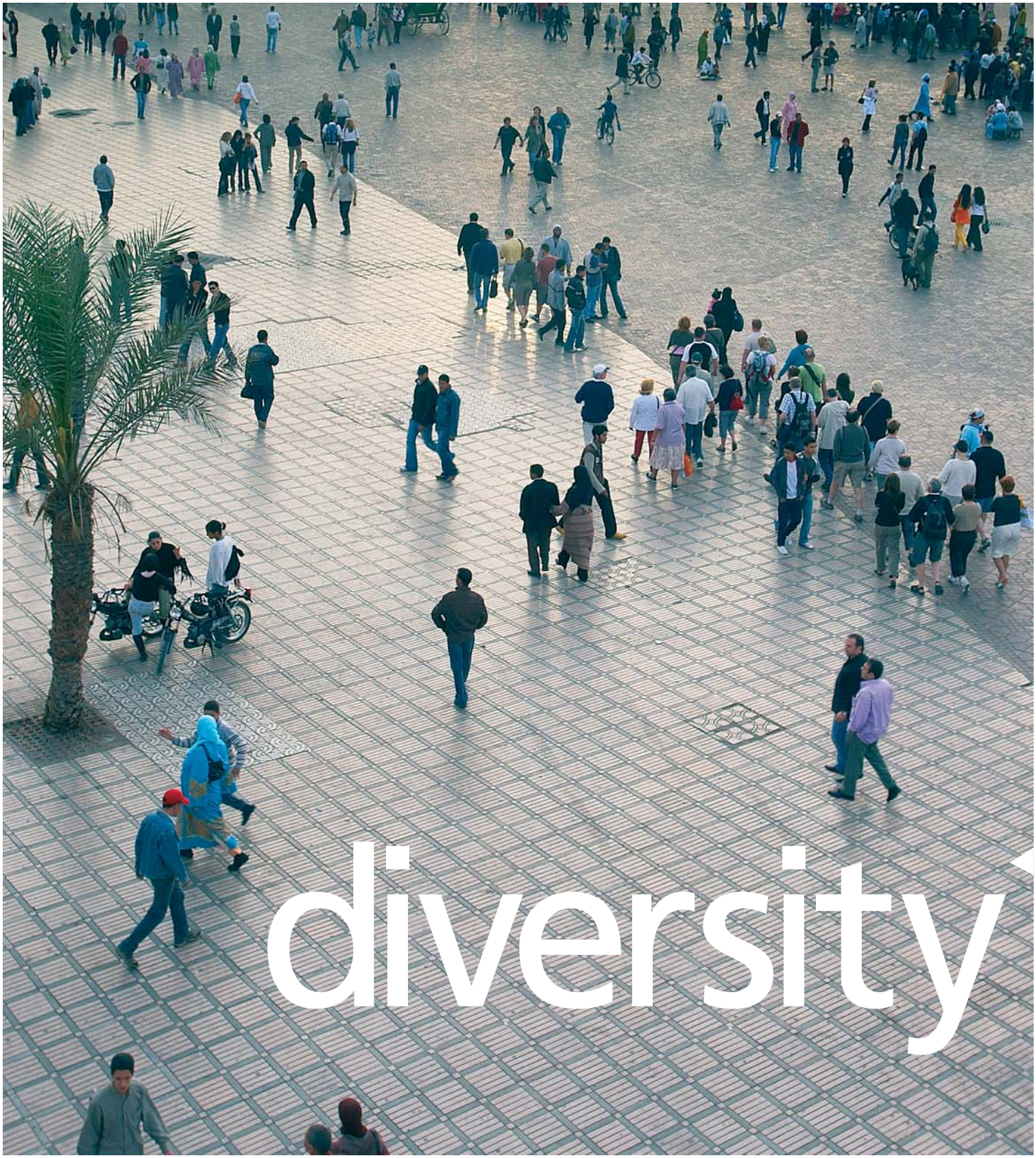
HIKMA
QUALITY



**Contents**

Since Hikma was founded in 1978 we have achieved impressive growth. Our business today is diverse in its product line and the breadth of its market participation. This diversification will ensure that we maintain our track record of strong growth.

# growth

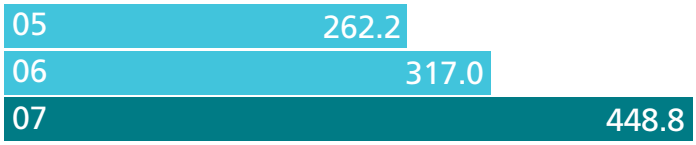
Another excellent performance.
Evidence that we have the right strategy in place.

# 2007 highlights

- Entered the large and growing Egyptian market through the acquisition of Alkan Pharma
- Strengthened our position in core markets through the acquisition of Arab Pharmaceutical Manufacturing Co. Ltd.
- Entered the injectable oncology market through the acquisitions of Ribosepharm and Thymoorgan in Germany
- Expanded our oncology portfolio through new product acquisitions
- Began production in our new cephalosporin plant in Portugal for the MENA region and Europe in 2007 and for the US in early 2008
- Launched 28 new products[1], received 129 approvals across all businesses and geographic regions and submitted 74 regulatory filings in MENA, the US and Europe[2]
- Raised gross proceeds of £81.6 million (approximately $160 million) in January 2008 in an equity placing of shares, funding the acquisition of APM, strengthening our balance sheet and enhancing our flexibility to finance future growth

**Revenue** ($ million)

+41.6%




**Profit attributable to shareholders** ($ million)

+14.8%


**Operating profit** ($ million)

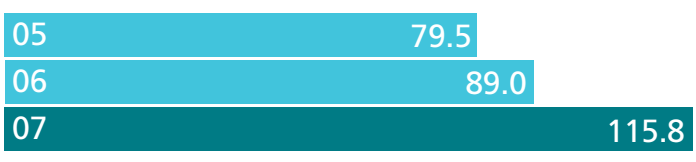
+22.8%


**Diluted earnings per share** (cents)

+14.2%


**EBITDA**[3] ($ million)

+30.1%




1. New pharmaceutical compounds that are being launched for the first time by the Group or for the first time within another business segment or a new region.
2. This includes only the first submission of new compound or line extension in a region.
3. Reported profit before interest, tax, depreciation and amortisation.

# products


Cefuroxim Hikma 1500 mg
Nach Auflösen zur i.v.-Injektion oder i.v.-Infusion
Eine Injektionsflasche enthält:
Arzneilich wirksamer Bestandteil: 1578 mg Cefuroxim-Na entsprechend 1500 mg Cefuroxim
Vor Licht geschützt aufbewahren.
Arzneimittel für Kinder unzugänglich aufbewahren.
Hikma Farmaceutica LTD
NDC 0143-1277-01
Lithium Carbonate Extended-Release Tablets, USP
450 mg
℞ Only
100 Tablets
NDC 0143-2112-50
Doxycycline Hyclate Tablets, USP
100 mg
℞ Only
50 Tablets
NDC 0143-2120-01
Ergotamine Tartrate and Caffeine Tablets, USP
1 mg/100 mg
℞ Only
100 Tablets
NDC 0143-2230-01
Isosorbide Mononitrate Extended-Release Tablets
30 mg
℞ Only
100 TABLETS
NDC 0143-9924-90
1 Gram
Cefazolin for Injection, USP
1 Gram
For I.M. or I.V. use
Rx Only
West-ward
Ondansetron Hikma 8 mg/4 ml
Solução Injectável MG
Administração por via intravenosa ou intramuscular
MEDICAMENTO SUJEITO A RECEITA MÉDICA
5 ampolas contendo 4 ml de solução
HIKMA
NDC 0143-9873-10
West-ward
Metoprolol
Tartrate Injection, USP
5 mg/5 mL (1 mg/mL)
For intravenous use
5 mL Single Use Vials
Rx Only
Amoxicilina + Ácido Clavulânico Hikma
1000 + 200 mg
Pó e Solvente para Solução Injectável MG
MEDICAMENTO SUJEITO A RECEITA MÉDICA
Administração Intravenosa
1 Frasco + 1 Ampola
Ondansetron 4 mg/2 ml Solução Inje
Ondansetron 8 mg/4 ml Solução Inje
ÁGUA PARA INJECT
20ml
Solvente para Soluç
Administração Intraven
HIKMA

# We have 353 products in 728 dosage strengths and forms being sold in 47 countries around the world.

With 104 new products pending approval at the end of 2007, we are building a substantial platform that will drive expansion and future profitability.

# pipeline

Our strength in the MENA region is unsurpassed. We are developing our presence and expanding our geographic reach through organic growth and strategic acquisitions.

# markets

# progress

Our position as a leading speciality pharmaceutical company, with an excellent position in the MENA region, is stonger than ever.

# Chairman's review

I am very pleased to report on another successful year for Hikma. In 2007, we have continued meeting the strategic goals we set for ourselves when we became a publicly listed company, while at the same time delivering consistent financial performance.

**Strategic progress**
Our position as a leading pharmaceutical manufacturer in the MENA region is stronger than ever. We have an excellent product portfolio, a large and effective sales and marketing team and excellent manufacturing capabilities that enable us to take advantage of the opportunities in this fast-growing region. Through the two acquisitions we made in the region this year, in Egypt and Jordan, we have extended our successful business model into new markets and strengthened our position in our core markets like Jordan and Saudi Arabia.

