Annual Report 2009-10

Marksans Pharma Limited

Vision

To become a fully integrated formulation development and marketing company globally.

Mission

Health Care in Safe Hands

ABOUT US

Marksans Pharma Limited is a niche Formulation, Bulk drugs and Biopharmaceutical player. We are an integrated player with a presence across the entire pharmaceutical value chain.

Directors

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

Company Secretary & Legal Manager

Mr. Harshavardhan Panigrahi

Auditor

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

Legal Advisors

M/s. Crawford Bayley & Co.

Bankers

State Bank of India
Bank of India
Corporation Bank
Lakshmi Vilas Bank Limited

Share Transfer Agent

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

Registered Office

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

Works

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

18th Annual General Meeting

Day & Date	:	Tuesday, 28th Septemebr, 2010
Time	:	10.30 a.m.
Venue	:	GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai - 400 053.

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NOTICE

To the Members of Marksans Pharma Limited,

NOTICE is hereby given that the 18th Annual General Meeting of the Members of Marksans Pharma Limited will be held on **Tuesday, the 28th September, 2010** at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053, at **10.30 a.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2010, the Profit and Loss Account for the period ended as on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Kumar Nair who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the Company hereby approves the appointment of Mr. Mark Saldanha as the Managing Director of the Company, not liable to retire by rotation, for a period of 5 (five) years with effect from 6th October, 2010 upon the terms and subject to the conditions as set out hereunder:

   Salary:

   Salary @ Rs. 1,01,080/- per month, subject to such annual increments as the Board of Directors may determine.

   Special Allowance

   Special Allowance not exceeding Rs. 40,000/- per month.

   Perquisites:

   1. Fully furnished residential house for himself and his family.
   2. Reimbursement of house maintenance expenses together with utilities thereof such as gas, electricity, water, furnishing and repairs, servants allowance, education allowance for dependent children, entertainment and newspaper and periodicals allowance, medical reimbursement, leave travel allowance for himself and his family, club fees and Medical Insurance Policy and Personal Accident Policy in accordance with the rules of the Company or as agreed by the Board of Directors.

Membership of club:

Admission fees and monthly subscriptions for not more than one club.

Retirement benefits:

Company's contribution to Provident Fund and Super-annuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961. Gratuity Payable in accordance with the rules of the Company and the value of such benefits shall not be included in the computation of limits for remuneration or perquisites as aforesaid.

Use of Car and telephone:

Provisions of the Company's car with driver for use on Company's business and telephone at residence and also mobile (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

"RESOLVED FURTHER THAT the remuneration payable to Mr. Mark Saldanha shall be subject to deduction of tax as per the provisions of the Income Tax Act."

"RESOLVED FURTHER THAT the remuneration payable to Mr. Mark Saldanha (including the salary, perquisites, benefits and amenities) shall not exceed the limits laid down in Sections 198 and 309 of the Companies Act, 1956, or any statutory modification or re-enactment thereof."

"RESOLVED FURTHER THAT in case in any financial year during the currency of the tenure of Mr. Mark Saldanha as the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites, allowances and benefits as specified above, as the minimum remuneration, provided that the total remuneration shall not exceed the ceiling as provided in part II of Schedule XIII to the Companies Act, 1956, as amended."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter and vary the aforesaid terms and conditions from time to time in the best interests of the Company but subject to the provisions contained in Schedule XIII to the Companies Act, 1956 as amended from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do such acts, deeds and things as may be necessary in this regard."

By order of the Board of Directors
Harshavardhan Panigrahi
Company Secretary and Legal Manager

Mumbai
Dated : 12th August, 2010

NOTES:

a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE MEMBER OF THE COMPANY. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

b) The Register of Members and Share Transfer Books of the Company will be closed from Friday, the 24th September, 2010 and will remain closed till Tuesday, the 28th September, 2010 (both days inclusive).

c) Shareholders desiring any information as regards the Accounts are requested to write to the Company at least 8 days In advance so as to enable the Management to keep the Information ready.

d) Members holding shares in physical form are requested to immediately intimate to the Company's Share Transfer Agents, changes, if any, in their registered address along with the PIN code. Members holding shares in dematerialized mode are requested to forward intimation for change of address, if any, to their respective Depository Participant.

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

f) In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. The shareholders who are holding shares in physical form and are desirous of availing this facility may kindly write to the Company's Share Transfer Agent M/s Bigshare Services Private Limited for nomination form quoting their folio number. Shareholders holding shares in dematerialized form should write to their Depository Participant for the purpose.

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

Item No. 4

The tenure of Mr. Mark Saldanha as the Managing Director of the Company will expire on 5th October, 2010. In terms of Section 269 read with Schedule XIII to the Companies Act, 1956, the Board of Directors of the Company has re-appointed Mr. Mark Saldanha, subject to the approval of Members of the Company, as the Managing Director of the Company for a further period of five (5) years with effective from 6th October, 2010.

Mr. Mark Saldanha is the principal architect of the success and progress of the Company. Under his able, dynamic and manifold leadership, the Company will surely touch new heights of success and higher level of performance in the years to come. It is, therefore, necessary in the best interest of the Company to avail his services and guidance for the further progress of the Company.

Accordingly, the resolution in this item of the notice for approving the appointment of Mr. Mark Saldanha as the Managing Director of the Company upon the terms and conditions as set out in the resolution, is being proposed for consideration of the members of the Company.

Mr. Mark Saldanha satisfies all the conditions set out in Part-I of Schedule XIII to the Companies Act, 1956 for being eligible for the appointment.

This explanation together with the accompanied notice be treated as an abstract of the terms of appointment of Mr. Mark Saldanha as the Managing Director of the Company as required under section 302 of the Companies Act, 1956.

The Board, therefore, commends this item of the accompanying notice for approval of the Members.

None of the Directors, except Mr. Mark Saldanha, is in any way interested or concerned with this Resolution.

By order of the Board of Directors

Harshavardhan Panigrahi
Company Secretary and Legal Manager

Mumbai
Dated : 12th August, 2010

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 18th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

(RS./LAC)

Particulars	2009-10	2008-09
Turnover	19956.21	20356.11
Profit Before Depreciation, Taxation & non recurring items	1046.59	1212.04
Less: Depreciation	983.92	972.97
Provision for Taxation	8.50	66.01
Non Recurring Items	-	-
Deferred Tax	25.19	123.57
Net Profit for the year	**28.98**	**49.49**
Add: Profit & Loss A/c. Balance at the beginning of the year	6476.75	6427.26
Balance Carried to Balance Sheet	6505.73	6476.75

OPERATIONS:

During the year ended 31st March, 2010, total turnover achieved by your company was Rs. 19956.21 Lacs as compared to previous year of Rs 20356.11 Lacs, i.e., a decrease of Rs. 399.9 Lacs and net profit for the year has come down to Rs. 28.98 Lacs as compared to previous year of Rs. 49.49 Lacs. This is mainly due to increased raw material price and stiff competition.

However, the situation is showing some improvement since the last quarter of the year under review. During the quarter ended 31st March, 2010, your company has achieved a turnover of Rs. 5560.18 Lacs as compared to Rs. 3050.34 Lacs during the same quarter of the preceding financial year. Net profit during the quarter was Rs. 507.49 Lacs as compared to net loss of Rs. 1343.13 Lac during the same quarter of the preceding financial year.

RESEARCH AND DEVELOPMENT:

The global challenges for the Indian pharma industry at large have increased several folds in the face of the transition from process to product patent regime in India from 2005 and to face the challenge, your company has continuously sharpened its focus on R & D, which is the need of the hour and will continue to commit funds to strengthen R & D capabilities. In fact, one of your company's biggest strength lies in vibrant and productive R & D function that has continuously placed Marksans ahead through consistent development of niche technology, processes and products. Your company will continue to invest in R & D to keep pace with the changing domestic and global scenario. During the year, your company continued product development and dossier filing in US, Europe and other emerging markets. Drug discovery and new chemical entity development projects needs huge amount of funding. Due to insufficient profits and recessionary market conditions, your company has stopped funding all New Chemical Entity research projects.

INTERNAL CONTROL SYSTEMS:

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

INFORMATION TECHNOLOGY:

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

HEALTH, SAFETY & ENVIRONMENT:

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

DIVIDEND:

In view of Company's ongoing expansion plans and to support the fund requirements of the Company to stimulate further growth, your Board of Directors is not recommending any dividend for the financial year ended 31st March, 2010.

FIXED DEPOSITS:

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

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBS)

During the year under review, your company has bought back US Dollar 6,000,000 FCCBs in the open market at the price prevailing in the Singapore Stock Exchange where the FCCBs are listed. Further, one holder of FCCB holding 1 FCCB of US Dollar 1000 had given notice for conversion of the FCCB into Equity Shares of the Company. Accordingly, the Company has allotted on 14.04.2010 1,333 Equity Shares of Re. 1/- each on conversion of one FCCB of US Dollar 1000. As on the date of this report, total outstanding FCCBs is US Dollar 43,999,000.

DISPOSAL OF API PLANTS

Due to severe pricing pressure, foreign exchange fluctuations and rising raw material prices, this division was not performing well. As a measure of restructuring business model, your company has, with the approval of the shareholders, hived off the API business located at Kurkumbh, Pune and a Business Transfer Agreement has been signed in this regard with Kores (India) Limited on 28th July, 2010. Since, the Business Transfer Agreement is signed post 31st March, 2010, no impact thereof is shown in the accounts for the year under review.

DIRECTORS RESPONSIBILITY STATEMENT:

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed except AS – 11 (Effects of changes in foreign exchange rates) with proper disclosure made in Note 12 of the Notes forming part of the Accounts for the year ended 31st March, 2010;
- appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2010 and the Profit and Loss Account for the period ended 31st March, 2010;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENTS:

In compliance with the Accounting Standard - 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year under review. From the Consolidated Profit and Loss Account, it may be observed that the turnover stands at Rs. 35936.58 Lacs as compared to Rs. 36013 Lacs during the previous financial year and net loss after tax stands at Rs. 962.16 Lacs as compared to Rs. 795.48 Lacs in the previous year. This is mainly on account of payments related to acquisition of a company in Europe, foreign exchange fluctuation and amortization of goodwill on acquisition.

SUBSIDIARIES:

Performance of Bell, Sons & Co. (Druggists) Limited (wholly owned subsidiary of Marksans Pharma (UK) Limited), which operate in the European market, has improved in comparison to the previous year. The performance of Relonchem Limited (wholly owned subsidiary of Marksans Pharma (UK) Limited), which also operate in the European market is satisfactory, though not as expected, considering the adverse economic scenario in that market and changed ownership structure. The Directors expect the performance of this company to be much improved in the coming year.

Nova Pharmaceuticals Australasia Pty Ltd (your company holds 60% of the share capital) which operates mainly in Australia, is doing well.

As required under the provisions of Section 212 of the Companies Act, 1956 the audited accounts together with Director's Report and Auditor's Report of the subsidiaries namely M/s. Nova Pharmaceuticals Australasia PTY Limited and M/s. Marksans Pharma (U.K.) Limited, made out in accordance with the requirements of the Companies Act, 1956 are appended to and form part of the Annual Report.

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

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

EMPLOYEES:

Information under Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employee) Rules 1975, as amended up to date for the year ended 31st March,2010 is given here under :

Name	Designation	Age	Gross Remuneration	Qualification	Experience	Date of Appoinment	Last Employment & Designation
Mr. Anurag Pathak	Associate Director - Global Exports	38	3600970.00	PGDBM - Mktg	14	08/09/2008	Pan India Network Infravest Pvt. Ltd. Vice President - Sales
Dr. Desai Balwant Shankarrao	Director - Quality & Regulatory Affairs	46	3116832.00	Ph.D.	22	07/03/2006	Alembic Ltd Vice President - Quality & Regulatory Affairs
Mr. Arun Kumar Shukla	Director – R&D	59	2403811.00	M Pharma, Ph.D	31	01/04/2009	Gel Tech Pvt. Ltd. Director - Operations

DIRECTORS:

Mr. Kumar Nair will be retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

CORPORATE GOVERNANCE:

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

AUDITORS:

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

COST AUDITORS:

The Board of Directors has appointed Girish S. Maniar. Cost Accountants, as Cost Auditor for audit of the cost accounting records relating to Bulk Drugs and Formulations for the year ending 31st March, 2011.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS:

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

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

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

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

Your management helps the process of decision making by decentralizing and empowering professionals to execute tasks in a speedy manner. The management fosters information sharing and free exchange of ideas. Above all, the sense of ownership and empowerment to take decisions helps the Company to adapt and be ahead of the competition in this rapidly changing global environment.

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

As on 31st March, 2010 the Company's permanent employees strength was 474 (442 in the previous year).

APPRECIATION:

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

Your directors also appreciate the valuable co-operation and continued support extended by Company's Bankers, Medical Professionals, Business Associates and Investors who have put their faith in the Company.

By order of the Board of Directors
Mark Saldanha
Chairman & Managing Director

Mumbai
Dated : 12th August, 2010

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULAR IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2010.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

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

The following energy conservation methods were implemented during the year.

a) Changed over to Agro Waste Fired boilers.

b) Scheduled production to avoid usage of diesel during "Weekly Power Shutdown".

c) Optimisation in use of cooling water pumps.

d) Use of energy efficient pumps and motors.

e) Chemical dosing of cooling/chilling water system.

f) Cold Insulation ducting and HVAC system was checked and sections redone.

g) Installed energy efficient motors for chilling plant compressors.

h) Intensified internal audit aimed at detecting wastage and leakage of utility Circuits.

b) Additional investments:

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

c) Impact of above measure:

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

d) Energy Consumption:

	Particulars	2009-10	2008-09
1	Electricity		
	(a) Purchases		
	Units (in'000 kwhs)	6678.75	5777.30
	Total Amount (Rs. In '000)	27625.75	23288.39
	Rate/ Unit (Rs.)	4.14	4.03
	(b) Own Geneartion		
	(i) Through Diesel Generation		
	Units (in'000 kwhrs)	3019.26	301.17
	Units per Ltr of Disel Oil	2.96	2.96
	Cost/ Unit (Rs.)	5.11	12.19
	(ii) Through Steam		
	Turbine/ Generator	0	0
2	Coal	0	0
3	Furnace Oil		
	Qty (units in'000 K.Ltrs)	53.70	887.07
	Total Amount (Rs.in'000)	9121	23954
	Average Rate (Rs./K/Ltr)	169.84	27.00
4	Light Diesel Oil		
	Units (K.Ltrs)	0	0
	Total Amount (Rs.in'000)	0	0
	Average Rate (Rs./K.Ltr)	0	0
5	Other Internal Generation	0	0

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

(1) Specific areas in which R&D carried out by the Company.

Foray into Generic business and identification of few niche areas for product development, mainly in dossier development, post patent filing for regulated & semi regulated markets.

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

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

(3) Future plan in action

Development of new and innovative products will lead to evolution of Novel Drug Delivery System pipeline and comprehensive range of generics leading to Abbreviated New Drug Applications / Dossiers for filing.

(4) Expenditure on R&D

Company continues to benefit from the extensive Research and Development (R&D) activity carried on. During the year, your company has incurred major expenses of R & D nature for new products development and ANDA / Dossiers filing for regulated and emerging markets, has capitalized as intangible assets, the total amount capitalized during the year as intangible assets is Rs. 2288.17 Lacs.

The details of expenditure debited to the Profit and Loss account by your Company is as under:

Rs. In Lacs

(a)	Capital	Nil
(b)	Recurring	4.96
(c)	Total	4.96
(d)	Total R & D as a percentage of total turnover	0.02%

Technology absorption, adaptation and innovation.

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

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

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

   Bio Fuel being substantially cheaper to Furnace Oil, its usage will generate savings in fuel cost. Also it will save time on steam generation and add to operator safety. Access to highly regulated markets, thereby increasing the sales volumes. Installation of new testing equipment has substantially reduced dependency on external testing, thereby reducing the overall operational time cycles. The same has also resulted in reduction in manpower. Improvements in process parameters have reduced the percentage rejection in the process thereby reducing the wastage of costly raw material.

3. Imported Technology

   Nil

C. FOREIGN EXCHANGE EARNINGS & OUTGO

During the financial year 2009-10, the Company used foreign exchange amounting to Rs. 1650.79 Lacs (Previous Year Rs. 2130.35 Lacs) and earned foreign exchange amounting to Rs. 7190.66 Lacs (Previous Year Rs. 4787.80 Lacs).

By order of the Board of Directors
Mark Saldanha
Chairman & Managing Director

Mumbai
Dated : 12th August, 2010

Management's Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENT

Global Pharmaceutical Market

The first half of the fiscal under review witnessed the continuous global economic recession coupled with unprecedented financial turmoil. However, in the second half, the situation improved considerably with increase in demand. Even if the global economy started showing recovery, pharmaceutical sales growth is still subject to constraints on account of pricing pressure, increasing regulatory compliances, etc. The global pharmaceutical market is expected to grow at a compounded annual growth rate of 6% over the next couple of years.

