Company Registration No. 02992795

RANBAXY (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2014

CONTENTS

COMPANY INFORMATION

DIRECTORS	Mr N Sharma - appointed 21st January 2013 Mr V Rama Seshadri Mr R Gulati
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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

Financial overview

Following Ranbaxy Laboratories Limited's change in year end financial reporting date from 31 December to 31 March, Ranbaxy (U.K.) Limited has decided to change the reporting date respectively, creating a current financial reporting period of 15 months ending 31 March 2014. Turnover for the 15 months ended 31 March 2014 was £26.4m-INR 2,463mn (12 months ended 31 December 2012: £24.0m-INR 2,029mn), a decrease of 12% on a comparable 12 month period. Gross profit increased on last year with a gross margin of 26.5% (2012: 22.4%). The profit before tax for the period was £3.7m-INR 347mn compared to a profit of £0.9m-INR 80mn during the year ended 31 December 2012.

Turnover

Turnover on a comparable 12 month period declined by 12% compared to 2012. This is due to a change in the focus on core molecules. There also continues to be strong competition in new and existing molecules across the business.

Gross Profit

The overall gross profit margin increased to 26.5% (2012: 22.4%). This reflects the company's strategy of growth in core molecules. 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 from which the company will benefit in the years to come. The company continues to monitor its cost base to ensure that profitability is maximised and, as a result, administrative costs have declined by 30% with distribution costs declining by 22% compared to 2012 on a comparable 12 month period.

Financial Position

The financial position of the company remains strong with net current assets (excluding deferred tax) of £5.9m-INR 582mn (2012: £2.3m-INR 210mn) and net assets of £7.3m-725mn (2012: £3.6m-INR 319mn). In line with future strategy, this position is expected to strengthen.

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 further launches during the period with further launches expected in the next financial period. The nature of the business will remain unchanged and the company will continue to identify and implement efficiencies and cost savings where possible to further improve profitability.

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 monitoring for changes in the regulatory environment and where required implement procedures to ensure compliance. The company makes every effort to comply with relevant laws and regulations and internal reviews are conducted to ensure this. As a result we believe the transition to any potential new legislation will have minimal impact on revenues.

The directors recognise that continued competition puts pressure on our prices and margins. We believe that continued investment in and close management of our product range 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.

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 changes.

This report was approved by the Board on 25 April 2014.
On behalf of the Board

Mr V. Rama Seshadri
Director
Ranbaxy (U.K.) Limited
Building 4, Chiswick Park, 566 Chiswick High Road,
London
W4 5YE

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the 15 months ended 31 March 2014.

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 period as shown in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend (2012 - £nil) as the funds of the company are fully employed.

3. DIRECTORS AND DIRECTORS' INTERESTS
The present directors of the company are set out on Page 2 .

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

Mr V Rama Seshadri
Mr R Gulati
Mr N Sharma - appointed 21st January 2013

4. 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.

5. 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.

6. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC AND DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
The directors are responsible for preparing the Strategic and 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 period. 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 25 April 2014.
On behalf of the Board

Mr V. Rama Seshadri
Director
Ranbaxy (U.K.) Limited
Building 4, Chiswick Park, 566 Chiswick High Road,
London
W4 5YE

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

We have audited the financial statements of Ranbaxy (U.K.) Limited for the 15 months ended 31 March 2014 set out on pages 6 to16. 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 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, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2014 and of its profit for the period 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 Strategic Report and the Directors' Report for the financial period 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.

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

Chartered Accountants
15 Canada Square
London
E14 5GL
28 April 2014

PROFIT & LOSS ACCOUNT
For the 15 months ended 31 March 2014 and 12 months ended 31 December 2012

	Notes	**2014** **£**	2012 £	**2014** **INR'000**	2012 INR'000
Turnover	**2**	**26,352,191**	23,951,769	**2,462,822**	2,029,811
Cost of Sales		**(19,370,979)**	(18,594,943)	**(1,810,372)**	(1,575,843)
Gross Profit		**6,981,212**	5,356,826	**652,450**	453,968
Distribution costs		**(777,059)**	(797,936)	**(72,622)**	(67,622)
Administrative expenses		**(3,337,970)**	(3,854,423)	**(311,960)**	(326,646)
Other operating income	**3**	**847,587**	243,495	**79,214**	20,635
Operating profit		**3,713,770**	947,962	**347,081**	80,336
Interest payable and similar charges	**4**	**(1,314)**	(6,258)	**(123)**	(530)
Profit on ordinary activities before taxation	**3**	**3,712,456**	941,704	**346,959**	79,805
Tax credit/ (charge) on profit on ordinary activities	**5**	**1,133**	(324,629)	**106**	(27,511)
Retained profit on ordinary activities after taxation	**16**	**3,713,589**	617,075	**347,064**	52,294

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

The notes on pages 8 - 16 form part of the financial statements.