We have built a particularly diverse product portfolio and promising product pipeline through the strength of our in-house research and development team and with the benefit of acquisitions. We are also developing our expertise in exciting new therapeutic areas such as oncology and diabetes. We have made investments in capacity, particularly in our Injectables business, and we continue to build scale and develop our manufacturing capabilities.

**Financial results**
The Group performed well in 2007, achieving revenue of $448.8 million, up 41.6% from 2006. This growth was driven by strong performances in our Branded and Injectables businesses and was enhanced by acquisitions in MENA and Europe. Gross margin for the Group was 49.4%, compared to 50.0% in 2006 and operating profit grew by 22.8% to $92.4 million. Earnings before interest, tax, depreciation and amortisation increased by 30.1% to $115.8 million. Profit attributable to shareholders for the period increased by 14.8% to $62.6 million. Diluted earnings per share increased by 14.2% to 35.4 cents per share.

**Dividend**
The Board has recommended a final dividend of 4.0 cents per share (approximately 2.0 pence per share), which will make a dividend for the full year of 7.5 pence per share, compared to 7.0 pence per share for 2006. The proposed final dividend will be paid on 2 June 2008 to shareholders on the register on 2 May 2008, subject to approval by shareholders at the Annual General Meeting.

**Corporate responsibility**
Since Hikma was founded, we have sought to adhere to the highest ethical and operational standards. This year, we commenced a thorough review of the social and environmental impact of the Group in order better to align our desire to act responsibly with our strategic business objectives. We are now well-positioned to begin to set clear social and environmental targets and action plans for further improvements in our performance.

**Board changes**
This year I stepped down as Chief Executive Officer, whilst continuing my role as Chairman on a non-executive basis. I am delighted that the Board appointed Said Darwazah as Chief Executive Officer, a position he held prior to his appointment as Health Minister for the Hashemite Kingdom of Jordan. Said's knowledge of the Group, his significant business acumen and pharmaceutical industry experience will ensure that Hikma remains an exciting growth story for years to come.

**Recent developments**
On 17 January 2008 we successfully raised gross proceeds of £81.6 million (approximately $160 million) through the placing of 17 million ordinary shares, to fund the acquisition of APM, strengthen our balance sheet and enhance our flexibility to finance future growth and pursue strategic acquisitions.

**Outlook**
In 2008 we expect to continue to see the results of the investments we are making. Our Branded business, with its sales and marketing team of more than 1,000, its broad product range and quality reputation, will continue to deliver strong organic growth and will also benefit from the enhanced opportunities that the acquisitions in Egypt and Jordan will bring.

In our Injectables business, we will to continue to drive growth in the underlying business through new product launches and further penetration of our existing product portfolio. Additional growth will come as our new oncology business develops, as we build our oncology product portfolio and as we launch these products into new markets.

In our US Generics business, we expect continued pricing pressure and significant gross margin erosion in 2008. Looking ahead, we will work to grow this business through the recent strengthening of the management team, increasing focus on higher margin, niche products, dedicating additional capacity in low cost countries and concentrating on acquiring lower cost API.

Importantly, we will also continue to invest in developing our infrastructure and management in order to meet the growing demand for our products across the Group, not just in 2008 but in 2009 and beyond.

**Samih Darwazah** Non-Executive Chairman

We are focusing on the key segments of our markets that offer the best prospects for long-term growth.

# strategy

# Chief Executive Officer's statement

In 2007 we have once again demonstrated the power of our diversified business model, achieving strong growth and delivering healthy returns to shareholders.

**Strategy**
Our Branded business performed very well and the opportunities within the MENA region remain exciting. In our Injectables business, where we grew sales by nearly 80%, we are creating economies of scale through our growing product portfolio and enhanced sales and marketing efforts. In our Generics business in the US we were able to deliver nearly 10% sales growth and strong cash flow for the Group despite intense competition and pricing pressure.

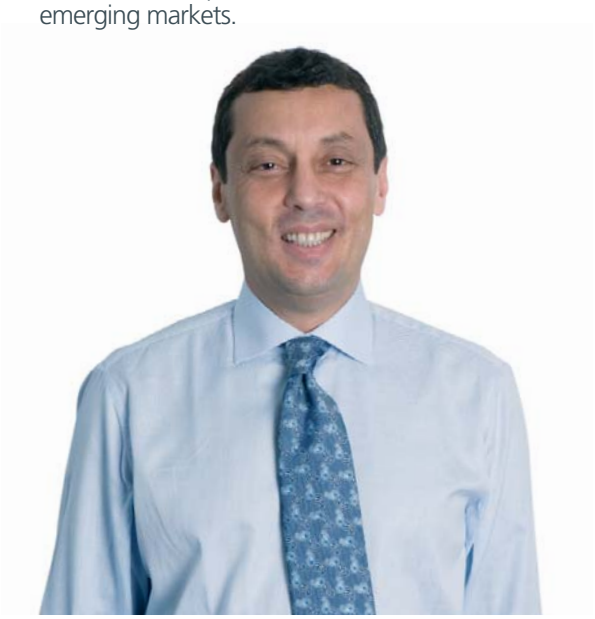
In 2007 we also made significant investments in our businesses that will enable us to drive future growth and to deliver on our strategy of building Hikma into a leading speciality pharmaceutical company.

**Acquisitions**
We began the year with two excellent acquisitions in Germany – Ribosepharm and Thymoorgan. These companies substantially broaden the scope of our Injectables business, bringing new products, customers and manufacturing capabilities and helping us develop a strong competence in oncology, one of the industry's fastest growing therapeutic areas.

In September, we successfully entered the fast-growing Egyptian market with the acquisition of Alkan Pharma in Egypt and, in December, we further strengthened our position in our core MENA markets through the acquisition of Arab Pharmaceutical Manufacturing.

I am pleased to report that Ribosepharm and Thymoorgan are fully integrated into Hikma and we are swiftly integrating Alkan and APM. At Alkan, now Hikma Egypt, we have appointed a new general manager with an in depth knowledge of the Egyptian market, where we are working hard to establish the Hikma brand. In Jordan, an excellent Hikma-trained team has joined the APM team, where they are strengthening key functions and developing the potential of this excellent business.

We continue to see opportunities to develop our business through acquisitions. Being a consolidator in the highly fragmented pharmaceutical market in the MENA region will remain a priority and we will continue to look for opportunities to enhance our position in core markets and to access new emerging markets.



**Management**
We have made a number of management appointments over the course of the year, adding talented managers with excellent international experience. In addition to new general managers at Hikma Egypt and APM, we have made two important oncology hires – a new managing director for Ribosepharm and a global head of oncology.

We have also continued to strengthen our underlying businesses. In the MENA region, we have hired a new head of licensing, who will focus on further developing our in-licensing potential in order to reinforce our position as the partner of choice in the MENA region. In the US, we have appointed a new head of Injectables for the US market and have strengthened our ongoing commitment to our oral generic business with senior hires in finance and sales and marketing.

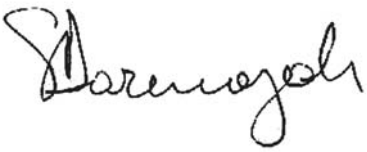
We are confident that these appointments will help us to execute our strategy and maximise the opportunities available to us.

**Products**
We significantly expanded our product portfolio in 2007, from 176 to 353 products, enhancing our potential in core markets and bringing opportunities in newer markets across all regions. We have made excellent progress through our in-house R&D efforts, with 129 product approvals and 28 new product launches. The acquisitions of Ribosepharm, Alkan and APM have also added a number of exciting new branded generic and in-licensed products that we are only just beginning to leverage across our network. Through our licensing efforts, we have added three new in-licensed products in MENA.

Looking forward, our pipeline is also impressive, with 104 new products pending approval, including 46 ANDAs and 133 products under development.

**Capacity**
In order to meet the growing demand for our products, we have continued to invest in expanding our existing capacity and improving our operational efficiency during 2007. Our ongoing capital expenditure projects were enhanced by this year's acquisitions, further expanding capacity and adding new manufacturing capabilities. In our Branded business, we are now investing in our plants in Jordan and Saudi Arabia and expect to make further investments in 2008 in Egypt and at APM to maximise the potential of these facilities. In our Injectables business, we are adding further lyophilisation capacity in our facilities in Portugal and are increasing utilisation of our new cephalosporin plant.

We continue to focus on building Hikma into a leading speciality pharmaceutical company delivering high returns on investment to our shareholders.



**Said Darwazah** Chief Executive Officer

# Group at a glance

## Broad product portfolio

Hikma sells 353 pharmaceutical products in 728 dosage strengths and forms in 47 countries. 40 of these products are sold under promotion and distribution agreements with or licences from 16 originator pharmaceutical companies and three generic pharmaceutical companies. The majority of Hikma's operations are in the Middle East and North Africa ("MENA"), the United States and Europe.

### Branded

**2007 Revenue**

$198.9m

**Products**

236

branded generic products including 33 in-licensed products[2]

**Key markets**

MENA

**Top products**

Amoclan®[3]
Omnicef®
Penamox®
Prograf®
Suprax®

### Generics

**2007 Revenue**

$124.2m

**Products**

44

non-branded solid generic products

**Key markets**

US

**Top products**

ABC blue
Lithium carb SR
Doxycycline
Methocarbamol
Lisinopril

### Injectables

**2007 Revenue**

$121.2m

**Products**

73

branded and non-branded injectable products including seven in-licensed products

**Key markets**

MENA, US, Europe

**Top products**

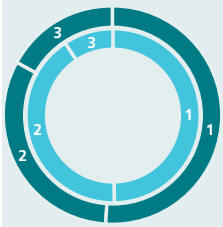
Cefazolin
Ceftizoxime
Ceftriaxone
Cefuroxime
Vancomycin

1. A further five in-licensed products are pending launch.
2. Branded in-licenced products include five in-licensed products marketed only in Egypt.
3. And other co-amoxiclav Hikma brands, including Megamox®.