Indian Pharmaceutical Market

In the recent years, despite the slowdown witnessed in the global economy, exports from the pharmaceutical industry in India have shown good buoyancy in growth. Export has become an important driving force for growth in this industry with more than 50% revenue coming from the overseas markets.

With several global companies slated to make investments in India, the future scenario of the pharmaceutical industry looks pretty promising. The country's pharmaceutical industry has tremendous potential of growth considering all the projects that are in the pipeline. Some of the future initiatives are:

- Several Indian Pharma to develop and market generics and formulations in upcoming markets overseas.
- Due to the low cost of R&D, the Indian pharmaceutical off-shoring industry is designated to turn out to be a US$ 2.5 billion opportunity by 2012.
- CRAMS outsourcing will witness a healthy growth in India as more products go off patent.

Generics to be brighter: The outlook for generics is bright given that over approximately $100 billion of drugs (approx. 15 percent of the patented pharma market) are slated to go off-patent over the next four years. Also big pharma companies are expected to increasingly focus on generics and emerging markets as (a) drug pipelines are unlikely to be replenished in line with patent expiries (b) emerging markets are seeing far higher growth in generic drug sales due to improved awareness and access, coupled with rising expenditure on public health, alliances and product licensing deals and supply contracts between global pharma companies and generic players. Given the approaching expiries, and with an increasing number of Indian companies being targeted for their portfolio of generic drugs and their capability to manufacture drugs at low cost, this would in turn provide generic players with access to newer markets and an assured stream of revenue and profit.

Regulatory steps taken by developed countries towards curtailing growing healthcare budgets has also contributed to the increase in demand for generics. The sharpened focus of global pharma companies on the generics market will also lead to greater outsourced manufacturing volumes in order to control costs. This could be either through higher contract manufacturing volumes, or through longer term relationships/alliances. India is well-placed to benefit from this shift, with the country's strong manufacturing base - both in formulations, as well as in key inputs (bulk drugs and APIs). India has the highest number of US FDA approved plants outside of the US.

DIVISION WISE PERFORMANCE

The Company is actively engaged in R&D and offering CRAMS to global pharmaceutical companies. The R&D capabilities of the Company includes Dossier Development Service, Chemical Synthesis and Process Optimisation, Formulation Development and Specified Drug Delivery System.

The Company's state-of-the-art manufacturing facilities in Goa are of international standards adhering to stringent quality norms and are approved by US FDA, UK MHRA, Australian TGA, Brazillian ANVISA and other foreign health authorities. It is one of the biggest manufacturing facilities for soft gelatin capsules and tablets in Asia.

(1) Active Pharmaceuticals Ingredients (API) Division

Due to severe pricing pressure, foreign exchange fluctuations and rising raw material prices, this division was not performing well. As a measure of restructuring business model, the Company has hived off this division on 28th July, 2010.

(2) Domestic Formulation Business

(i) Criticare Division : It is the specialty division which mainly focuses on Oncology and Critical care therapy. The major brands of this division are MARKPARIN and EPIGROF. Marksans Pharma Limited is in exclusive rate contract with Indian Army to supply MARKPARIN. EPIGROF is also being supplied to major hospitals and other major burns and trauma care institutes. This division has created a niche for itself in the Oncology segments with its anti cancer products.

(ii) Cerebella Division : It is the specialty division marketing drugs meant for lifestyle diseases, Neuro-Psychiatrist and Psychiatric therapy. The major brands of this division are BAZZY, CITOFAST, GABELLA, GABELLA M, XENOTRIL which are the main contributors of sales.

Our future course of action in this division is going to be more focused in segments like Epilepsey, Alzimerhs and Depression as these segments are the growth drivers for CNS market. Our presence is good in these segments with latest and accepted products like Bazzy, Donaz Citofast. We are planning to launch newer Anti-Epileptical products like Levitricetam, Zonasimide, etc.

The Company is focusing more on these divisions. These divisions are performing well and are likely to continue the same growth pattern in the coming years. The Company is planning to introduce niche molecules in both these divisions addressing critical areas. This could be in-licensed products and locally sourced

(ii) Zenmark and Mark Remedies Divisions : The Company is receiving royalty from the franchise of the Zenmark Division and brands leasing of Mark Remedies Division.

(3) International Formulation

Main focus market for the Company is US, UK, Australia, New Zealand, Germany and other European markets. It is also eying to tab huge Russian and CIS markets and has started dossier filling in these countries.

US Market : The Company has received its first ANDA approval for Ibuprofen 200mg soft gels and is expected to receive more ANDA approval in the current year. The Company currently has more numbers of Abbreviated New Drug Applications (ANDAs) in various stages of the approval process with the US FDA. The Company has already tied up with major distributors/big pharma companies in the US market for sales and Distribution of these products.

The Company has now started its next phase of development of molecules with high potential in the US and European markets. The Company has adopted a cognizant strategy of identification of products involving complex chemistry, difficult formulations and products guided by stringent regulatory norms. This focused presence in niche areas will help to ensure a sustainable market opportunity and continued profitability.

R & D has developed the new formulations for existing molecules and drug combinations which include its standardization and execution at production site, evaluation of these batches against reference samples for pharmaceutical and bio-equivalence. Alliances for the said molecules are already in place for the US market.

Europe Market : The company currently has more than 60 EU CTD files for solid dosage forms across various therapeutic segments at various stages of development, registration or approval. For contract manufacturing opportunities, the Company has tied up with major Generic players across Europe. The Company has also registered growth in its business via supply to major retail brands in the analgesics and anti inflammatory segment. The portfolio comprises of 8 approved site change variations in the UK, 10 applications currently going through registration procedures across Europe and products which will be submitted during the current financial year. In addition, there are another 10-15 products in early stage development. Focus will remain on solid orals. By 2012, all eight of the small molecule drugs in the top 10 drugs (based on global sales for 2006) will become generic. Due to multiple dynamics, the generics market is expected to grow at an 8.5% CAGR from 2008 to 2020.

Australia & New Zealand Markets : The year under review also saw the Company getting approvals for the Ibuprofen 200mg Soft gel product within Australia and New Zealand. Major Pharmacies have already tied up for supply of the product through their retail chains.

The year under review witnessed US FDA regulatory approvals for 3 generic molecules and a WHO approval for the Goa plant. The Goa formulations plant underwent two successful re-inspections by US FDA and UK MHRA.

The Company is aggressively spreading its wings in the semi regulated markets. Till now it has filed 356 registrations across all semi regulated markets. It has already got 121 products registered in countries like Cambodia, Philippines, Vietnam, Sri Lanka, Kenya, Tanzania, Ukraine, Russia, Hongkong, Panama and Nigeria. Company's products are well accepted in these countries. Further, statutory compliances are in process for entering in central and south America and other CIS countries.

OPERATIONAL REVIEW

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

During the year under review, the consolidated turnover of the company has decreased to Rs. 35936.58 Lacs from Rs. 36013.10 Lacs last year. your company registered a consolidated loss before tax of Rs. 922.66 Lacs as compared to loss before tax of Rs. 699.92 Lacs in the previous year.

The principal activity of Bell, Sons and Co. (Druggists) Limited is the manufacture and sale of pharmaceutical products. Results of this company for the year is satisfactory. During the year sales increased from £9502245 to £10530536 and the profit before taxation was £405279 as compared to £40817 in the previous year. This company is expected to continue a similar level of activity in the coming year. However, rising raw material cost is a matter of concern.

The principal activity of Relonchem Limited is the wholesale distribution of pharmaceutical products. During the year sales decreased from £13939962 to £7677380 and the loss before taxation was £1170399 as compared to profit of £515995 in the previous year. Loss incurred during the year under review is exceptional due to the changed structure of ownership of the business in the prior year and is therefore not expected to recur. The performance of the Company is expected to be much improved in the coming year. However, rising administrative expenses is a matter of concern.

Nova Pharmaceuticals Australasia Pty Ltd (your company holds 60% of the share capital) which operates mainly in

Australia, is doing well. The principal activity of this company is wholesale distribution of pharmaceutical products. This Company achieved a turnover of Australian $ 5194785 in 2009-10 as compared to Australian $ 3806240 in 2008-09, i.e., an increase by Australian $ 1388545. However, the operating profit after tax has gone down to Australian $ 260053 in 2009-10 as compared to Australian $ 286574 in 2008-09. This is mainly due to increased operating cost.

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

Revenue

Turnover of the Company has reduced to Rs. 19956.21 Lacs in 2009-10 from Rs. 20356.10 Lacs in 2008-09 resulting a decrease by 1.96%.

Cost of Sales

Cost of sales increased by 4.66% i.e. from Rs. 15244 Lacs in 2008-09 to Rs. 15955 Lacs in 2009-10 due to increase in prices of raw materials and other manufacturing overheads.

Admin, Selling and Distribution Expenses

Admin, Selling and Operating Expenses reduced to Rs.1593.50 Lacs in 2009-10 from Rs. 2426.60 Lacs in 2008-09, a reduction by 34.33% as a result of overall cost cutting policy of the company.

Depreciation

The Provision for Depreciation was Rs. 983.92 Lacs in 2009-10 compared to Rs. 973.00 Lacs in 2008-09, an increase by 1.12% due to addition of assets.

Interest

The expenditure on account of interest was Rs. 1477.80 Lacs in 2009-10 compared to Rs. 1532.90 Lacs in 2008-09 resulting a decrease by 3.59 % due to reduction in interest on Term Loan and Working Capital facility.

Provision for Taxation

The Taxation charged for the financial year 2009-10 was Rs. 8.50 Lacs compared to Rs. 27.10 Lacs in 2008-09.

Provision for Deferred Taxation

A Provision for Deferred Tax of Rs. 25.20 Lacs was made as per Accounting Standard 22 ‘Accounting for Taxes on Incomes’ issued by the Institute of Chartered Accountant of India.

Reserves and Surplus

The Reserves & Surplus increased from Rs. 10881.63 Lacs to Rs. 12536.52 Lacs.

Secured Loans

Secured loans increased from Rs. 11787.20 Lacs in 2008-09 to Rs. 17593.67 Lacs in 2009-10 due to increase in Term Loans and Working Capital facility.

Fixed Assets

The Company’s gross assets block increased from Rs. 33521.00 Lacs for the year ended 31st March, 2009 to Rs. 35982.33 Lacs for the year ended 31st March, 2010 on account of purchase of new assets.

Intangible Assets

The Company has created Intangible Assets of Rs. 2288.17 Lacs which represent expenses incurred on New product development and process & compliance with regulatory procedures of the US FDA in filing Abbreviated New Drug Applications (“ANDA”) and MHRA/EDQM procedure for Market Authorisation/COS.

Inventory

Inventory has reduced from Rs. 9833.20 Lacs in 2008-09 to Rs. 8306.00 Lacs in 2009-10.

Receivable

Receivables has increased from Rs. 5081.60 Lacs in 2008-09 to Rs. 6720.10 Lacs in 2009-10 due to higher credit period offered in view of recessionary market condition.

Loans and Advances

Loans and advances increased from Rs. 1711.71 Lacs in 2008-09 to Rs. 2063.02 Lacs in 2009-10.

Cash and Bank Balances

Cash and Bank balance increased from Rs. 1301.00 Lacs to Rs. 3251.20 Lacs due to deposits with Bank and Balance with Bank in current accounts.

Current Liabilities

Current liabilities and provisions decreased from Rs. 3686.20 Lacs in 2008-09 to Rs. 3532.60 Lacs in 2009-10 due to decrease in creditors and other liabilities.

Net Working Capital

The Net working capital has increased from Rs. 14241.26 Lacs to Rs. 16807.83, Lacs due to increase in debtors and cash and bank balances.

OPPORTUNITIES

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

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

THREATS, RISKS AND CONCERNS

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

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

OUTLOOK

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

1. Global presence
2. Low cost manufacturing base
3. World class manufacturing facilities with huge capacities approved by major global health authorities
4. Own front ends into UK/Europe and Australia
5. Tie up with big pharmaceutical companies
6. Strong R&D, Dossier development capabilities
7. Preferred outsourcing partner
8. The Company has more than 100 product IP for regulated markets
9. More than 350 product IP for semi regulated markets
10. Wider product basket from OTC to Prescription drugs
11. US FDA approval for softgel products
12. Very few companies in India offering CRAMS for US/Global markets into formulation development and manufacturing.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

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

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT 2009-10

Company's Philosophy on Corporate Governance

The Company is committed to the principles of good corporate governance to achieve long term corporate goals and to enhance shareholders value by managing its operations at all levels with highest degree of transparency, responsibility and delegation with equity in all facets of its operations leading to sharp focus and operationally efficient growth. The spirit of Corporate Governance has prevailed in the Company and has influenced its decisions and policies. The strong internal control system and procedures and codes of conduct for observance by the Company's directors and employees are conducive in achieving good corporate governance practices in the Company. The compliance report is prepared and given below in conformity with the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

Board of Directors

As on the date of this report, the total number of Directors on the Board is 4(four). Out of that two Directors are non-executive and independent. During the financial year under review, Nine (09) Board Meetings were held on the following dates : 10.04.2009, 27.04.2009, 24.06.2009, 29.06.2009, 31.07.2009, 30.10.2009, 29.12.2009, 08.02.2010 and 25.03.2010.

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

Name of the Director	Executive/ Non-executive/ Independent/ Promoter	No. of Shares in the Company	No. of Board Meeti-ngs attended out of 9 held	No. of outside directorship in Public Limited Companies*	Membership held in Committee of Directors**	Chairmanship held in committee of Directors**	Whether attended last AGM
Mr. Mark Saldanha (Chairman & Man-aging Director)	Executive & Non-Independent	177982910	9	Nil	Nil	Nil	Yes
Mr. V. Nagaraj (Whole-time Direc-tor)	Executive & Non-Independent	Nil	9	Nil	Nil	Nil	Yes
Dr. Kim Tan (Upto 25.09.2009)	Non-executive & Independent	Nil	Nil#	Nil	Nil	Nil	No
Mr. Mahesh B. Parikh	Non-executive & Independent	Nil	6	2	2	1	No
Mr. Kumar Nair	Non-executive & Independent	Nil	6	3	3	Nil	No

* This excludes directorship held in private companies, foreign companies, companies formed under section25 of the Companies Act, 1956 and directorship held as an alternate director.

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

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

Audit Committee

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

Remuneration Committee

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

Investors' Grievance Redressal Committee

The Investor Grievance Redressal Committee consists of Directors, namely Mr. Mahesh B. Parikh (Chairman), Mr. Kumar Nair and Mr. V. Nagaraj. The Committee looks into the shareholders' and Investors grievances. The Committee also oversees the performance of the Registrar and Share Transfer Agent and recommends measures to improve the level of investor services.

Number of complaints received during the year : 5

Number of complaints resolved to the satisfaction of shareholders : 5

Share Transfer System

The Company has appointed Bigshare Services Private Limited as its Registrar and Share Transfer Agent for both physical and demat segment. The Company has authorised the Company Secretary of the Company to approve the share transfers lodged in physical mode. The shares lodged in physical mode are transferred and returned in 15 days from the date of receipt, so long as the documents are complete in all respects. As on 31.03.2010, no shares were pending for transfer.

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

Disclosures

a) No material financial and commercial transactions were reported by the management to the Board of Directors in which management had personal interest having a potential conflict with the interest of the Company at large.

b) There was no non-compliance during the last three years by the Company on any matter related to the capital market. Consequently, there were neither any penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.

c) The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement on Corporate Governance.

d) There is no pecuniary relationship or transaction between the non-executive directors and the Company.

e) There is no relationship between the directors inter se except as members of the Board.

f) Details of related party transactions during the year ended 31st March, 2010 has been set out under Note No. (9) of Schedule 17 annexed to the Balance Sheet and Profit & Loss Account.

Directors Remuneration

The non-executive directors are not paid any remuneration. The executive directors are paid remuneration under the applicable provisions of the Companies Act, 1956 with approval of the shareholders in the General Meeting. Details of the remuneration paid to the executive directors of the Company during the year ended 31st March, 2010 has been set out under Note No. (9)(a) of Schedule 17 annexed to the Balance Sheet and Profit & Loss Account.

Management's Discussion And Analysis Report.

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

Means of Communication

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

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

General Body Meetings

Annual General Meetings	Date	Time	Venue	No. of Special Resolutions
Seventeenth	25.09.2009	10:30 A.M.	GMS Community Centre Hall, Sitladevi Complex, 1st Floor D.N. Nagar, Link Road, Andheri (W), Mumbai - 400053	Nil
Sixteenth	29.09.2008	11:00 A.M.	GMS Community Centre Hall, Sitladevi Complex, 1st Floor D.N. Nagar, Link Road, Andheri (W), Mumbai - 400053	2*
Fifteenth	27.09.2007	11:00 A.M.	Sunville Banquet & Conference Hall, 3rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018	Nil

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

Postal ballot

The Company has passed two resolutions by postal ballot during the financial year under review. One ordinary resolution under section 293(1)(a) of the Companies Act, 1956 for disposal of the API Plants of the Company located at Kurkumbh, Pune and one special resolution under section 81(1A) of the Companies Act, 1956 for raising capital upto USD 125 Million. As of date, there is no proposal to pass any resolution by postal ballot.

