

Company Registration No. 02992795

RANBAXY (U.K.) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Ranbaxy (U.K.) Limited

COMPANY INFORMATION

DIRECTORS

Mr D Dasgupta
Mr O Sethi - resigned 25th January 2011
Mr N Bradford

REGISTERED OFFICE

Building 4, Chiswick Park, 566 Chiswick High Road,
London
W4 5YE

BANKERS

HSBC Bank Plc
92 Kensington High Street
Kensington
London
W8 4SH

SOLICITORS

Stevens & Bolton
The Billings
Guildford
Surrey
GU1 4YD

AUDITORS

KPMG LLP
Registered Auditors
15 Canada Square
London
E14 5GL

COMPANY NUMBER

02992795

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2010.

1. PRINCIPAL ACTIVITY

The company's principal activity comprises the distribution of generic and branded generic pharmaceuticals to wholesalers and pharmacy chains.

2. RESULTS AND DIVIDENDS

The directors report the result for the year as shown in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend (2009 - £nil) as the funds of the company are fully employed.

3. REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

Financial overview

Turnover for the year ended 31 December 2010 declined 4.4% from the prior year at £19.9m [IN INR 1411.30 Mn] (2009: £20.8m [INR 1475.18 m]). Gross profit declined on last year by 7.6 % with a gross margin of 20.5% (2009: 21.3 %). The profit before tax for the year was £0.2m [INR 14.2m] compared to a profit of £1.3m [92.2m] during 2009.

Turnover

Turnover in the generics division was £18.4m [INR 1305.0m] (2009: £18.7m [INR1326.2m]). There was continued price pressure on some existing molecules however this was largely offset by the successful launch of further new molecules during the year.

Branded sales declined to £1.5m [INR 106.4m] from £2.2m [INR 156.0m] during 2009, a decline of 32% due to the termination of a significant products during the first quarter of 2009. Remaining key products have experienced growth and a strong operating profit has been achieved.

Gross Profit

The overall gross profit margin declined on last year. This is largely due continued pressure on the price of existing generic products. The company continues to focus on driving profitability by bringing new molecules to market.

Operating Costs

In line with strategy, resources continue to be utilised in bringing products to market for which the company will benefit in the years to come. The company continues to monitor its cost base to ensure profitability is maximised. Administrative costs have reduced by 22% compared to prior year and distribution costs have reduced by 10%.

Financial Position

The financial position of the company remains strong with £5m [INR 349.7m] net current assets (2009: £4.6m [INR 321.7m]) with net assets of £5.9m [INR 412.6m] (2009: £5.7m [398.6m]) This is reflective of there being minimal changes in the nature of the business and of net profits earned during the year.

Strategy

The company continues to focus on delivering results. Resources have been directed to ensure that future launches are forthcoming and that the company reaches the market at the earliest opportunity. This drive has resulted in new launches in 2010 with further launches expected in 2011. The company is focusing on its Generics division and has achieved a more efficient and stream-lined operation improving profitability and will continue to identify and implement where possible further opportunities.

Principal risks and uncertainties

The industry in which the company operates is subject to regulation. Potential future changes in such regulation may impact the company's ability to generate income, either through decreased revenues, increased expenditure or a combination of both. Failure to comply with relevant laws and regulations can potentially result in the suspension of sales. Management aims to mitigate such potential risk by ensuring that the customer base is adequately informed of the impact of any changes to regulations. As a result we believe the transition to any potential new legislation will have minimal impact on revenues. The company makes every effort to comply with relevant laws and regulations and internal reviews are conducted to ensure compliance.

The directors recognise that increased competition has put pressure on our prices and margins. We believe that continued investment in our product range with particular emphasis on developing our supply chain and bringing new products to market, will enable us to maintain and improve on performance.

Strong competition in the generics market results in increased customer credit risk. The company minimises this risk by monitoring customers on an account level basis. The company has been largely unaffected by current economic conditions.