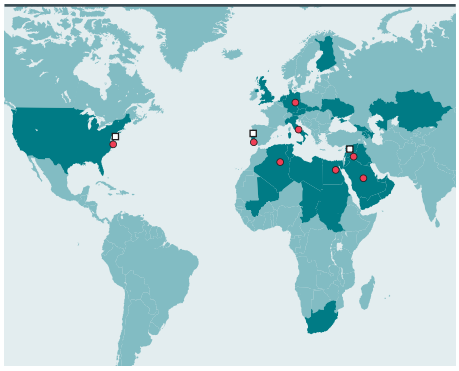
## Diversified business

| Revenue by business segment | 07 | 06 |
|---|---|---|
| 1 Branded | **44.3%** | 41.0% |
| 2 Generics | **27.7%** | 35.9% |
| 3 Injectables | **27.0%** | 21.3% |
| 4 Other | **1.0%** | 1.8% |


| Revenue by region | 07 | 06 |
|---|---|---|
| 1 Middle East and North Africa | **51.1%** | 49.7% |
| 2 United States | **32.0%** | 40.9% |
| 3 Europe and ROW | **17.0%** | 9.3% |




## Broad geographic coverage



- Our markets
- R&D centres
- Manufacturing plants

# Business and financial review

The Directors are pleased to present their report and audited financial statements for the year ended 31 December 2007. For the purposes of this report, "Company" means Hikma Pharmaceuticals PLC and "Group" means the Company and its subsidiary and associated undertakings.

## Our vision

### A leader in speciality pharmaceuticals

Our vision is to be a leading speciality pharmaceutical company offering a diverse portfolio of high-quality, added-value products across a wide range of therapeutic areas.

## Our strategy

### Focus on growth

We are focusing on the key segments of our markets that offer the best prospects for long-term growth, particularly the branded generic market in the MENA region and the speciality injectables business. Growth will come both organically and through acquisitions, which will be used to develop our position in new markets, strengthen our leading position in existing markets and provide access to new products and technologies.

### Deliver high quality products to patients at a lower cost

Our goal of delivering high quality and cost-effective products to patients in the many and varied markets in which we operate requires developing our research and development capabilities, leveraging our API sourcing skills and maintaining very high manufacturing standards.

### Operate responsibly

As we go about our day-to-day business, we will also strive to run our operations responsibly, balancing our commercial objectives with the expectations of a broad range of stakeholders. Overall, we recognise that our vision will only be achieved if we maintain our commitment to quality, especially when it comes to our people and our organisation.

## Our business and markets

Our primary business is the development, manufacture and marketing of generic and in-licensed pharmaceutical products. Our operations span almost 50 countries around the world, primarily in the MENA region, the United States and Europe.

### Fast growing MENA market

We have significant operations in the MENA region, which is primarily a branded pharmaceutical market, where patented, generic and OTC pharmaceutical products are marketed under specific brand names. In this region we market our own branded generic products and a number of patented brands that we in-licence from the originators. We compete against both the multinational originators and local manufacturers, but are one of the few regional players, with operations in 17 MENA markets and over 1,000 sales and marketing employees across the region. In our core markets – Saudi Arabia, Algeria, Jordan and Sudan – we are one of the top six players, and across all our markets many of our top products have a market share of 15% or more.

We estimate that the total size of the MENA pharmaceutical market was over $8.0 billion in 2007[1]. Key external drivers of future growth include growing per capita income and medical expenditure, the increasing affordability of generic products, the region's expanding healthcare infrastructure and favourable market trends such as improving literacy, increasing life expectancy and higher birth rates.

In 2007, we strengthened our capacity to take advantage of these favourable market trends. Through the acquisition of Alkan Pharma ("Alkan") in September of 2007, we extended our reach into the important Egyptian market, where we estimate the private sector was worth approximately $1.9 billion in 2007. Through the acquisition of Arab Pharmaceutical Manufacturing Co. Ltd. ("APM") in December 2007, we also strengthened our position in our existing markets, particularly in Jordan and Saudi Arabia.

### Speciality injectables market

Our Injectables business focuses on a specialised sub-segment of the global generic market and has a growing presence in the MENA region, Europe and the US. While in each of these areas we compete against local and multinational competitors, the total number of competitors is more limited than in the oral segment of the generic market, due to the complexity of the injectable manufacturing process and more challenging regulatory requirements.

We are developing strong market positions in each of our Injectable markets. In the MENA region, we are the sole generic supplier of six specific injectable products and our products often have a market share of 25% or more. In Europe and the US we have achieved similar market shares for a number of our products, especially the cephalosporins.

In 2007 we made two important acquisitions that helped us to enter the injectable oncology market, which is forecast to become the second largest within the pharmaceutical industry by 2010[2].

The first was the acquisition of Ribosepharm GmbH ("Ribosepharm"), which specialises in the marketing and distribution of branded generic injectable oncology products both to private practices and hospitals in Germany. We will be able to draw on Ribosepharm's expertise in the field of oncology in Germany to expand into other oncology markets in Europe, as well as into the MENA region and eventually the United States. We further developed our oncology capability with the acquisition of Thymoorgan GmbH Pharmazie & Co. KG ("Thymoorgan"), a manufacturer of injectable oncology products.

1. Source: IMS Health estimates for 2007 market size of Jordan, Egypt, Lebanon, Algeria, Saudi Arabia, UAE and Kuwait; GRM and Hikma estimates.
2. Source: Datamonitor, 2006 – Overview of Global Oncology Market.

# Business and financial review

## US generic market

Our Generic business operates in the competitive US market, by far the largest single market in the world for generic pharmaceutical products, with sales of approximately $29 billion in 2007[1]. In this market, Hikma competes in the private and government market on the basis of price, quality, product range and customer service, and overall through its ability to provide certain niche products. Downward pressure on prices, driven primarily by an increase in the number of competitors operating in the market, has affected the US generic market in recent years. In the future, we expect continued competition, particularly from low cost generic pharmaceutical producers from India and China.

## Key performance indicators

Progress on our strategic objectives is monitored by the Board by reference to five key financial performance indicators ("KPIs") applied on a Group-wide and segmental basis. These same indicators are used by executive management to manage the business. Performance in 2007 against these indicators is set out in the table below, together with the prior year performance data. We are no longer including R&D costs as a percentage of revenue as a KPI as this is no longer the best way to measure our investment in our pipeline, given the increase in spending on product acquisitions. This year, however, we have added new product launches as a non-financial KPI.

### Hikma's key performance indicators

| | **Year ended 31 December 2007** | Year ended 31 December 2006 | Change |
|---|---|---|---|
| Revenue growth | **41.6%** | 20.9% | +20.7 |
| Gross profit margin | **49.4%** | 50.0% | -0.6 |
| Operating profit margin | **20.6%** | 23.7% | -3.1 |
| Growth in profit attributable to shareholders | **14.8%** | 24.3% | -9.5 |
| New product launches in Jordan, Europe and the US | **28** | 23 | +5 |

## Group performance

Revenue for the Group increased by 41.6% to $448.8 million, compared to $317.0 million in 2006. Excluding the acquisitions of Ribosepharm, Thymoorgan and Alkan, revenues increased by 28.0%. The latter increase was primarily due to strong increases in revenue in both the Branded and Injectable businesses.

In 2007, 44.3% of revenue was generated by our Branded business, 27.7% of revenue was generated by our Generic business and 27.0% by our Injectables business. Geographically, 51.1% of revenue was generated in the MENA region, while 32.0% of revenue was generated in the United States and 17.0% in Europe and the rest of the world.

The Group's gross profit increased by 39.7% to $221.5 million, compared to $158.5 million in 2006. Group gross margins for 2007 were 49.4% of revenue, compared to 50.0% in 2006. On a segmental basis, gross margins improved in the Branded and Injectables businesses, but declined in the Generic business, due to continued price erosion.

Group operating expenses increased in 2007 by 53.3% to $129.1 million, compared to $84.2 million for 2006, mainly due to an increase in sales and marketing and general and administrative expenditures related to acquisitions and to an increase in corporate expenses required to support the enlarged Group. These expenses include an amortisation charge of $1.6 million relating to intangible assets arising on these and other acquisitions completed during the year. Sales and marketing expenses represented 13.6% of Group revenue in 2007, compared to 11.0% in 2006.

Sales and marketing expenses before acquisitions[2] grew by 26.7%, which reflects the strong growth in both the Branded and Injectables businesses. Including acquisitions, sales and marketing expenses increased by 74.3% to $61.0 million, due primarily to the acquisition of Ribosepharm, and to the full consolidation of Al-Jazeera Pharmaceutical Industries ("JPI").

The Group's general and administrative expenses increased by 51.7% to $46.0 million, compared to $30.3 million in 2006. As anticipated, the change arose mainly from the consolidation of JPI, Ribosepharm, Thymoorgan and Alkan. The need to support the growth of the Group has also increased corporate general and administrative costs, which include costs associated with the company's new long-term incentive plan. General and administrative expenses represented 10.3% of Group revenue in 2007, compared to 9.6% in 2006.