General Shareholder Information

AGM	:	Eighteenth Annual General Meeting.
Day & Date	:	Tuesday, the 28th September, 2010
Time	:	10:30 AM
Venue	:	GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053
Financial calendar	:	Financial Year - April to March First Quarter Results - Last week of July Second Quarter Results - Last week of October Third Quarter Results - Last week of January Last Quarter Results - Last week of April
Date of Book Closure	:	Friday, the 24th September, 2010 to Tuesday, the 28th September, 2010 (both days inclusive).
Dividend payment date	:	Nil, as there is no proposal to declare dividend.
Listing on Stock Exchanges	:	The Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE) The annual listing fees for the year 2010-2011 have been paid.
Stock Code	:	BSE : 524404 NSE : MARKSANS
ISIN	:	INE750C01026

Market price data on BSE during the period April 2009 to March 2010

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
April 2009	4.10	5.25	3.92	3.98
May 2009	4.12	6.09	3.61	6.09
June 2009	6.39	8.12	4.80	5.29
July 2009	5.20	5.60	4.16	4.98
August 2009	5.17	6.63	4.81	6.63
September 2009	6.96	6.96	5.31	6.28
October 2009	6.34	6.34	4.81	4.86
November 2009	4.85	5.40	4.53	4.77
December 2009	4.95	6.35	4.80	5.77
January 2010	5.94	6.64	5.30	5.60
February 2010	5.40	5.83	4.15	4.86
March 2010	5.05	5.47	4.70	4.88

Shareholding Pattern as on 31.03.2010

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Individual	45111	96.91	301899472	82.09
Bodies Corporate	996	2.14	48329348	13.14
NRIs	310	0.67	3170113	0.86
FIIs	3	0.01	1855607	0.50
Non-Resident Bodies Corporate	3	0.01	11771101	3.20
Trust	1	-	20000	-
Bank, Financial Institution & Insurance Companies	3	0.01	37000	0.01
Clearing Members	117	0.25	723230	0.20
Total	46544	100	367805871	100
Promoters	7	0.02	179583510	48.83
Non-Promoters	46537	99.98	188222361	51.17
Total	46544	100	367805871	100

Distribution of Shareholding as on 31.03.2010

Shareholding	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 5000	42087	90.42	48918481	13.30
5001 – 10000	2317	4.98	18519195	5.04
10001 – 20000	1041	2.24	15625825	4.25
20001 – 30000	404	0.87	10238068	2.78
30001 – 40000	168	0.36	5974518	1.62
40001 – 50000	155	0.33	7293461	1.98
50001 – 100000	224	0.48	16223674	4.41
Above 100000	148	0.32	245012649	66.62
Total	46544	100	367805871	100

Registrar and Transfer Agents	Bigshare Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri (East) Mumbai 400 072. Tel. No. (022) 2847 0652 / 4043 0200, Fax No. (022) 2847 5207 Email - investor@bigshareonline.com Website - www.bigshareonline.com Our RTA has launched Gen-Next Investor Interface Module “iBoss” the most advanced tool to interact with investors. Shareholders are requested to login into “iBoss”and help them to serve you better.
Dematerialization of the Shares and Liquidity	Based on SEBI directives, Company’s shares are traded in dematerialized form. As on 31.03.2010, 97.14% of the paid up share capital of the Company are in dematerialized form.
Outstanding GDR/ADR/ Warrants or any convertible instruments, conversion dates and likely impact on equity	Company had issued US $ 50,000,000 FCCB on 08.11.2005, convertible into Equity shares of the Company on or before 9th October, 2010. During the year under review, the Company has bought back US $ 6,000,000. As on 31.03.2010, US $ 44,000,000 FCCBs were outstanding. One bond holder who held one FCCB of US $ 1000 has exercised the option of conversion of FCCB into Equity Shares. Accordingly, 1333 Equity Shares of Re 1/- each have been allotted on 14th April, 2010. Accordingly, the Issued, Subscribed and Paid up Equity Share Capital of the Company has increased from Rs. 367805871 to Rs. 367807204 effective from 14th April, 2010. Consequently, as on the date of this report US $ 43,999,000 FCCBs are outstanding. If all the investors exercise their option to convert FCCB’s into Equity Shares of the Company, 58651273 Equity Shares will have to be issued on conversion.
Plant Locations	- Formulation Plant: L-82 & 83 Verna Industrial Estate, Verna, Goa- 403 722 - A.P.I. Plant* : D-10, KurKumbh, M.I. D.C. Tal. Daund, District – Pune. A-88, KurKumbh, M.I.D.C. Tal Daund. District – Pune. - U.K. Plant: Bells Sons & Co (Druggists) Ltd., Slaidburn Crescent, Southport, PR9 9AL * On 28th July, 2010, the Company has entered into a Business Transfer Agreement with Kores (India) Limited for transfer of both the API plants.
Address for Correspondence	Mr. Harshavardhan Panigrahi Company Secretary & Manager-Legal Marksans Pharma Limited 21st Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai 400 053. Tel. No. : 022- 40012000 Fax No. 022- 40012011 Email: companysecretary@marksanspharma.com

Non Mandatory Requirements

(I) **The Board :** There is no policy in the Company for determining the tenure of independent directors.

(II) **Shareholders Rights :** Half yearly financial results including summary of the significant events are presently not being sent to the shareholders.

(III) **Audit Qualifications :** Every endeavor is made to make the financial statements without qualification.

(IV) **Training of Board Members :** The members of the Board are eminently competent to discharge their duties.

(V) **Mechanism for evaluating non-executive Board Members :** There is no policy in the Company for evaluation of non-executive Directors.

(VI) **Whistle Blower Policy :** Presently there is no whistle blower policy in the Company.

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

This is to confirm that during the year ended 31st March, 2010 all the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the Code of Conduct, framed pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, in so far as it is applicable to them.

For Marksans Pharma Limited

Mumbai

Mark Saldanha

Date: 12th August, 2010

Managing Director

BRIEF RESUME OF THE PERSON PROPOSED TO BE RE- APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING.

Name	Mr. Kumar Nair
Age	48 Years
Qualification	Chartered Accountant
Experience	Mr. Kumar Nair is a Qualified Chartered Accountant. He is the Promoter and Managing Director of Transwarranty Finance Limited., a listed company with BSE and NSE. He has 24 years of experience in Capital Market and Investment Banking Industry. His core competencies in financial services industry encompasses wide gamut of functions like Corporate Finance, Trade Finance, Project Finance, Stock / Commodities/ Foreign Exchange Broking, Research, Investment Banking. Prior to this he was with Kotak Mahindra Finance Limited for 9 years and was last positioned as Vice President.
Name of the other Companies in which also holds directorship	· Transwarranty Finance Limited · Transwarranty Capital Private Limited · Transwarranty Forex & Commodities Private Limited · Transwarranty Credit Care Private Limited · Transwarranty Advisors Private Limited · Transwarranty Private Limited · Menon Bearings Limited · Vertex Securities Limited
Name of the other Company in the committee of which also holds membership / chairmanship	· Transwarranty Finance Limited · Menon Bearings Limited
No. of shares held in the Company	NIL

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members, **MARKSANS PHARMA LTD.**

We have examined the compliance of conditions of Corporate Governance by **MARKSANS PHARMA LTD.** for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

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

N.K.MITTAL

Proprietor

Membership No. 46785

F. No. 113281W

Place: Mumbai

Date 12th August, 2010

AUDITORS' REPORT

To the members of **MARKSANS PHARMA LIMITED**

We have audited the attached Balance Sheet of **MARKSANS PHARMA LIMITED** as at 31st March 2010 and the Profit & Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report as follows:

1) As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified therein.

2) Further to our comments in the Annexure referred to above, we state that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;

   c) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;

   d) In our opinion the Balance Sheet and the Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred with in Section 211(3C) of the Companies Act, 1956;

   e) On the basis of the written representations received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March, 2010 from being appointed as a Director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes, *subject to note no.2 regarding non provision of Foreign exchange loss on Foreign Currency Convertible Bonds,* give the information required by the Companies Act, 1956 and in the manner so required and give a true and fair view in confirmity with the accounting principles generally accepted in India:

      i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010, and

      ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

      iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

FOR N. K. MITTAL & ASSOCIATES
Chartered Accountants

N. K. MITTAL
(Proprietor)
M. NO. 46785
F. NO. 113281W

Place: Mumbai
Date : 12th August, 2010

ANNEXURE

Re**: MARKSANS PHARMA LIMITED**

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

i. (a) The company has maintained proper records showing particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management at reasonable intervals. We have been informed that no material discrepancies were noticed on such verification.

(c) Substantial parts of fixed assets have not been disposed off during the year.

ii. (a) Physical verification of inventory (excluding stocks with third parties) has been conducted at reasonable intervals by the management. In respect of inventory lying with third parties, these have substantially been confirmed by them.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.

iii. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.

iv. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.

v. (a) According to the information & explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.

(b) In our opinion, each of these transactions and exceeding the value of five lakh rupees in respect of any party during the financial year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and the rules framed there under.

vii. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However we are neither required to carry out nor have carried out any detailed examination of such accounts and records.

ix. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.

(b) According to the information & explanations given to us, no undisputed amounts payable in respect of Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess were in arrears, as at 31st March 2010, for a period of more than 6 months from the date they became payable.

(c) According to the information & explanations given to us, there are no dues of Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess which have not been deposited on account of any dispute.

x. At the end of the financial year, the Company does not have accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.

xi. According to the information & explanations given to us, the company has not defaulted in payments of dues to financial institution & banks.

xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xv. The company has given guarantee to Bank for loans taken by its Subsidiary Company.

xvi. Term loans availed by the Company were, prima facie, applied for the purpose for which the loans were obtained.

xvii. On an overall basis, the funds raised on short-term basis have, prima facie, not been used for long term investment and vice versa.

xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.

xix. The Company has not issued any debentures.

xx. The Company has not raised money by public issues during the year.

xxi. Based on the checks carried out by us, any fraud on or by the company has not been noticed or reported during the year.

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

N.K.MITTAL
(Proprietor)
M. NO. 46785
F. NO. 113281W

Place : Mumbai
Date : 12th August, 2010

Balance Sheet as on March 31, 2010

Particulars	Sch. No.	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	**502,805,871**	502,805,871
Reserves & Surplus	2	**1,253,652,786**	1,088,163,261
Loan Funds			
Secured Loans	3	**1,759,367,012**	1,178,722,283
Unsecured Loans	4	**1,769,596,299**	2,011,887,596
		5,285,421,968	**4,781,579,011**
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	**3,598,233,548**	3,352,098,659
Less: Provison for Depreciation		**656,809,717**	562,542,530
Net block		**2,941,423,831**	**2,789,556,129**
Investments	6	**776,163,898**	**675,583,172**
Current Assets, Loans & Advances			
Inventories	7	**830,601,740**	983,318,046
Sundry Debtors	8	**672,016,820**	508,161,893
Loans & Advances	9	**206,302,067**	171,171,390
Cash & Bank Balances	10	**325,126,821**	130,096,196
Total (A)		**2,034,047,448**	1,792,747,525
Current Liabilities			
Current Liabilities & Provisions	11	**353,264,783**	368,621,550
Total (B)		**353,264,783**	368,621,550
Net Current Assets (A) - (B)		**1,680,782,665**	**1,424,125,975**
Deferred Tax Assets/(Liability) (Net)		**(115,000,239)**	**(112,481,173)**
Miscellaneous Expenditure	12	**2,051,813**	**4,794,908**
(To the extent not written off)			
		5,285,421,968	**4,781,579,011**
Notes to the Accounts	17		

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

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Place : Mumbai
Date : 12th August,2010

Profit & Loss Account for the Year ended March 31, 2010

Particulars	Sch. No.	For the year Ended 31.3.2010 Amount in Rs	For the year Ended 31.3.2009 Amount in Rs
INCOME			
Sales		**1,995,621,418**	2,035,610,696
Other Income	13	**16,037,341**	73,504,780
		2,011,658,759	**2,109,115,476**
EXPENDITURE			
Cost of Sales	14	**1,595,499,217**	1,524,401,213
Administration, Selling & Distribution Expenses	15	**159,352,303**	242,659,461
Interest & Financial Charges	16	**147,783,316**	153,286,441
Depreciation	5	**98,391,957**	97,296,763
Exchange Loss/(Gain)		**502,579**	59,514,339
Loss on Sale of Fixed Assets		**1,118,402**	2,008,878
Miscelleneous Expenditure Writtern Off		**2,743,096**	6,041,354
		2,005,390,870	**2,085,208,449**
Profit Before Tax		**6,267,889**	**23,907,027**
Provision for Taxation			
- Current Year		**850,000**	2,710,000
- Earlier Years		**-**	2,538,705
- Deferred Tax		**2,519,067**	12,357,165
- Fringe Benefit Tax		**-**	1,352,537
Net Profit after Tax		**2,898,822**	**4,948,620**
Balance Profit brought forward		**647,674,923**	642,726,303
Closing Balance Transferred to Balance Sheet		**650,573,745**	**647,674,923**
Notes to the Accounts	17		

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

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Place : Mumbai
Date : 12th August,2010

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Schedules Forming Part of the Financial Statements as on March 31, 2010

Particulars	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
Schedule - 1 [SHARE CAPITAL]		
Authorised		
550,000,000 (P.Y 550,000,000) Equity Shares of Re.1/- each	550,000,000	550,000,000
14,00,000 (Previous Yar 1,400,000)7% redeemable cumulative preference	140,000,000	140,000,000
Shares - of Rs.100/- each		
	690,000,000	**690,000,000**
Issued Subscribed and Paid-up.		
367,805,871 (P.Y 367,805,871) Equity Shares of Re.1/- each	367,805,871	367,805,871
13,50,000 (Previous Year 1,350,000)7% Redeemable Cumulative preference		
- Shares of Rs.100/- each	135,000,000	135,000,000
	502,805,871	**502,805,871**
Schedule - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	167,411,324	2,668,162
Share Premium	435,545,217	437,697,677
Profit & Loss Account - Opening Balance	647,674,923	642,726,303
Add: Transferred During the Year	2,898,822	4,948,620
	1,253,652,786	**1,088,163,261**
Schedule - 3 [SECURED LOANS]		
Term Loan	938,062,762	589,258,952
Working Capital Facilities	820,597,863	588,299,271
Other Loans (Vehicle Loans)	706,387	1,164,060
	1,759,367,012	**1,178,722,283**
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	1,758,680,000	1,998,500,000
Deposits & Others	10,916,299	13,387,596
	1,769,596,299	**2,011,887,596**

Schedules Forming Part of the Financial Statements as on March 31, 2010

Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2009	Additions	Sales/Dedn.	As on 31.03.2010	Upto 01.04.2009	For the Year	On Sales	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	19,547,708	-	-	19,547,708	-	-	-	-	19,547,708	19,547,708
Building	687,799,940	2,216,368	-	690,016,308	88,529,210	22,900,154	-	111,429,364	578,586,944	599,270,730
Plant & Machinery	1,412,959,055	20,185,723	2,868,214	1,430,276,564	450,507,486	67,189,962	1,273,003	516,424,445	913,852,119	962,451,569
Computer & Software	26,225,216	704,686	275,004	26,654,898	9,602,513	4,258,610	288,459	13,572,664	13,082,234	16,622,703
Office Equipments	5,929,233	-	-	5,929,233	1,605,980	345,121	-	1,951,101	3,978,132	4,323,253
Furnitures & Fixtures	30,676,656	670,954	-	31,347,610	5,772,740	1,969,226	-	7,741,966	23,605,644	24,903,916
Vehicles	15,403,778	1,340,000	4,657,101	12,086,677	6,524,601	1,728,884	2,563,308	5,690,177	6,396,500	8,879,177
Intangible Assets “Internally Generated* DMF/ANDA & Others”	1,153,557,073	228,817,477	-	1,382,374,550	-	-	-	-	1,382,374,550	1,153,557,073
Total	**3,352,098,659**	**253,935,208**	**7,800,319**	**3,598,233,548**	**562,542,530**	**98,391,957**	**4,124,770**	**656,809,717**	**2,941,423,831**	**2,789,556,129**
Previous Year	*2,520,881,282*	*840,605,820*	*9,388,443*	*3,352,098,659*	*470,255,100*	*97,296,763*	*5,009,333*	*562,542,530*	*2,789,556,129*	*2,050,626,182*

