

COMPANY REGISTRATION NUMBER 05370591

PIRAMAL HEALTHCARE UK LTD
FINANCIAL STATEMENTS
31 DECEMBER 2010

PIRAMAL HEALTHCARE UK LTD

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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PIRAMAL HEALTHCARE UK LTD

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements of the company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be that of distribution, manufacturing and packaging of chemical intermediates and finished product for the pharmaceutical industry.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The profit for the year, after taxation, amounted to £5,195,957 ([Rs. 372.45 Million]) (2009 loss: £628,971 [Rs.43.15 Million]). This includes an exceptional gain totalling £841,067 [Rs. 60.29 Million] (2009: expense £9,674,468 [Rs.663.67 Million]).

The directors consider the financial position of the company to be satisfactory and that during the year the business has been developed further.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors make use of the parent company's risk management team to monitor and where possible mitigate the risks faced by the business. This includes foreign exchange risk and interest rate risks. Foreign exchange risks are managed by utilising forward currency contracts, notably between the US dollar and sterling. The company has interest rate exposure on its long term debt and is mitigating this by paying down large proportions when LIBOR is at low levels.

DIRECTORS

The directors who served the company during the period were as follows:

Mr A Piramal
Mr N Santhanam
Mr A Walker
Ms N Piramal

The company is a wholly owned subsidiary of Piramal Life Sciences (UK) Limited, a company incorporated in England.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employee

PIRAMAL HEALTHCARE UK LTD

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

EMPLOYEE CONSULTATIONS

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. The employees (or their representatives) are consulted regularly on wide range of matters affecting their current and future interests.

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The maximum time period the company took to pay its suppliers in the year to 31 December 2010 was 90 days (2009 – 90 days).

RESEARCH AND DEVELOPMENT

The Company is committed to a program of continued improvement of the existing product range.

AUDITOR

Kajaine Limited resigned as auditors during the year and KNAV UK Limited were appointed in their place. KNAV UK Limited is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Registered office:
Piramal Healthcare UK Ltd
Whalton Road
Morpeth
Northumberland
NE61 3YA

Signed on behalf of the directors

MR N SANTHANAM
Director and Company Secretary

Approved by the directors on 30th March, 2011.

PIRAMAL HEALTHCARE UK LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2010

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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

PIRAMAL HEALTHCARE UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIRAMAL HEALTHCARE UK LTD YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Piramal Healthcare UK Limited for the year ended 31 December 2010, the profit and loss account, the balance sheet, the Statement of total recognised gains and losses 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 auditor's 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, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by 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 company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

PIRAMAL HEALTHCARE UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIRAMAL HEALTHCARE UK LTD (Continued) YEAR ENDED 31 DECEMBER 2010

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

Amanjit Singh (senior statutory auditor)

For and on behalf of KNAV UK Limited
Chartered Accountants and Statutory Auditor
1st Floor
Alpine House Unit 2
Honeypot Lane
London
NW9 9RX

30th March, 2011.

PIRAMAL HEALTHCARE UK LTD

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	Note	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
		£	Rs. In Million	£	Rs. In Million
TURNOVER	2	60,260,951	4,319.50	64,076,057	4,395.62
Cost of sales		24,356,595	1,745.88	24,395,426	1,673.53
GROSS PROFIT		35,904,356	2,573.62	39,680,631	2,722.09
Distribution costs		603,889	43.29	945,411	64.86
Administrative expenses					
– Normal		31,003,182		32,391,287	
– Exceptional	8	<u>(841,067)</u>		<u>413,012</u>	
		30,162,115	2,162.02	32,804,299	2,250.37
Other operating income	3	-		(2,000)	(0.14)
OPERATING PROFIT	4	5,138,352	368.32	5,932,921	407.00
Interest payable and similar charges	7	31,715	2.27	403,054	27.65
Loss on disposal of fixed assets	8	-	-	2,743,428	188.20
Loss on closure of an operation	8	-	-	6,299,264	432.13
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		5,106,637	366.04	(3,512,825)	(240.98)
Tax on profit/(loss) on ordinary activities	9	89,320	6.40	2,883,854	197.83
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		5,195,957	372.45	(628,971)	(43.15)

All of the activities of the company are classed as continuing.