BALANCE SHEET
as at 31 March 2014 and at 31 December 2012

	Notes	2014 £	2012 £	2014 INR'000	2012 INR'000
FIXED ASSETS					
Intangible assets	6	42,583	5,567	4,216	493
Tangible assets	7	3,266	12,901	323	1,142
		45,849	18,468	4,540	1,634
CURRENT ASSETS					
Stocks	8	6,819,268	4,566,547	675,175	404,119
Debtors	9	14,031,899	4,263,467	1,389,297	377,298
Cash at Bank and in hand		1,670,148	1,089,717	165,361	96,435
		22,521,315	9,919,731	2,229,833	877,852
CREDITORS: amounts falling due within one year	10	(15,241,040)	(6,137,231)	(1,509,014)	(543,118)
NET CURRENT ASSETS		7,280,275	3,782,500	720,819	334,735
TOTAL ASSETS LESS CURRENT LIABILITIES		7,326,124	3,800,968	725,359	336,369
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(192,738)	-	(17,056)
NET ASSETS		7,326,124	3,608,230	725,359	319,312
CAPITAL AND RESERVES					
Share capital	15	21,750,000	21,750,000	2,153,465	1,924,779
Profit & Loss Account	16	(14,423,876)	(18,141,770)	(1,428,107)	(1,605,466)
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	7,326,124	3,608,230	725,359	319,312

The notes on pages 8 - 16 form part of the financial statements.

These financial statements were approved by the Board of Directors on 25 April 2014.

Mr V. Rama Seshadri
Director

NOTES TO THE FINANCIAL STATEMENTS
for the 15 months ended 31 March 2014 and 12 months ended 31 December 2012

1. ACCOUNTING POLICIES

1.1 ***Accounting basis and accounting standards***

As explained in the Strategic Report on page 3, the current accounting period has been changed to a 15 month period ending 31 March 2014. The financial statements in future years will be prepared annually on a 12 month basis as of 31 March.
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 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 ***Impairment of fixed assets***

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount and recognised in the profit and loss account.
The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

1.5 ***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:

Office equipment	5 years
Computer equipment & software	3 years
Furniture, fixtures & fittings	5 years

1.6 ***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.

1.7 ***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.

1.8 ***Income Recognition***

Turnover represents amounts receivable for goods net of trade discounts, VAT and other related taxes. Turnover is recognised on delivery to customers.

Turnover relating to distributor arrangements is net of accruals made for expected market price changes in accordance with terms agreed.

Other operating income is recognised on completion or performance of activities to the extent that settlement is probable. 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. ACCOUNTING POLICIES (continued)

1.9 ***Operating leases***

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

1.10 ***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.

1.11 ***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 charged to the profit and loss account.

1.12 ***Share-based incentives***

Certain of the company's employees participate in equity-settled share-based payment schemes 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 14.

1.13 ***Going concern***

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

The analysis of turnover, all derived from the sale of pharmaceutical products, was as follows:

Turnover by class of business

	2014	2012
	£	£
Generic	**26,352,191**	23,821,126
Branded	**-**	83,482
Intercompany	**-**	47,161
Total	**26,352,191**	23,951,769

Turnover by geographical destination

	2014	2012
	£	£
UK	**14,506,121**	14,316,411
Rest of Europe	**11,846,070**	9,577,985
Rest of World	**-**	10,212
Intercompany	**-**	47,161
Total	**26,352,191**	23,951,769

Turnover by class of business

	2014	2012
	INR'000	INR'000
Generic	**2,462,822**	2,018,739
Branded	**-**	7,075
Intercompany	**-**	3,997
Total	**2,4262,822**	2,029,811

Turnover by geographical destination

	2014	2012
	INR'000	INR'000
UK	**1,355,713**	1,213,255
Rest of Europe	**1,107,107**	811,694
Rest of World	**-**	865
Intercompany	**-**	3,997
Total	**2,462,822**	2,029,811

