

PIRAMAL CRITICAL CARE INC.

Directors' Report

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 Healthcare Inc, USA. Its ultimate parent company is Piramal Healthcare Limited, India.

The Company is engaged in the business of interventional pain management with real-time image guidance, anaesthesia and analgesia, conscious sedation product lines. The Company manufactures and markets generic inhalation anaesthetics for use in connection with human and veterinary surgical procedures. The Company's product portfolio of inhalation anaesthetics consists of Isoflurane, Enflurane and Sevoflurane. In addition, Minrad has filed an Abbreviated New Drug Application (ANDA) for Desflurane with the US Food and Drug Administration (FDA).

RESULTS AND DIVIDENDS

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

Financial Highlights

(Figures in Million)

Particulars	December 31, 2010		December 31, 2009	
	USD	INR	USD	INR
Operating Revenues	51.56	2,299.8	27.82	1249.3
Other Income	0.38	17.0	0.25	11.2
Income / (Loss) Before Taxes	(12.32)	(549.4)	(8.68)	(389.8)
Income / (Loss) After Taxes	(12.88)	(574.6)	(8.68)	(389.8)

The year 2010 figures show a loss of USD 12,882,781 (Rs.574.6 Million) [Previous Year USD 8,682,017 (Rs.389.8 Million)]. The balance sheet, as of December 31, 2010, shows a total liabilities and shareholder's equity of 74,793,618 (Rs3,335.8 Million) [Previous Year 5,2832,378 (Rs2,372.2 Million)].

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

Steps are being taken to improve the performance of the Company.

DIRECTORS

The constitution of the Board is given below:

Sr. No.	Name of the Director
1.	Mr. Ajay Piramal
2.	Ms. Nandini Piramal
3.	Mr. N. Santhanam
4.	Mr. William Burns

The directors retire at the ensuing Annual General Meeting and are eligible for re-appointment, which the Board recommends.

DIRECTORS' 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 Directors 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 Directors 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 Directors have prepared the accounts on a going concern basis.

Auditors

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

Sincerely yours,

On behalf of the Board of Directors

N. Santhanam

Director

6th May, 2011

Piramal Critical Care Inc

Special Purpose Financial Statements

December 2010 & 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
Piramal Critical Care Inc

We have audited the accompanying balance sheet of Piramal Critical Care Inc. (the “Company”) as at December 31, 2010, and the related statements 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 combined 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 combined 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

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Certified Public Accountants
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Piramal Critical Care Inc.
Special Purpose Financial Statements
December 31, 2010 & 2009

Combined Financial Statements

Balance sheet

	As at 31-Dec-2010		As at 31-Dec-2009	
	(Rs in Million)		(Rs in Million)	
	USD	Million	USD	Million
ASSETS				
Current assets				
Cash and cash equivalents	871,053	38.8	1,177,056	52.8
Accounts receivable, net of allowances	9,389,174	418.8	3,654,339	164.1
Inventories	13,710,676	611.5	17,040,480	765.1
Other current assets	3,540,003	157.9	2,074,994	93.2
Total current assets	27,510,906	1,227.00	23,946,869	1,075.20
Investments	47,000	2.1	47,000	2.1
Property, plant and equipment, net	46,523,192	2,074.90	28,313,205	1,271.30
Intangible assets	712,520	31.8	525,304	23.6
Total assets	74,793,618	3,335.80	52,832,378	2,372.20
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities				
Accounts payable	2,673,995	119.3	6,042,580	271.3
Other current liabilities	14,805,924	660.3	8,909,579	400
Short term borrowings	4,013,901	179	77,987	3.5
Current portion of long term debt	3,000,000	133.8		0
Total current liabilities	24,493,820	1,092.40	15,030,146	674.9
Deferred income	586,203	26.1	689,652	31
Deferred tax liabilities	558,796	24.9	-	0
Long term borrowings, excluding current portion	90,015,705	4,014.70	65,090,705	2,922.60
Total liabilities	115,654,524	5,158.20	80,810,503	3,628.40