1. Source: IMS National Sales Perspective, Moving Annual Total, November 2007.
2. This excludes the acquisitions of Ribosepharm, Thymoorgan, Alkan Pharma and JPI.

Investment in R&D for the Group increased by 5.7% to $19.3 million, compared to $18.3 million in 2006. This increase, which can be attributed to ongoing investment in the development of our product portfolio, was lower than in 2006 reflecting a shift towards product and business acquisitions. Total investment in R&D represented 4.3% of Group revenue in 2007, compared to 5.8% in 2006.

Other net operating expenses, which consist mainly of provisions against slow moving items partially offset by foreign exchange gains, were $2.8 million, compared to $0.6 million in 2006.

Earnings before interest, tax, depreciation and amortisation increased by 30.1% to $115.8 million, compared to $89.0 million in 2006. Operating profit for the Group increased by 22.8% to $92.4 million, compared to $75.2 million in 2006. Group operating margin declined by 3.1 percentage points to 20.6% in 2007, compared to 23.7% of revenue in 2006.

**Research and development**

The Group's product portfolio continues to grow. In the year to 31 December 2007, Hikma added 177 new products to the Group portfolio, which now covers 353 products in 728 dosage strengths and forms[1]. We manufacture and/or sell 40 of these under licence from the originator.

In the year to 31 December 2007, Hikma received 129 regulatory approvals, including nine ANDA approvals for the Generics business and one ANDA approval for the Injectables business. Over the same period, 28 new products were launched.

| | Filings in 2007 | New product filings in 2007 | Pending approvals as of 31 December 2007 | Pending approvals of new products as of 31 December 2007 |
|---|---|---|---|---|
| Generic Pharmaceuticals | | | | |
| United States | 8 | 6 | 32 | 25 |
| Branded Pharmaceuticals | | | | |
| MENA* | 23 | 9 | 45 | 27 |
| Europe and ROW** | 16 | 4 | 19 | 7 |
| | 39 | 13 | 64 | 34 |
| Injectable Pharmaceuticals | | | | |
| United States | 7 | 2 | 31 | 21 |
| MENA* | 11 | 9 | 17 | 13 |
| Europe | 9 | 7 | 14 | 11 |
| | 27 | 18 | 62 | 45 |
| | 74 | 37 | 158 | 104 |

* Includes only the first filing of a product or line extension in the MENA region.
** Includes only the first filing of a product or line extension in Europe or ROW.

To ensure the continuous development of our product pipeline, we submitted a total of 74 regulatory filings for the first time in MENA, the US and Europe. As of 31 December 2007, we had a total of 158 pending approvals in Jordan, the US and Europe and 543 pending approvals across all regions and markets.

We estimate the approximate addressable market for our portfolio of pending approvals to be approximately $19.8 billion, based on the 2007 full year sales of the currently marketed equivalent products in the markets covered by the pending approvals.

At 31 December 2007, we had a total of 133 new products under development, the majority of which should receive several marketing authorisations over the next few years, including separate marketing authorisations in differing strengths and/or product forms over the next few years.

1. Products are defined as pharmaceutical compounds sold by the Group. New products are defined as pharmaceutical compounds not yet launched by the Group and existing compounds being introduced into a new segment or a new region. Line extensions are new forms or dosage strengths. Filings include only filings for new products and the first filing of line extensions in a segment or region. Approvals are comprehensive and include approvals for new products and line extensions and approvals in new countries. Pending approvals include only applications that are pending for new products and the first filing of a line extension in a segment or region.


build

**Branded Pharmaceuticals**

Revenue in the Branded business, our largest business segment, increased by 52.9% to $198.9 million, compared to $130.1 million in 2006. Excluding the acquisitions of JPI and Alkan, underlying sales growth was 32.0%, primarily due to strong growth across all our MENA markets. New product introductions and more focused sales and marketing efforts have helped to drive demand and increase sales. A particularly strong performance in the Gulf Cooperation Council ("GCC") countries was driven in part by the successful integration of JPI.

Algeria, Saudi Arabia, Jordan and Sudan were the Branded business's largest markets in 2007. In Algeria, Hikma grew well above the average market growth rate. This growth was driven by an increase in the number of marketed products, enhanced sales and marketing efforts, with more focus on doctors, pharmacists and better geographical coverage, and by strengthening our relationships with the leading distributors. Our market share in Algeria reached 6.0% in 2007, compared to 3.9% at the end of 2006, making us the fourth largest pharmaceutical company in the Algerian market[1].

Sales in Saudi Arabia grew by nearly 80%, as we worked hard to complete the integration of JPI. By year end the combined sales teams were performing well and we had achieved strong margin improvement. We also increased our share of the tender market, benefiting from our new status as a local manufacturer. Our share of the private market, however, decreased to 3.8% in 2007, compared to 4.0% in 2006, making us the sixth largest player in the Saudi Arabian market[1]. We are confident of further progress in 2008 through increased sales efforts, the benefits of new product launches – including three new products launched in 2007 and further benefits of the JPI / Hikma integration. We will benefit from APM's strong position in the Saudi market.

Our growth in the Jordanian market was also strong in 2007 and well ahead of the underlying market, due to new product launches, more focused sales efforts especially for key products and better market coverage by our medical representatives. We received 12 product approvals and launched nine new products in the Jordanian market during the year. In 2007, we maintained our position as market leader in the Jordanian market and our market share increased to 7.7%, compared to 7.3% in 2006[1].

In Sudan we performed extremely well, largely due to a strong product focus, an increase in the number of medical representatives and better geographical coverage, combined with a more stable operating environment, growing pharmacy chains and an overall increase in pharmaceutical spend. Significant benefits were also derived from the integration of JPI's Sudanese operations. While market data is not readily available for the Sudanese market, we believe that we now have a leading position in this market.

We also achieved strong performances in some of our newer and smaller markets, including UAE, Lebanon and the Ukraine, driven mainly by better brand recognition and product launches.

In 2007 we continued to work hard to strengthen our leading position in the MENA region. Through the acquisition of Alkan in September 2007, we extended our reach into the important Egyptian market, which we estimate was worth approximately $1.9 billion in 2007. We now have more than 250 sales and marketing staff in Egypt and market 84 products in 126 dosage strengths and forms. Five of these products are in-licensed and a further 19 products are pending approval. In addition, we continue to sell Astellas' life-saving immunosuppressant, Prograf®, in the Egyptian market and will soon launch Actos®, Takeda's leading Type Two diabetes drug.

Through the acquisition of APM at the end of December 2007, we strengthened our position in our existing markets, particularly in Jordan and Saudi Arabia. This acquisition brings together a high quality and complementary portfolio. APM's currently marketed portfolio of 105 products in 222 dosage strengths and forms will enhance the product offering available to Hikma's enlarged sales force by expanding existing product lines, strengthening existing therapeutic areas and adding new molecules. APM's portfolio includes oral, injectable and dermatological products and spans a number of therapeutic categories, including cardiovascular, diabetes and oncology.

Sales from in-licensed products grew by 44.6% to $64.2 million in 2007, representing 32.3% of Branded sales, compared to 34.1% in 2006. During the year, three new licensing agreements were signed and five new licences were added with the acquisition of Alkan in Egypt, bringing the total number of in-licensed products marketed in the Branded business to 33.[2]

Gross profit in the Branded business increased by 55.5% to $108.0 million, compared to $69.5 million in 2006. Gross margin in the Branded business increased to 54.3%, compared to 53.4% in 2006. This change in gross profit margin is attributed primarily to an improvement in product mix.

**Build:**

**Left:** Following the acquisition of Alkan Pharma in Egypt, Hikma now has local manufacturing capabilities in the large and growing Egyptian market.

**Right:** Our nearly 1,100 strong sales and marketing team is building lasting relationships with doctors across the MENA region.

1. Source: IMS Health.
2. At the end of 2007, a further five in-licenced products were pending launch.

Operating profit in the Branded business increased by 56.7% in 2007, to $61.7 million. Through a strict focus on operating efficiencies, operating margins in the Branded business increased to 31.0% in 2007, compared to 30.3% in 2006, which demonstrates the successful integration of JPI. In 2007, operating expenses included only a small amortisation charge related to acquisitions. Going forward, however, we expect the amortisation charge for intangible assets related to acquisitions to be close to $4.0 million.

In 2007, the Branded business received 78 regulatory approvals, including 12 in Jordan, 49 in other MENA markets and 17 in Europe and the rest of the world. In line with our strategic objectives for the Branded business, we launched a total of 15 new products in 2007, nine in Jordan, three in Saudi Arabia and three in Egypt. The total number of Branded sales and marketing staff operating across our 17 MENA markets at year end was 1,010, which includes 256 in Egypt, 221 in Saudi Arabia, 191 in Jordan and 127 in Algeria.

**Injectable Pharmaceuticals**

Our global Injectable business manufactures injectable pharmaceutical products in powder, liquid and lyophilised forms for sale across the MENA region, Europe and the US. The Injectable business contributed 27.0% of total Group revenue in 2007, compared to 21.3% in 2006.

Revenue in our Injectable business increased by 79.3% to $121.2 million, compared to $67.6 million in 2006. The increase reflects underlying organic growth of 25.2%[1], driven primarily by a strong performance in the MENA region, as well as the consolidation of Ribosepharm and Thymoorgan, the injectable oncology businesses acquired in the first half of 2007.