PIRAMAL HEALTHCARE UK LTD**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****YEAR ENDED 31 DECEMBER 2010**

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Profit / (Loss) for the financial year attributable to the shareholders	5,195,957	372.45	(628,971)	(43.15)
Total actuarial gains / (losses)	26 2,552,000	182.93	(454,000)	(31.14)
Change in irrecoverable surplus	26 (5,410,000)	(387.79)	-	-
	(2,858,000)	(204.86)	(454,000)	(31.14)
Total gains and losses recognised relating to the year	<u>2,337,957</u>	<u>167.58</u>	<u>(1,082,971)</u>	<u>(74.29)</u>

PIRAMAL HEALTHCARE UK LTD

BALANCE SHEET

31 DECEMBER 2010

	Note	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
		£	Rs. In Million	£	Rs. In Million
FIXED ASSETS					
Intangible assets	11	1,998,048	143.22	2,157,892	148.03
Tangible assets	10	15,429,844	1,106.01	13,710,915	940.57
Investments	12	-	-	-	-
		17,427,892	1,249.23	15,868,807	1,088.60
CURRENT ASSETS					
Stocks	13	12,153,159	871.14	11,540,286	791.66
Debtors due within one year	14	14,379,124	1,030.70	12,167,393	834.68
Debtors due after more than one year	14	8,526,509	611.18	6,811,989	467.30
Deferred tax asset		6,236,294	447.02	6,236,294	427.81
Cash at bank and in hand		253	0.02	527	0.04
		41,295,339	2,960.05	36,756,489	2,521.50
CREDITORS:					
Amounts falling due within one year	15	19,788,054	1,418.41	12,811,824	878.89
NET CURRENT ASSETS		21,507,285	1,541.64	23,944,665	1,642.60
TOTAL ASSETS LESS CURRENT LIABILITIES		38,935,177	2,790.87	39,813,472	2,731.20
CREDITORS:					
Amounts falling due after more than one year	16	19,603,141	1,405.15	21,811,989	1,496.30
		19,332,036	1,385.72	18,001,483	1,234.90
PROVISIONS FOR LIABILITIES	18	49,580	3.55	1,286,664	88.27
		19,282,456	1,382.17	16,714,819	1,146.64
PENSION ASSET	26	727,920	52.18	957,600	65.69
		20,010,376	1,434.34	17,672,419	1,212.33
CAPITAL AND RESERVES					
Called-up equity share capital	21	17,672,501	1,266.76	17,672,501	1,212.33
Profit and loss account	22	2,337,875	167.58	(82)	(0.01)
EQUITY SHAREHOLDERS' FUNDS	23	20,010,376	1,434.34	17,672,419	1,212.33

These financial statements were approved by the directors on the 30th March, 2011 and are signed on their behalf by:

MR A WALKER

MR N SANTHANAM

The notes on page 9 to 25 form part of these financial statements.

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the non-EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. The accounts therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary and its ultimate parent, Piramal Healthcare Limited (see note 25) publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents income recognised during the year, exclusive of Value Added Tax, in line with the company's revenue policy to recognise revenue at the point where title of the goods passes.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be reliably measured on initial recognition. Intangible assets are amortised on a straight line basis over their estimated useful economic lives. The directors have estimated the useful economic life as 15 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight line basis, over the useful economic life of that asset as follows:

Buildings	10 years and 33 years
Plant, machinery and equipment	10 years and 12 years
Motor vehicles	4 years

Land and assets in the course of construction are not depreciated. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

PIRAMAL HEALTHCARE UK LTD**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010****1. ACCOUNTING POLICIES (*continued*)****Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Environmental liabilities

The company is exposed to environmental liabilities relating to operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

Pension costs

The company operates both Defined Benefit and Defined Contribution scheme. The assets of the schemes are held separately from those of the Company. In the case of defined benefit schemes, assets are measured using market values. Liabilities are measured using a project unit method and discounted at the current rate of return of high quality corporate bond of equivalent term and currency. Costs and liabilities are assessed in accordance with the advice of independent qualified actuaries. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. In the case of Defined Contribution schemes, the amount charged to profit and loss account represents the contributions payable to the scheme in the period.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at forward rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when a present obligation exists as a result of a past event, if it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
United Kingdom	7,561,239	541.99	6,998,329	480.09
Europe	21,002,737	1,505.48	29,833,758	2,046.60
Rest of World	31,696,975	2,272.04	27,243,970	1,868.94
	60,260,951	4,319.50	64,076,057	4,395.62