	As at 31-Dec-2010		As at 31-Dec-2009	
	(Rs in		(Rs in	
	USD	Million)	USD	Million)
Stockholders' deficit	528,608	23.6	528,608	23.7
Common stock (Authorized 100 shares of \$0.01, issued and outstanding 99 shares of \$ 0.01 each)	85,106,167	3,795.7	85,106,167	3,821.3
Additional paid in capital	(126,495,681)	(5,641.7)	(113,612,900)	(5,101.2)
Accumulated deficit	(40,860,906)	(1,822.4)	(27,978,125)	(1,256.2)
Total stockholders' deficit				
Total liabilities and stockholders' deficit	74,793,618	3,335.8	52,832,378	2,372.2

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

Statement of operations

	For the year ended 31- Dec-10		For the period ended 31-Dec-09	
	USD	Rs in Million	USD	Rs in Million
<i>(All amounts are stated in United States Dollars, unless otherwise stated)</i>				
Revenues				
Operating revenues	51,564,954	2,299.8	27,823,633	1,249.3
Less: Cost of revenues	(36,495,719)	(1,627.7)	(18,998,723)	(853.0)
Gross margin	15,069,235	672.1	8,824,910	396.2
Cost and expenses				
Selling, general and administrative expenses	17,414,256	776.7	10,600,430	476.0
Depreciation and amortization	453,566	20.2	805,028	36.1
Research and development expenses	2,148,090	95.8	2,278,116	102.3
Interest expense	7,752,789	345.8	4,072,187	182.8
Total cost and expenses	27,768,701	1,238.5	17,755,761	797.2
Operating (loss)	(12,699,466)	(566.4)	(8,930,851)	(401.0)
Other income	381,001	17.0	248,833	11.2
(Loss) before income taxes	(12,318,465)	(549.4)	(8,682,018)	(389.8)
Income taxes	(564,316)	(25.2)	-	-
Net (loss)	(12,882,781)	(574.6)	(8,682,018)	(389.8)
<i>(The accompanying notes are an integral part of these financial statements)</i>				

Combined statement of stockholders' deficit

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

Particulars	Common Stock				Additional paid in capital	Accumulated deficit	Total stockholder's deficit
	Authorized		Issued and Outstanding				
	Shares	Value US\$	Shares	Value US\$			
Balance as at February 27, 2009	1	0.01	1	-	85,106,167	(105,044,897)	(19,938,730)
Issued during the year	99	99	99	528,608			528,608
Less: Treasury stock acquired	(1)	-	(1)	-			(0.01)
Net loss for the period						(8,682,017)	(8,682,017)
Balance as at December 31, 2009	99	99	99	528,608	85,106,167	(113,726,914)	(28,092,139)
Balance as at December 31, 2009 Rs. in Million	99	0.0	99	23.7	3,821.3	(5,106.3)	(1,261.3)
Balance as at January 1, 2010	99	99	99	528,608	85,106,167	(113,612,900)	(27,978,125)
Net loss for the period						(12,882,781)	(12,882,781)
Balance as at December 31, 2010	99	99	99	528,608	85,106,167	(126,495,681)	(40,860,906)
Balance as at December 31, 2009 Rs. in Million	99	0.0	99	23.6	3,795.7	(5,641.7)	(1,822.4)

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

Combined statement of cash flows

	For the year ended 31-Dec-10		For the year ended 31-Dec-09	
	USD	Rs in Million	USD	Rs in Million
Cash flows from operating activities				
Net (loss)	(12,882,781)	(574.6)	(8,682,018)	(389.8)
Adjustments to reconcile net (loss) to net cash used by operating activities:				
Depreciation and amortization	3,963,458	176.8	2,613,302	117.3
Property, plant and equipment write off	30,096	1.3	-	-
Gain on sale of property, plant and equipment	-	-	(118,543)	(5.3)
Inventory write-off	139,497	6.2	-	-
Deferred revenue	(103,449)	(4.6)	(86,210)	(3.9)
Provision for tax	564,316	25.2	-	-
Changes in net operating assets and liabilities				
Accounts receivable	(5,734,835)	(255.8)	(2,442,078)	(109.6)
Inventories	3,190,307	142.3	(9,518,871)	(427.4)
Other current assets	(1,465,009)	(65.3)	(1,390,259)	(62.4)
Accounts payable	(3,368,586)	(150.2)	(402,461)	(18.1)
Other current liabilities	5,890,825	262.7	4,836,295	217.1
Net cash used in operating activities	(9,776,161)	(436.0)	(15,190,843)	(682.1)
Cash flows from investing activities				
Purchase of property, plant and equipment	(22,111,891)	(986.2)	(9,810,681)	(440.5)
Sale proceeds of property, plant and equipment	-	-	316,481	14.2
Purchase of intangibles	(278,865)	(12.4)	(240,372)	(10.8)
Net cash used by investing activities	(22,390,756)	(998.6)	(9,734,572)	-437.1