3. PROFIT ON ORDINARY ACTIVITIES

	2014	2012	**2014**	2012
Profit on ordinary activities before taxation is stated after charging:	**£**	£	**INR'000**	INR'000
Depreciation of tangible fixed assets	**9,635**	7,824	**900**	663
Amortisation and impairment of intangible assets	**5,911**	205,221	**552**	17,392
Lease of motor vehicles	**6,588**	25,717	**616**	2,179
Rental of building including service charges	**43,911**	37,862	**4,104**	3,209
Amounts receivable by the auditors, KPMG LLP in respect of:				
Audit of these financial statements	**57,600**	50,000	**5,383**	4,237
Audit - related assurance services	**16,800**	16,750	**1,570**	1,419
Other operating income includes:				
Income from granting marketing/distribution rights	**145,949**	73,160	**13,640**	6,200
Contract Settlements	**665,000**	74,321	**62,150**	6,298
Others	**36,638**	96,014	**3,424**	8,137
	847,587	243,495	**79,214**	20,635

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Interest payable on bank loans and overdrafts repayable within 5 years	**1,314**	6,258	**123**	530

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
UK corporation tax at 23.2% (2012: 24.5%)	**-**	-	**-**	-
Adjustment in respect of prior years	-	-	-	-
Witholding taxes	-	-	-	-
Current period tax charge	-	-	-	-
Deferred tax (credit)/ charge (see note 12)	**(1,133)**	324,629	**(106)**	27,511
Total tax (credit)/ charge	**(1,133)**	324,629	**(106)**	27,511

Factors affecting the tax charge for the period.

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom at 23.2% (2012: 24.5%)

The difference is explained as follows:

	2014 £	2012 £	**2014** INR'000	2012 INR'000
Profit on ordinary activities before taxation	**3,712,456**	941,704	**346,959**	79,805
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 23.2% (2012: 24.5%)	**861,290**	230,717	**80,494**	19,552
Effect of:				
Expenses not deductible for tax purposes	**2,277**	3,161	**213**	268
Capital allowances for the period in excess of depreciation	**2,235**	1,917	**209**	162
Group relief	-	-	-	-
Other short term timing differences	**(1,947)**	(6,636)	**(182)**	(562)
Utilised tax losses	**(863,855)**	(229,159)	**(80,734)**	(19,420)
Current tax charge for the period.	-	-	-	-

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors that may affect future, current and total tax charges
On 3 July 2012, a change in the rate of corporation tax was substantively enacted, reducing the rate from 24% to 23%, being effective from 1 April 2013. Therefore, the standard rate of corporation tax for 2013 was 23.25% (2012: 24.5%).

In the Autumn 2012 Budget statement, a further rate change was announced, reducing the rate from 23% to 21% effective 1 April 2014 and in the Budget of 20 March 2013 this 21% rate was further reduced to 20% effective from 1 April 2015.

6. INTANGIBLE FIXED ASSETS

	Product Licences	
	£	**INR'000**
At Cost:		
1 January 2013	**588,354**	**58,253**
Additions	42,927	4,250
Disposals	(254,243)	(25,173)
31 March 2014	**377,038**	**37,330**
Amortisation and impairment		
1 January 2013	**582,787**	**57,702**
Amortisation for the period	5,911	585
Disposals	(254,243)	(25,173)
31 March 2014	**334,455**	**33,114**
Net book value :		
31 March 2014	**42,583**	**4,216**
31 December 2012	5,567	551

7. TANGIBLE FIXED ASSETS

	Office equipment £	Computer equipment & software £	Furniture, fixtures & fittings £	Total £
At Cost:				
1 January 2013	6,034	52,700	10,429	69,163
Additions	-	-	-	-
31 March 2014	**6,034**	**52,700**	**10,429**	**69,163**
Depreciation:				
1 January 2013	4,171	44,011	8,080	56,262
Charge for the period	1,282	6,690	1,663	9,635
31 March 2014	**5,453**	**50,701**	**9,743**	**65,897**
Net book value :				
31 March 2014	**581**	**1,999**	**686**	**3,266**
31 December 2012	1,863	8,689	2,349	12,901