During the year, the Injectables business received 42 regulatory approvals, including 11 in Europe, 30 in the MENA region and one in the US. 25 of these approvals were for new products, the rest were for new dosage strengths or forms. Since the beginning of 2008, we have received a further four approvals in the US.

In the MENA region, the Injectables business delivered strong growth across most markets, with the largest contributions coming from Algeria, Saudi Arabia and Sudan. This growth was driven by our strong product position, more focused sales and marketing efforts, additional medical representatives, an increased focus on institutional customers and an increasing ability to execute a bundled sales strategy. Growth was reinforced by the 18 new products launched during the year.

In Europe, we saw strong growth in the Italian and Portuguese market as a direct result of increased customer focus, and we were able to maintain our position in the highly competitive German market. During the year we launched four new products in the European market.

In the US, we faced increased competition. Nevertheless, we continue to grow own product sales and are developing a strong market position for our products, particularly the cephalosporins. In 2007 we began selling our products to the US government and won several new contracts with buying groups for 2008. We launched two new products in the US market in 2007 and expect to launch a further three products in multiple dosage strengths and forms in the first half of 2008.

In 2007 we took the important strategic step of entering the injectable generic oncology market. In January we acquired Ribosepharm, a German oncology company specialising in the marketing and distribution of branded generic injectable oncology products. In May, we acquired Thymoorgan, a German contract manufacturer of lyophilised and liquid injectables for both oncological and non-oncological uses.

Ribosepharm and Thymoorgan, now our oncology business, performed well in 2007, contributing sales of $36.6 million, which includes approximately $11 million of sales from in-licensed products that have been or will be discontinued, which is in line with expectations at the time of the Ribosepharm acquisition.

The sales and marketing team at Ribosepharm is performing well in the German injectable oncology market and we are successfully expanding our oncology product portfolio, which now includes 12 marketed products and a pipeline of 13 additional products. At Thymoorgan, we commenced the manufacture of our first products for the European and MENA markets.

## Develop

**Far right:** Through the acquisition of Thymoorgan in Germany, we acquired state-of-the-art oncology manufacturing facilities, enhancing our new oncology platform.

**Right:** Gregor Siebert, Sales and Marketing Director, Europe. We continue to develop our injectable sales and marketing capabilities across all geographies.

1. Organic growth is calculated before the acquisitions of Ribosepharm and Thymoorgan.


develop


deliver

Gross profit of the Injectables business increased by 91.1% to $54.2 million, compared to $28.3 million in 2006. The Injectable business's gross margin increased to 44.7%, compared to 41.9% in 2006. The increase in gross margin reflects the contribution of Ribosepharm, which as a sales and marketing organisation has higher gross margins than the underlying business. The gross margin contribution from Ribosepharm more than offset lower gross margins before the impact of acquisitions resulting from increasing price competition in Germany, the increase in MENA tender sales, which have lower margins, and an increase in overheads and depreciation expense related to our new plant in Portugal. As we expand production at the new plant in Portugal, we expect overhead and depreciation expenses to decrease as a percentage of sales.

Injectable operating profit increased by 53.1% to $20.5 million, compared to $13.4 million in 2006. Injectable operating margins decreased to 16.9% in 2007, down from 19.8% in 2006. The decrease was driven primarily by the lower underlying gross margins but also to an increase in operating expenses incurred to support continued growth across all regions. These operating expenses include an amortisation charge of $1.6 million related to the acquisition of intangible assets. In 2008, we expect this charge will be approximately $2.2 million.

During the year, we focused on developing our Injectables sales and marketing capabilities across all geographies and ended the year with 77 sales and marketing representatives in the MENA Region, and 43 in Europe, including five in Portugal and 33 in Germany, and 10 in the United States.

**Generic Pharmaceuticals**

The Generic business contributed 27.7% of total Group revenue in 2007, compared to 35.9% in 2006 as the Branded and Injectables businesses continue to grow both organically and through acquisitions. Consistent with 2006, all Generic revenues were generated in the United States.

While price competition remained high in 2007, improved sales efforts and increased demand for key products helped to drive volume growth. Sales from recently launched products also drove Generic revenues, which grew by 9.3% in 2007 to $124.2 million, compared to $113.7 million in 2006.

Our sales contract with the Department of Veterans Affairs ("the VA"), an agency of the government of the United States, for the supply of Lisinopril expired on 20 December 2007. As the VA has not submitted a new solicitation for this product, we expect volumes to be considerably lower going forward. We expect to compensate with sales from products launched in 2007 and 2008, but these sales will have lower margins, and will result in lower margins going forward for the segment as a whole.

Recent additions to strengthen the Generics senior management team will support the business going forward. A new finance director was appointed in late 2007 and a new sales and marketing director was appointed in early 2008. Both have significant experience in the pharmaceutical industry.

The Generic business received nine ANDA approvals in 2007, including four for new products. In addition, a total of six products were launched during the year.

Gross profit of the Generic business decreased by 2.0% to $58.6 million, compared to $59.8 million in 2006. Gross margin in the Generic business was 47.2%, compared to 52.6% in 2006. This reflects continued price erosion, as well as changes in the product mix.

Generic operating profit decreased by 12.1% to $31.6 million. Operating profit margins in the Generic business decreased to 25.5% of revenue, compared to 31.7% in 2006. The decrease in operating margin is attributed to price erosion and the product mix mentioned above, as the level of operating expenses remained largely unchanged.

**Other businesses**

Other businesses, which include primarily Arab Medical Containers, a manufacturer of specialised plastic packaging, and International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, had aggregate revenue in 2007 of $4.5 million, or 1.0% of total Group revenue. Other businesses delivered an operating loss of $3.4 million in 2007, compared to a loss of $1.2 million in 2006, as a result of an increase in investment in research and development.

## Deliver

**Far left:** We are dedicating one of our FDA-approved facilities in the MENA region for the US market, to expand production capacity and lower our cost base.

**Left:** We began production at our new cephalosporin plant in Portugal for export to Europe, the MENA region and the US.

# Financial performance

**Finance income and costs**
The Group's financing income principally comprises interest income. Financing income decreased by $3.2 million to $2.0 million in 2007, compared to $5.3 million in 2006. Financing costs increased by $5.9 million to $10.8 million, compared to $5.0 million in 2006. The decrease in finance income and increase in finance costs was due to the decrease in cash and cash equivalents and increase in debt primarily as a result of the cash used to finance the acquisitions made during the year.

**Profit before tax**
Profit before taxes for the Group increased by $8.2 million, or 10.8%, to $83.8 million, compared to $75.6 million in 2006.

**Tax**
The Group had a tax expense of $19.6 million in 2007. The effective tax rate was 23.4%, a year on year decrease of 2.6 percentage points. This improvement reflects an increase in sales generated in the MENA region.

**Minority interest**
Hikma's minority interest increased to $1.6 million in 2007, compared to $1.4 million in 2006.

**Profit for the year**
The Group's profit for the year attributable to equity holders of the parent grew by 14.8% to $62.6 million for the year ended 31 December 2007, compared to $54.5 million in 2006.

**Earnings per share**
Diluted earnings per share for the year to 31 December 2007 were 35.4 cents, up 14.2% from 31.0 cents in 2006.

**Dividend**
The Board has recommended a final dividend of 4.0 cents per share (approximately 2.0 pence per share), which will make the dividend for the full year of 7.5 cents per share, compared to 7.0 cents per share in 2006. The proposed final dividend will be paid on 2 June 2008 to shareholders on the register on 2 May 2008, subject to approval at the Annual General Meeting.

**Operating cash flow and investment**
Net cash inflow from operating activities was $45.1 million, compared to $35.3 million in 2006. Working capital increased by $46.9 million, compared to $35.1 million at the end of 2006, primarily due to an increase in receivables and inventory in line with historic sales and planned growth.

Trade receivables increased by 59.1% compared to 31 December 2006 largely as a result of acquisitions in addition to organic sales growth. Excluding acquisitions[1], receivable days stood at 125 days as at 31 December 2007, compared to 126 days at 31 December 2006, indicating steady receivable growth in line with sales.

Inventory increased by 76.4% compared to 31 December 2006, due to acquisitions and the necessity to support planned growth in sales. Excluding acquisitions[1], inventory days stood at 207 days as at 31 December 2007, compared to 193 days at 31 December 2006.

Net cash used for investing activities was $350.9 million, compared to $72.7 million in 2006. The most significant component of investment activity during the year was acquisition related: $73.6 million paid for the acquisitions of Ribosepharm and Thymoorgan, $61.1 million paid for Alkan Pharma in Egypt and $167.4 million paid for Arab Pharmaceutical Manufacturing in Jordan. In addition, capital expenditure amounted to $50.4 million, compared to $49.7 million in 2006. This expenditure relates primarily to expansion projects in the Branded and Injectables businesses. During the year the Group also made regular investments to upgrade and maintain existing facilities.

On 17 January 2008 we successfully raised gross proceeds of £81.6 million (approximately $160 million) in an equity placing of shares, funding the acquisition of APM, strengthening our balance sheet and and enhancing our flexibility to finance future growth.

**Outlook**
In 2008, we are expecting revenue growth of between 35% and 40%, supported by organic growth and by the acquisitions and investments we have made over the past two years. Gross margin is expected to be approximately 47%.

In our Branded business, we expect to continue to deliver strong organic growth. We expect further growth to come from the acquisitions we have made in the MENA region, which are performing extremely well. We now have over 1,000 Branded sales and marketing staff in place across the MENA region, an enhanced product portfolio and broad manufacturing capabilities to drive and support this growth.