Cash flows from financing activities

Proceeds / (Repayment) of short-term borrowings, net	3,935,914	175.5	-290,182	(13.0)
Proceeds from long-term debt	27,925,000	1,245.5	15,896,144	713.7
Net cash provided by financing activities	31,860,914	1,421.0	15,605,962	700.7

Net decrease in cash and cash equivalents	(306,003)	(13.6)	(9,319,453)	(418.4)
Cash and cash equivalents at the beginning of the period	1,177,056	52.5	10,496,509	471.3
Cash and cash equivalents at the end of the period	871,053	38.8	1,177,056	52.8

Supplemental disclosure of cash flow information

Interest paid	2,018,991	90.0	1,245,567	55.9
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(The accompanying notes are an integral part of these financial statements)

Notes to combined financial statements

NOTE A - NATURE OF OPERATIONS

Piramal Critical Care Inc (“PCCI”, “the Company”), incorporated on December 31, 2009 in the State of Delaware, United States, is an interventional pain management company with focus area in anesthetics and analgesia and a wholly owned subsidiary of Piramal Healthcare Inc. Piramal Healthcare Inc is an international holding company of Piramal Healthcare Limited; a public listed India company and the ultimate parent company. The Company’s principal manufacturing facilities are located in Bethlehem, Pennsylvania, United States.

On January 27, 2009 Piramal Healthcare Inc acquired all of the outstanding equity of Rx Elite Holdings, Inc., an Idaho Corporation. On February 27, 2009 the Company acquired all of the outstanding equity of Minrad International Inc. Minrad International Inc merged with and into Minrad Inc under the name Minrad Inc as and from December 30, 2009. Rx Elite Holdings Inc merged with and into Minrad Inc under the name Minrad Inc as and from December 31, 2009. The name of Minrad Inc was changed to Piramal Critical Care Inc with effect from December 31, 2009.

Both these transactions were accounted for as business combinations of entities under common control.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These combined financial statements are prepared in accordance with generally accepted accounting principles in United States. 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. The special purpose financial statements present all assets in accordance with generally accepted accounting principles except for investments in subsidiary, which is presented on a cost basis. All amounts are stated in U.S. dollars, except as otherwise specified.
- b. The financial statements are for the year ended December 31, 2010 and for the period 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. The management’s estimates for realization of deferred tax assets, useful life of property, plant and equipment and intangible assets, allowance for doubtful debts, inventory valuation and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. 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. *Revenue recognition*

Revenue is recognized from product sales when the goods are shipped and title passes to the customer. At the time of sale, estimates for a variety of sales deductions, such as sales rebates, discounts and incentives are recorded.

Deductions from revenues—As is typical in the industry, the gross product sales are subject to a variety of deductions that generally are estimated and recorded in the same period that the revenues are recognized and primarily represent charge-backs, rebates and discounts to, wholesalers and distributors. These deductions represent estimates of the related obligation and, as such, judgment and knowledge of market conditions and practices are required when estimating the impact of these sales deductions on gross sales for a reporting period.

Specifically, for sales in the United States, provisions for charge-back, administration fees, rebates and other discounts are recorded based upon the entity's experience of rate for charge-back, administration fees, rebates and other discounts written back during previous month. This experience of rate is evaluated regularly to ensure that the historical trends are as current as practicable. As appropriate, the rate of charge-backs administration fees, rebates and other discounts are adjusted to better match the current experience. In assessing this rate, current contract terms, such as changes in contract rate, administration fees and discount rates are considered.

5. *Allowance for doubtful debts*

The Company follows the specific identification method for recognizing allowance for doubtful debts. Management analyzes composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness of each accounts receivable when evaluating the adequacy of the allowance for doubtful accounts. Allowance for doubtful debt is included in marketing and selling expenses in the statement of income.