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

Particulars	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
Schedule - 6 [INVESTMENT]		
Investment in Nova Pharmaceuticals Australlia Pty Ltd.	15,905,003	15,905,003
Investment in Marksans Pharma uk Limited.	660,258,895	659,678,170
Investment in Mutual Fund-SBI Premier Liquid fund	100,000,000	-
	776,163,898	**675,583,172**
Schedule - 7 [INVENTORIES]		
Raw Material, Packing Material,Work - in - Process, Finished Goods & Other Materials	830,601,740	983,318,046
	830,601,740	**983,318,046**
Schedule - 8 [SUNDRY DEBTORS]		
Debtors		
(Unsecured and Considered good)		
Outstanding for over six month	71,401,738	61,285,927
Others	600,615,082	446,875,966
	672,016,820	**508,161,893**
Schedule - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances	162,464,314	131,573,522
(recoverable in cash or kind or value to be received)		
Balances with Excise Authorities	37,971,674	36,161,982
Deposits	5,866,079	3,435,886
	206,302,067	**171,171,390**
Schedule - 10 [CASH AND BANK BALANCES]		
Cash in Hand	255,861	219,654
Balance with Scheduled Banks in Current Account	90,988,560	5,428,543
Deposits with Banks	233,882,400	124,447,999
	325,126,821	**130,096,196**

Schedules Forming Part of the Financial Statements as on March 31, 2010

Particulars	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
Schedule - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	352,414,783	365,808,457
Unclaimed Dividend	-	103,093
Provision for Taxation	850,000	2,710,000
	353,264,783	**368,621,550**
Schedule - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	365,679	600,562
Product launch, Investigation and Registration Expenses	1,686,134	4,194,346
	2,051,813	**4,794,908**
Schedule - 13 [OTHER INCOME]		
Excess Provision Written back	-	1,887,594
Insurance Claim received	2,954,586	78,000
Interest Received	13,082,755	69,222,512
Miscellaneous Income	-	13,375
Scrap Sales	-	2,303,299
	16,037,341	**73,504,780**
Schedule - 14 [COST OF SALES]		
Purchase	1,000,763,001	1,164,209,474
(Increase)/Decrease in Inventories	119,818,535	(106,040,965)
Net Raw Material Consumption	343,629,182	274,044,862
Water Charges	3,299,170	2,711,046
Power & Fuel	45,712,087	57,620,373
Excise Duty Paid	18,135,085	40,312,727
Freight Inward & Raw Material Clearing Charges	7,854,409	8,856,855
Salaries, Wages, Allowances & Staff Welfare	40,977,403	62,024,757
Reapirs & Maintenance of Production Facility (plant)	11,961,084	9,145,071
Other Manufacturing Expenses	3,349,261	11,517,013
	1,595,499,217	**1,524,401,213**
Schedule - 15 [ADMIN., SELLING & DISTRIBUTION]		
Rent , Rates & Taxes	6,575,318	4,095,084
Salaries & Allowances	62,634,930	59,775,205
Staff Welfare	785,539	2,451,711
Directors' Remuneration	3,300,892	4,773,856
Travelling Expenses	8,954,227	8,110,939
Communication Expenses	2,548,993	2,477,145
Courier & Postage Expenses	1,710,855	1,282,223
Printing & Stationery	3,127,172	3,319,088
Repairs & Maintenance (others)	3,459,335	4,282,382
Audit Fees	337,000	337,080
Vehicle Expenses & Local Conveyance	5,198,147	4,489,320
Legal & Professional Fees	11,415,310	14,987,033
Office Expenses	2,476,890	249,531
Insurance Charges	1,043,031	2,036,287
Other Operating Expenses	5,795,378	8,589,784
Freight outward & Export Clg. Exps	22,692,945	32,757,078
Selling & Distribution Expenses	16,800,245	88,086,705
Reserch & Development exp	496,096	559,010
	159,352,303	**242,659,461**
Schedule - 16 [INTEREST & FINANCIAL CHARGES]		
Interst on Term Loans	83,185,802	81,060,703
Interest on Working Capital,Other Interest & Bank charges	64,597,514	72,225,738
	147,783,316	**153,286,441**

17) NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Standards

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

(b) Basis of Accounting

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

(c) Fixed Assets

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

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

  DMF/COS & ANDA/Market Authorisation costs represent expenses incurred on development of process and compliance with regulatory procedures of the US FDA in filing Drug Master Files("DMF") & Abbreviated New Drug Applications ("ANDA") and MHRA/EDQM procedure for Market Authorisation/COS.

  This is in accordance with the requirements of Accounting Standard 26 of the Institute of Chartered Accountants of India.

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

- **Product Development Costs:**

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

(d) **Depreciation**

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

(e) **Impairment of Assets**

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

(f) **Expenditure during construction period**

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

(g) Inventories

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

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

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

By-Products - At Net Realisable Value.

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

(h) Customs / Excise duty

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

(i) Foreign Currency Transaction

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

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

(j) Miscellaneous Expenditure

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

(k) Research and Development

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

(l) Investments

Long term investments are stated at cost less any provision for permanent diminution in the value. The current investments are valued at lower of cost or market value.

(m) Employee Benefits

Liability for Gratuity is accounted on accrual basis.

Annual contributions to Provident Fund & ESIC are accounted on accrual basis and charged to the Profit & Loss A/C.

(n) Revenue Recognition

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

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

CRAMS revenues are recognizes on signing of Agreement with respective parties.

(o) Income Tax

Current Year:

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

Deferred Tax:

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

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

(2) PROVISIONS,CONTINGENT LIABILITIES & CONTINGENT ASSETS

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

a. the Company has a present obligation as a result of past event,

b. a probable outflow of resources is expected to settle the obligation; and

c. the amount of the obligation can be reliably estimated.

Contingent liability is not recognized but disclosed in the notes to the Accounts.

The Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

Contingent Liabilities

(Rs.In Lacs)

		31st March,2010	31st March, 2009
(a)	In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	178.17	297.89
(b)	Disputed Taxes/Dues(See note 3 below)	250	Nil
(c)	In respect of Material	Nil	86.06
(d)	Foreign Exchange Fluctuation on FCCB	2164.80	5335

(3) During the year, the Company received an assessment order from the Income tax department for the A.Y.2002-03 to A.Y.2008-09 along with the demand of Rs.450Lacs. The company has gone in to appeal before the Commissioner of Income Tax(Appeals) against the said assessment order after making tax payment of Rs.200 lacs under protest. The hearing of appeal for the A.Y.2002-03 to A.Y.2008-09 before the Commissioner of Income Tax (Appeals) is underway. The appeal order is expected soon we are expecting substantial tax relief hence no additional tax liability is expected thereof, therefore no provision has been made in the books of accounts but shown as contingent liability of Rs.250 Crore.

4) **CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

1. The Company has issued and allotted 1333 equity shares of Re.1 each on conversion of FCCB of US$1000 on 14.04.2010.Accordingly the Issued ,Subscribed and Paid up equity share capital of the company has increased from Rs.367805871/- to Rs.367807204/- effective from 14.04.2010.

2. The Company has on 28th July,2010 entered into a Business Transfer Agreement with Kores (India) Limited for sale and transfer of its Active Pharmaceutical Ingredients (API) business together with its manufacturing facilities located at Plot Nos. A-88 & D-10, MIDC, Kurkum, Pune, Maharashtra.

5) **FOREIGN EXCHANGE TRANSACTIONS**

As required by Accounting Standard 11 "the effect of changes in the foreign exchange rates" during the year the company has restated its assets & liabilities at the closing exchange rate prevailing at the Balance Sheet date except towards Foreign Exchange Difference of Rs.2164.80 Lakh in case of Foreign Currency Convertible Bond, the Management is of the opinion the determination and Crystallization of Liabilities is dependent upon the outcome of uncertain future events or actions not wholly within the control of the Company and therefore the same has been considered as 'Contingent Liability' as on 31.3.2010 and Due to this profit for the year ended 31.3.2010 is overstated.

6) **ACCOUNTING FOR INVESTMENT**

The long term investments made by the Company are stated at cost which includes investment made in the Subsidiaries.

The current investments are valued at lower of cost or market value. The current investment made by the Company includes investment made in the SBI Premier Liquid Fund for Rs.10.00 Crores.

7) **ACCOUNTING FOR EMPLOYEE BENEFITS**

Liabilities for gratuity & other retirement benefits are accounted on payment basis which is in non conformity with Accounting Standard 15 "Employee Benefits" issued by The Institute of Chartered Accountants of India which requires accounting for same on accrual basis as per actuarial valuation

All the other borrowing costs are recognized as expenses in the period in which they are incurred.

The Company has incurred borrowing costs on Term Loan & Overdraft facility taken in the Previous Years but not against any Qualifying Fixed Assets. During the current year Company has not borrowed any funds for the acquisition of the Qualifying Fixed Assets therefore Accounting Standard 16 for accounting of borrowing costs issued by the Institute of Chartered Accountants of India is not applicable to the company.

8) **SEGMENT REPORTING AS PER AS 17**

BUSINESS SEGMENTS

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

GEOGRAPHICAL SEGMENTS

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

(Rs.In lacs)

Segment Revenue	2009-2010	2008-2009
a) Exports	7190.66	4747.60
b) Local	12765.55	15608.51
Total	19956.21	20356.10

9) **RELATED PARTY DISCLOSURES**

As required by Accounting Standard 18 “Related Parties Disclosure” issued by The Institute of Chartered Accountants of India, list of parties with whom transactions have taken place during the year are as follows:

a) Key Management Personnel / Directors - Remuneration:

(Rs.In lacs)

	2009-2010	2008-2009
Mark Saldanha	18.30	18.30
V.Nagaraj	14.71	17.75
Total	33.01	36.05

b) Parties where control exists

Subsidiary companies

Nova Pharmaceuticals Australasia Pty Ltd

Marksans Pharma (UK) Limited

c) Related party relationships where transaction have taken place during the year

Subsidiary Companies

Nova Pharmaceuticals Australasia Pty Ltd

Marksans Pharma (UK) Limited

d) Transaction with related parties during the year

(Rs.in lacs)

	2009 – 2010	2008-2009
Subsidiary company		
Sale of Finished products	1658.43	1084.20
Balances outstanding at the end of the year		
Receivable from subsidiary	484.65	367.23

10) **ACCOUNTING FOR LEASES**

Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Lease rentals in respect of assets taken under operating leases are charged to profit and loss account on a straight line basis over the lease term.

The Company has taken various residential and commercial premises on cancelable operating lease or leave & license agreement .The lease agreement which are non cancelable are for period of three years. The rental expenses of such cancelable operating lease are recognized as rent expenses in the Profit and Loss Account.

(Rs. In Lacs)

	2009-10	2008-09
Minimum Lease Payments	Nil	Nil
Due within one year	Nil	Nil
Due later than one year but not later than five years	Nil	Nil
Total	Nil	Nil

The Leasing arrangements, which are cancelable range between 11 months and 3 years, are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally refundable interest free deposits have been given.

11) **EARNINGS PER SHARE**

As per Accounting standard 20 “Earnings per share” issued by ICAI Basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the weighted average numbers of shares outstanding are adjusted for the effects of all dilutive potential equity shares from the exercise of options on unissued share capital and on conversion of FCC Bonds. The calculations of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below.

(Amount in Rs.)

	Particulars	2009-10	2008-09
1)	Net profit after tax attributable to equity shareholders (Rs in Lac)	2898822	4948620
2)	Weighted average number of Equity shares of Rs.1 each		
a)	Number of Shares at the beginning of the year of Rs.1 each	367805871	359405630
b)	Number of Shares at the end of the year of Rs.1 each	367805871	367805871
c)	Weighted average number of Equity shares of Rs.1 each	367805871	363605751
3)	Basic earnings per share	0.01	0.01
4)	Diluted earnings per Share	0.01	0.01

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

As per Accounting standard 22 “Accounting for taxes on income” issued by ICAI, deferred Income taxes are recognized for the future tax consequence attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities because of a change in tax rates is recognized in the Statement of Profit and Loss using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

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

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

(Rs.In Lacs)

	Deferred Tax (Asset)/ Liability As at 1-4-2009	Current Year charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2010
Depreciation	1347.88	21.02	1368.90
Provision For Excise Duty	2.53	2.14	4.67
Provision for Doubtful Debts	-	-	-

	Deferred Tax (Asset)/ Liability As at 1-4-2009	Current Year charge/(Credit)	Deferred Tax (Asset)/ Liability As at 31-03-2010
Preliminary Expenses Written Off	(0.45)	(0.72)	(1.17)
FCCB Issue cost	(205.04)	-	(205.04)
Provision for Gratuity	(20.11)	2.75	(17.36)
	1124.81	**25.19**	**1150.00**

13) **IMPAIRMENT OF ASSETS**

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

During the year under review there are no impaired assets requiring recognition of impairment loss as per Accounting Standard 28"Impairment of Assets" issued by the Institute of Chartered Accountants of India.

14) **AUDITORS REMUNERATION**

(Rs.In Lacs)

	31st March, 2010	31st March, 2009
Audit Fees	3.37	3.37
Other Services	1.63	1.40

15) **DIRECTOR S' REMUNERATION**

(Rs.In Lacs)

	31st March, 2010	31st March, 2009
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	18.30	18.30
(b) Other Directors' Remuneration		
Salaries and Allowances	14.71	29.44
(c) Directors' Sitting Fees	NIL	NIL
	33.01	**47.74**

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

(Rs. In lacs)

	2009-10	2008-09
Profit before taxation as per statement of profit & loss	62.68	239.07
Add: Depreciation as per statement of profit and loss	983.92	972.96
Add: Loss on sale of assets as per statement of profit & loss	11.18	20.09
	1057.78	1232.12
Less: Depreciation calculated under Section 350 of the Companies Act, 1956	983.92	972.96
Net Profit in accordance with Section 349	73.86	259.16
Add: Managerial Remuneration paid / payable to directors	33.01	47.74
Net Profit in accordance with Section 309(3) of the Companies Act, 1956	106.87	306.90
Maximum managerial remuneration allowed under section 198 of the Companies Act, 1956, 10 percent of the above	10.68	30.69

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

17 **SECURITY FOR LOANS IN SCHEDULE 3 :**

1] Term Loans: Secured by Mortgage on pari-passu charge basis of the Company's all Immovable assets, Present and future, situated at L-82,L-83 Verna(Goa), Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of Plant and machinery situated at the Company's all three Manufacturing facilities.

2] Cash Credit from Banks: Secured against hypothecation of Current assets viz; stock of raw material, packing material, work in progress, receivables.

3] Vehicle Loans: Secured by Hypothecation of respective vehicle.

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

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

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

(Rs.In Lacs)

Bulk Drugs Division	31st March, 2010	31st March, 2009
1) Installed Capacity:	1140.00 TPA	1140.00 TPA
2) Actual Production:	357.25 TPA	356.62 TPA

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

Formulations Division

Qty in Lacs

Item	Installed Capacity		Actual Production	
	2009-10	2008-09	2009-10	2008-09
Tablets/ Hard Gel	12600	12600	9102.44	7051.16
Soft Gel Capsules	6000	6000	696.01	564.00

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

b) Opening Stock, Closing Stock and Sales :

(Rs. in lacs)

Opening Stock		Closing Stock		Sales	
Quantity	Value	Quantity	Value	Quantity	Value
(Units)		(Units)		(Units)	
*	7167.41	*	6238.82	*	19956.21
(*)	(10029.29)	(*)	(7167.41)	(*)	(20356.11)

* Quantities cannot be aggregated

c) Consumption of Raw Materials :

(Units)	(Rs. in lacs)
*	3436.29
(*)	(2740.45)

* Quantities cannot be aggregated

d) Value and Percentage of Raw Materials consumed :

	Percentage	Value
	(%)	(Rs. In lacs)
Indigenous	61.93	2128.01
	(10.47)	(287.03)
Imported	38.07	1308.28
	(89.52)	(2453.42)

e) C. I. F. Value of Imports :

	Value
	(Rs. In lacs)
-Raw materials	Rs 1521.89
-Capital Goods/ Spares	Rs. NIL
-Total forex outflow	Rs 1521.89
	(Rs 2070.38 Lacs)

f) Expenditure in Foreign Currency for travelling, brokerage & commission, etc. Rs. 128.90 lacs (Rs. 59.96 lacs)

g) Earnings in foreign currency from exports / other income Rs.7190.66 lacs (Rs. 4792.88 lacs)

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

Signatures to Schedule No. 1 to 17

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

For and on behalf of the Board of Directors
Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Place : Mumbai
Date : 12th August,2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Amount in Rs. '000s)

(a) Registration Details

Registration no	0 6 6 3 6 4	State Code	1 1
Balance Sheet Date	31 03 2010		

(b) Capital raised during the year

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

(c) Position of mobilisation and deployment of funds

Total Liabilities and shareholders funds	5285422	Total Assets	5285422
SOURCES OF FUNDS			
Paid-Up Capital	502805	Reserves and Surplus	1253653
Secured Loans	1759367	Unsecured Loans	1769596
APPLICATION OF FUNDS			
Net Fixed Assets and capital work in progress including advances	2941424	Investments	776163
Net Current Assets	1680783	Deferred Tax assets / (Liability)	(115000)
Miscellaneous Expenditure	2052	Accumulated Losses	NIL

(d) Performance of the Company

Total Revenue	2011659	Total Expenditure	2005391
Profit (Loss) before Tax	6268	Profit (Loss) after Tax	2899
Basic Earnings per share in Rs.	0.01	Diluted Earning per share in Rs.	0.01
Dividend Rate	NIL		