Foreign exchange risk is mitigated as far as possible by hedging costs against income streams in respective currencies. Foreign exchange risk arises from the purchase of some third party stocks in EUR. These stocks make up a relatively small proportion of total stocks. Ranbaxy (U.K.) Limited conducts certain regulatory activities on behalf of other Ranbaxy European entities. These services are transacted in currencies other than GBP however, costs are ultimately borne by entities receiving benefits.

Interest rates are regularly monitored in relation to the company's financing to minimise exposure in the event of interest rate

DIRECTORS' REPORT (Continued)

4. DIRECTORS AND DIRECTORS' INTERESTS

The present directors of the company are set out on Page 2 .

The directors who held office during the year are as follows:

Mr D Dasgupta
Mr O Sethi - resigned 25th January 2011
Mr N Bradford

None of the directors hold or had any interest in the shares of the company during the year under review.

None of the directors held any right to subscribe for shares in the company.

None of the directors who held office during the year held any shares in Ranbaxy (Netherlands) BV, the holding company.

5. AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

6. DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

7. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

This report was approved by the Board on 9th March 2011.

On behalf of the Board

Sd/-

Mr Nevin Bradford

Director

Independent auditors' report to the members of Ranbaxy (U.K.) Limited

We have audited the financial statements of Ranbaxy (UK) Limited for the year ended 31 December 2010 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

Sd/-

I K Bone (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
9th March 2011

Profit & Loss Account
For the year ended 31 December 2010

	<i>Notes</i>	2010 £	2010 INR	2009 £	2009 INR
Turnover	2	19,918,159	1,412,635,390	20,827,713	1,477,142,766
Cost of Sales		(15,825,042)	(1,122,343,404)	(16,398,292)	(1,162,999,433)
Gross Profit		4,093,117	290,291,986	4,429,421	314,143,333
Distribution costs		(944,321)	(66,973,121)	(1,048,856)	(74,386,950)
Administrative expenses		(2,024,669)	(143,593,576)	(2,607,296)	(184,914,610)
Other operating (expense) / income	3	(904,251)	(64,131,277)	573,625	40,682,624
Operating profit		219,876	15,594,013	1,346,894	95,524,397
Interest receivable and similar income		-		7,739	548,865
Interest payable and similar charges	4	(8,688)	(616,170)	(14,991)	(1,063,191)
Profit on ordinary activities before taxation	3	211,188	14,977,843	1,339,642	95,010,071
Tax on profit on ordinary activities	5	(3,720)	(263,830)	(378,115)	(26,816,667)
Retained profit on ordinary activities after tax:	15	207,468	14,714,013	961,527	68,193,404

There were no recognised gains or losses other than the profit for the financial year. All activities are classified as continuing.

BALANCE SHEET
as at 31 December 2010

	Notes	2010 £	2010 INR	2009 £	2009 INR
FIXED ASSETS					
Intangible assets	6	880,146	61,548,671	1,087,151	76,024,545
Tangible assets	7	9,190	642,628	34,335	2,401,020
		889,336	62,191,300	1,121,486	78,425,565
CURRENT ASSETS					
Stocks	8	3,490,995	244,125,524	2,088,110	146,021,678
Debtors	9	7,856,224	549,386,294	7,800,257	545,472,517
Cash at Bank and in hand		31,492	2,202,238	197,922	13,840,699
		11,378,711	795,714,056	10,086,289	705,334,895
CREDITORS: amounts falling due within one year	10	(6,379,109)	(446,091,538)	(5,534,270)	(387,011,888)
NET CURRENT ASSETS		4,999,602	349,622,517	4,552,019	318,323,007
TOTAL ASSETS LESS CURRENT LIABILITIES		5,888,938	411,813,817	5,673,505	396,748,572
NET ASSETS		5,888,938	411,813,817	5,673,505	396,748,572
CAPITAL AND RESERVES					
Share capital	14	21,750,000	1,520,979,021	21,750,000	1,520,979,021
Profit & Loss Account	15	(15,861,062)	(1,109,165,204)	(16,076,495)	(1,124,230,420)
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	5,888,938	411,813,817	5,673,505	396,748,601

These financial statements were approved by the Board of Directors on 9th March 2011.