	Office equipment INR'000	Computer equipment & software INR'000	Furniture, fixtures & fittings INR'000	Total INR'000
At Cost:				
1 January 2013	597	5,218	1,033	6,848
Additions	-	-	-	-
Transfer to other class	-	-	-	-
Disposals	-	-	-	-
31 March 2014	**597**	**5,218**	**1,033**	**6,848**
Depreciation:				
1 January 2013	413	4,358	800	5,570
Transfer to other class	-	-	-	-
Charge for the period	127	662	165	954
Disposals	-	-	-	-
31 March 2014	**540**	**5,020**	**965**	**6,524**
Net book value :				
31 March 2014	**58**	**198**	**68**	**323**
31 December 2012	184	860	233	1,277

8. STOCKS

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Finished goods held for resale	**6,819,268**	4,566,547	**675,175**	404,119

9. DEBTORS: amounts falling due within one year

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Trade debtors	**3,386,388**	2,069,901	**335,286**	183,177
Amounts due from group undertakings	**530,253**	501,630	**52,500**	44,392
Other debtors	**8,667,661**	180,410	**858,184**	15,965
Prepayments and accrued income	**41,070**	106,132	**4,066**	9,392
Deferred tax (see note 12)	**1,406,527**	1,405,394	**139,260**	124,371
	14,031,899	4,263,467	**1,389,297**	377,298

The deferred tax asset of £1.4 million is recoverable after more than one year.

10. CREDITORS: amounts falling due within one year

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Trade creditors	**246,487**	416,390	**24,405**	36,849
Amounts owed to group undertakings	**12,023,693**	2,146,070	**1,190,465**	189,918
Social security costs and other taxes	**526,416**	423,619	**52,120**	37,488
Other creditors	**2,609**	3,988	**258**	353
Accruals and deferred income	**2,441,835**	3,147,164	**241,766**	278,510
	15,241,040	6,137,231	**1,509,014**	543,118

11. PROVISIONS FOR LIABILITIES AND CHARGES

	£	**INR'000**
At 1 January 2013	**192,738**	**19,083**
Movement in the period	**(192,738)**	**(19,083)**
At 31 March 2014	**-**	**-**

Contractual obligations relating to the provision have been settled during the period.

NOTES TO THE FINANCIAL STATEMENTS
for the 15 months ended 31 March 2014 and 12 months ended 31 December 2012 (continued)

12. DEFERRED TAXATION

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
At 1 January 2013	**1,405,394**	1,730,023	**139,148**	153,099
Movement in the period	**1,133**	(324,629)	**112**	(28,728)
At 31 March 2014	**1,406,527**	1,405,394	**139,260**	124,371

Deferred taxation provided in the financial statements is set out below:

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Accelerated capital allowances	**31,785**	43,420	**3,147**	3,842
Other timing differences	**6,934**	4,432	**687**	392
Losses to be utilised	**1,367,808**	1,357,542	**135,427**	120,136
	1,406,527	1,405,394	**139,260**	124,371

The impact due to the tax rate change was to reduce the deferred tax asset by £200,932- INR 20mn.

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 £1.4 million-INR 138 mn as at 31 March 2014. This is based upon the fact that the company has generated strong profits for two successive years having overcome factors causing losses during earlier periods. This is based upon detailed forecasts that the directors have prepared to support their medium term plans .

The rate of UK corporation tax that was substantively enacted at the balance sheet date was 21% which will be applicable from 1 April 2014. It is expected that the corporation tax rate will reduce to 20% by 1 April 2015. There are no other factors that may significantly affect future tax charges.

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 £1.2 million-INR 119mn (2012: £2.4 million-INR 212mn) of unprovided deferred tax assets that may be recoverable in future years should there be sufficient taxable profits against which these losses can be offset.

13. DIRECTORS' EMOLUMENTS

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Emoluments for the directors during the period were:				
Remuneration for services as director	-	31,470	-	2,667
Compensation for loss of office	-	121,399	-	10,288
Company contributions to defined benefit pension scheme	-	8,734	-	740
	-	161,603	-	13,695

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 and is not included above.