3. OTHER OPERATING INCOME

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Profit on disposal of fixed assets	-	-	2,000	0.14
	-	-	2,000	0.14

PIRAMAL HEALTHCARE UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

4. OPERATING PROFIT

Operating profit is stated after charging/ (crediting):

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Depreciation of owned fixed assets	837,173	60.01	1,071,841	73.53
Amortisation of intangibles	159,844	11.46	135,771	9.31
Profit on disposal of fixed assets	-	-	2,000	0.14
Auditor's remuneration	64,250	4.61	40,000	2.74
Hire of plant and machinery	78,563	5.63	131,870	9.05
Operating lease rentals				-
- land and buildings	214,862	15.40	250,169	17.16
- others	223,428	16.02	99,489	6.82
Exceptional items (note 8)	(841,067)	(60.29)	413,012	28.33
Net (gain) / loss on foreign currency translation	(109,870)	(7.88)	438,215	30.06

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	Year to 31 Dec 10 No	Year to 31 Dec 09 No
Sales and marketing	9	5
Research and development	3	24
Manufacturing	348	357
Administration	46	55
	<u>406</u>	<u>441</u>

The aggregate payroll costs of the above were:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Wages and salaries	16,993,182	1,218.07	16,612,278	1,139.60
Social security costs	1,505,688	107.93	1,355,814	93.01
Other pension costs	831,374	59.59	1,011,269	69.37
	<u>19,330,244</u>	<u>1,386</u>	<u>18,979,361</u>	<u>1,302</u>

PIRAMAL HEALTHCARE UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Emoluments receivable	192,722	13.81	205,040	14.07
Pension contributions	13,171	0.94	9,230	0.63
	205,893	14.76	214,270	14.70

Retirement benefits are accruing for one director.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Interest payable on bank overdraft	83,846	6.01	190,446	13.06
Interest payable to fellow group undertaking	245,869	17.62	336,608	23.09
Pension finance charge (note 26)	(298,000)	(21.36)	(124,000)	(8.51)
	31,715	2.27	403,054	27.65

8. EXCEPTIONAL ITEMS

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Exceptional items are as shown below:				
Pension curtailment gain (a)	(1,500,000)	(107.52)	-	-
Restructuring costs (b)	658,938	47.23	631,776	43.34
Staff Retainment Bonus (c)	-	-	(218,764)	(15.01)
Within administrative expenses	(841,067)	(60.29)	413,012	28.33
Loss of disposal of fixed assets (d)	-	-	2,743,428	188.20
Loss of closure of an operation (d)	-	-	6,299,264	432.13
	-	-	9,042,692	620.33

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

- (a) During the year changes were made to the Defined Benefit pension fund resulting in a reduction in the pension fund liabilities (note 26)
- (b) During the year, management instigated procedures to reduce staff numbers voluntarily and through a redundancy process. Similar costs were charged in 2009.
- (c) The staff retainment bonus was adjusted during the year to reflect the reduction in staff.
- (d) During the prior year, the directors closed part of the UK operations, resulting in redundancy costs, pension curtailment gain (note 26), stock and fixed asset write downs and other closure costs.

8. EXCEPTIONAL ITEMS *(continued)*

The above exceptional items have the following aggregate tax effect:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Reduction in tax charge	184,502	13.23	2,647,597	181.63

9. TAXATION ON ORDINARY ACTIVITIES

(a) Current Tax:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
UK corporation tax on profits of period	-	-	-	-
Total current tax	-	-	-	-
Deferred Tax:				
Current year	89,320	6.40	2,883,854	206.71
Total deferred tax	89,320	6.40	2,883,854	206.71
Tax on profit on ordinary activities	89,320	6.40	2,883,854	206.71

PIRAMAL HEALTHCARE UK LTD**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010**

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax 28% (2009 28%) as explained below:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Profit / (loss) on ordinary activities before tax	5,106,637	366.04	(3,512,825)	(240.98)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax 28% (2008 – 28%)	1,429,858	102.49	(983,591)	(67.47)
Effects of:		-		-
Expenses not deductible for tax purposes	29,697	2.13	(5,184)	(0.36)
Capital Allowances less than depreciation	187,149	13.41	820,714	56.30
Other timing differences	(124,054)	(8.89)	(23,523)	(1.61)
FRS17 adjustment	(509,320)	(36.51)	(343,560)	(23.57)
Losses utilised	(1,013,330)	(72.64)	-	-
Unutilised losses carried forward	-	-	535,144	36.71
Current tax charge for the period	-	-	-	-

9. TAXATION ON ORDINARY ACTIVITIES (continued)

(c) Factors that may affect future tax charges.