6. *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined using standard costing.

7. *Property, plant and equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation expense for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets, including capital lease assets which are depreciated over the terms of their respective leases.

The estimated useful life used to determine depreciation is:

Machinery and equipments	5-10 years
Computers	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	Lease term
Vaporizers	5 years

Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not ready for use before such date are disclosed under capital work-in-progress.

8. *Intangibles:*

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required. The estimated useful lives of the amortizable intangible assets are as follows:

Patents – 5-10 years

9. *Impairment of long-lived assets*

All of long-lived assets are reviewed for impairment indicators throughout the year and we perform detailed testing whenever impairment indicators are present. In addition, detailed impairment testing for goodwill and indefinite-lived assets is performed, at least annually. When necessary, we record charges for impairments. Specifically:

For finite-lived intangible assets, such as patents, trade-names, customer list and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, review for impairment is performed. The undiscounted value of the projected cash flows associated with the asset, or asset group is calculated and this estimated amount is compared to the carrying amount. If the carrying amount is found to be greater, an impairment loss is recorded for the excess of book value over fair value. In addition, in all cases of an impairment review, the remaining useful lives of the assets are re-evaluated and modified them, as appropriate.

10. *Research and development costs*

Research and development (R&D) costs are expensed as incurred. These expenses include the costs of proprietary R&D efforts.

11. *Income taxes*

In accordance with the provisions of FASB ASC Topic 740 “Income Taxes,” income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of:

	As at December 31, 2010		As at December 31, 2009	
	USD	Rs. in Million	USD	Rs. in Million
Cash in hand	2,000	0.1	2,000	0.1
Bank balances	869,053	38.8	1,175,056	52.8

871,053	38.8	1,177,056	52.8
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NOTE D - ACCOUNTS RECEIVABLE, NET OF ALLOWANCES

	As at 31-Dec-2010		As at 31-Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Accounts receivable	16,357,873	729.6	11,598,398	520.8
Less: Provision for doubtful debts	(4,290,110)	(191.3)	(4,179,903)	(187.7)
Less: Provision for charge-backs, rebates etc	(2,678,589)	(119.5)	(3,764,157)	(169.0)
Accounts receivable, net of allowances	9,389,174	418.8	3,654,339	164.1

The activity in provision for doubtful debt account is as given below:

	For the year ended 31- Dec-2010		For the year ended 31- Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Balance at beginning of the period	(4,179,903)	(186.4)	(3,385,486)	(152.0)
Allowance for uncollectible written back	(110,207)	(4.9)	(794,417)	(35.7)
Balance at the end of the period	(4,290,110)	(191.3)	(4,179,903)	(187.7)

The activity in provision for chargeback, rebates etc is as given below:

	For the year ended December 31, 2010	
	USD	Rs. in Million
Balance at beginning of the year	(3,764,157)	(167.9)
Add: Chargeback, rebates in the year	(31,048,371)	(1,384.8)
Less: Chargeback, rebates utilized in the year	32,133,939	1,433.2
Balance at the end of the period	2,678,589	(119.5)

NOTE E - INVENTORIES

Inventories comprise of:

	For the year ended 31-Dec-2010		For the year ended 31-Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Raw materials	633,239	28.2	1,738,408	78.1
Intermediate goods	9,839,126	438.8	5,571,473	250.2
Work in progress	900,988	40.2	308,147	13.8
Packing material	470,724	21.0	1,747,404	78.5
Goods in transit	511,333	22.8	1,030,539	46.3
Finished products	2,629,572	117.3	7,516,315	337.5
Less: Provision for slow moving and obsolete items	(1,274,306)	(56.8)	(871,806)	(39.1)
	13,710,676	611.5	17,040,480	765.1

NOTE F – OTHER CURRENT ASSETS

Other current assets comprise of:

	For the year ended 31-Dec-2010		For the year ended 31-Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Security deposits	1,529,351	68.2	87,792	3.9
Due from related parties	1,323,028	59.0	1,217,833	54.7
Prepaid expenses	611,049	27.3	405,775	18.2
Other receivables	15,438	0.7	300,000	13.5
Employee receivables	61,137	2.7	63,594	2.9
	3,540,003	157.9	2,074,994	93.2

