended approximately $17,500 for research and development costs.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company purchases some of its inventory from the Parent. Total purchases from the Parent were approximately $966,000 and payments to the Parent were approximately $570,000 for the year ended March 31, 2016 and the balance due the Parent in the amount of $398,000 is included in accounts payable on the accompanying consolidated balance sheet.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents and trade accounts receivable.

Concentrations of credit risk with respect to trade receivables are limited due to the diverse group of customers to whom the Company sells. The Company reviews a customer's credit history before extending credit, and will establish an allowance for possible losses, if necessary, based upon factors such as the credit risk of specific customers, historical trends and other information.

MAJOR CUSTOMERS

During the year ended March 31, 2016, the Company had sales to two customers aggregating approximately $13,400,000, which represents approximately 57% of total revenues for the period. At March 31, 2016, amounts due from these customers included in accounts receivable was approximately $1,300,000, or 44% of accounts receivable.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

MAJOR SUPPLIER

In addition to the purchases made from the Parent, the Company purchased a substantial portion of its raw materials from one supplier during the year ended March 31, 2016 totaling approximately $2,100,000, which represents approximately 16% of total purchases. At March 31, 2016, amounts due to this supplier included in accounts payable was approximately $310,000, or 16% of accounts payable.

NOTE 13 - SUBSEQUENT EVENTS

At March 31, 2016, the Company is in the process of finalizing an agreement with a distributor of the Parent's products in the United States. Pursuant to the agreement, Time-Cap will buyout the license agreement from the distributor and become the sole distributor of the Parent's products in the United States. In March 2016, the Company made a refundable payment of $1,350,000 to the distributor, which is included in other assets on the accompanying consolidated balance sheet.

Management has evaluated subsequent events through May 20, 2016 to determine if events or transactions occurring up to such date would require adjustment to our disclosure in the accompanying consolidated financial statements.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF COST OF REVENUES

FOR THE YEAR ENDED MARCH 31, 2016

Inventory - Beginning	$ --	
Acquired Inventory (see Note 3)	4,849,475	
Purchases	12,775,735	
Direct labor	4,360,331	
Payroll taxes	347,654	
Freight-in	510,249	
Facility costs	2,440,674	
Total Goods Available for Sale		$ 25,284,118
Less: **Inventory** - Ending		5,420,013
Total Cost of Revenue		$ 19,864,105
Facility Costs		
Packaging	$ 226,853	
Utilities	458,613	
Repairs and maintenance	419,585	
Rent and real estate taxes	234,266	
Insurance	575,256	
Factory supplies	303,304	
Equipment rental	1,924	
Depreciation and amortization	220,873	
Total Facility Costs		$ 2,440,674

See independent auditors' report.

MARKSANS PHARMA, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2016

Office salaries	$ 1,398,928	
Officers' salaries	414,623	
Payroll taxes	168,186	
Professional fees	842,264	
Commissions	4,518	
Insurance	230,367	
Rent and real estate taxes	27,620	
Transportation	31,998	
Advertising	6,398	
Marketing and promotion	133,762	
Office expense	161,447	
Computer	90,472	
Telephone and utilities	49,314	
Depreciation and amortization	691,582	
Repairs and maintenance	39,060	
Dues and subscriptions	2,218	
License and permits	274,431	
Miscellaneous	1,002	
Total Selling, General and Administrative Expenses		$ 4,568,190

See independent auditors' report.