(e) Generic Names of Three Principal Products / Serviecs of the Company

Item Code No (ITC Code)	Product description
29419003	CIPROFLOXACIN
29420006	RANITIDINE
30045090	SOFT GEL CAPSULE

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

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Place : Mumbai
Date : 12th August,2010

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Statement of Cash Flow for the year ended as on March 31, 2010

Particulars	For the year Ended 31.3.2010	For the year Ended 31.3.2009
A. Cash Flows Provided by /(used in) Operating Activities		
Profit Before Tax	6,267,889	23,907,027
Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
Depreciation	98,391,957	97,296,763
Preliminery & Deferred Revenue Expenses Written off	2,743,096	6,041,354
Loss on sale of Fixed Assets	1,118,402	2,008,878
Interest Expenses on term loans	83,185,802	81,060,702
Interest Receipt	(13,082,755)	(69,222,512)
Operating Profit before working capital changes	178,624,392	141,092,212
(Increase)/Decrease in Curent Assets, Loans & advances		
Inventories	152,716,306	253,749,175
Trade and other receivables	(163,854,928)	48,951,402
Loans & Advances	(35,130,677)	558,851,423
Income Tax Paid		(17,080,296)
Deferred Tax assets	-	-
Deferred Revenue Expenses	-	-
Increase/(Decrease) in current Liabilities and provisions	(16,206,767)	(92,874,437)
Net cash used in operating activities	116,148,326	892,689,479
B. Cash Flows provided by (used in) Investing Activities:		
Purchase of Fixed Assets	(251,378,062)	(836,226,711)
Investment	(100,580,726)	(648,618,482)
Interest Receipt	13,082,755	69,222,512
Net Cash used in Investing Activities	(338,876,033)	(1,415,622,682)
C. Cash Flows provided by (used in) Financing Activities:		
Increase in Equity Share Capital	-	8,400,241
Increase in Share Premium	(2,152,460)	162,765,068
Increase in General Reserve	164,743,162	-
Proceeds/(Repayment) of Secured Loans	580,644,729	146,119,113
Proceeds/(Repayment) of Unsecured Loans	(242,291,297)	(15,184,422)
Interest Paid	(83,185,802)	(81,060,702)
Net cash provided by Financing Activities	417,758,332	221,039,298
Net Increase /(Decrease) in Cash and Bank Balances	**195,030,625**	**(301,893,905)**
Cash & Bank Balances as at 31.03.2009	130,096,196	431,990,101
Cash & Bank Balances as at 31.03.2010	325,126,821	130,096,196
	195,030,625	(301,893,905)

Notes :

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

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Mumbai, Dated 12th August,2010

AUDITORS REPORT

We have verified the above Cash flow statement of Marksans Pharma Limited. This statement has been prepared by the Company from the audited financial statements for the year ended 31 March 2010. Subject to reallocations made by the Company, we found the same to be in accordance with requirement of Clause 32 of the Listing Agreement with Stock Exchange.

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

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Place : Mumbai
Date : 12th August,2010

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

		Nova Pharmaceuticals Australasia Pty Ltd	Marksans Pharma (UK) Limited (Consolidated)
1	The Financial Year of the Subsidiary companies ended on	31st March,2010	31st March,2010
2	Date on Which it become a Subsidiary	1st April,2006	31st May,2005
3(A)	Numbers of Shares held by Marksans Pharma Ltd (Holding Company) in the Subsidiary Companies at the end of the Financial Year of the Subsidiary Companies	90 Equity Shares of A$1 each	1000 Equity Shares of GBP 1 each
3(B)	Extent of Interest of Holding Company at the end of the Financial Year of the Subsidiary Companies	60%	100%
4	The net agreegate amount of the Subsidiary Companies Profit/ (Loss) so far as it concerns Members of the Holding Company and		
	a>. Is not dealt with in the Company's Accounts	-	-
	i> For the Financial Year ended 31st March,2010	6,326,742	(109,659,783)
	ii> For the Previous Financial Year since it became Subsidiary	6,008,299	(94,510,777)
	b>. No part of the Profit/(Loss) has been dealt within Company's Accounts for the Financial Year or for the previous financial year since ir became Subsidiary		
	Issued and Subscribed Share Capital	4,781	84,840
	Reserve	22,839,904	-159,211,245
	Total Assets	85,127,975	1,560,904,223
	Total Liabilities	85,127,975	1,560,904,223
	Turnover	210,625,311	1,387,411,327
	Profit/(loss) before Taxation	15,063,411	(113,596,906)
	Provision for Taxation	4,518,840	(3,937,123)
	Profit/(loss) after Taxation	10,544,571	(109,659,783)
	Proposed Dividend	-	-
	Exchange Rate	40.55(Avg Australian $)	76.20(Avg.GBP)

FOR AND ON BEHALF OF THE BOARD

MARK SALDANHA
Chairman & Managing Director

V.NAGARAJ
Whole Time Director

HARSHVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Place : Mumbai
Date : 12th August,2010

NOVA PHARMACUTICALS AUSTRALASIA PTY LTD

ACN 104 838 440

REPORT OF DIRECTORS

The Directors report on the accounts of the Company for the financial year ended 31 st March 2010 as follows:-

1. The persons holding office as Directors at the date of this report are:

   H Mohammed O Mohammed M B Saldanha J M P Sharma

2. The principal activity of the Company is that of Medicines Wholesaling.

   There were no significant changes in the nature of the activity during the financial year ended 31st March 2010.

3. ACCOUNTS

   3.1 During financial year ended 31st March 2010 the Company earned a profit after tax of $260,053.

   3.2 No dividends were paid during the year, other than dividends, if any which may have been provided in the previous year and the Directors recommend no dividend be declared for the year ended 31 st March 2010.

4. AUDITOR'S INDEPENDENCE DECLARATION

   The following Auditor's Independence Declaration for the year ended 31 March 2010 has been received: "I declare that, to the best of my knowledge and belief, during the year ended 31 March 2010,there have been : 1.no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit;and 2.no contraventions of any applicable code of professional conduct in relation to the audit, Name of firm:Robert Mitchell & Company. Name:Robert Mitchell. Date:24th June 2010. Address: PO BOX 613, Neutral Bay Junction, NSW,2089"

5. DIRECTORS BENEFITS

   Since the end of the previous financial year no Director of the Company has received or become entitled to receive a benefit, other than an amount disclosed in the accounts or a fixed salary paid to a full time employee of the Company, by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he or she is a member or with a company in which he or she has a substantial financial interest.

   Director

   Signed in accordance with a resolution of the Directors.

   Dated at Baulkham Hills this 22nd day of June 2010.

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 accounts.

The directors of the company declare that:

1. The finacial statements and notes present fairly the company's finacial position as at 31st March 2010 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial accounts.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director **H. Mohammed**

Director **O. Mohammed**

Dated at Baulkham Hills this 22nd day of June 2010.

AUDITORS REPORT

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

We have audited the attached financial report , being a special purpose financial report of Nova Pharmaceuticals Australasia Pty Ltd (the company) for the year ended 31st March 2010, consisting of the Statement of Financial Position, Notes to the Financial Statements, Directors' Declaration, Directors' Report, Statement of Cash Flows, Trading Statement and the Profit and Loss Statement (including Changes in Equity), as set out on pages 1 to 18 . The Company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note I to the financial statements are consistent with the financial reporting requirements of the company's constitution and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

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

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

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

Auditor's Independence Declaration

1 declare that, to the best of my knowledge and belief, during the year ended 31 March 2010, there have been:

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

Audit opinion

In our opinion, the financial report presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of Nova Pharmaceuticals Australasia Pty Ltd as at 31 March 2010 and the results of its operations and its cashflows for the year ended.

Robert William Mitchell of
Robert Mitchell & Company Dated at Neutral Bay 24 June 2010

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010

PARTICULARS	AS AT 31.03.2010 AMT IN A$	AS AT 31.03.2010 AMT equivalent IN Rs.	AS AT 31.03.2009 AMT IN A$	AS AT 31.03.2009 AMT equivalent IN Rs.
CURRENT ASSETS				
Cash				
Cash at Bank	-	-	39062	1392951
Receivables				
Trade Debtors	1051203	43,525,165	761830	27166858
Rental Bond	15999	662,440	14773	526805
Deposits	25909	1,072,765	25909	923915
Income Tax Refund due	77583	3,212,332		
Loans Holding Company	80000	2,419,830	80000	2852800
	1250694	50,892,532	882512	31470378
Inventories				
Stock in Hand & in Transit	779572	32,278,257	406333	14489835
TOTAL CURRENT ASSETS	**2,030,266**	**83,170,789**	**1327907**	**47353164**
NON-CURRENT ASSETS				
Property, Plant and Equipment				
Plant & Equipment - at Cost	28853	1,116,375	14622	522590
Less : Provision for Depreciation	(12,196)	(465,475)	(6027)	(215,706)
	16657	**650,900**	**8595.00**	**306884**
Furniture & Fittings - at Cost	44418	1,583,946	44418	1587499
Less : Provision for Depriciation	(7,091)	(277,658)	(2355)	(84,285)
	37327	**1,306,288**	**42063**	**1503214**
	53984	**1,957,188**	**50658**	**1810098**
Intangible Assets				
Formation Cost	-		160	5865
TOTAL NON-CURRENT ASSETS	**53984**	**1,957,188**	**50818**	**1815963**
TOTAL ASSETS	**2084250**	**85,127,977**	**1378725**	**49169127**
CURRENT LIABILITIES				
Payables				
Trade Creditors	1399806	57,959,107	906031	32309065
Accured Expenses	66815	2,766,482	89003	3173847
Bank Overdraft	24702	1,022,789	-	-
Credit Cards	12919	534,912	-	-
Director's Loans - D & O Mohammed	-	-	37848	1349660
	1504242	**62,283,290**	**1032882**	**36832572**
Tax Liabilities				
Provision for Income Tax	-		25888	923166
TOTAL CURRENT LIABILITIES	**1504242**	**62,283,290**	**1058770**	**37755738**
TOTAL LIABILITIES	**1504242**	**62,283,290**	**1058770**	**37755738**
NET ASSETS	**580008**	**22,844,686**	**319955**	**11413389**
EQUITY				
Contributed Equity				
150 Ordinary Shares	150	4,781	150	4781
Retained Profits	579858	22,839,905	319805	11408608
TOTAL EQUITY	**580008**	**22,844,686**	**319955**	**11413389**

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

PARTICULARS	AS AT 31.03.2010 AMT IN A$	AS AT 31.03.2010 AMT equivalent IN Rs.	AS AT 31.03.2009 AMT IN A$	AS AT 31.03.2009 AMT equivalent IN Rs.
INCOME				
Sales	5194785	210,625,311	3806240	138471011
Interest Received	1319	53,480	2635	95861
Total Income	**5196104**	**210,678,791**	**3808875**	**138566872**
Cost of Sales				
Purchases	3389860	137,443,670	1917363	69753666
(Increase)/Decrease in Inventory	(373,239)	(15,133,173)	294676	11132044
EXPENSES				
Accountancy	2491	100,999	2780	101136
Advertising & Graphic Design	177371	7,191,601	65128	2369357
Amortisation	160	6,487	320	11642
Audit & Inspection	6752	273,763	9112	331495
Bank Charges	3028	122,772	3527	128312
Consultants Fees	93657	3,797,373	89359	3250880
Computer Exepnses	2086	84,578	5855	213005
Depreciation	10904	441,525	5526	201036
Donation	10115	410,118	0	0
Electricity	8842	358,504	2699	98190
Entertainment	-	-	4660	169531
Filling Fees	1399	56,723	1520	55298
Freight & Cartage	237794	9,641,484	126349	4596577
Insurance	23277	943,778	12970	471849
Interest	39334	1,594,818	2280	82946
Leasing Charges	10977	445,068	3252	118308
Legal Costs	8151	330,487	37288	1356537
Licences & Permits	277053	11,233,261	169100	6151858
Office Expenses	11694	474,139	12663	460680
Postage & Stationery	5913	239,746	12429	452167
Rent	54024	2,190,432	37122	1350498
Salaries & Allowances	483394	19,599,466	366957	13349896
Staff Trainning & Amenities	27515	1,115,610	2310	84038
Storage	171325	6,946,463	58871	2141727
Superannuation	43687	1,771,313	37421	1361376
Telephone	17924	726,738	12827	466646
Travelling Expenses	68503	2,777,490	66120	2405446
Warehouse Expenses	7259	294,320	30969	1126652
Waste Disposals	3350	135,827	12443	452676
TOTAL EXPENSES	**4824600**	**195,615,380**	**3403896**	**124245468**
OPERATING PROFIT BEFORE INCOME TAX	371504	15,063,411	404979	14321404
Income Tax Expense	111451	4,518,840	118405	4307573
OPERATING PROFIT FOR THE YEAR	**260053**	**10,544,571**	**286574**	**10013831**
OPERATING PROFIT AND EXTRAORDINARY ITEMS	**260053**	**10,544,571**	**286574**	**10013831**
Retained Profits at 1 April	319805	10,877,980	183231	6321149
PROFIT AVAILABLE FOR APPROPRIATION	**579858**	**21,422,551**	**469805**	**16334980**
Dividends				
Ordinary Dividend Paid	-		150000	5457000
RETAINED PROFITS	**579858**	**21,422,551**	**319805**	**10877980**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2010

PARTICULARS	AS AT 31.03.2010 AMT IN A$	AS AT 31.03.2010 AMT equivalent IN Rs.	AS AT 31.03.2009 AMT IN A$	AS AT 31.03.2009 AMT equivalent IN Rs.
Cashflows from Operating Activities :				
Receipts from Customers	4905412	198,892,529	3527725	128295737
Payments to Suppliers & Employees	(4,955,039)	(200,904,682)	(3292110)	(119766962)
Interest Received	1,319	53,480	2635	95861
Net Cash provided by Operating Activities (per Note) :	**(48,308)**	**(1,958,673)**	**238250**	**8624636**
Cashflows to Investing Activities :				
Payments for Equipment	**(14,231)**	(577,003)	(52614)	(1914097)
Rental Bond & Deposits	14,774	599,020	(40682)	(1480011)
	543	**22,016**	**(93296)**	**(3394108)**
Cashflows to Financial Activities :				
Dividend Paid	-	-	(150000)	(5457000)
Loan to Holding Company	-	-	(80000)	(2910400)
Loan from Directors	-	-	37198	1353263
	-	**-**	**(192802)**	**(7014137)**
Net decrease in cash	(47,765.00)	(1,936,657)	(47,848)	(1,783,609)
Cash at the beginning of the financial year	39,062	1,392,951	86910	3176561
Cash at the end of the financial year	**(8703)**	**(543706)**	**39062**	**1392952**
(as per the Balance Sheet at 31 March 2010)				
Note to the Statement of Cashflows				
Reconciliation of Net Cash provided by Operating Activities to Profit for the Financial Year :				
	A$	Rs.	A$	Rs.
Profit for the year	371,504	15,063,410	404979	14321404
Add : Depreciation & Amortisation	11,064	448,012	5846	212678
(Increase) / Decrease in Inventory	(373,239)	(15,133,173)	294676	10720313
Increase in Trade Creditors & Accurals	446,658	18,109,985	14473	526528
Less : Decrease in Taxes Payable	(214,922)	(8,714,126)	(177454)	(6455777)
Increase in Trade Debtors	(289,373)	(11,732,782)	(304270)	(10700510)
Net cash provided by Operating Activities	**(48,308)**	**(1,958,674)**	**238250**	**8624637**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

NOTE : 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by Director(s) and member(s) of the company. The director(s) have determined that the company is not a reporting entity.

The financial report has been prepared in accordarice with the requirements of the following Australian Accounting Standards,

AASB 101 : Presentation of Financial Statements
AASB 1031 : Materiality
AASB 110 : Events after the Balancesheet Date
AASB 108 : Accounting Policies
AASB 1048 : Interpretation and Apllication of Standards

No other Australian Accounting Standards, Urgent Issues Group Interpretations (UIG) or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

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

MARKSANS PHARMA U.K. LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

The directors present their report and the financial statements for the year ended 31 March 2010.

Principal activities and business review

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

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

The principal activity of Bell Sons and Co. (Druggists) Limited is the manufacture and sale of pharmaceuticals. The directors consider the results of Bell Sons and Co. (Druggists) Limited for the year to be satisfactory. During the year like for like sales increased from £9,502,245 to £10,530,536 and the profit on ordinary activities before taxation was £405,279 (2009 - £40,817). The directors expect a similar level of activity to continue in the forthcoming year.

The principal activity of Relonchem Limited is the wholesale distribution of pharmaceuticals. During the year like for like sales decreased from £13,939,962 to £7,677,380 and the loss on ordinary activities before taxation was £1,170,399 (2009 - profit £515,995). The directors consider that the loss incurred during the current year is exceptional due to the changed structure of ownership of the business in the prior year and is therefore not expected to recur. The directors expect the performance of the company to be much improved in the next financial year.

Principal risks and uncertainties

Principal risks and uncertainties arise from a competitive market.