In our US Generics business, we expect sales in 2008 to be broadly in line with that achieved in 2007, and expect continued pricing pressure and significant gross margin erosion. Looking ahead, we will work to grow this business through the recent strengthening of the management team, increasing focus on higher margin, niche products, dedicating additional capacity in low cost countries and concentrating on acquiring lower cost API.

In our global Injectables business, we expect strong growth driven by new product launches, further penetration of our existing product portfolio and from our new oncology business, as we build our product portfolio and launch these products into new markets in Europe and MENA. We also expect to deliver improving operating margins in this business, as we benefit from increasing economies of scale.

We are confident of delivering another year of strong performance in 2008 driven by our Branded and Injectable businesses as we continue to grow Hikma into a leading speciality pharmaceutical company.

**Basis of preparation and forward-looking statements**

This business and financial review has been prepared solely to provide additional information to shareholders as a body to assess the Company's strategies and the potential for those strategies to succeed, and should not be relied on by any other party or for any other purpose. Certain statements in the above review are forward-looking statements which have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements, and should be treated with caution. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described in this review. Forward-looking statements contained in this review regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak as only of the date of the approval of this report.

Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this review or to correct any inaccuracies which may become apparent in such forward-looking statements.

**Risk management**

Operational risks

There are a number of factors that have or could in the future affect the Group's results of operations, including the following:

*Regulatory*

In common with other companies operating in the pharmaceutical industry, Hikma is subject to extensive regulation in all its markets. There is no single worldwide harmonised set of regulations relating to the development, manufacture and sale of pharmaceutical products and we are, therefore, subject to different laws, regulations and codes depending on the regions or countries in which our businesses operate.

*Industry, economic and political dynamics.*

The Group operates in diverse markets and geographic regions and is therefore subject to diverse industry, economic and political dynamics. However, we believe the geographic spread of our operations gives the Group unique strength and flexibility, and also lessens the impact on the Group's results and financial condition of any disruption in, or any other extraordinary events at, any one of our three businesses or a change in the economic conditions or political environment or sustained civil unrest in any particular market or country.

*Pricing dynamics*

Pricing for the Group's products reflects a variety of factors, including changes in Active Pharmaceutical Ingredient ("API") and other raw material costs, intensity of competition, industry practice, governmental regulation and general market conditions. Generic pharmaceutical markets in the United States and Europe are extremely competitive and/or regulated by governments, both of which result in downward pressure on prices. We aim to maximise the margins we achieve on our products through competitive pricing strategies, together with initiatives to minimise raw material and other manufacturing and operating costs.

*Government tender bids*

Whilst the majority of Group sales have been to the private sector, each of our three businesses participates in government tenders. The timing and outcome of these tenders are unpredictable, and the Group's results could be affected by the gain or loss of a significant government contract.

*Research and development and commercialisation of new products*

The Group's results of operations may be impacted significantly by the timeliness of its research and development and product commercialisation activities. In order to bring a drug to market successfully, the Group must identify products for which it can generate attractive margins and growth, undertake the required research and development and obtain regulatory approvals. Additional costs may be incurred, and sales opportunities lost, if there is any significant delay in any of these steps. Given the importance of research and development, Hikma has expanded its investment in research and development, particularly in Jordan where it can benefit from lower labour and bio-equivalency costs.

*API and other raw material costs*
Raw material costs represented over 30% of the Group's net sales in the year ended 31 December 2007, with the most significant portion of these costs relating to APIs. Whilst the prices of the APIs that the Group uses have in general fallen in recent years, these prices are volatile and can vary significantly from supplier to supplier. In some cases, increase in API and other raw material costs may not be able to be passed on to customers and can therefore have a significant impact on the Group's results of operations. Hikma has a dedicated API sourcing function that has been successful in sourcing lower cost API's through more competitive suppliers in Asia.

*Seasonality*
The Group's business, in particular the Branded Pharmaceuticals business, is seasonal, and it generally experiences higher net sales and net profit in the first half of each financial year, as compared to the second half of its financial year. Accordingly, the Group's outstanding borrowings historically have been higher during the first half of the financial year in order to finance the working capital requirements of the Group.

*Acquisitions*
Acquisitions remain a key part of the Group's strategy to develop and grow its business. The risks associated with this include the availability of suitable acquisition candidates and assimilating and integrating acquired companies into the Group. Other risks include delays in implementation or unexpected costs or liabilities, as well as the risk of failing to realise operating benefits or synergies from completed transactions. The Group mitigates these risks by implementing a structured integration process which can include placing experienced management into the acquired company to effect the swift installation of internal controls and by subjecting management processes to close monitoring and review by internal audit and senior management.

## Financial risks
The Group Treasurer is responsible for Financial Risk Management and setting the appropriate controls and risk policies. He is supported by treasury and budgeting managers at the operating company and segmental levels, and reports to the Chief Financial Officer.

*Foreign exchange risk*
The Group uses the USD as its reporting currency and is therefore exposed to foreign exchange movements primarily in European, Algerian and Sudanese currencies. Consequently, it enters into various contracts that change in value as foreign exchange rates change, to preserve the value of assets and profitability. Using these derivative financial instruments has not had a material impact on the Group's financial position at 31 December 2007. See Note 28 to the Group's consolidated financial statements for a description of the Group's Foreign Exchange risks.

*Interest rate risk*
The Group manages its exposures to interest rate risks by changing the proportion of fixed rate debt and variable rate debt in its total debt portfolio. To manage this mix the Group may enter into interest rate swap agreements, in which it exchanges the periodic payments based on notional amounts and agreed upon fixed and variable interest rates. Using these swap agreements has not had a material impact on the Group's financial position at 31 December 2007. See Note 28 to the Group's consolidated financial statements for a description of the Group's interest rate risks.

*Credit risk*
In most cases, the Group grants its buyers credit terms for settlement of sales invoices. Credit risk is managed through the Group Credit policy and the use of various financial instruments such as letters of credit, factoring and credit insurance arrangements. Further details are set out in Note 28 of the Group's consolidated financial statements.

*Liquidity risk*
The Group has constant financing requirements, both for short-term working capital needs and for long-term strategic plans. Corporate Treasury ensures the Group debt/capital structure and banking arrangements can accommodate these financing needs. Corporate Treasury also endeavours to efficiently utilise excess liquidity from one subsidiary to another, while complying with any foreign currency, legal or tax restrictions.

## Inflation risk
Hikma believes it is not subject to material risk due to inflation in any of its core markets at present.

## Critical accounting policies and estimates
The Group's accounting policies are more fully described in Note 2 of the Group's consolidated financial statements. However, certain of the Group's accounting policies are particularly important to the presentation of the Group's results and require the application of significant judgement by the Group's management.

In applying these policies, the Group's management uses its judgement to determine the appropriate assumption to be used in the determination of certain estimates used in the preparation of the Group's results. These estimates are based on the Group's previous experience, the terms of existing contracts, information available from other outside sources and other factors, as appropriate.

The Group's management believes that, among others, the following accounting policies that involve management judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

## Revenue recognition
Revenue represents sales of products to external third parties and excludes inter-company income and value added taxes. Sales of goods are recognised when the risk of loss and title are transferred to customers and reliable estimates can be made of relevant deductions. The Group's revenue recognition policies require management to make a number of estimates, with the most significant relating to charge backs, product returns, rebates and price adjustments which vary by product arrangements and buying groups.

1. Excluding Ribosepharm, Thymoorgan, Alkan Pharma and Arab Pharmaceutical Manufacturing.

*Charge backs*
The provision for charge backs is the most significant and complex estimate used in the recognition of revenue. In the US, the Group sells its products directly to wholesalers, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as "indirect customers". The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a charge back. The provision for charge backs is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to the large wholesalers, the Group continually monitors the reserve for charge backs and makes adjustments when it believes that actual charge backs may differ from estimated reserves.

### Accounts receivable and bad debts
The Group estimates, based on its historical experience, the level of debts that it believes will not be collected. Such estimates are made when collection of the full amount of the debt is no longer probable. These estimates are based on a number of factors including specific customer issues and industry, economic and political conditions. Bad debts are written off when identified.

### Goodwill and intangible assets
The Group has significant investments in goodwill and intangible assets as a result of acquisitions of businesses and purchases of assets such as product development and marketing rights.

Under IFRS, goodwill and intangibles with indefinite useful economic lives are held at cost and tested annually for impairment, whilst the remaining intangibles are amortised over their estimated useful lives. Estimated useful lives are reviewed annually and impairment reviews are undertaken if events occur which indicate an impairment to the carrying values of the assets.

Purchases of intellectual property and product rights to supplement our R&D portfolio are capitalised as intangible assets. Such intangible assets are amortised from the launch of the underlying products and are tested for impairment. This policy is in line with practice adopted by other major pharmaceutical companies. The critical area of judgement is in relation to the useful economic life of these product related intangibles and the impairment tests for that are performed at least annually.

### Contingent liabilities
In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. These potential liabilities are considered to have a remote probability of crystallising and are therefore treated as contingent liabilities in the Group financial statements, and accordingly disclosed in Note 37. Although there can be no assurance regarding the outcome of legal proceedings, we do not expect them to have a materially adverse effect on our financial position or profitability.

### Tax
The Group provides for income tax according to the laws and regulations prevailing in the countries where it operates and the likelihood of settlement. The tax expense represents the sum of the current and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

# transform

# Corporate and social responsibility report

## In 2007, we commenced a thorough review of our social and environmental impact, in order better to align our desire to act responsibly with our strategic business objectives.

