

## MINRAD EU

### Directors' Report

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Dear Shareholders,

We are pleased to present to you the audited accounts of the Company for the accounting year ended December 31, 2010.

#### **PRINCIPAL ACTIVITIES**

The Company is a wholly owned subsidiary of Piramal Critical Care Inc, USA. Its ultimate parent company is Piramal Healthcare Limited, India.

The Company markets inhalation anaesthetics for use in connection with human and veterinary surgical procedures.

#### **RESULTS AND DIVIDENDS**

The Company's audited financial statements at the end of the year are shown in the attached financial statements.

The year 2010 figures show a loss of EUR 82,917 (Rs. 5.30 Million) [Previous Year Profit EUR 42,867 (Rs.2.59 Million) ]. The balance sheet, as of December 31, 2010, shows a total liabilities and shareholder's equity of EUR 40,083 (Rs.2.50 Million) [Previous Year EUR 43,420 (Rs. 2.63 Million)].

In view of losses, no dividend has been recommended by the Board.

The Company is taking initiatives to increase relationships with innovator pharma companies and expects to sign additional contracts during the current year.

The following serve as officers of the Company:

1. Kirk Kamsler
2. Francoise Peron
3. Fabiola Currarino Moyand
4. Daniel McAllister
5. Bill Rolfe

#### **MANAGEMENT RESPONSIBILITY STATEMENT**

We hereby state:

- (i) That in the preparation of the accounts for the period ended December 31, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) That the management have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2010 and its Loss for the period ended on that date.
- (iii) That the management have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the management have prepared the accounts on a going concern basis.

**Auditors**

The Accounts have been audited by KNAV P. A.

KNAV P. A., Certified Public Accountant retire as Auditors of the Company at the ensuing AGM and are eligible for reappointment.

Sincerely yours,

For Minrad EU

Kirk Kamsler  
Presiednt

6<sup>th</sup> May, 2011

**Minrad EU**

Special Purpose Financial Statements  
December 31, 2010 and 2009

**KNAV P.A.**

Certified Public Accountants  
3731 Lake Pass Lane.  
Suwanee, GA 30024



America Counts on CPAs

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America Counts on CPAs



## Report of Independent Accountants

Board of Directors  
Minrad EU

We have audited the accompanying balance sheet of Minrad EU (the “Company”) December 31, 2010, and the related statement of income, stockholders’ deficit, and cash flows for the period January 01, 2010 to December 31, 2010. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of complying with regulatory requirements in India by Piramal Healthcare Limited; the ultimate parent Company as discussed in note B 1 (a), and are not intended to be a presentation in conformity with generally accepted accounting principles. Based on our audit, we are not aware of any material modifications that should be made to the accompanying special-purpose financial statements in order for them to be in conformity with the basis of accounting described in note B 1 (a).

In our opinion, the special purpose financial statements referred to above present fairly in all material respects, the financial position of the Company as at December 31, 2010 and the results of its operations, stockholders’ deficit and cash flows for the period January 01, 2010 to December 31, 2010, on the basis of accounting described in Note B.

This report is intended solely for the information and use of the board of directors and management at their discretion and to meet regulatory requirements in India by Piramal Healthcare Limited; the ultimate parent Company and is not intended to be and should not be used by anyone other than these specified parties.