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

Results and dividends

The loss for the year, after taxation, amounted to £1,439,138 (2009 - loss £1,194,374).

The directors do not recommend payment of a dividend for the year (2009 - £nil).

Directors

The directors who served during the year were:

M Saldanha

S Saldanha

J Sharma

Financial instruments

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

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

Provision of information to auditors

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

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

This report was approved by the board on 2 July 2010 and signed on its behalf.

M Saldanha

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' 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 company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

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

the company and the group 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 the group 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 the group 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 financial statements of Marksans Pharma U.K. Limited for the year ended 31 March 2010 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement 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).

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 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

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.

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 2010 and of the group's loss 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 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Brian Ricketts (Senior statutory auditor)
For and on behalf of PKF (UK) LLP
Liverpool, UK
7 July 2010

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Note	31st March, 2010 Amt in £	Amt. Equivalent in Rs.	31st March, 2009 Amt in £	Amt. Equivalent in Rs.
FIXED ASSETS					
Intangible assets	8	**9,295,097**	**698,078,385**	9,803,600	736,921,316
Tangible assets	9	**3,298,687**	**259,838,493**	3,327,622	263,556,780
		12,593,784	**957,916,878**	13,131,222	1,000,478,096
CURRENT ASSETS					
Stocks	12	**2,686,735**	**182,344,674**	2,602,712	192,991,095
Debtors	13	**3,413,010**	**231,635,869**	6,493,420	481,487,093
Cash at bank and in hand		**440,269**	**29,880,397**	1,240,041	91,949,040
		6,540,014	**443,860,940**	10,336,173	766,427,228
CREDITORS: amounts falling due within one year	13	**(8,252,031)**	**(560,052,965)**	(8,411,717)	(623,728,816)
NET CURRENT ASSETS		**(1,712,017)**	**(116,192,026)**	1,924,456	142,698,412
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,881,767**	**841,724,852**	15,055,678	1,143,176,508
CREDITORS: amounts falling due after more than one year	14				
Bank loans and overdrafts		**(4,875,000)**	**(330,858,937)**	(7,625,000)	(565,393,750)
Amounts due to parent undertaking		**(8,490,850)**	**(660,174,055)**	(8,475,850)	(659,593,330)
		(13,365,850)	**(991,032,992)**	(16,100,850)	(1,224,987,080)
PROVISIONS FOR LIABILITIES					
Deferred tax	15	**(104,423)**	**(7,087,032)**	(95,832)	(7,105,946)
Other provisions	16	**(40,243)**	**(2,731,232)**	(48,607)	(3,604,209)
		(144,666)	**(9,818,264)**	(144,439)	(10,710,155)
NET (LIABILITIES)/ ASSETS		**(2,628,749)**	**(159,126,405)**	(1,189,611)	(92,520,726)
CAPITAL AND RESERVES					
Called up share capital	17	**1,000**	**84,840**	1,000	84,840
Profit and loss account	18	**(2,629,749)**	**(159,211,245)**	(1,190,611)	(92,605,566)
SHAREHOLDERS' (DEFICIT)/ FUNDS	19	**(2,628,749)**	**(159,126,405)**	(1,189,611)	(92,520,726)

The financial statements were approved and authorised for issue by the board and were signed on its
behalf on 2nd July,2010.

M Saldanha
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Note	31st March,2010 Amt in £	Amt. Equivalent in Rs.	31st March,2009 Amt in £	Amt. Equivalent in Rs.
TURNOVER	1,2	**18,207,916**	**1,387,411,327**	18,036,505	1,427,228,679
Cost of sales		**(16,456,864)**	**(1,253,984,230)**	(16,235,811)	(1,284,739,724)
GROSS PROFIT		**1,751,052**	**133,427,097**	1,800,694	142,488,954
Selling and distribution costs		**(222,555)**	**(16,958,328)**	(237,884)	(18,823,761)
Administrative expenses		**(2,541,933)**	**(193,690,845)**	(2,325,975)	(184,054,440)
Other operating income		**8,364**	**637,322**	10,455	827,304
OPERATING (LOSS) / PROFIT	3	**(1,005,072)**	**(76,584,754)**	(752,710)	(59,561,942)
Interest payable	6	**(507,584)**	**(38,676,974)**	(693,416)	(54,870,008)
Interest receivable		**21,849**	**1,664,822**	78,499	6,211,626
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(1,490,807)**	**(113,596,906)**	(1,367,627)	(108,220,325)
Tax on (loss) / profit on ordinary activities	7	**51,669**	**3,937,123**	173,253	13,709,548
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**(1,439,138)**	**(109,659,783)**	(1,194,374)	(94,510,777)

All amounts relate to continuing operations.

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

MARKSANS PHARMA U.K. LIMITED
BALANCE SHEET AS ON MARCH 31,2010

		31st March, 2010		31st March, 2009	
	Note	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
FIXED ASSETS					
Fixed asset investments	10	17,726,514	1,203,071,914	17,726,514	1,314,421,013
		17,726,514	1,203,071,914	17,726,514	1,314,421,013
CURRENT ASSETS					
Debtors: amounts falling due after more than one year	13	409,115	27,766,021	1,219,040	90,391,816
Debtors: amounts falling due within one year		1,015,475	68,918,765	1,012,300	75,062,045
Cash at bank and in hand		-	-	3,947	292,670
		1,424,590	96,684,786	2,235,287	165,746,531
CREDITORS: amounts falling due within one year	14	(6,660,907)	(452,065,766)	(4,296,773)	(318,605,718)
NET CURRENT LIABILITIES		(5,236,317)	(355,380,980)	(2,061,486)	(152,859,187)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,490,197	847,690,934	15,665,028	1,161,561,826
CREDITORS: amounts falling due after more than one year	15				
Bank loans and overdrafts		(4,875,000)	(330,858,937)	(7,625,000)	(565,393,750)
Amounts due to parent undertaking		(8,490,850)	(660,174,055)	(8,475,850)	(659,593,330)
		(13,365,850)	(991,032,992)	(16,100,850)	(1,224,987,080)
NET LIABILITIES		(875,653)	(143,342,058)	(435,822)	(63,425,254)
CAPITAL AND RESERVES					
Called up share capital	18	1,000	84840	1000	84840
Profit and loss account(Includes Foreign Exchane Fluctuation reserve account)	19	(876,653)	(143,426,898)	(436822)	(63,510,094)
SHAREHOLDERS' DEFICIT	20	(875,653)	(143,342,058)	(435,822)	(63,425,254)

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

M Saldanha
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2010

	31st March,2010		31st March,2009	
	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs
Reconciliation of operating profit to net cash inflow from operating activities				
Operating (loss)/profit	(1,005,072)	(76,584,754)	(752710)	(59561942)
Depreciation	213,663	16,280,747	184478	13679044
Amortisation	520,015	39,624,233	422357	31317772
Decrease in debtors	2,988,073	202,796,032	631975	46860946
Increase in stock	(105,426)	(7,155,104)	(363932)	(26985558)
Increase in creditors	(1,755,676)	(119,155,097)	802694	59519760
(Increase) in provisions	(8,364)	(567,652)	(10453)	(775090)
Profit on disposal of tangible fixed assets	3,718	252,335	(1250)	(92688)
Net cash inflow from operating activities	850,931	55490740	913159	63962244
CASH FLOW STATEMENT (note 21)				
Net cash inflow from operating activities	850931	55490740	913159	63962244
Returns on investments and servicing of finance	(433,693)	(29,434,093)	(725710)	(53811397)
Taxation	(47,204)	(3,203,665)	(324601)	(24069164)
Capital expenditure and financial investment	(1,220,122)	(82,807,650)	(3107622)	(230430171)
Acquisitions and disposals	-	-	(5049483)	(374419164)
	(850088)	(59954868)	(8294257)	(618767652)
Financing	(2735000)	(185620348)	7609134	564217286
Increase in cash	(3585088)	(245575215)	(685123)	(54550366)
Reconciliation of net cash flow to movement in net debt (note 22)				
Increase in cash in the period	(3,585,088)	(245,575,215)	(685123)	(54550366)
Increase in long term loans	2735000	185620348	(7609134)	(564217286)
Change in net debt	(850,088)	(59954868)	(8294257)	(618767652)
Net debt at 1 April 2008	(17,666,115)	(1363377159)	(9371858)	(744609507)
Net debt at 31 March 2009	(18516203)	(1423332027)	(17666115)	(1363377159)

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

MARKSANS PHARMA U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

The group has made a loss after tax of £1,439,138 (2009 - $ 1,194,374) and has net liabilities of £2,628,749 (2009 $1,189.611).The accounts have been prepared on a going concern basis as the parent company, Marksans Pharma Limited, intends to support the Group financially in order for the group to continue in operational existence.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Marksans Pharma U.K. Limited and its subsidiary undertakings (`subsidiaries') made up to 31 March 2010.

1.3 Turnover

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

1.4 Intangible fixed assets and amortisation

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

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

1.5 Property, plant and equipment

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

Freehold land and buildings	-	2% Straight Line
Plant and machinery	-	20% Reducing Balance
Motor vehicles	-	25% Straight Line
Computer equipment	-	20% Straight Line
Fixtures and fittings	-	25% Reducing Balance

1.6 Investments

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

1.7 Operating leases

Rentals under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Raw materials cost is determined on a weighted average purchase price basis. Finished goods cost is determined on a weighted production purchase cost basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.9 Deferred taxation

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

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

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

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

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

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

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

1.11 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

1.12 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

2 TURNOVER

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

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

3 OPERATING (LOSS)/PROFIT

The operating (loss)/ profit is stated after charging:	**31st March,2010**		31st March,2009	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Depreciation of tangible fixed assets:				
Owned by the Company	**213,663**	**16,280,747**	184,478	14,597,744
Amortisation of goodwill	**285,857**	**21,781,803**	269,338	21,312,716
Amortisation of intangible fixed assets	**234,158**	**17,842,430**	153,019	12,108,393
Operating lease rentals:				
Plant & Machinery	**18,180**	**1,385,284**	20,918	1,655,241
Land & Building	**170,484**	**12,990,582**	115,036	9,102,799
Government grants released	**(8,364)**	**(637,322)**	(10,453)	(827,146)
Difference on foreign exchange	**44,928**	**3,423,420**	105,692	8,363,408

Auditors fees for the company were £4,500 (2009 - £4,500).

4 STAFF COSTS

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

	31st March,2010		31st March,2009	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Wages and salaries	**2,715,410**	**206,909,490**	2,713,459	214,716,011
Social security costs	**236,921**	**18,052,966**	242,480	19,187,442
Other pension costs	**60,013**	**4,572,886**	64,833	5,130,235
	3,012,344	**229,535,341**	3,020,772	239,033,688

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

	31st March,2010	31st March,2009
	No.	No.
Production	**119**	113
Sales and administration	**25**	27
	144	140

5 DIRECTOR'S REMUNERATION

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

During the year retirement bebefits were accuring to no directors (2009 - NIL) in resepct of money purchase pension schemes.

6 **INTEREST PAYABLE**

	31st March,2010		31st March,2009	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
On bank loans and overdrafts	**483,584**	**36,848,216**	677,416	53,603,928
Finance costs payable on debt finance	**24,000**	**1,828,758**	16,000	1,266,080
	507,584	**38,676,974**	693,416	54,870,008

7 **TAXATION**

	31st March,2010		31st March,2009	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Analysis of tax charge in the year				
UK corporation tax				
Current tax on income for the year	**(66,000)**	**(5,029,085)**	(140,428)	(11,112,068)
Adjustment in respect of prior periods	**5,740**	**437,342**	(21,816)	(1,726,300)
Total current tax	**(60,260)**	**(4,591,743)**	(162,244)	(12,838,368)
Deferred tax (see note 15)				
Origination or reversal of timing differences:	**8,591**	**654,619**	(11,009)	(871,180)
Tax on loss on ordinary activities	**(51,669)**	**(3,937,123)**	(173,253)	(13,709,548)
Factors affecting tax charge for the year				

The tax assessed for the year is higher than (2008 higher than) the standard rate of corporation tax in the UK of 28%. The differences are explained below:

(Loss)/profit on ordinary activities before tax	**(1,490,807)**	**(113,596,906)**	(1,367,627)	(108,220,325)
(Loss)/profit on ordinary activities multiplied by the standard				
rate of corporation tax of 28% (2008 30%)	**(417,426)**	**(31,807,131)**	(382,935)	(30,301,647)
Effects of:				
Capital allowances for period in excess of depreciation	**51,780**	**3,945,545**	(1,850)	(146,391)
Amortisation of goodwill	**80,039**	**6,098,832**	75,414	5,967,510
Expenses not deductible for tax	**15,275**	**1,163,928**	2,295	181,603
Marginal relief-		**-**		-
Other timing differences	**(2,342)**	**(178,456)**	(2,962)	(234,383)
Losses carried forward	**206,674**	**15,748,197**	102,302	8,095,157
Adjustments to tax charge in respect of prior periods	**5,740**	**437,378**	(21,816)	(1,726,300)
Under provision of corporation tax in the period from	**-**	**-**	-	-
1 April 2008 to 27 August 2008		**-**	67,308	5,326,082
Current tax (Credit)/charge for the year	**(60,260)**	**(4,591,707)**	(162,244)	(12,838,368)
Factors that may affect future tax charges				
Future tax charges may be reduced by losses carried forward within the group totalling £1,030,000 (2009 - £365,000).				

8 INTANGIBLE FIXED ASSETS

Group							
				31st March,2010		31st March,2009	
	Prescription Product Licences £	**OTC Product Licences £**	**Goodwill £**	**Total Amt in £**	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Cost							
At 1 April 2009	4,638,658	16,500	5,717,140	**10,372,298**	781,938,860	4,924,190	377,961,652
Acquisition of subsidiary undertaking				**-**	-	1,570,729	116,469,555
Additions	11,512				781,302	3,877,279	287,507,653
At 31 March 2010	4,650,170	16,500	5,717,140	**10,383,810**	782,720,162	10,372,198	781,938,860
Amortisation							
At 1 April 2009	249,444		319,254	**568,698**	45,017,545	49,916	3,966,325
Acquisition of subsidiary undertaking				**-**	-	96,425	7,630,110
Charge for the year	232,508	1,650	285,857	**520,015**	39,624,233	422,357	33,421,109
At 31 March 2010	481,952	1,650	605,111	**1,088,713**	84,641,778	568,698	45,017,544
Net book value **At 31 March 2010**	**4,168,218**	**14,850**	**5,112,029**	**9,295,097**	698,078,384	9,803,500	736,921,316
At 31 March 2009	4,389,214	16,500	5,397,886	**9,803,600**	736,921,316	-	-

9 TANGIBLE FIXED ASSETS

Group		Plant		31st March,2010		31st March,2009	
	Freehold land & buildings £	machinary fixtures, fittings & equipments £	Motor Vehicles £	Total Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Cost or valuation							
At 1 April 2009	2,512,169	3,053,187	9,000	5,574,356	442,063,659	5,409,606	429,847,372
Acquisition of subsidiary undertaking				-		15,137	1,122,409
Additions		188,447		188,447	12,789,615	157,864	11,705,616
Disposals	(2,169)	(4,572)		(6,741)	(457,502)	(8,250)	(611,738)
At 31 March 2010	2,510,000	3,237,062	9,000	5,756,062	454,395,773	5,574,357	442,063,659
Depreciation							
At 1 April 2009	620	2,242,741	3,374	2,246,735	178,506,879	2,065,616	164,133,848
Acquisition of subsidiary undertaking				-	-	4,891	387,025
Charge for the year	38,800	172,613	2,250	213,663	16,280,747	184,478	14,597,744
Eliminated on disposals	(620)	(2,403)		(3,023)	(230,347)	(8,250)	(611,738)
At 31 March 2010	38,800	2,412,951	5,624	2,457,375	194,557,279	2,246,735	178,506,879
Net book value							
At 31 March 2010	2,471,200	824,111	3,376	3,298,687	259,838,494	3,327,622	263,556,780

Freehold land amounting to £570,000 (2008 - £570,000) has not been depreciated.

At 31 March 2010, included within the net book value of land and buildings is £2,471,200 (2009 - £2,510,000) relating to freehold land and buildings, £NIL (2009 - £NIL) relating to long term leasehold land and buildings and £NIL (2009 - £1,549) relating to short term leasehold land and buildings.

10 FIXED ASSET INVESTMENTS

	Company Shares in subsidiary undertakings Amt in £	Company Shares in subsidiary undertakings Amt Equi. In Rs.
Cost		
At 1 April 2009	17726514	1,314,421,013
Acquired during the year	-	-
At 31 March 2010	17726514	1,314,421,013
Details of the principal subsidiaries can be found under note number 27.		