### 2007 highlights

- Founding member of UN Global Compact – Jordan
- Developed Group policies on Health & Safety and the Environment
- Pledged $250,000 to the Global Fund to fight AIDS, tuberculosis and malaria
- Sponsored 10-day event to support entrepreneurship among non-working women in Algeria
- Worked with the Jordanian Ministry of Environment to reduce landfill waste
- First pharmaceutical company to join Saudi Arabia's National CSR Committee
- Eliminated non-biodegradable packaging materials at our US facility

### Hikma's core values

- Honesty, integrity and the highest ethical standards
- Striving towards the highest levels of quality across our business
- Respect for all people, regardless of race, religion, gender or background
- Dedication to the welfare, education and quality of life of our employees
- Care and preservation of our environment
- Investment in the communities in which we work

**Transform**

In Jordan, we are working closely with Tkiyet Um Ali, a non-governmental organisation helping to eradicate hunger.

2007 has been a very successful year for our CSR programme, and all of the people who have helped to make this happen should be proud of their contribution to the future of our Company.

When Hikma was established in 1979, our founders brought with them a set of strong ethical values. A commitment to these values has always guided our decision-making, and helped to ensure that we consider the broader social, environmental and economic context in which we operate.

Today, our CSR programme is an important part of our strategic commitment to our core values. These values complement our strong governance and excellent management practices.

We know that our financial success rests on a foundation of non-financial performance. The stronger our reputation, the better our ability to attract, train and retain the best employees, the more efficiently we use increasingly scarce resources and the more links we have with local communities. As a result, the greater our opportunities for success in the broader context of our stakeholders.

As the Board member with responsibility for CSR, I am pleased to introduce this year's review of progress. I also look forward to working with our CSR Core Committee and CSR Champions to fulfil our commitments in the year ahead.

**Mazen Darwazah**
Executive Vice-Chairman, Hikma Pharmaceuticals PLC

## Introduction

We remain of the belief that we cannot achieve our long-term goals without maintaining a commitment to quality. It is a key business objective to operate responsibly, and to achieve our commercial aims within the framework of our responsibilities to a broad range of stakeholders. This is especially true when it comes to our people and our organisation. Over the 30 years since Hikma was established, we have grown into a successful global company while maintaining the strong ethical principles held by our founder. We believe that retaining these values is as important to our future success as it has been to our development so far. In the past, it had been enough that these core values were implicit, but in 2006, with a fast expanding group, we recognised that a more structured approach was required to ensure that we continue to consistently operate under these corporate values. Our continuing commitment to Corporate Social Responsibility (CSR) is our strategic response to this end.

## A structured approach to CSR

Hikma's approach to the management and growth of its business has always been guided by its ethical standards and core values. In 2006 we initiated the process of developing a more structured approach, through the implementation of a group-wide CSR programme. A key achievement in 2007 has been the integration of CSR in our governance system, and the development of the operational capacity needed to implement CSR consistently across our major manufacturing sites. CSR is now addressed at key subsidiary level, with corporate support and reporting lines to the Board of Directors, where major policies are approved before implementation at the operational level.

Our CSR Core Committee ("the Committee") oversees the development and implementation of CSR-related policies, programmes and activities. Its membership is drawn from senior management and our various operating subsidiaries, and is headed by a dedicated CSR Manager who reports directly to the Executive Vice Chairman, Mazen Darwazah. The Committee meets monthly and co-ordinates the management, implementation and dissemination of information to the subsidiary-based CSR champions for onward communication to our staff.

The formalisation of our approach to CSR has led to the development in 2007 of some of the first group-wide policies that will apply across all units. This process began in 2006, with implementation of a Code of Conduct, applicable to all employees, including Directors. In 2007, the Board approved additional Group-wide policies in areas such as Health & Safety and the Environment.

### Helping women grow their business

In August 2007, our operations in Algeria organised a series of events over a ten day period in support of women entrepreneurs. Organised in partnership with the Ministry of Youth and the National Agency for Small Loans, the initiative has helped women develop and grow their businesses.

During 2007 we established an internal network of CSR Champions, starting with our main manufacturing facilities. This network is responsible for implementing CSR policies at a subsidiary level, as well as reporting to the Committee and CSR Manager. We now have CSR Champions in place at six sites – two in Jordan and one each in Portugal, Algeria, the US and Saudi Arabia. We are in the process of training and appointing a CSR Champion in Egypt and will be making appointments at our other newly acquired subsidiaries.

Our network of CSR Champions enables us to share the learning from our six priority sites, so we can improve the effectiveness of our CSR programmes across the Group. Two formal meetings of the CSR Champions were held in 2007 to ensure a consistent understanding of our approach and priorities, and to provide the information and resources they will need to achieve our goals. The first of these meetings was a training session held by our CSR Manager to provide an initial introduction to CSR. The second session was a facilitated workshop during which the CSR Champions reviewed activities to date, shared their experiences of implementing local CSR activities and developed future targets and work plans.

The company also has an Ethics Committee which aims to monitor the ethical integrity of the Group across all areas of our business, and is responsible for the review and approval of statements and policies on ethics, conduct, values and principles within the Group. This committee is chaired by Michael Ashton, an independent non-executive director.

### Building on International Best Practice

As the concept of CSR is relatively new in many of the countries in which we operate, we have drawn guidance from existing international best-practice. We are using the Global Reporting Initiative's G3 guidelines to help inform our approach to reporting. These guidelines have been particularly useful in helping to develop a consistent group-wide approach to measuring performance and setting targets for improvement. While our reporting systems are still being refined, we are happy to present some of our first group-wide data in this report. Additional information will be available on our website during 2008, and we aim to obtain G3 application level C.

In 2007 we also became one of seven founding members of the United Nations Global Compact in Jordan. The Global Compact network includes over 3,000 company members from over 100 countries, and is based on a framework of ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. Our membership gives us the opportunity to engage with companies at both a local and global level, providing us with the opportunity to improve regional understanding of CSR issues by sharing our knowledge and expertise, as well as providing us with learning opportunities and tools for implementation.

### Progress to date

The following information provides an overview of our achievements in 2007 and outlines some of the initiatives we have planned for 2008. As our CSR programme develops we will seek to expand its reach to all manufacturing facilities across the Group.

#### Health and Safety

Our top priorities are to ensure that we provide a safe working environment and the necessary training for our people to achieve their potential.

In 2007 we developed our first Group-wide Health and Safety policy. This policy builds on the country-specific policies which were already in place. In 2008, a Health, Safety and Environment (HSE) supervisor will be appointed to each of our main units and will be responsible for implementing these policies. In addition, all employees at these manufacturing sites will be trained on the corporate Health and Safety policy.

Health and Safety has been one of our data gathering priorities and the data gathering process is already helping us to develop focused procedures to help us achieve our target eliminating occupational injuries.

### Initiatives launched in 2007:

- Jordan: Providing health insurance for all employees.
- US: Hired external specialists to conduct safety and technical training.
- US: Working on an initiative to reduce injuries.
- Saudi Arabia: Included CSR in training programmes.

**Health and Safety**

**0**

The number of fatal accidents at Hikma sites in 2007.

**Health and Safety**

**100%**

The number of our products tested for Health and Safety at development, production, distribution, use and disposal stages.

## People

Hikma has always placed a high importance on our employees and on employee development. Dedication to the welfare, education and quality of life of our employees is engrained in our core values. Our research and development, production and management processes depend on a highly-trained, experienced and committed workforce. With the introduction of data gathering on training, we expect to be able to better align employee development with achieving our business goals.

During 2007, we continued to invest in ongoing education for eligible employees under our Continuing Education Scheme, which support employees in fully-funded further education programmes. In addition, we continued to support talented students, providing access to appropriate educational resources.

### Initiatives launched in 2007:

- **Jordan:** Working towards OHSAS 18001 certification at one of our facilities.
- **US:** Conducting quality control training on a monthly basis.
- **US:** Implementing a training and corrective action system, which will identify and allocate training more efficiently.

## Ethics

Pharmaceutical companies owe an extraordinary duty of care to their customers, and to the patients using their products. Honesty, integrity and adhering to the highest ethical standards are three of our core values and key to our business success. Our Ethics Committee has Board-level representation, and oversees the development and implementation of our ethics programme.

As reported in 2006, we have adopted a Corporate Code of Conduct ("the code") for our employees. In 2007 we ensured that this Code was widely circulated, read and signed by management and corporate staff. We have also developed and implemented a training programme for Hikma's anti-corruption policy in which over 200 managers have been trained and will in turn, train their employees. As a signatory to Partnering Against Corruption Initiatives (PACI), we have made a public commitment to zero tolerance towards all forms of corruption and bribery.

In 2008, we will launch an anti-corruption manual to help employees identify and avoid areas of high risk. This will be supplemented by additional training and broader explanation of our confidential whistleblowing policy, which was previously approved by the Board and implemented.

As part of our commitment to ethical standards, we are working with our suppliers to understand their Human Rights and Environmental Policies. We have started this work by contacting our significant suppliers for each of the key manufacturing sites. Where necessary, we will work with our suppliers to help them meet our requirements.

### Targets for 2008:

- Undertake regular training on anti-corruption policies and procedures at our main manufacturing sites.
- Launch an anti-corruption manual and provide training on whistleblowing.