Sd/-
Mr Nevin Bradford
Director

1. ACCOUNTING POLICIES

1.1 Accounting basis and accounting standards

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, and on a going concern basis. The company's accounting policies remain unchanged from the prior year.

1.2 Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

1.3 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided on all intangible fixed assets at rates estimated to write off the costs, less estimated residual value, of each asset on a straight line basis over its expected useful life. Product licences (third party), including the associated costs of research and data collection, are amortised over the term of the licence from the product launch date.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates estimated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Short leasehold premises	Over period of lease
Office equipment	5 years
Computer equipment & software	3 years
Furniture, fixtures & fittings	5 years

1.5 Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

1.6 Deferred taxation

Deferred tax is recognised on all timing differences, where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

1.7 Income Recognition

Turnover - see note 2

Other operating income is recognised on completion or performance of activities. In the case of contractual licensing arrangements income is recognised where the rights to consideration have arisen on the performance of key milestones at a fair value of the service provided as a proportion of the total fair value of the contract.

1.8 Operating leases

Rentals under operating lease are charged to income on a straight line basis over the lease term.

1.9 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. Contributions payable to the scheme in respect of the accounting period are charge to the profit and loss account.

1. ACCOUNTING POLICIES (continued)**1.11 Share-based incentives**

Certain of the company's employees participate in an equity-settled share-based payment scheme operated by the Ranbaxy group. In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the company's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Further details are set out in note 13.

1.12 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report. The financial position of the company, its liquidity position and borrowing facilities are also described in the Directors' Report together with principal risks and uncertainties affecting the business.

The company has sufficient current assets to cover its liabilities. As a consequence, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. ANALYSIS OF TURNOVER**TURNOVER**

Turnover represents amounts receivable for goods net of trade discounts, VAT and other related taxes. Turnover is recognised on delivery to customers. The distribution of turnover, all derived from the sale of generic and branded pharmaceutical products, was as follows:

Turnover by class of business	2010		2009	
	£	£	£	£
Generic	18,385,425	18,662,817		
Branded	1,532,734	2,164,896		
Total	19,918,159	20,827,713		

Turnover by geographical destination	2010		2009	
	£	£	£	£
UK	18,631,611	20,063,223		
Rest of Europe	971,824	516,772		
Rest of World	167,672	247,718		
Intercompany	147,052	-		
Total	19,918,159	20,827,713		

Turnover by class of business	2010		2009	
	INR	INR	INR	INR
Generic	1,303,930,851	1,323,604,043		
Branded	108,704,539	153,538,723		
Total	1,412,635,390	1,477,142,766		

Turnover by geographical destination	2010		2009	
	INR	INR	INR	INR
UK	1,321,390,851	1,422,923,617		
Rest of Europe	68,923,688	36,650,496		
Rest of World	11,891,631	17,568,652		
Intercompany	10,429,220	-		
Total	1,412,635,390	1,477,142,766		

3. PROFIT ON ORDINARY ACTIVITIES	2010	2010	2009	2009
	£	INR	£	INR
Profit on ordinary activities before taxation is stated after charging:				
Depreciation of tangible fixed assets	4,082	289,504	38,478	2,728,936
Amortisation and impairment of intangible assets	291,444	20,669,787	222,933	15,810,885
Lease of motor vehicles	10,852	769,645	9,886	701,110
Rental of building including service charges	55,252	3,918,582	183,868	13,040,284
after crediting:				
Loan interest receivable	-	-	7,739	548,865
Other interest receivable	-	-	-	-

Other operating (expense) / income includes:

Freight recovered	19,902	1,411,489	21,082	1,495,177
Management charges	59,822	4,242,695	66,526	4,718,156
Income from granting marketing/distribution rights	334,589	23,729,716	477,000	33,829,787
Contract Settlements	(1,322,382)	(93,785,957)	-	
Others	3,818	270,780	9,017	639,504