NOTE G: INVESTMENTS

	For the year ended 31-Dec-2010		For the year ended 31-Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Investment in Minrad EU	47,000	2.1	47,000	2.1
	47,000	2.1	47,000	2.1

NOTE H – PROPERTY, PLANT AND EQUIPMENT, NET

Property, equipment and equipment comprise the following:

	For the year ended 31- Dec-2010		For the year ended 31- Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Machinery and equipment	16,166,310	721.0	15,997,794	718.3
Vaporizers	21,927,666	978.0	11,613,069	521.4
Computers	2,214,263	98.8	2,171,953	97.5
Furniture and fixtures	695,998	31.0	866,443	38.9
Leasehold improvements	757,893	33.8	95,298	4.3
Capital leases	120,627	5.4	120,627	5.4
Vehicles	55,274	2.5	34,991	1.6
Capital work in progress	20,334,317	906.9	9,333,015	419.1
	62,272,348	2,777.3	40,233,190	1,806.5
Less: Accumulated depreciation and amortization	(15,749,156)	(702.4)	(11,919,985)	(535.2)
Property, plant and equipment, net	46,523,192	2,074.9	28,313,205	1,271.3

Depreciation expense for the year ended December 31, 2010 was \$ 3,920,921 [Rs. 174.9 Million] (December 31, 2009: \$ 2,610,633 [Rs. 117.2 Million]). Of the total depreciation of \$ 3,920,921 (December 31, 2009: \$ 2,610,633), \$ 3,509,892 [Rs. 156.5 Million] (December 31, 2009: \$ 1,914,071 [Rs. 85.9 Million]) is included in cost of goods sold.

NOTE I – INTANGIBLE ASSETS

	For the year ended 31- Dec-2010		For the year ended 31- Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Patents	1,093,026	48.7	814,160	36.6
Less: Accumulated amortization	-380,506	(17.0)	-288,856	(13.0)
	712,520	31.8	525,304	23.6

Amortization expense for the year ended December 31, 2010 is \$ 42,537 (Rs. 1.9 Million) (December 31, 2009: \$ 2,668 (Rs. 0.1 Million)). Of the above patents, patents worth \$487,267 (Rs. 21.7 Million) are not being amortized as they are not put to use.

The estimated future amortization expense related to intangible assets is as follows:

Years ending December 31	Amount USD	Amount Rs in Million
2011	25,154	1.1
2012	25,154	1.1
2013	25,154	1.1
2014	25,154	1.1
2015 and onwards	154,724	6.9

NOTE J – ACCOUNTS PAYABLE

Accounts payable during the year ended December 31, 2010 was \$ 2,673,995 (Rs.119.3 Million) (December 31, 2009: \$ 6,042,580 (Rs.271.3 Million)).

NOTE K – OTHER CURRENT LIABILITIES

Other current liabilities comprise of:

	For the year ended 31- Dec-2010		For the year ended 31- Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Accrued expenses	4,014,350	179.0	3,540,557	159.0
Due to related parties	9,372,653	418.0	3,334,624	149.7
Other liabilities	800,000	35.7	800,000	35.9
Statutory liabilities	172,483	7.7	148,400	6.7
Image guidance return reserve	342,990	15.3	907,550	40.7
Short term deferred income	103,448	4.6	103,448	4.6
Deferred loan	0	-	75,000	3.4
	14,805,924	660.3	8,909,579	400.0

NOTE L –BORROWINGS

Short term borrowings

Short term borrowings comprise of:

	For the year ended 31- Dec-2010		For the year ended 31- Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
Line of credit	4,000,000	178.4	-	-
Lease obligations	1,265	0.1	15,079	0.7
Loan from Mc Elliot	12,636	0.6	62,908	2.8
Total	4,013,901	179.0	77,987	3.5

Long term borrowings

The Company has obtained loans from its affiliate companies. The following table summarizes the loans from affiliates:

	For the year ended 31-Dec-2010			For the year ended 31-Dec-2009		
	Interest Rate	USD	Rs. in Million	Interest Rate	USD	Rs. in Million
Piramal Healthcare Inc.	9.40%	90,015,705	4,014.7	2.60%	62,090,705	2,787.9
NPIL Pharma Inc.	15%	3,000,000	133.8	15%	3,000,000	134.7
Less: Current portion of long term debt		(3,000,000)	(133.8)			-
Total		90,015,705	4,014.7		65,090,705	2,922.6

The loan from NPIL Pharma Inc is repayable by May 31, 2011. The loan from Piramal Healthcare Inc is repayable over 6-8 years.