11 STOCKS

	31st March,2010		31st March,2009	
	Group		Group	
	Amt in £	Amt. Equivalent	Amt in £	Amt. Equivalent
		in Rs.		in Rs.
Raw materials	889,098	60,341,748	960,522	71,222,706
Finished goods	1,797,637	122,002,927	1,642,190	121,768,389
	2,686,735	182,344,674	2,602,712	192,991,095

12 DEBTORS

	31st March,2010		31st March,2009	
	Group		Group	
Due within one year	Amt in £	Amt. Equivalent in Rs.	Amt in £	Amt. Equivalent in Rs.
Trade debtors	2,986,948	202,719,680	5,703,052	422,881,306
Other debtors	250,558	17,004,996	622,414	46,151,998
Prepayments & accrued income	148,329	10,066,867	167,954	12,453,789
Amounts owed by group undertaken	27,175	1,844,326		
	3,413,010	231,635,869	6,493,420	481,487,093

	31st March,2010		31st March,2009	
	Company		Company	
	Amt in £	Amt. Equivalent	Amt in £	Amt. Equivalent
Due after more than one year		in Rs.		in Rs.
Amounts owed by Group undertakings	409,115	27,766,021	1,219,040	90,391,816

	31st March,2010		31st March,2009	
	Company		Company	
	Amt in £	Amt. Equivalent	Amt in £	Amt. Equivalent
Due within one year		in Rs.		in Rs.
Other debtors	8,300	563,309	8,300	615,445
Prepayments & accrued income	80,000	5,429,480	104,000	7,711,600
Amounts owed by Group undertakings	927,175	62,925,976	900,000	66,735,000
	1,015,475	68,918,765	1,012,300	75,062,045

13 CREDITORS

	31st March,2010		31st March,2009	
	Group		Group	
Amounts falling due within one year	Amt in £	Amt. Equivalent	Amt in £	Amt. Equivalent
		in Rs.		in Rs.
Bank loans and overdrafts	5,590,622	379,427,129	2,805,306	208,013,440
Trade creditors	1,503,048	102,009,613	3,525,527	261,417,827
Corporation tax	-	-	89,913	6,667,049
Other tax and social security	243,206	16,506,026	104,557	7,752,902
Proceeds of factored debts	-	-	222,481	16,496,966
Other creditors	93,709	6,359,888	1,033,379	76,625,053
Amounts due to parent undertaking	41,506	2,816,950	64,172	4,758,354
Accruals and deferred income	779,940	52,933,358	566,382	41,997,225
	8,252,031	560,052,965	8,411,717	623,728,816

Amounts falling due within one year	31st March,2010		31st March,2009	
	Company		Company	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Bank loans and overdrafts	**2,756,045**	**187,048,640**	2,750,000	203,912,500
Amounts owed to group undertakings	**3,803,395**	**258,130,713**	1,411,927	104,694,387
Other creditors	**101,467**	**6,886,413**	134,846	9,998,831
	6,660,907	**452,065,766**	4,296,773	318,605,718

Bank overdrafts totalling $ 2,684,825 (2009 - $ Nil) are secured on an all asset debenture chrge creating a first charge over all freehold property and other assets within the group together with a corporate gurantee from the parent company, Marksans Pharma Ltd, for the whole proposed credit facility.

Bank loan are secured by a corporate gurantee provided by the parent company, Marksans Pharma Limited and a pledge of shares in Marksans Holdings Limited and Relonchem Limited. Amounts are repayable in half yearly installments with the final payment due in February 2013. Interest is charged ar rate of between 1.75% and 3.4% above LIBOR

Proceeds of factored debts are secured by a fixed and floating charge over the assets of one of the subsidiary companies.

14 CREDITORS

	31st March,2010		31st March,2009	
	Group		Group	
Amounts falling due after more than one year	**Amt in £**	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Bank loans and overdrafts	**4,875,000**	**330,858,937**	7,625,000	565,393,750
Amounts due to parent undertaking	**8,490,850**	**660,174,055**	8,475,850	659,593,330
	13,365,850	**991,032,992**	16,100,850	1,224,987,080

Amounts falling due after more than one year	31st March,2010		31st March,2009	
	Company		Company	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Bank loans and overdrafts	**4,875,000**	**330,858,937**	7,625,000	565,393,750
Amounts due to parent undertaking	**8,490,850**	**660,174,055**	8,475,850	659,593,330
	13,365,850	**991,032,992**	16,100,850	1,224,987,080

Bank loan are secured by a corporate gurantee provided by the parent company, Marksans Pharma Limited and a pledge of shares in Marksans Holdings Limited and Relonchem Limited. Amounts are repayable in half yearly installments with the final payment due in February 2013. Interest is charged ar rate of between 1.75% and 3.4% above LIBOR

15 DEFERRED TAXATION

	31st March,2010		31st March,2009	
	Group		Group	
	Amt in £	**Amt. Equivalent**	Amt in £	Amt. Equivalent
		in Rs.		in Rs.
At beginning of year	**(95,832)**	**(7,105,946)**	106,841	8,489,586
On acquisition of subsidiary company	**-**	**-**		
Released during year	**(8,591)**	**18,914**	(11,009)	(1,383,640)
At end of year	**(104,423)**	**7,124,860**	**95,832**	**7,105,946**

Deferred tax is analysed as follows:	31st March,2010		31st March,2009	
	Group		Group	
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Capital allowances	**(104,423)**	**7,124,860**	**95,832**	**7,105,946**

16 PROVISIONS

	Government Grants Group Amt in £	Amt. Equivalent in Rs.
At 1 April 2009	**48,607**	3,604,209
Amounts used	**(8,364)**	(567,652)
At 31 March 2010	**40,243**	3,036,557

Government grants comprise amounts received under Regional Development and Enterprise Schemes. The Company has no provisions.

17 SHARE CAPITAL

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

18 RESERVES

Profit and loss account	**Group**	**Group**	**Company**	**Company**
	Amt in £	**Amt. Equivalent in Rs.**	**Amt in £**	**Amt. Equivalent in Rs.**
At 1 April 2009	**(1,190,611)**	**(94,101,567)**	**(436,822)**	(63,510,094)
Loss for the year	**(1,439,138)**	**(109,659,783)**	**(439,831)**	(33,515,122)
At 31 March 2010	**(2,629,749)**	**(203,761,350)**	**(876,653)**	**(97,025,216)**

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2,010		2,009	
	Amt in £	**Amt. Equivalent**	Amt in £	Amt. Equivalent
		in Rs.		in Rs.
Group				
Opening shareholders' funds	**(1,189,611)**	**(92,520,726)**	4,763	378,546
(Loss)/profit for the year	**(1,439,138)**	**(109,659,783)**	(1,194,374)	(94,510,776)
Excahnge Fluctuation reserve	**-**	**44,550,105**	-	1,496,002
Closing Shareholders' (deficit)/funds	**(2,628,749)**	**(159,126,405)**	(1,189,611)	(92,520,726)

	2,010		2,009	
	Amt in £	**Amt. Equivalent**	Amt in £	Amt. Equivalent
Company		**in Rs.**		in Rs.
Opening shareholders' (deficit)/funds	**(435,822)**	**(63,425,254)**	(52,991)	(4,210,665)
Loss for the year	**(439,831)**	**(33,515,122)**	(382,831)	(30,293,417)
Excahnge Fluctuation reserve	**-**	**240,282,434**	-	(28,921,172)
Closing Shareholders' (deficit)	**(875,653)**	**143,342,058**	(435,822)	(63,425,254)

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The loss for the year dealt with in the accounts of the company was £439,831 (2009 - £382,831).

20 NET CASH FLOW FROM OPERATING ACTIVITIES

	31st March, 2010		31st March, 2009	
	Amt in £	**Amt. Equivalent in Rs.**	**Amt in £**	**Amt. Equivalent in Rs.**
Reconciliation of operating profit to net cash inflow from operating activities				
Operating (loss)/ profit	**(1,005,072)**	(76,584,754)	(752710)	(59561942)
Depreciation	**213,663**	16,280,747	184478	13679044
Amortisation	**520,015**	39,624,233	422357	31317772
Decrease in debtors	**2,988,073**	202,796,032	631975	46860946
Increase in stock	**(105,426)**	(7,155,104)	(363932)	(26985558)
Increase in creditors	**(1,755,676)**	(119,155,097)	802694	59519760
(Increase) in provisions	**(8,364)**	(567,652)	(10453)	(775090)
Profit on disposal of tangible fixed assets	**3,718**	252,335	(1250)	(92688)
Net cash inflow from operating activities	**850,931**	55490740	913159	63962244

21 GROSS CASH FLOWS

	2,010	**2,010**	2,009	2,009
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Returns on investments and servicing of finance				
Interest paid	**(455,542)**	**(30,917,636)**	(684,209)	(50,734,097)
Interest received	**21,849**	**1,482,892**	78,499	5,820,701
Finance costs paid on debt finance		**-**	(120,000)	(8,898,000)
Net cash outflow from returns on investments and servicing of finance	**(433,693)**	**(29,434,744)**	(725,710)	(53,811,397)

	2,010	**2,010**	2,009	2,009
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Capital expenditure and financial investment				
Purchase of intangible fixed assets	**(1,031,675)**	**(70,019,782)**	(2,959,258)	(219,428,981)
Purchase of tangible fixed assets	**(188,447)**	**(12,789,898)**	(157,864)	(11,705,616)
Sale of tangible fixed assets			9,500	704,425
Net cash outflow from capital expenditure	**(1,220,122)**	**(82,809,680)**	(3,107,622)	(230,430,171)

Acquisitions and disposals				
Purchase of subsidiary undertaking	**-**	**-**	(6,145,300)	(455,673,995)
Cash acquired on acquisition	**-**	**-**	1,095,817	81,254,831
Net cash outflow from acquisitions and disposals	**-**	**-**	(5,049,483)	(374,419,164)

	2,010	**2,010**	2,009	2,009
	Amt in £	**Amt. Equivalent in Rs.**	Amt in £	Amt. Equivalent in Rs.
Financing				
New secured loans	**-**	**-**	6,000,000	444,900,000
Repayment of loans	**(2,750,000)**	**(186,642,500)**	(625,000)	(46,343,750)
New unsecured loans	**15,000**	**1,018,050**	2,234,134	165,661,036
Net cash outflow from financing	**(2,735,000)**	**(185,624,450)**	7,609,134	564,217,286

22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Other	**Cash flows**	**Other**	**At 31 March 2010**
	April 2009 Cash flows		**Changes**	
	Amt in £	**Amt in £**	**Amt in £**	**Amt in £**
Cash at bank and in hand	1,240,041	(799,772)	-	440,269
Loans and overdrafts	(55,306)	(2,785,316)	-	(2,840,622)
	1,184,735	(3,585,088)	-	(2,400,353)
Debt due within one year	(2,750,000)	2,750,000	(2,750,000)	(2,750,000)
Debt due after one year	(16,100,850)		2,750,000	(13,350,850)
Loans and other debts due to parent company		(15,000)		(15,000)
Total	**(17,666,115)**	**(850,088)**	**-**	**(18,516,203)**

23 PENSION COSTS

The Group maintains a money purchase scheme covering some of its employees which limits benefits to those which can be provided by the available assets. There is no liability on the group in excess of contributions paid. Details of contributions paid are in note 4.

24 OPERATING LEASE COMMITMENTS

Group

At 31 March 2010 the Group had annual commitments under non-cancellable operating leases as follows :

	Land and Buildings				Others			
	2,010		2,009		**2,010**		2,009	
	Amt in £	**Amt. Equivalent**	Amt in £	Amt. Equivalent	**Amt in £**	**Amt. Equivalent**	Amt in £	Amt. Equivalent
Expiry date:		**in Rs.**		in Rs.		**in Rs.**		in Rs.
Within 1 year	**10,000**	**678,700**	-	-	**3,306**	**224,378**	8,956	664,087
Between 2 and 5 years	**28,000**	**1,900,360**	120,000	8,898,000	**10,661**	**723,562**	6,978	517,419
After more than 5 yeas	**-**	**-**	28,000	2,076,200		**-**		-
	38,000	**2,579,060**	148,000	10,974,200	**13,967**	**947,940**	15,934	1,181,506

25 RELATED PARTY TRANSCTIONS

The company has taken the available exemption in FRS 8 not to disclose related party transactions with group companies as all companies are conslidated in the group accounts of Marksans Pharma Limited

26 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Marksans Pharma Limited, a company incorporated in India. Consolidated accounts are available from The Registrar of Companies, Everest 100, Marine Drive, Mumbai 400 002, Maharashtra. In the opinion of the directors Marksans Pharma Limited is the company's ultimate parent company and ultimate controlling party.

27. PRINCIPAL SUBSIDIARIES

Company name	**Country**	**Percentage shareholding**	**Description**
Marksans Holdings Limited	United Kingdom	100%	Holding Company
Bell Sons & Co. (Druggists) Limited	United Kingdom	100%	Trading Company
Relonchem Limited	United Kingdom	100%	Trading Company
In the year ended 31 March 2010, being the first full year since acquistion by Marksans Pharma U.K Limited, Relonchem Limited made a loss after tax of $1,110,139.			

AUDITORS' REPORT

To the members of **MARKSANS PHARMA LIMITED**

We have audited the attached consolidated Balance Sheet of MARKSANS PHARMA LIMITED (the company) and its subsidiaries as at 31st March 2010 and also the consolidated Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding component. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statement of a subsidiaries, Whose financial statement reflect total assets of Rs.14869.05 Lacs As at 31st March 2010 and total revenues of Rs. 16003.92 for the year ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion ,insofar as it relates to the amounts included in respect of these subsidiaries ,is based on solely on the report of other auditors.

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

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

a) In the case of consolidated Balance Sheet, of the state of affairs of Marksans Pharma Ltd. and its subsidiary as at 31st March, 2010 and

b) In the case of consolidated Profit and Loss Account, of the profit of Marksans Pharma Ltd. and its subsidiary for the year ended 31st March, 2010.

FOR N. K. MITTAL & ASSOCIATES
Chartered Accountants

N. K. MITTAL
(Proprietor)
M. NO. 46785
F. NO. 113281W

Place: Mumbai
Date : 12th August, 2010

Consolidated Balance Sheet as on March 31, 2010

Particulars	Sch. No.	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	502,805,871	502,805,871
Reserves & Surplus	2	1,108,143,573	1,000,065,729
Loan Funds			
Secured Loans	3	2,470,675,868	1,952,129,473
Unsecured Loans	4	1,769,596,299	2,013,237,256
Minority Interest		9,137,874	6,900,574
		5,860,359,485	**5,475,138,903**
APPLICATION OF FUNDS			
Fixed Assets (Gross Block)	5	4,853,977,810	4,591,036,961
Less: Provison for Depreciation		936,779,691	786,389,860
Net block		**3,917,198,119**	**3,804,647,101**
Investments	6	100,000,000	-
Current Assets, Loans & Advances			
Inventories	7	1,045,224,671	1,190,798,976
Sundry Debtors	8	947,177,855	1,016,815,843
Loans & Advances	9	211,249,604	175,474,910
Cash & Bank Balances	10	355,007,218	223,438,186
Total (A)		2,558,659,348	2,606,527,915
Current Liabilities			
Current Liabilities & Provisions	11	595,462,523	821,243,906
Total (B)		**595,462,523**	**821,243,906**
Net Current Assets (A) - (B)		**1,963,196,825**	**1,785,284,009**
Deferred Tax Assets/(Liability) (Net)		(122,087,272)	(119,587,115)
Miscellaneous Expenditure (To the extent not written off)	12	2,051,813	4,794,908
		5,860,359,485	**5,475,138,903**
Notes to the Accounts	17		

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

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Place : Mumbai
Date : 12th August,2010

Consolidated Profit & Loss Account for the period ended as on March 31, 2010

Particulars	Sch. No.	For the period ended 31.3.2010 Amount in Rs	For the period ended 31.3.2009 Amount in Rs
INCOME			
Sales		3,593,658,056	3,601,310,387
Other Income	13	18,392,965	80,639,536
		3,612,051,021	**3,681,949,923**
EXPENDITURE			
Cost of Sales	14	2,941,714,888	2,866,610,459
Administration, Selling & Distribution Expenses	15	407,474,382	442,363,262
Interest & Financial Charges	16	192,311,595	213,593,641
Depreciation	5	154,744,948	153,545,429
Exchange & Loss/(Gain)		3,925,999	67,877,704
Loss on Sale of Fixed Assets		1,401,717	1,909,966
Miscelleneous Expenditure Writtern Off		2,743,096	6,041,354
		3,704,316,625	**3,751,941,815**
Profit Before Tax		**(92,265,604)**	**(69,991,892)**
Provision for Taxation			
- Current Year (Tax Credit In Subsidiary Co.)		(510,245)	(6,804,497)
- Current Year (Tax Provision in Holding Co.)		850,000	2,710,000
- Earlier Years		437,342	812,370
- Deferred Tax		3,173,686	11,486,023
- FBT		-	1,352,537
Net Profit after Tax		**(96,216,387)**	**(79,548,325)**
Less: Minority Interest		4,217,828	4,005,532
Balance Profit brought forward		557,231,958	646,242,815
Less: Porposed Dividend by Subsidiary Co.		-	5,457,000
Closing Balance Transferred to Balance Sheet		**456,797,743**	**557,231,958**
Notes to the Accounts	17		

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

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Place : Mumbai
Date : 12th August,2010

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Schedules Forming Part of the Consolidated Financial Statement as on March 31, 2010

Particulars	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
Schedule - 1 [SHARE CAPITAL]		
Authorised		
550,000,000 (P. Y. 550,000,000) Equity Shares of Re.1/- each	550,000,000	550,000,000
14,00,000 (Previous Yar 1,400,000) 7% redeemable cumulative preference Shares - of Rs.100/- each	140,000,000	140,000,000
	690,000,000	**690,000,000**
Issued Subscribed and Paid-up		
367,805,871 (P. Y. 367,805,871) Equity Shares of Re.1/- each	367,805,871	367,805,871
13,50,000 (Previous Year 1,350,000) 7% Redeemable Cumulative preference - Shares of Rs.100/- each	135,000,000	135,000,000
	502,805,871	**502,805,871**
Schedule - 2 [RESERVES & SURPLUS]		
Capital Reserves	122,500	122,500
General Reserves	167,411,324	2,668,162
Share Premium	435,545,217	437,697,677
Exchange Fluctuation Reserve	48,266,789	2,345,432
Profit & Loss Account - Opening Balance	557,231,958	646,242,815
Add: Transferred During the Year	(100,434,215)	(89,010,857)
	1,108,143,573	**1,000,065,729**
Schedule - 3 [SECURED LOANS]		
Term Loan	1,455,560,075	1,358,565,203
Working Capital Facilities	1,014,409,406	592,400,210
Other Loans (Vehicle Loans)	706,387	1,164,060
	2,470,675,868	**1,952,129,473**
Schedule - 4 [UNSECURED LOANS]		
Foreign Currency Convertible Bonds	1,758,680,000	1,998,500,000
Deposits & Others	10,916,299	14,737,256
	1,769,596,299	**2,013,237,256**

Schedules Forming Part of the Consolidated Financial Statements as on March 31, 2010

Schedule - 5 [FIXED ASSETS]

(Amount in Rs.)