**Amounts receivable by the auditors, KPMG LLP
in respect of:**

Audit of these financial statements	48,000	3,404,255	35,000	2,482,270
Other audit services	23,054	1,635,035	14,000	992,908

Ranbaxy (U.K.) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010 (continued)

4.	INTEREST PAYABLE AND SIMILAR CHARGES	2010	2010	2009	2009
		£	INR	£	INR
	Interest payable on bank loans and overdrafts repayable within 5 years	8,688	607,552	14,991	1,048,322
	Other interest payable	-	-	-	-
		8,688	607,552	14,991	1,048,322

5.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2010	2010	2009	2009
		£	INR	£	INR
	UK corporation tax at 28%	-	-	-	-
	Adjustment in respect of prior years	2,050	145,390	-	-
	Withholding taxes	1,670	118,440	-	-
	Current year tax charge	-	-	-	-
	Deferred tax (see note 11)	-	-	378,115	26,816,667
	Total tax charge	3,720	263,830	378,115	26,816,667

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 28%

The difference is explained as follows:

Profit on ordinary activities before taxation	211,188	14,977,872	1,339,642	95,010,071
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 28%	59,133	4,193,830	375,100	26,602,837
Effect of:				
Expenses not deductible for tax purposes	4,690	332,624	7,619	540,355
Capital allowances for the period in excess of depreciation	1,143	81,064	39,707	2,816,099
Group relief	-	-	-	-
Other short term timing differences	370	26,241	10,604	752,057
Utilised tax losses	(65,336)	(4,633,759)	(433,030)	(30,711,348)
Adjustment in respect of prior years	-	-	-	-
Current tax charge for the year.	-	-	-	-

6.

INTANGIBLE FIXED ASSETS

	Product Licences	Product Licences
	£	INR
At Cost:		
1 January 2010	2,187,716	152,987,133
Additions	101,485	7,096,853
Disposals	(769,855)	(53,836,014)
31 December 2010	1,519,346	106,247,972
Amortisation		
1 January 2010	1,100,565	76,962,587
Charge for the year	291,444	20,380,699
Disposals	(752,809)	(52,643,986)
31 December 2010	639,200	44,699,301
Net book value :		
31 December 2010	880,146	61,548,671
31 December 2009	1,087,151	76,024,545

Ranbaxy (U.K.) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010 (continued)

7. TANGIBLE FIXED ASSETS

	Short leasehold premises £	Office equipment £	Computer equipment & software £	Furniture, fixtures & fittings £	Total £
At Cost:					
1 January 2010	30,373	29,323	43,558	66,080	169,334
Additions	-	-	-	-	-
Transfer to other class	-	4,065	-	(4,065)	-
Disposals	(30,373)	(27,354)	(4,638)	(51,586)	(113,951)
31 December 2010	-	6,034	38,920	10,429	55,383
Depreciation:					
1 January 2010	21,139	20,556	40,998	52,306	134,999
Transfer to other class	-	-	-	-	-
Charge for the year	-	974	1,826	1,282	4,082
Disposals	(21,139)	(19,244)	(4,433)	(48,072)	(92,888)
31 December 2010	-	2,286	38,391	5,516	46,193
Net book value :					
31 December 2010	-	3,748	529	4,913	9,190
31 December 2009	9,234	8,767	2,560	13,774	34,335

	Short leasehold premises INR	Office equipment INR	Computer equipment & software INR	Furniture, fixtures & fittings INR	Total INR
At Cost:					
1 January 2010	2,124,007	2,050,551	3,045,980	4,620,971	11,841,509
Additions	-	-	-	-	-
Transfer to other class	-	284,266	-	(284,266)	-
Disposals	(2,123,986)	(1,912,867)	(324,336)	(3,607,413)	(7,968,601)
31 December 2010	-	421,950	2,721,645	729,293	3,872,908
Depreciation:					
1 January 2010	1,478,252	1,437,483	2,866,993	3,657,762	9,440,490
Transfer to other class	-	-	-	-	-
Charge for the year	-	68,112	127,692	89,650	285,455
Disposals	(1,478,252)	(1,345,734)	(310,000)	(3,361,678)	(6,495,664)
31 December 2010	-	159,860	2,684,685	385,734	3,230,280
Net book value :					
31 December 2010	-	262,090	36,959	343,558	642,628
31 December 2009	645,755	613,069	178,987	963,209	2,401,020

8.