NOTE M – LEASE OBLIGATIONS

The following are the details of lease obligations for facilities at Bethlehem, Orchard Park and Boise as at December 31, 2010.

Year ending	Amount USD	Amount Rs. in Million
December 31, 2011	449,286	20.0
December 31, 2012	341,514	15.2
December 31, 2013	270,813	12.1
December 31, 2014	257,238	11.5
December 31, 2015 and beyond	438,209	19.5

NOTE N – COMMITMENT AND CONTINGENCIES

The following are the litigations during the year

i. Baxter Healthcare Corporation v. PCCI.

Baxter Healthcare Corp. had filed a patent infringement case on PCCI. PCCI has also filed a counter claim for breach of confidentiality agreement. Due to inherent uncertainties of litigation, the legal advisors are unable to provide an estimate or range of potential loss if the outcome is unfavorable to the Company.

ii. PCCI v. Gulf Coast Environmental Systems Inc.

On May 12, 2010, PCCI filed a complaint against Gulf Coast Environmental Inc. relating to faulty thermal oxidizer, alleging four counts a) Failure to satisfy DEP requirements, b) Failure to perform, c) Failure to satisfy express warranties, and d) Quantum Meruit/Unjust enrichment. PCCI seeks approximately \$ 810,000 (Rs. 36.1 Million) plus consequential damages. On Aug 18, 2010 Gulf Coast filed its answer, New Matter and Counter Claim seeking approximately \$ 100,000 (Rs. 4.5 Million) due under the contract, as well as additional unspecified damages and costs of suit.

NOTE O – CONCENTRATION RISK

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations, competition, reliance on certain customers and credit risk.

The Group has concentration in respect of region in which it operates, which is the North American market. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company's cash resources are invested with financial institutions with high investment grade credit ratings. To reduce its credit risk, the Company performs ongoing credit evaluations of customers.

NOTE P – INCOME TAXES

The provision for income tax expense is as follows:

	Year ended December 31, 2010	
	USD	Rs. In Million
State		
Current	5,520	0.2
Deferred	30,512	1.4
Total	36,032	1.6
Federal		
Current	-	-
Deferred	528,284	23.6
Total	528,284	23.6
TOTAL	564,316	25.2

The following is the summary of items giving rise to deferred tax assets:

	As at December 31, 2010	
	USD	Rs. In Million
Current deferred tax asset		
Inventory	929,536	41.5
Accounts receivable	1,277,112	57.0
Accruals & reserves	824,709	36.8
Current deferred tax asset	3,031,357	135.2
Less : Valuation Allowance	(3,031,357)	(135.2)
Current deferred Tax Asset Net	NIL	-
Non-current deferred tax asset		
Net operating losses	13,873,677	618.8
Goodwill and Intangibles	412,087	18.4
Non –current deferred tax asset	14,285,764	637.1
Less : Valuation allowance	(8,641,730)	(385.4)
Non-current deferred tax asset	5,644,034	251.7
Non-current deferred tax liability		
Acquisition Goodwill- RxElite	558,796	24.9
Property, plant and equipment	5,644,034	251.7
Non-current deferred tax liability	6,202,830	276.6
Non-current deferred tax liability, net	558,796	24.9

The Company has net operating loss carry forwards available to reduce future federal income taxes. If not used, the carry forwards will expire as follows:

Year ending December 31,	Net operating loss federal and state	
	USD	Rs in Million
1996	324,805	14.5
1997	164,416	7.3
1998	1,784,411	79.6
1999	468,669	20.9
2000	180,941	8.1
2000	324,805	14.5
2001	324,805	14.5
2002	324,805	14.5
203	324,805	14.5
2004	324,805	14.5
2005	324,805	14.5
2006	324,805	14.5
2007	324,805	14.5
2008	324,805	14.5
2009	9,903,187	441.7
2010	22,827,174	1,018.1
	\$ 38,576,884	1,720.5

The Company has carried forward losses amounting to \$ 38,576,884 (Rs. 1,720.5 Million) as on December 31, 2010 which were available to reduce future federal and state income taxes. Due to application of the change in ownership rules under Internal Revenue Code Section 382, \$ 68,834,817 (Rs. 3,070.0 Million) will expire unused and will not be available for reducing future federal income taxes. As such, these have not been considered in above table and also a deferred tax asset has not been established for such losses.