KNAV P A  
Atlanta, Georgia  
May 6, 2011

**KNAV P.A.**  
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## Special Purpose Financial statements

### Balance sheet

	As at December 31, 2010		As at December 31, 2009	
	€	Rs. In Million	€	Rs. in Million
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8,588	0.5	11,925	0.7
<b>Total current assets</b>	<b>8,588</b>	<b>0.5</b>	<b>11,925</b>	<b>0.7</b>
Intangibles, net	31,495	2.0	31,495	1.9
<b>Total assets</b>	<b>40,083</b>	<b>2.5</b>	<b>43,420</b>	<b>2.6</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>				
<b>Current liabilities</b>				
Dues to Parent company	929,251	58.9	849,671	51.4
Other current liabilities	53,747	3.4	53,747	3.3
<b>Total current liabilities</b>	<b>982,998</b>	<b>62.3</b>	<b>903,418</b>	<b>54.7</b>
<b>Stockholder's deficit</b>				
Common stock (Authorized, issued and outstanding 100 shares of \$0.01 each)	37,000	2.3	37,000	2.2
Accumulated deficit	(979,915)	(62.1)	(896,998)	(54.3)
<b>Total stockholders' deficit</b>	<b>(942,915)</b>	<b>(59.8)</b>	<b>(859,998)</b>	<b>(52.1)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>40,083</b>	<b>2.5</b>	<b>43,420</b>	<b>2.6</b>

*(The accompanying notes are an integral part of these financial statements)*

## Statement of operations

	For the period ended 31-Dec-10		For the period ended 31-Dec-09	
	€	Rs. In Million	€	Rs. In Million
<b>Revenues</b>	-	-	-	-
<b>Cost and expenses</b>				
Selling, general and administrative expenses	82,917	5.3	(42,867)	(2.6)
<b>Total cost and expenses</b>	<b>82,917</b>	<b>5.3</b>	<b>(42,867)</b>	<b>(2.6)</b>
<b>Income/ (loss) before income taxes</b>	<b>(82,917)</b>	<b>(5.3)</b>	<b>42,867</b>	<b>2.6</b>
<b>Income taxes</b>	-	-	-	-
<b>Net income/(loss)</b>	<b>(82,917)</b>	<b>(5.3)</b>	<b>42,867</b>	<b>2.6</b>

*(The accompanying notes are an integral part of these financial statements)*

## Statement of stockholders' deficit

For the year ended December 31, 2010 and period from February 27, 2009 to December 31, 2009

*(All amounts are stated in Euro, unless otherwise stated)*

Particulars	Common Stock				Accumulated deficit	Total stockholder's equity
	Authorized		Issued and Outstanding			
	Shares	Value Euro	Shares	Value Euro		
Balance as at February 27, 2009	100	37,000	100	37,000	(939,865)	(902,865)
Net loss for the period					42,867	42,867
Balance as at December 31, 2009	100	37,000	100	37,000	(896,998)	(859,998)
Balance as at December 31, 2009 Rs. in Million	100	2.2	100	2.2	(54.3)	(52.1)
Balance as at January 1, 2010	100	37,000	100	37,000	(896,998)	(859,998)
Net loss for the year					(82,917)	(82,917)
Balance as at December 31, 2010	100	37,000	100	37,000	(979,915)	(942,915)
Balance as at December 31, 2010 Rs. in Million	100	2.3	100	2.3	62.1	59.8

*(The accompanying notes are an integral part of these financial statements)*

## Statement of cash flows

	For the period ended 31-Dec-10		For the period ended 31-Dec-09	
	€	Rs. In Million	€	Rs. In Million
<b>Cash flows from operating activities</b>				
Net income/(loss)	(82,917)	(5.3)	42,867	2.6
<b>Adjustments to reconcile net income to net cash used by operating activities:</b>				
Foreign exchange (gain)/loss	68,363	4.3	(101,697)	(6.2)
Gain on sale of assets	-	-	(3,896)	(0.2)
<b>Changes in net operating assets and liabilities</b>				
Other current liabilities	-	-	(85,349)	(5.2)
<b>Net cash used in operating activities</b>	<b>(14,554)</b>	<b>(0.9)</b>	<b>(148,075)</b>	<b>(9.0)</b>
<b>Cash flows from investing activities</b>				
Sale proceeds of property, plant and equipment	-	-	64,209	3.9
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>	<b>64,209</b>	<b>3.9</b>
<b>Cash flows from financing activities</b>				
Payment to Parent company	-	-	(794,502)	(48.1)
Receipt from Parent company	11,216	0.7	879,652	53.2
<b>Net cash provided by financing activities</b>	<b>11,216</b>	<b>0.7</b>	<b>85,150</b>	<b>5.2</b>
Net decrease in cash and cash equivalents	<b>(3,338)</b>	<b>(0.2)</b>	<b>1,284</b>	<b>0.1</b>
Cash and cash equivalents at the beginning of the period	11,925	0.8	10,641	0.6
<b>Cash and cash equivalents at the end of the period</b>	<b>8,588</b>	<b>0.5</b>	<b>11,925</b>	<b>0.7</b>