STOCKS

	2010 £	2010 INR	2009 £	2009 INR
Finished goods held for resale	3,490,995	244,125,524	2,088,110	146,021,678

9. **DEBTORS:** amounts falling due within one year

	2010		2009	
	£	INR	£	INR
Trade debtors	4,900,143	342,667,343	4,172,021	291,749,720
Amounts due from group undertakings	736,084	51,474,406	1,100,154	76,933,846
Other debtors	346,266	24,214,406	389,085	27,208,741
Prepayments and accrued income	141,982	9,928,811	407,248	28,478,881
Deferred tax (see note 11)	1,731,749	121,101,329	1,731,749	121,101,329
	<u>7,856,224</u>	<u>549,386,294</u>	<u>7,800,257</u>	<u>545,472,517</u>

The deferred tax asset of £1.7 million is recoverable after more than one year.

Ranbaxy (U.K.) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010 (continued)

10. CREDITORS: amounts falling due within one year	2010	2010	2009	2009
	£	INR	£	INR
Bank overdraft	1,450,715	101,448,601	656,092	45,880,559
Trade creditors	761,091	53,223,147	685,631	47,946,224
Amounts owed to group undertakings	2,641,387	184,712,378	2,868,986	200,628,392
Social security costs and other taxes	488,846	34,185,035	344,989	24,125,105
Other creditors	-	-	797	55,734
Accruals and deferred income	1,037,070	72,522,378	977,775	68,375,874
	6,379,109	446,091,538	5,534,270	387,011,888

The bank overdraft is secured by a fixed and floating charge over all assets. Interest is charged at 1.1% over the bank's base rate and is repayable on demand.

11. DEFERRED TAXATION	Deferred taxation	Deferred taxation
	£	INR
1 January 2010	(1,731,749)	(121,101,329)
Movement in the year	-	-
At 31 December 2010 (see note 9)	(1,731,749)	(121,101,329)

Deferred taxation provided in the financial statements is set out below

	2010	2010	2009	2009
	£	INR	£	INR
Accelerated capital allowances	(81,632)	(5,708,531)	(83,309)	(5,825,804)
Other timing differences	(8,344)	(583,497)	(10,604)	(741,538)
Losses to be utilised	(1,641,773)	(114,809,301)	(1,637,836)	(114,533,986)
	(1,731,749)	(121,101,329)	(1,731,749)	(121,101,329)

Factors that may affect future tax charges

The directors have assessed that taxable losses will be utilised in the next 5 years to justify the inclusion of a deferred tax asset of £1.7 million [INR 118.9 million] as at 31 December 2010. This is based upon the fact that the company has returned to profitability and that the underlying business will continue to be profitable based upon detailed forecasts that the directors have prepared to support their medium term plans.

Based on current plans the company will have sufficient brought forward tax losses available to offset against future taxable profits for the foreseeable future thereby reducing future tax payments.

There are £2.2 million [INR 153.8 million] (2009: £2.7 million [INR 188.8]) of unprovided deferred tax assets regarding unutilised taxation losses.

12. DIRECTORS' EMOLUMENTS	2010	2010	2009	2009
	£	INR	£	INR
Emoluments for the directors during the period were:				
Remuneration for services as director	150,405	10,667,021	110,333	7,825,035
Company contributions to defined benefit pension scheme	11,399	808,440	11,013	781,064
	161,804	11,475,461	121,346	8,606,099

One director was remunerated by the company all other directors were remunerated by fellow group companies. Remuneration paid to directors by fellow group companies does not include any amounts in respect of qualifying services for Ranbaxy (U.K.) limited.