NOTE Q - EMPLOYEE BENEFITS PLANS

The Company's contributes 100% of the salary deferrals to the extent that they do not exceed 5% of the compensation. The total expense for employee retirement benefit plans for the year ended December 31, 2010 was USD 340,427 (Rs. 15.2 Million) (December 31, 2009:\$ 195,930 (Rs. 8.8 Million)).

NOTE R – RELATED PARTY TRANSACTIONS

The Company had transactions relating to performance of contracted services and resource sharing with following related parties:

- A. Ultimate parent company**
 - 1. Piramal Healthcare Limited, India
- B. Parent company**
 - 1. Piramal Healthcare Inc, USA
- C. Subsidiary**
 - 1. Minrad EU

D. Other related parties where common control exists

1. NPIL Pharma Inc.
2. Piramal Holdings (Suisse) SA, Switzerland
3. Piramal Healthcare Canada Limited

E. Key management personnel

Mr. Rajesh Laddha

	For the year ended 31- Dec-2010		For the year ended 31- Dec-2009	
	USD	Rs. in Million	USD	Rs. in Million
<i>Balances at the end of the year</i>				
Long term debt to				
- Minrad EU.	1,231,535	54.9	1,217,833	54.7
Long term debt from				
- Piramal Healthcare Inc.	100,854,895	4,498.1	62,090,705	2,787.9
- NPIL Pharma Inc.	3,000,000	133.8	3,000,000	134.7
Interest expense payable				
- Piramal Healthcare Inc.	7,377,919	329.1	2,095,986	94.1
- NPIL Pharma Inc	1,182,500	52.7	720,462	32.3
Others				
- Piramal Healthcare Canada Limited	1,850	0.1	-	-
- NPIL Pharma Inc	12,067	0.5	3,486	0.2
- Piramal Healthcare Limited	-1,915,347	(85.4)	-674,338	(30.3)
<i>Transactions during the year</i>				
Loans received				
- Piramal Healthcare Inc.	27,925,000	1,245.5	62,090,705	2,787.9
Interest expense during the year to				
- Piramal Healthcare Inc.	6,863,362	306.1	3,777,494	169.6
- NPIL Pharma Inc.	462,038	20.6	417,944	18.8
Purchases from Piramal Healthcare Limited	1,816,509	81.0	127,511	5.7

Reimbursement of expenses

- Piramal Healthcare Limited	(478,357)	(21.3)	(546,827)	(24.6)
- NPIL Pharma Inc.	123,210	5.5	3,486	0.2
- Piramal Healthcare Canada Limited	1,850	0.1	-	-
- Minrad EU	13,702	0.6	80,109	3.6

The Company files a consolidated federal and state tax return with its parent Company Piramal Healthcare Inc.

These transactions are in the normal course of business operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

NOTE S – COMMON STOCK

The authorized 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.

During the period ending December 31, 2009, the Company accounted for the mergers of Minrad International Inc. into Minrad Inc. and Rx Elite Holdings Inc. and Minrad Inc. as merger of entities under common control. The merger was recorded by issuance of 91 shares of par value \$ 0.01 (\$493,467 (Rs. 22 Million)) and 8 shares of par value \$ 0.01 (\$35,141(Rs. 1.6 Million)) respectively to the holding company Piramal Healthcare Inc. As a result of the reverse merger of Minrad International Inc. into Minrad Inc., Minrad Inc. re-acquired 1 share of par value \$ 0.01 which is treated as treasury stock.

NOTE T – 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 USD = Rs. 44.6 (Previous Year 1 USD = Rs. 44.9). The convenience translation should not be construed as representation that the Indian Rupee amounts or the USD amount referred to in these financial statements have been or could have been or could in the future be converted into USD or INR, as the case may be, at this or any other rate of exchange, or at all.