The company has tax losses of £33,862,827 [Rs. 2,427.29 Million] (2009: £37,481,863 [Rs.2,571.25 Million]) carried forward for use against future profits of the same trade, plus non trade loan relationship debits of £984,702 [Rs. 70.58 Million] (2009: £984,702 [Rs.67.55 Million]) carried forward for use against future non-trading profits and capital losses of £137,243 [Rs. 9.84 Million] (2009: £137,243 [Rs.9.41 Million]). Capital allowances have not been claimed on eligible expenditure amounting to £18,672,180 [Rs. 1,338.42 Million] (2009: £16,244,503 [Rs.1,114.37 Million]). The company expects to be able to claim capital allowances in excess of depreciation in future years. Further short term timing differences exist at the year end which amount to £49,950 [Rs. 3.58 Million] (2009: £493,000 [Rs.33.82 Million]).

PIRAMAL HEALTHCARE UK LTD**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010**

(d) Provision for deferred tax asset / (liability) has been made as follows:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Unutilised losses carried forward	6,236,294	447.02	6,236,294	427.81
FRS17 short term timing differences (note 26)	(283,080)	(20.29)	(372,400)	(25.55)
	5,953,214	426.73	5,863,894	402.26

10. TANGIBLE FIXED ASSETS

	Land and building £	Plant & Machinery £	Plant & machinery under construction £	Motor Vehicles £	Total £
COST					
At 1 January 2010	8,479,545	7,003,017	471,044	25,950	15,979,556
Additions	-	114,482	2,454,238	-	2,568,720
Transfers/ Adjustments	-	2,392,126	(2,392,126)	-	-
Write Off	-	(9,876)	-	-	(9,876)
At 31 December 2010	8,479,545	9,499,749	533,156	25,950	18,538,398
Rs. In Million	607.81	680.94	38.22	1.86	1,328.83
DEPRECIATION					
At 1 January 2010	289,691	1,958,352	-	20,598	2,268,641
Charge for the year	86,493	745,328	-	5,352	837,173
Transfers/ Adjustments	10,779	(10,779)	-	-	-
Write Off	-	2,740	-	-	2,740
At 31 December 2010	386,963	2,695,641	-	25,950	3,108,554
Rs. In Million	27.74	193.22	-	1.86	222.82
NET BOOK VALUE					
At 31 December 2010	8,092,582	6,804,108	533,156	-	15,429,844
Rs. In Million	580.08	487.72	38.22	-	1,106.01
At 31 December 2009	8,289,223	4,945,278	430,472	45,942	13,710,915
Rs. In Million	568.64	339.25	29.53	3.15	940.57

PIRAMAL HEALTHCARE UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

11. INTANGIBLE ASSETS

	Year to 31 Dec. 2010	
	£	Rs. In Million
COST		
At 1 January 2010	2,397,660	171.86
At 31 December 2010	2,397,660	171.86
AMORTISATION		
At 1 January 2010	239,766	17.19
Charge for the year	159,883	11.46
At 31 December 2010	399,610	28.64
NET BOOK VALUE		
At 31 December 2010	1,998,048	143.22
At 31 December 2009	2,157,892	148.03

The intangible asset relates to the purchase of the customer database, distribution agreements and market authorisations for the Haemacel brand, a plasma expander.

12. INVESTMENTS

	Year to 31 Dec. 2010	
	£	Rs. In Million
INVESTMENTS		
Unquoted Investments		
COST		
At 1 January 2010 and 31 December 2010	1,500,002	107.52
PROVISIONS		
At 1 January 2010 and 31 December 2010	1,500,002	107.52
NET BOOK VALUE		
At 31 December 2010	-	-
At 31 December 2009	-	-

PIRAMAL HEALTHCARE UK LTD**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010**

The company owns 100% of the issued share capital of the following UK registered companies.