Ranbaxy (U.K.) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010 (continued)

13. EMPLOYEE NUMBERS AND REMUNERATION

	2010	2010	2009	2009
Aggregate payroll costs, including directors, were as follows:	£	INR	£	INR
Wages and salaries	769,815	54,596,809	843,967	59,855,816
Social security costs	86,095	6,106,028	88,019	6,242,482
Pension costs	71,086	5,041,560	59,955	4,252,128
Equity settled share based charge	7,965	564,894	12,836	910,355
	934,961	66,309,291	1,004,777	71,260,780

Average number of employees, analysed by category was as follows:

	2010	2009
	Nos.	Nos.
Sales	3	3
Administration	9	10
	12	13

Certain management staff of the company participate in a stock option scheme (ESOP) operated by the ultimate parent company, Ranbaxy Laboratories Limited. The shares of Ranbaxy Laboratories Limited are listed on the Mumbai Stock Exchange (Traded in 'A' Group) and National Stock Exchange, both exchanges are located in India. The options vest over a period of five years from the date of grant with 20% of the options vesting at the end of each year. Options lapse if they are not exercised prior to the expiry date, which is ten years from the date of the grant. The options granted on 24 February 2010 are valued using a Black-Scholes model adjusted for dividends according to the table below.

	2010
Expected Dividend Yield	0.87%
Expected Life	6.5 years
Risk free interest rate	7.72%
Expected Volatility	40.30%
Weighted average fair value	£3.10

Details of outstanding share options in Ranbaxy Laboratories Limited awarded to certain management staff of the Company are set out below.

Grant Date	Outstanding at 1 Jan '10	Granted	Exercised	Forfeited	Lapsed	Outstanding at 31 Dec '10	Exercise Price £	Exercisable at 31 Dec '10	Exercise/Vesting Period
17/01/2005	9,750	-	-	-	800	8,950	6.59	8,950	17/01/2006 – 17/01/2010
17/01/2006	2,235	-	-	-	135	2,100	5.00	1,680	17/01/2007 – 17/01/2011
17/01/2007	2,430	-	-	-	180	2,250	5.03	1,350	17/01/2008 – 17/01/2012
16/01/2008	3,420	-	-	-	45	3,375	5.08	1,350	17/01/2009 – 17/01/2013
21/01/2009	225	-	-	225	-	-	2.86	-	21/01/2010- 21/01/2014
24/02/2010	-	2,663	-	-	-	2,663	6.30	-	24/02/2011 - 24/02/2015
Total	18,060	2,663	-	225	1,160	19,338		13,330	

Exercise prices and fair values have been translated from Indian Rupees to British Pounds at the exchange rate ruling at the grant date.

Ranbaxy (U.K.) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010 (continued)

14. SHARE CAPITAL	2010	2010	2009	2009
	£	INR	£	INR
(a) Authorised at the beginning of period	25,000,000	1,748,251,748	25,000,000	1,748,251,748
Increase in authorised share capital during Period	-	-	-	-
Authorised at the end of period (25,000,000 ordinary shares of £1 each)	25,000,000	1,748,251,748	25,000,000	1,748,251,748
(b) Called up, allotted and fully paid at 1 January 2010	21,750,000	1,520,979,021	21,750,000	1,520,979,021
Shares issued during the year	-	-	-	-
Called up, allotted and fully paid at 31 December 2010 (21,750,000 ordinary shares of £1 each)	21,750,000	1,520,979,021	21,750,000	1,520,979,021

15. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS FUNDS

	Called up share capital	Profit and loss account	Total equity shareholder's funds
	£	£	£
Balance at 1 January 2009	21,750,000	(17,050,858)	4,699,142
Shares issued during the year	-	-	-
Equity settled share based charge	-	12,836	12,836
Transfer from profit and loss account	-	961,527	961,527
Balance at 1 January 2010	21,750,000	(16,076,495)	5,673,505
Equity settled share based charge	-	7,965	7,965
Transfer from profit and loss account	-	207,468	207,468
Balance at 31 December 2010	21,750,000	(15,861,062)	5,888,938
	Called up share capital	Profit and loss account	Total equity shareholder's funds
	INR	INR	INR
Balance at 1 January 2009	1,520,979,021	(1,192,367,692)	328,611,329
Shares issued during the year	-	-	-
Equity settled share based charge	-	897,622	897,622
Transfer from profit and loss account	-	67,239,650	67,239,650
Balance at 1 January 2010	1,520,979,021	(1,124,230,420)	396,748,601
Equity settled share based charge	-	556,993	556,993
Transfer from profit and loss account	-	14,508,222	14,508,222
Balance at 31 December 2010	1,520,979,021	(1,109,165,204)	411,813,817

16.

FUTURE FINANCIAL COMMITMENTS**Operating Leases**

At 31 December 2010 the company had the following annual commitments under operating leases which expire:

	2010	2010	2009	2009
	£	INR	£	INR
Buildings				
within one year	-	-	20,859	1,458,671
In two to five years time	183,515	12,833,217	108,533	7,589,720
more than 5 years	-	-	-	-
	183,515	12,833,217	129,392	9,048,392

Ranbaxy (U.K.) Limited has entered into a lease for which it is jointly and severably liable together with Ranbaxy Europe Limited. The total annual commitment is disclosed within the above table under leases expiring in two to five years. Lease costs are apportioned between the two companies.

Ranbaxy (U.K.) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010 (continued)

17. TRANSACTIONS WITH RELATED PARTIES

The Company is exempt from the requirement to disclose transactions with other group companies on the grounds that all of its voting rights are controlled by Ranbaxy (Netherlands) BV. and Ranbaxy (U.K.) Limited's results are consolidated within the financial statements of Ranbaxy (Netherlands) BV.

There are no other related party transactions.

18. ULTIMATE HOLDING COMPANY

The Company's shares are wholly owned by Ranbaxy (Netherlands) BV. whose ultimate parent company is Daiichi Sankyo Co., Ltd.

The smallest group in which the results of the company are consolidated is that of Ranbaxy (Netherlands) B.V., incorporated in the Netherlands, whose accounts are available to the public from the Trade Register, Amsterdam, Netherlands. The largest group in which the results of the company are consolidated is that of Daiichi Sankyo Co., Ltd, incorporated in Japan. The consolidated financial statements of this group are available to the public and may be obtained from Corporate Communications Department in Daiichi Sankyo Head Office Building 3-5-1, Nihonbashi Honcho, Chuo-ku, Tokyo, 103-8426, Japan.

The financial statements of Ranbaxy Laboratories Limited also include the results of the company.

The directors regard Daiichi Sankyo Co., Ltd as the ultimate controlling party.

Ranbaxy (U.K.) LimitedDETAILED TRADING AND PROFIT & LOSS ACCOUNT
for the year ended 31 December 2010