Particulars	Gross Block				Depreciation/Amortisition				Net Block	
	As on 31.03.2009	Additions/ Aquired	Sales/ Dedn.	As on 31.03.2010	Upto 31.03.2009	Depreciation for the year	Wr.Back	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	19,547,708	-	-	19,547,708	-	-	-	-	19,547,708	19,547,708
Building	887,416,888	2,216,368	147,207	889,486,049	88,578,459	25,856,646	47,243	114,387,862	775,098,187	798,838,429
Plant & Machinery	1,654,646,818	32,975,338	3,178,509	1,684,443,647	628,653,952	80,342,771	1,456,107	707,540,616	976,903,031	1,025,992,867
Computer & Software	26,225,216	704,686	275,004	26,654,898	9,602,513	4,258,610	288,459	13,572,664	13,082,234	16,622,703
Office Equipments	6,456,373	589,236	-	7,045,609	1,821,331	595,246	-	2,416,577	4,629,032	4,635,042
Furnitures & Fixtures	32,260,602	670,954	-	32,931,556	5,858,415	2,161,209	-	8,019,624	24,911,932	26,402,187
Vehicles	16,162,726	1,340,000	4,657,101	12,845,625	6,835,764	1,900,330	2,563,308	6,172,786	6,672,839	9,326,962
Intangible Assets										
Goodwill	449,555,809	3,103,308	-	452,659,117	25,279,041	21,781,803	-	47,060,844	405,598,273	424,276,768
Formation Expenses	27,784	-	-	27,784	21,881	5,903	-	27,784	(0)	5,903
Prescription Product Licences	343,956,491	781,302	-	344,737,793	19,738,504	17,716,703	-	37,455,207	307,282,586	324,217,987
OTC Product Licences	1,223,475	-	-	1,223,475	-	125,727	-	125,727	1,097,748	1,223,475
Internally Generated *	1,153,557,072	228,817,477	-	,382,374,549	-	-	-	-	1,382,374,549	1,153,557,072
DMF/ANDA and Others										
Total	**4,591,036,961**	**271,198,669**	**8,257,821**	**4,853,977,810**	**786,389,860**	**1, 54,744,948**	**4,355,117**	**936,779,691**	**3,917,198,119**	**3,804,647,101**
Previous Year	*3,341,749,875*	*1,259,287,267*	*10,000,181*	*4,591,036,961*	*638,465,502*	*1, 53,545,429*	*5,621,071*	*786,389,860*	*3,804,647,101*	*2,703,284,374*

Particulars	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
Schedule - 6 [INVESTMENT]		
Investment in Mutual Fund-SBI Premier Liquid fund	100,000,000	-
	100,000,000	**-**
Schedule - 7 [INVENTORIES]		
Raw Material, Packing Material,Work - in - Process, Finished Goods & Other Materials	1,045,224,671	1,190,798,976
	1,045,224,671	**1,190,798,976**
Schedule - 8 [SUNDRY DEBTORS]		
Debtors (Unsecured and Considered good)		
Outstanding for over six month	71,401,738	61,285,927
Others	875,776,117	955,529,916
	947,177,855	**1,016,815,843**
Schedule - 9 [LOANS AND ADVANCES]		
(Unsecured and considered good)		
Advances (recoverable in cash or kind or value to be received)	163,126,754	134,953,127
Balances with Excise Authorities	41,184,006	36,161,982
Deposits	6,938,844	4,359,801
	211,249,604	**175,474,910**
Schedule - 10 [CASH AND BANK BALANCES]		
Cash in Hand	255,861	1,761,119
Balance with Scheduled Banks in Current Account	120,868,957	97,142,894
Deposits with Banks	233,882,400	124,534,173
	355,007,218	**223,438,186**
Schedule - 11 [CURRENT LIABILITIES]		
Sundry Creditors & Other Liabilities	594,612,523	810,840,598
Unclaimed Dividend	-	103,093
Provision for Taxation	850,000	10,300,215
	595,462,523	**821,243,906**

Schedules Forming Part of the Consolidated Financial Statement as on March 31, 2010

Particulars	As on 31.3.2010 Amount in Rs	As on 31.3.2009 Amount in Rs
Schedule - 12 [MISCELLANEOUS EXPENDITURE]		
(To the Extent not Written off)		
Preliminary Expenses	365,679	600,562
Product launch, Investigation and Registration Expenses	1,686,134	4,194,346
	2,051,813	**4,794,908**
Schedule - 13 [OTHER INCOME]		
Excess Provision Written back	-	1,887,594
Insurance Claim received	2,954,586	78,000
Interest Received	15,438,379	76,357,269
Miscellaneous Income	-	13,374
Scrap Sales	-	2,303,299
	18,392,965	**80,639,536**
Schedule - 14 [COST OF SALES]		
Purchase	1,684,691,711	1,849,270,710
(Increase)/Decrease in Inventories	158,302,161	(85,969,201)
Net Raw Material Consumption	723,915,987	665,875,621
Water Charges	6,584,567	6,675,066
Power & Fuel	53,918,101	64,730,486
Excise Duty Paid	18,135,085	40,312,727
Freight Inward & Raw Material Clearing Charges	50,061,591	51,755,255
Salaries, Wages, Allowances & Staff Welfare	206,839,447	228,445,664
Reapirs & Maintenance of Production Facility (plant)	16,546,490	14,890,914
Other Manufacturing Expenses	22,719,748	30,623,217
	2,941,714,888	**2,866,610,459**
Schedule - 15 [ADMIN., SELLING & DISTRIBUTION]		
Rent , Rates & Taxes	30,015,496	22,175,534
Salaries & Allowances	141,312,565	132,709,274
Staff Welfare	5,677,977	6,804,594
Directors' Remuneration	9,667,350	12,565,807
Travelling Expenses	14,778,205	14,210,544
Communication Expenses	4,419,012	4,117,226
Courier & Postage Expenses	3,133,159	2,748,667
Printing & Stationery	4,711,611	4,538,274
Repairs & Maintenance (others)	5,654,913	10,154,811
Audit Fees	2,649,083	2,244,211
Vehicle Expenses & Local Conveyance	8,193,783	7,603,751
Legal & Professional Fees	31,072,632	29,799,085
Office Expenses	3,484,243	976,627
Insurance Charges	13,837,829	12,358,070
Other Operating Expenses	43,724,113	32,252,972
Freight outward & Export Clg. Exps	32,334,429	37,353,655
Selling & Distribution Expenses	52,311,886	109,191,150
Reserch & Development exp	496,096	559,010
	407,474,382	**442,363,262**
Schedule - 16 [INTEREST & FINANCIAL CHARGES]		
Interst on Term Loans	121,862,776	135,930,734
Interest on Working Capital,Other Interest & Bank charges	70,448,819	77,662,907
	192,311,595	**213,593,641**

17) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

(1) **PRINCIPAL OF CONSOLIDATION**

a. The consolidated financial statements of Group have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

b. The Consolidated financial statement envisages combining of financial statement of Marksans Pharma Limited and its following subsidiary

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

c. Assets and Liabilities of foreign subsidiary are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet Date

Revenues and expenses are translated into Indian rupees at average exchange rates prevailing during the year and the resulting net transaction adjustment has been adjusted to reserve.

d. The difference between the costs to the company of its investment in the subsidiary companies over the Company's portion of equity is recoginised in the financial statements as Goodwill or Capital Reserve.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Accounting Standards

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

(b) Basis of Accounting

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

(c) Fixed Assets

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

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

  DMF/COS & ANDA/Market Authorisation costs represent expenses incurred on development of process and compliance with regulatory procedures of the US FDA in filing Drug Master Files("DMF") & Abbreviated New Drug Applications ("ANDA") and MHRA/EDQM procedure for Market Authorisation/COS.

  This is in accordance with the requirements of Accounting Standard 26 of the Institute of Chartered Accountants of India.

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

- **Product Development Costs:**

  Product Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

  Any expenditure carried forward is amortised over the period of expected future

  economic benefit from the related project, not exceeding ten years.

(d) Depreciation

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

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

(e) Impairment of Assets

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

(f) Expenditure during construction period

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

(g) Inventories

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

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

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

By-Products - At Net Realisable Value.

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

(h) Customs / Excise duty

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

(i) Foreign Currency Transaction

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

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

(j) Miscellaneous Expenditure

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

(k) Research and Development

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

(l) Investments

Long Term Investments are stated at cost.

(m) Gratuity

Gratuity is accounted on accrual basis

(n) Revenue Recognition

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

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

(o) Income Tax

Current Year:

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

Deferred Tax:

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

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

(3) CONTINGENT LIABILITIES

(Rs.In Lacs)

		31st March, 2010	31st March, 2009
(a)	In respect of Letters of Credit & Bank Guarantees issued by the Company's Bankers :	178.17	297.89
(b)	Disputed Taxes/Dues	NIL	NIL

(4) AUDITORS REMUNERATION

(Rs.In Lacs)

	31st March, 2010	31st March, 2009
Audit Fees	26.49	22.44
Other Services	20.44	13.47

(5) DIRECTORS' REMUNERATION

(Rs.In Lacs)

	31st March, 2010	31st March, 2009
Remuneration paid under Section 198 and Schedule XIII of the Companies Act, 1956 to		
(a) Managing Director	18.30	18.30
(b) Other Directors' Remuneration Salaries and Allowances	78.37	108.35
(c) Directors' Sitting Fees		Nil
	96.67	**126.65**

(6) Security for Loans in Schedule 3 :

1] Term Loans: Secured by Mortgage on pari-passu charge basis of the Company's all Immovable assets, present and future, situated at L-82,L-83 Verna(Goa), Plot D-10 and A-88, MIDC Kurkumbh, Tal. Daund, Dist. Pune, and Hypothecation of Plant and machinery situated at the Company's all three Manufacturing facilities.

2] Cash Credit from Banks: Secured against hypothecation of Current assets viz; stock of raw material, packing material, work in progress, receivables.

3] Vehicle Loans: Secured by Hypothecation of respective vehicle.

4] Term loan taken under Marksans Pharma UK limited is secured by corporate guarantee provided by the parent company and a pledge of shares in Marksans Holding Limited & Relonchem Limited.

5] Working capital loans taken under Bells Sons and Co.(Druggists) Limited & Relonchem Limited are secured by Corporate Gurantee provided by the parent company.

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

Signatures to Schedule No. 1 to 17

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

N.K.Mittal
Proprietor
Membership No: 46785
F. NO.113281W

Place : Mumbai
Date : 12th August,2010

For and on behalf of the Board of Directors

Mark Saldhana
Chairman and Managing Director

V.Nagaraj
Whole Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Statement of Consolidated Cash Flow
for the year ended as on March 31, 2010

(Amount in Rs.)

	Particulars	For the year ended as on 31.03.2010	For the year ended as on 31.03.2009
A.	**Cash Flows Provided by /(used in) Operating Activities**		
	Profit After Tax	**(100,434,216)**	(83,553,857)
	Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
	Depreciation	**154,744,948**	153,545,429
	Preliminery & Deferred Revenue Expenses Written off	**2,743,096**	6,041,354
	Excahnge Fluctuation Reserve	**45,921,357**	2,232,309
	Loss on sale of Fixed Assets	**1,401,717**	1,909,966
	Interest Expenses on term loans	**121,862,776**	135,930,734
	Interest Receipt	**(15,438,379)**	(76,357,269)
	Operating Profit before working capital changes	**210,801,299**	139,748,665
	(Increase)/Decrease in Curent Assets, Loans & advances	**145,574,305**	203,527,850
	Inventories		
	Trade and other receivables	**69,637,989**	(338,188,710)
	Loans & Advances	**(35,774,695)**	71,895,634
	Income Tax Paid		
	Deferred Tax assets	**2,500,156**	10,973,521
	Deferred Revenue Expenses		
	Minority Interest	**2,237,300**	4,217,784
	Increase/(Decrease) in current Liabilities and provisions	**(225,781,383)**	108,011,645
	Net cash used in operating activities	**169,194,971**	200,186,389
B.	**Cash Flows provided by (used in) Investing Activities:**		
	Purchase of Fixed Assets	**(268,697,682)**	(1,256,818,118)
	Sale of Fixed Assets		
	Investment	**(100,000,000)**	
	Interest Receipt	**15,438,379**	76,357,269
	Net Cash used in Investing Activities	**(353,259,303)**	(1,180,460,849)
C.	**Cash Flows provided by (used in) Financing Activities:**		
	Increase in Equity Share Capital	**-**	8,400,241
	Increase in Preference Share Capital	**-**	-
	Increase in Share Premium	**(2,152,460)**	162,765,068
	Increase in General Reserve	**164,743,162**	
	Fees paid for Increase in Paid up Capital		
	Proceeds/(Repayment) of Secured Loans	**518,546,395**	571,888,803
	Proceeds/(Repayment) of Unsecured Loans	**(243,640,957)**	(13,834,762)
	Dividend Paid	**-**	(5,457,000)
	Interest Paid	**(121,862,776)**	(135,930,734)

(Amount in Rs.)

Particulars	For the year ended as on 31.03.2010	For the year ended as on 31.03.2009
Net cash provided by Financing Activities	**315,633,364**	587,831,616
	131,569,032	(392,442,844)
Net Increase /(Decrease) in Cash and Bank Balances		
Cash & Bank Balances as at 31.03.2009	**223,438,186**	615,881,030
Cash & Bank Balances as at 31.03.2010	**355,007,218**	223,438,186
	131,569,032	(392,442,844)

Notes :

1 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

2 The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

For and on Behalf of the Board of Directors

Mark Saldanha	**V.Nagaraj**	**Harshvardhan Panigrahi**
Chairman & Managing Director	Director	Company Secretary & Legal Manager

Place : Mumbai

Date : 12th August,2010

AUDITORS REPORT

We have verified the above Cash flow statement of Marksans Pharma Limited. This statement has been prepared by company from the audited financial statements for the year ended 31 March 2010. Subject to reallocations made by the company, we found the same to be in accordance with requirement of Clause 32 of the Listing Agreement with Stock Exchange.

For and on Behalf of

N. K. Mittal & Associates

Chartered Accountants

N. K. Mittal

Proprietor

M. No.46785

F NO.113281W

Place : Mumbai

Date : 12th August,2010

NOTES

NOTES

MARKSANS PHARMA LIMITED

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

ATTENDANCE SLIP

Regd Folio No. / Client & D.P. I.D. ____________________ No. of Shares held ____________________

I hereby record my presence at the 18th Annual General Meeting of the Company at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai - 400 053, on Tuesday, the 28th September, 2010 at 10.30 a.m.

Member(s) / Proxy Name Member(s) / Proxy Signature

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

MARKSANS PHARMA LIMITED

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

FORM OF PROXY

Regd Folio No. / Client & D.P. I.D. ____________________ No. of Shares held ____________________

I/We ____

of ____

____________________ being a Member/Members of **Marksans Pharma Limited** hereby appoint ____________________ of ____________________

or failing him ____________________ of ____________________

as my/our proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held on Tuesday, the 28th September, 2010 at 10.30 a.m. and at any adjournment thereof.

Affix Re. 1/- Revenue Stamp

Signature

Signed this __________ day of ____________________, 2010

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Marksans Pharma Limited

www.marksanspharma.com