Company name	Nature of Business
Piramal Healthcare Pension Trustees Limited	Dormant
Piramal Healthcare (France) Limited	Marketing/Sales agents

13. STOCKS

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Raw materials	6,953,644	498.44	4,522,707	310.26
Work in progress	4,673,255	334.98	6,171,367	423.36
Finished goods	526,260	37.72	846,212	58.05
	12,153,159	871.14	11,540,286	791.66

14. DEBTORS

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Due within one year:				
Trade debtors	12,203,767	874.77	9,840,116	675.03
Amounts owed by fellow group undertakings	422,295	30.27	208,606	14.31
Other debtors and prepayment	1,753,062	125.66	2,118,671	145.34
	14,379,124	1,030.70	12,167,393	834.68
Due after more than one year:				
Loan to fellow group undertakings	8,526,509	611.18	6,811,989	467.30
	8,526,509	2,672.57	6,811,989	2,136.67

PIRAMAL HEALTHCARE UK LTD**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010****15. CREDITORS: Amounts falling due within one year**

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Bank overdrafts (a)	1,553,069	111.32	3,563,070	244.43
Current instalments due on bank loan (note 17)	4,333,333	310.61	-	-
Trade creditors	2,555,378	183.17	3,194,442	219.14
Amounts owed to group ultimate parent undertaking	905,706	64.92	28,729	1.97
Amounts owed to fellow group undertakings	2,178,419	156.15	1,867,562	128.11
Other creditors including taxation and social security:		-		-
PAYE and social security	447,269	32.06	468,716	32.15
VAT	752,397	53.93	0	-
Accruals and deferred income	7,062,482	506.24	3,689,305	253.09
	19,788,054	1,418.41	12,811,824	878.89

(a) Bank overdraft of £1,553,069 [Rs. 111.32 Million] (2009 - £3,563,070 [Rs.244.43 Million]) is secured by fixed and floating charges over the freehold and leasehold property and all other assets owned by the company.

16. CREDITORS: Amounts falling due after more than one year

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Bank Loan (note 17)	12,583,333	901.97	-	-
Loan from intermediate parent undertaking	7,019,808	503.18	21,811,989	1,496.30
	19,603,141	1,405.15	21,811,989	1,496.30

The loan of £7,019,808 [Rs. 503.18 Million] (2009 – £21,811,989 [Rs.1,496.30 Million]) from Piramal Holdings (Suisse) SA is unsecured and repayable in 2012. The loan bears interest of 2.57%.

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

17. LOANS

The bank loan of £16,916,667 [Rs. 1,212.59 Million] (2009 – NIL) is secured by fixed and floating charges over the freehold and leasehold property and all other assets owned by the company, and is repayable by 31 December 2014. The loan bears interest at 1.60% over LIBOR.

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Amounts falling due:				
Within 1 year (note 15)	4,333,333	310.61	-	-
Between 1 and 2 years	4,333,333	310.61	-	-
Between 2 and 5 years	8,250,001	591.36	-	-
	16,916,667	1,212.59	-	-

18. OTHER PROVISIONS

	Year to 31 Dec. 2010	
	£	Rs. In Million
Building demolition provision		
Balance brought forward	450,000	32.26
Utilised during the year	(450,000)	(32.26)
Arising during the year	20,000	1.43
Balance carried forward	20,000	1.43
Restructuring costs provision:		
Balance brought forward	836,664	59.97
Utilised during the year	(776,397)	(55.65)
Released to profit and loss account	(30,687)	(2.20)
Balance carried forward	29,580	2.12
Provisions at 31 December 2010	49,580	3.55
Provisions at 31 December 2009	1,286,664	88.27

The provisions are due to be paid within 1 year

19. CONTINGENCIES

At the balance sheet date the following contingent liabilities existed:

Guarantee by the bank in favour of H M Customs & Excise for £300,000 [Rs. 21.5 Million] (2009: £200,000[Rs.13.72 Million]).

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption allowed by Financial Reporting Standard No 8 "Related party disclosures", not to disclose any transactions with group companies on the basis that it is a wholly owned subsidiary. Any amounts due to and from related undertakings have been disclosed. There are no other related party transactions.