14. EMPLOYEE NUMBERS AND REMUNERATION

Aggregate payroll costs, including directors, were as follows:	**2014**	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Wages and salaries	**718,308**	767,346	**67,132**	65,029
Social security costs	**77,323**	92,028	**7,226**	7,799
Pension costs	**56,764**	56,728	**5,305**	4,807
Equity settled share based charge	**4,305**	4,156	**402**	352
	856,700	920,258	**80,065**	77,988

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

	2014	2012
	Nos.	Nos.
Sales	**2**	3
Administration	**8**	8
	10	11

Certain management staff of the company participate in stock option schemes (ESOP) operated by the 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.

For options granted prior to and including the grant of 24th February 2010 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. These options lapse if they are not exercised prior to the expiry date, which is ten years from the date of the grant.

For subsequent grants, under a new ESOP, options vest over a three year period from the date of grant with 33.33% of the options vesting at the end of each year. These options will lapse if not exercised within three months of vesting.

The weighted average fair value of options exercised during the period was INR 512.39.

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 '13	Granted	Exercised	Forfeited	Lapsed	Outstanding at 31 Mar '14	Exercise Price £	Exercisable at 31 Mar '14	Vesting Period
17/01/2005	7,000	-	-	-	-	7,000	6.59	7,000	17/01/2006 – 17/01/2010
17/01/2006	1,650	-	-	-	-	1,650	5.00	1,650	17/01/2007 – 17/01/2011
17/01/2007	1,800	-	-	-	-	1,800	5.03	1,800	17/01/2008 – 17/01/2012
16/01/2008	1,350	-	-	-	-	1,350	5.08	1,350	17/01/2009 – 17/01/2013
24/02/2010	2,213	-	-	-	-	2,213	6.30	1,768	24/02/2011 - 24/02/2015
01/07/2011	737	-	232	68	136	301	0.07	-	01/07/2012 – 01/07/2014
20/01/2013	-	707	67	-	-	640	0.06	168	20/01/2014 – 20/01/2016
Total	**14,750**	**-**	**299**	**68**	**136**	**14,954**		**13.736**	

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

15. SHARE CAPITAL

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Called up, allotted and fully paid at 1 January 2013	**21,750,000**	21,750,000	**2,153,465**	1,924,779
Shares issued during the period	**-**	-	**-**	-
Called up, allotted and fully paid at 31 March 2014	**21,750,000**	21,750,000	**2,153,465**	1,924,779

(21,750,000 ordinary shares of £1 each)

16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Called up share capital	**Profit and loss account**	**Total equity shareholders' funds**	**Called up share capital**	**Profit and loss account**	**Total equity shareholders' funds**
	£	**£**	**£**	**INR'000**	**INR'000**	**INR'000**
Balance at 1 January 2012	21,750,000	(18,763,001)	2,986,999	2,153,465	(1,857,723)	295,742
Equity settled share based charge	-	4,156	4,156	-	411	411
Transfer from profit and loss account	-	617,075	617,075	-	61,097	61,097
Balance at 1 January 2013	21,750,000	(18,141,770)	3,608,230	2,153,465	(1,796,215)	357,250
Equity settled share based charge	-	4,305	4,305	-	426	426
Transfer from profit and loss account	-	3,713,589	3,713,589	-	367,682	367,682
Balance at 31 March 2014	**21,750,000**	**(14,423,876)**	**7,326,124**	**2,153,465**	**(1,428,107)**	**725,359**

17. FUTURE FINANCIAL COMMITMENTS

Operating Leases

At 31 March 2014 the company had the following annual commitments under operating leases which expire:

	2014	2012	**2014**	2012
	£	£	**INR'000**	INR'000
Buildings				
within one year	**83,419**	-	**8,259**	-
In two to five years time	**53,820**	220,660	**5,329**	19,527
more than 5 years	**-**	-	**-**	-
	137,239	220,660	**13,588**	19,527

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.

18. 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 Laboratories Limited and Ranbaxy (U.K.) Limited's results are consolidated within the financial statements of Ranbaxy Laboratories Limited.

19. 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 Laboratories Limited, incorporated in India, whose accounts are available to the public from the Registrar of Companies, Haryana, India. 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 directors regard Daiichi Sankyo Co., Ltd as the ultimate controlling party.

Note : Conversion rate used against Indian Rupees for the year 2014 and 2012 are:
i) Items relating to Profit and Loss account at Average rate: 1 GBP= 0.0107 [2012: 1 GBP =0.0118]
ii) Items relating to Balance sheet at Closing rate: 1 GBP = 0.0101 [2011: 1 GBP= 0.0113]