*(The accompanying notes are an integral part of these financial statements)*

## Notes to financial statements

### NOTE A - NATURE OF OPERATIONS

Minrad EU is a wholly owned subsidiary of Piramal Critical Care, Inc. It is registered in France. Its operations are to release and sale the anesthesia products in European Market.

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in United States of America. The significant policies are detailed below:

1. *Basis of preparation*

- a. The financial statements are prepared in accordance with the accounting policies described in these notes. The financial statements have been prepared on a standalone basis for the purpose of complying with regulatory requirements by Piramal Healthcare Limited; the ultimate parent Company. All amounts are stated in Euro, except as otherwise specified.
- b. The financial statements are for the year ended December 31, 2010 and for the period from February 27, 2009 to December 31, 2009.
- c. Certain amounts in the prior period's financial statements and notes have been reclassified to conform to the current year's presentation.

2. *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. *Cash and Cash equivalents*

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

4. *Intangibles*

Intangibles comprise of cost of registration of patents. Since these are not put to use, the intangibles are not amortized.

5. *Foreign currency transaction*

Foreign currency transactions are recorded at the rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rates prevailing on the balance sheet date. The foreign exchange gain or loss is included in Selling, general & administration expense.

### NOTE C - CASH AND CASH EQUIVALENT

Cash and cash equivalents comprise of:

	As at 31-Dec-10		As at 31-Dec-09	
	€	Rs. In Million	€	Rs. In Million
Bank balances	8,588	0.5	11,925	0.7
<b>Total</b>	<b>8,588</b>	<b>0.5</b>	<b>11,925</b>	<b>0.7</b>

### NOTE D –INTANGIBLES

Intangibles comprise of:

	As at 31-Dec-10		As at 31-Dec-09	
	€	Rs. In Million	€	Rs. In Million
Cost of registration	31,495	2.0	31,495	1.9
<b>Total</b>	<b>31,495</b>	<b>2.0</b>	<b>31,495</b>	<b>1.9</b>

### NOTE E –DUES TO PARENT COMPANY

The Company has received interest free loan from its Parent Company Piramal Critical Care Inc amounting to € 929,251 (Rs. 58.9 Million) (December 31, 2009: €849,671(Rs. 51.4 Million))

Loan from Piramal Critical Care Inc is interest free and is repayable on “when able basis”. The Company has not projected a repayment schedule for this loan.

### NOTE F – OTHER CURRENT LIABILITIES

Other current liabilities comprise of lease termination liability of € 53,747 (Rs. 3.4 Million) (December 31, 2009: €53,747 (Rs. 3.3 Million))

### NOTE G – COMMON STOCK

The authorized and issued share capital of the Company is 100 common shares of a par value of € 0.01 each. Each share carries an equal voting right and is entitled to an equal share in the assets of the Company at liquidation.

### NOTE H – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 30, 2011 which is the date the financial statements were issued. No material subsequent event has been noted.

**Note:**

The financial statements have been converted into Indian Rupees for the sole purpose of convenience of the reader at the rate of 1 EURO = Rs.63.42 (Previous Year 1 EURO = Rs.60.53). The convenience translation should not be or could be construed as representation that the Indian Rupee amounts of the EURO amount referred to in these financial statements have been or could in the future be converted into EURO or INR, as the case may be, at this or any other rate of exchange, or at all.