21. SHARE CAPITAL

Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
Ordinary shares of £1 each	<u>17,672,501</u>	<u>17,672,501</u>	<u>17,672,501</u>	<u>17,672,501</u>
Rs. In Million		1,266.76		1,212.33

22. PROFIT AND LOSS ACCOUNT

	2010		2009	
	£	Rs. In Million	£	Rs. In Million
Balance at 1 January	(82)	(0.01)	1,082,889	74.29
Profit / (loss) for the year	5,195,957	372.45	(628,971)	(43.15)
Statement of total recognised gains and losses	(2,858,000)	(204.86)	(454,000)	(31.14)
Balance as at 31 December	2,337,875	167.58	(82)	(0.01)

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010		2009	
	£	Rs. In Million	£	Rs. In Million
Profit / (loss) for the Financial Year	5,195,957	372.45	(628,971)	(43.15)
Statement of total recognised gains and losses	(2,858,000)	(204.86)	(454,000)	(31.14)
Total Gains & Losses Recognised	2,337,957	167.58	(1,082,971)	(74.29)
Opening Shareholders' funds	17,672,419	1,266.76	18,755,390	1,286.62
Closing Shareholders' funds	20,010,376	1,434.34	17,672,419	1,212.33

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

24. COMMITMENTS

(a) At 31 December 2010 the company had annual commitments under non cancellable operating leases as follows:

Operating Leases Expiring:	2010		2009	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Within 1 year	26,680	39,681	-	77,716
Between 2 – 5 years	43,000	73,205	-	-
Greater than 5 years	144,868	106,968	170,064	102,418
	<u>214,548</u>	<u>219,854</u>	<u>170,064</u>	<u>180,134</u>
Rs. In Million	15.38	15.76	12.19	12.91

(b) The Company has capital commitments, contracted for but not provided, of £817,560 [Rs. 58.6 Million] as at 31 December 2010 (2009: £1,180,030 [Rs.80.95 Million]).

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Piramal Life Sciences (UK) Limited which is incorporated in the United Kingdom.

The ultimate parent undertaking is Piramal Healthcare Limited, a company incorporated in India.

The smallest and the largest group for which consolidated financial statements are publicly available, is that group headed by the ultimate parent undertaking, Piramal Healthcare Limited. Copies of these accounts can be obtained from Piramal Healthcare Limited, D-Mart Building, Goregaon-Mulund Link Road, Mulund West, Mumbai 400080, India.

There is no overall controlling party.

26. PENSIONS

Piramal Healthcare UK Limited sponsors a defined benefit retirement plan. The plan also has a defined contribution section where the level of company contribution is fixed at a set level or percentage of employees pay. In the defined benefit section, the benefits are based on employees' years of service and final remuneration. The plan is funded through a separate trustee-administered fund. The pension cost for the main defined benefit plans is established in accordance with the advice of independent qualified actuary.

The contribution rate currently payable by the employer is 23% of pensionable salaries plus defined contributions payable to members of the Fund. The latest formal funding valuation of the Fund was carried out with the effective date of 31 December 2008. The information provided below on the pension scheme has been provided by Hewitt Associates, a firm of independent actuaries in their report of the scheme dated 25 February 2011.

PIRAMAL HEALTHCARE UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

26. PENSIONS (continued)

The company accounts for pension costs in accordance with FRS 17 'Retirement benefits'.

Major assumptions	31 Dec 10	31 Dec 09
Rate of general increase in salaries	1.15%	4.6%
Rate of increase to pensions in payment	3.3%	3.4%
Discount rate for plan liabilities	5.3%	5.7%
CPI inflation	2.6%	N/A
RPI Inflation	3.5%	3.6%

The assets in the schemes and the expected rate of return were:

	Long Term rate of return expected 31 Dec 10	Value as at 31 Dec 10 £ Million	Value as at 31 Dec 10 Rs. Million	Long Term rate of return expected 31 Dec 10	Value as at 31 Dec 10 £ Million	Value as at 31 Dec 10 Rs. Million
Equities	8.00%	12.29	880.95	8.25%	10.75	737.45
Government Bonds (index-linked)	4.00%	0.01	0.72	4.25%	0.03	2.06
Corporate Bonds	5.00%	30.74	2,203.44	5.50%	28.48	1,953.73
Property	7.70%	0.97	69.53	N/A	-	-
Other	1.50%	0.15	10.75	1.20%	0.13	8.92
Market value of asset		44.16	3,165.39		39.39	2,702.15
Present value of scheme liabilities		(37.74)	(2,705.20)		(38.06)	(2,610.92)
Surplus in Fund		6.42	460.19		1.33	91.24
Unrecognised asset		(5.41)	(387.79)		-	-
Gross Pension Asset		1.01	72.40		1.33	91.24
Related deferred tax liability		(0.28)	(20.07)		(0.37)	(25.38)
Net Pension Asset		0.73	52.33		0.96	65.86

The pension asset recognised during the year has been limited to £1.01m [Rs. 72.4 Million] as required by FS17 paragraph 41. The unrecognised amount of £5.41m [Rs. 387.79 Million] has been taken to the Statement of total recognised gains and losses.

PIRAMAL HEALTHCARE UK LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

26. PENSIONS (continued)

Movement of surplus during the period:

	Year to 31 Dec. 2010	
	£ In Million	Rs. In Million
Opening Surplus	1.30	93.18
Current service cost	(0.20)	(14.34)
Company contributions	0.90	64.51
Curtailement Gain	1.50	107.52
Actuarial gain	2.60	186.37
Other Financial Gains	0.30	21.50
Surplus at period end	6.40	458.75

Analysis of amounts charged to operating profit:

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£ In Million	Rs. In Million	£ In Million	Rs. In Million
Current Service Cost	0.20	14.34	0.30	20.58
Past Service Cost	-	-	0.80	54.88
	0.20	14.34	1.10	75.46

Analysis of amounts included in other financing charge/(credit):

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£ In Million	Rs. In Million	£ In Million	Rs. In Million
Interest Cost	2.10	150.53	2.10	144.06
Expected Return on asset	(2.40)	(172.03)	(2.20)	(150.92)
	(0.30)	(21.50)	(0.10)	(6.86)

Analysis of amounts included in exceptional items

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£ In Million	Rs. In Million	£ In Million	Rs. In Million
Curtailement gain	(1.50)	(107.52)	(1.00)	(68.60)
	(1.50)	(107.52)	(1.00)	(68.60)

PIRAMAL HEALTHCARE UK LTD**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2010****26. PENSIONS (continued)****Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)**

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£ In Million	Rs. In Million	£ In Million	Rs. In Million
Actual return less expected return on pension scheme assets	2.50	179.20	1.10	75.46
Change in irrecoverable surplus, effect of limit	(5.40)	(387.07)	-	-
Experience gains and losses arising on pension scheme liabilities	-	-	3.70	253.82
Changes in assumptions underlying the present value of the scheme liabilities	-	-	(5.30)	(363.58)
	(2.90)	(207.87)	(0.50)	(34.30)

Piramal Healthcare UK Pension Fund

Piramal Healthcare UK Pension Fund employs a building block approach in determining the long-term rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the asset allocation for the Fund.

Note:

The financial statements have been converted into Indian Rupees for the sole purpose of convenience of the reader at the rate of 1 GBP = Rs. 71.68 (Previous Year 1 GBP = Rs. 68.6). The convenience translation should not be construed as representation that the Indian Rupee amounts or the GBP amount referred to in these financial statements have been or could have been or could in the future be converted into GBP or INR, as the case may be, at this or any other rate of exchange, or at all.

PIRAMAL HEALTHCARE UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 4 to 5.