	£	2010 £	£	2009 £
Turnover		19,918,159		20,827,713
Opening stock	2,088,110		3,767,521	
Purchases	17,227,927		14,718,881	
	<u>19,316,037</u>		<u>18,486,402</u>	
Closing stock	(3,490,995)		(2,088,110)	
Cost of sales		15,825,042		16,398,292
Gross profit		4,093,117		4,429,421
Selling and distribution costs	(944,321)		(1,048,856)	
Administrative expenses	(2,024,669)		(2,607,296)	
		<u>(2,968,990)</u>		(3,656,152)
Other operating (expense) / income		(904,251)		573,625
Operating profit		219,876		1,346,894
Interest receivable and similar income				
Loan interest receivable		-		7,739
Interest payable and similar charges				
Bank interest payable	8,688		14,991	
Loan interest payable	-		-	
		<u>(8,688)</u>		(14,991)
Net profit before taxation		211,188		1,339,642
		<u>211,188</u>		<u>1,339,642</u>
	INR	2010 INR	INR	2009 INR
Turnover		1,412,635,390		1,477,142,766
Opening stock	148,092,908		267,200,071	
Purchases	1,221,838,794		1,043,892,270	
	<u>1,369,931,702</u>		<u>1,311,092,340</u>	
Closing stock	(247,588,298)		(148,092,908)	
Cost of sales		1,122,343,404		1,162,999,433
Gross profit		290,291,986		314,143,333
Selling and distribution costs	(66,973,121)		(74,386,950)	
Administrative expenses	(143,593,576)		(184,914,610)	
		<u>(210,566,696)</u>		(259,301,560)
Other operating (expense) / income		(64,131,277)		40,682,624
Operating profit		15,594,013		95,524,397
Interest receivable and similar income				
Loan interest receivable		-		548,865
Interest payable and similar charges				
Bank interest payable	616,170		1,063,191	
Loan interest payable	-		-	
		<u>(616,170)</u>		(1,063,191)
Net profit before taxation		14,977,843		95,010,071
		<u>14,977,843</u>		<u>95,010,071</u>

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Ranbaxy (U.K.) LimitedDETAILED TRADING AND PROFIT & LOSS ACCOUNT
for the year ended 31 December 2010

	2010 £	2010 INR	2009 £	2009 INR
Selling and distribution costs				
Distribution costs	816,189	57,885,745	917,989	65,105,603
Royalties payable	96,478	6,842,411	88,945	6,308,156
Salesmen - vehicle expenses	16,847	1,194,823	31,608	2,241,702
Salesmen - travelling & subsistence expenses	8,675	615,248	8,182	580,284
Salesmen - telephone expenses	6,132	434,894	2,132	151,206
	944,321	66,973,121	1,048,856	74,386,950
Administrative expenses :				
Promotional costs & market research	60,085	4,261,348	54,582	3,871,064
Regulatory, research & professional costs	691,678	49,055,177	434,920	30,845,390
Other settlements and claims	55,187	3,913,972	78,897	5,595,532
Staff salaries	769,815	54,596,809	843,967	59,855,816
Temporary costs	17,558	1,245,248	10,405	737,943
Employers national insurance	86,095	6,106,028	88,019	6,242,482
Pension	71,086	5,041,560	59,955	4,252,128
Equity settled share based charge	7,965	564,894	12,836	910,355
Recruitment expenses	28,230	2,002,128	11,700	829,787
Training expenses	664	47,092	1,175	83,333
Staff welfare	18,800	1,333,333	14,591	1,034,823
Rent & rates	69,166	4,905,390	201,884	14,318,014
Motor running expenses	9,500	673,759	3,990	282,979
Travelling and subsistence expenses	21,491	1,524,184	19,255	1,365,603
Entertainment	5,814	412,340	11,804	837,163
Printing, postage and stationery	10,670	756,738	13,772	976,738
Telephone	8,587	609,007	13,519	958,794
Bad debts	21,866	1,550,780	(47,785)	(3,389,007)
Computer expenses	40,388	2,864,397	46,266	3,281,277
Legal fees and professional	(1,009,817)	(71,618,227)	(137,827)	(9,774,965)
Audit and accountancy	74,537	5,286,312	52,483	3,722,199
Repairs and renewals	581	41,206	1,054	74,752
Bank charges	4,114	291,773	2,731	193,688
Loss on foreign exchange movement	81,811	5,802,199	134,305	9,525,177
Depreciation	4,082	289,504	38,477	2,728,865
Amortisation	291,443	20,669,716	236,540	16,775,887
Loss on disposal of fixed assets	22,219	1,575,816	676	47,943
Subscription fees	54,602	3,872,482	57,249	4,060,213
Insurance	46,520	3,299,291	33,831	2,399,362
Office cleaning	2,176	154,326	5,125	363,475
Office expenses	4,370	309,959	6,240	442,553
Management services	453,386	32,155,035	302,660	21,465,248
	2,024,669	143,593,576	2,607,296	184,914,610

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