PIRAMAL HEALTHCARE UK
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2010

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
TURNOVER	60,260,951	4,319.50	64,076,057	4,395.62
COST OF SALES		-		-
Opening stock - raw materials	4,522,707	324.19	6,723,404	461.23
Opening work-in-progress	6,171,367	442.36	4,305,830	295.38
Opening stock - finished goods	846,212	60.66	4,344,162	298.01
Purchases	24,908,719	1,785.46	20,059,880	1,376.11
Direct costs	60,749	4.35	502,436	34.47
	36,509,755	2,617.02	35,935,712	2,465.19
Closing stock - raw materials	(6,953,644)	(498.44)	(4,522,707)	(310.26)
Closing work-in-progress	(4,673,255)	(334.98)	(6,171,367)	(423.36)
Closing stock - finished goods	(526,260)	(37.72)	(846,212)	(58.05)
	24,356,595	1,745.88	24,395,426	1,673.53
		-		-
GROSS PROFIT	35,904,356	2,573.62	39,680,631	2,722.09
		-		-
OVERHEADS		-		-
Distribution costs	603,889	43.29	945,411	64.86
Administrative expenses	30,162,116	2,162.02	32,804,299	2,250.37
Other operating income	-	-	(2,000)	(0.14)
	30,766,004	2,205.31	33,747,710	2,315.09
		-		-
OPERATING PROFIT	5,138,352	368.32	5,932,921	407.00
		-		-
Amounts written off investments	-	-	-	-
Interest payable and similar charges	31,715	2.27	403,054	27.65
Exceptional items	-	-	9,042,692	620.33
		-		-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5,106,637	366.04	(3,512,825)	(240.98)

PIRAMAL HEALTHCARE UK

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

DISTRIBUTION COSTS

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Freight and carriage	364,219	26.11	481,315	33.02
Commissions paid	239,669	17.18	464,096	31.84
	603,889	43.29	945,411	64.86

ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Personnel costs				
Directors salaries	192,722	13.81	205,040	14.07
Directors pension contributions	13,171	0.94	9,230	0.63
Wages and salaries	16,698,635	1,196.96	16,407,238	1,125.54
Employers national insurance contributions	1,505,688	107.93	1,355,814	93.01
Staff pension contributions	818,203	58.65	1,002,039	68.74
Other	101,825	7.30	-	-
	19,330,244	1,385.59	18,979,361	1,360.44
		-		-
Establishment expenses				
Site management and service charges	393,643	28.22	1,548,993	106.26
Rates and water	544,877	39.06	638,408	43.79
Light and heat	1,678,134	120.29	1,862,607	127.77
Insurance	801,831	57.48	852,442	58.48
Repairs and maintenance	1,639,220	117.50	1,910,414	131.05
Engineering expenses	-	-	23,019	1.58
Waste disposal and cleaning	612,500	43.90	765,374	52.50
	5,670,205	406.44	7,601,257	544.86
		-		-
General expenses				
Motor, travel and subsistence	445,319	31.92	583,734	40.04
Printing, postage and stationery	86,243	6.18	102,695	7.04
Hire of equipment	78,563	5.63	131,870	9.05
Information technology cost	433,395	31.07	427,308	29.31
Books and periodicals	13,994	1.00	20,390	1.40
Staff training	157,457	11.29	184,355	12.65
Staff welfare	114,068	8.18	74,741	5.13
Staff recruitment	60,447	4.33	198,375	13.61
Donations	32,899	2.36	4,848	0.33

PIRAMAL HEALTHCARE UK

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

ADMINISTRATIVE EXPENSES (Continued)	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	£	Rs. In Million	£	Rs. In Million
Lab consumables	687,371	49.27	-	-
Miscellaneous	89,563	6.42	-	-
Subscriptions and licenses	67,973	4.87	123,262	8.46
Trademarks and patent costs	-	-	36,146	2.48
Courses and conferences	-	-	43,281	2.97
Advertising	473,909	33.97	308,234	21.14
Entertaining	164,791	11.81	130,595	8.96
Bad Debt	19,113	1.37	126,877	8.70
Legal and professional fees	1,597,455	114.51	1,302,224	89.33
Accountancy fees	64,250	4.61	61,337	4.21
Royalties	114,225	8.19	245,566	16.85
Depreciation of land and building	85,330	6.12	85,329	5.85
Depreciation of plant and machinery	751,841	53.89	986,512	67.67
Amortization of Intangible assets	159,844	11.46	135,771	9.31
Depreciation of motor vehicles	-	-	-	-
	5,698,050	408.44	5,313,450	364.50
Financial costs				
Foreign currency (gains)/losses	(109,870)	(7.88)	438,215	30.06
Bank Charges	414,551	29.72	59,004	4.05
	304,682	21.84	497,219	34.11
Exceptional Items	(841,067)	(60.29)	413,012	28.33
		-		-
	30,162,116	2,162.02	32,804,299	2,332.24