## Environment

Care and preservation of our environment is one of our core values. We also gain a business benefit through greater efficiency and control of resource input costs. In 2007 we adopted a Group-wide environmental policy, which will help us to embed environmental efficiency into our operations. Our main environmental impacts are in the area of energy consumption, water usage, and waste production. We are working on ways to minimise all three of these impacts.

One of our major accomplishments in 2007 has been the collection for the first time of consistent data on energy usage, water usage and waste production at our main production sites. Gathering the data has helped to raise awareness of our resource use and promote action. Our sites have increased recycling or moved towards incineration as opposed to putting waste to landfill. 2007 also saw two of our Jordanian facilities working towards ISO 14001 certification.

Our manufacturing and operations are energy intensive, and we will continue to investigate ways to reduce our energy use. At several sites we are looking at solar energy generation to reduce our reliance on carbon dioxide producing fossil fuels. We are also starting to implement energy efficiency projects, including energy saving lighting, more efficient variable frequency drive air compressors, increased insulation, and more efficient office equipment.

Many of our sites are located in arid countries where water scarcity is a pressing concern. Supported by our monitoring and measurement process, we have programmes in place across our sites to minimise water usage and to decrease water waste. In some instances, these programmes may require the installation of new equipment that is more water efficient. We also clean waste water where possible before returning it to external treatment plants.

Another priority is waste reduction. We manage our waste responsibly and continually look for further opportunities to

### Community

**$700,000**

In 2007, we donated a total of $700,000, most of which went to the King Abdullah Fund for Development which seeks to alleviate poverty in Jordan.

### Waste reduction in Algeria

**80%**

A new recycling programme has reduced by 80% the amount of cardboard and plastics that go to landfill.

reduce resource inputs as well as to reduce waste. Although hazardous waste and other production waste had always been measured and appropriately disposed of, our focus on gathering data has led to a greater level of awareness, which has in turn led to increased waste reduction and recycling of non-hazardous waste. In addition we continue our multi-site commitment to steel, aluminium, cardboard, plastic, paper and glass recycling.

**Initiatives launched in 2007:**

- **Jordan:** Installed photocell mixers and purchased new energy efficient variable frequency air compressor.
- **US:** Replaced fast coaters and drying ovens with more energy efficient models.
- **Algeria:** Reduced the amount of cardboard and plastics that go to landfill by 80%.
- **Portugal:** Purchased energy efficient equipment and increased water recycling.

**Targets for 2008:**

- Achieve ISO 14001 certification at two facilities in Jordan.
- Investigate solar energy use at facilities in Jordan, Portugal and Algeria.
- Investigate purchasing renewable energy in the US.
- Centralise the system for recycling of plastics, carton and paper at facilities in Portugal, Jordan and Algeria.

## Community

Investment in the communities in which we work is a core value at Hikma. From our heritage as a family-owned company, we recognise the importance of taking care of the communities that surround us. We see ourselves as an integral part of our communities, and we are committed to making those communities better for everyone who lives there.

Education is at the heart of Hikma's commitment to society. We co-operate with local universities and professional colleges in on-site student training, site visits and assistance with research projects.

We continue to work with a host of local charities and have invested time and funds into local projects. We remain committed to encouraging Group-wide employee involvement in our work with charities to build strong, ongoing relationships. In particular, in 2007 we worked with Tkiyet Um Ali, a non-governmental organisation helping to eradicate hunger in Jordan.

Charitable donations constitute another part of Hikma's role within our communities. In 2007, we donated a total of $700,000 in cash, most of which went to the King Abdullah Fund for Development which seeks to alleviate poverty in Jordan. The medical donations worth $592,000 were mostly made through the Hashemite Rescue Committee, which offers relief to disaster stricken areas such as Bangladesh. Other medical donations were made to physicians organising free medical days.

**Initiatives launched in 2007:**

- **Jordan**: Partnered with national universities and colleges to allow students to train at our facilities and to undertake technical research projects.
- **Algeria**: Organised a 10-day event for Algerian women working from home. This event gave them the opportunity to exhibit and sell their wares, and was supported by the Algerian national agency for small loans.
- **US**: Donated test equipment to support science in primary education.
- **Jordan**: Donated $25,000 worth of medicines for Africa Mercy, a project undertaken by Mercy Ships to improve the healthcare capacity of African countries by providing medical training and surgical services.

**Targets for 2008:**

- All of the main units will organise an annual Hikma volunteering day, supported by the CSR Champions. The theme for 2008 will be raising cancer awareness.

To find out more information on our Corporate Social Responsibility visit: **www.hikma.com/csr**

### AMC Jordan – Helping students enter the workforce

Hikma provided support to a project in Jordan aimed at teaching basic software courses to students from the University of Jordan. The project was organised by US Aid in co-operation with Microsoft and provided students with basic computer skills needed in today's business environment. Students were also trained on how to prepare their CV and interview skills. Over 140 students benefited from the project.

# Board of Directors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**1 Samih Darwazah**
Non-Executive Chairman, 77
Samih Darwazah, a qualified pharmacist, worked for Eli Lilly from 1964 to 1976, before establishing Hikma Pharmaceuticals Ltd in 1978. Between 1995 and 1996 he served as Minister of Energy and Mineral Resources in Jordan. He also founded the Jordan Trade Association and was a member of the Advisory Economic Council to His Majesty the King of Jordan. Samih holds a masters degree from the St. Louis College of Pharmacy, Missouri.

**2 Said Darwazah**
Chief Executive Officer, 50
Said initially joined Hikma in 1981. From 1994 until 2003, Said was Chairman and CEO of Hikma Investment Company, then the holding company for the Hikma Group. During his tenure at Hikma, Said led the Company through significant change and achievement. Key milestones include the acquisition, integration and turnaround of West-ward Pharmaceuticals in the US and the development of the Injectables business in Europe and the MENA region. Under his leadership, the Company's facilities in Jordan, the US and Portugal were inspected and approved by the FDA. From 2003 to 2006 Said was Minister of Health for the Hashemite Kingdom of Jordan. Said was appointed Chief Executive Officer of the Company on 1 July 2007. Said is currently on the Board of the Central Bank of Jordan, is the Chairman of Dead Sea Touristic & Real Estate Investments, Vice-Chairman of the Jordan Petroleum Refinery, and a member of the Board of Trustees of the the King Hussein Cancer and Biotech Institute, the International College in the Lebanon, and the Jordan River Foundation. He is also Chairman of the Health Care Accreditation Council of Jordan. He has a degree in industrial engineering from Purdue University in the US and an MBA from INSEAD.

**3 Mazen Darwazah**
Executive Vice-Chairman, CEO of MENA, 49
Mazen Darwazah joined Hikma in 1985 as a medical representative and has held several positions, including Chairman and CEO of Hikma Pharmaceuticals Limited (Jordan), Chairman of Trust Pharma Limited and Pharma Ixir Co Ltd. He is a member of the Nomination Committee. He is a Director of Jordan International Insurance Company, Capital Bank of Jordan and of several other organisations. Mazen has served as the president of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances, and has been a member of the Jordanian Higher Education Council since 2003. Mazen serves on a number of other international advisory boards in the non-governmental and educational sectors and is Chairman of the Business Development Centre in Jordan. Mazen holds a BA in Business Administration from Beirut University, Lebanon.

**4 Sir David Rowe-Ham**
Senior independent Non-Executive Director, 72
Sir David Rowe-Ham was appointed to the Board in October 2005 and holds the position of Chairman of the Nomination Committee. He is also a member of the Audit Committee and the Remuneration Committee. Sir David brings to Hikma a wide experience in financial matters, corporate governance, public affairs and the development of listed companies. He is also Chairman of Arden Partners plc, Olayan Europe Ltd and Peninsular South Asia Investment Co Ltd.

**5 Ali Al-Husry**
Non-Executive Director, 50
Ali Al-Husry has been a Director of Hikma Pharma Limited and other companies within the Hikma Group since 1991. He was a founder of The Capital Bank of Jordan and its Chief Executive Officer from its establishment in 1995 until 2007. He brings great financial experience to the Board as well as an in-depth knowledge of the MENA region. Ali has a degree in mechanical engineering from the University of Southern California and an M.B.A. from INSEAD, France.

**6 Michael Ashton**
Independent Non-Executive Director, 62
Michael Ashton was appointed to the Board in October 2005 and holds the position of Chairman of the Remuneration Committee. He is also a member of the Audit Committee and the Nomination Committee. Michael has over 30 years' experience in the pharmaceutical industry, having worked with Pfizer, Inc., Merck, Inc., and holding the positions of Chairman, President and Chief Executive of Faulding, Inc and Chief executive of Skyepharma PLC. He serves on the Boards of Transition Therapeutics and Proximagen.

**7 Breffni Byrne**
Independent Non-Executive Director, 62
Breffni Byrne was appointed to the Board in October 2005 and holds the position of Chairman of the Audit Committee. He is also a member of the Remuneration Committee. As a chartered accountant with over 30 years of experience in public practice, including significant international responsibilities, he has extensive experience in financial reporting, corporate governance and general financial and commercial matters. Breffni is Chairman of NCB Stockbrokers, a Director of Irish Life and Permanent plc, Cpl resources plc, Coillte Teoranta (the Irish state forestry company) and other companies.

**8 Dr. Ronald Goode**
Independent Non-Executive Director, 64
Ronald Goode was appointed to the Board in December 2006. He is a member of the Audit Committee and the Remuneration Committee. Ron has spent over 30 years in the international pharmaceutical industry, including having held senior positions with Pfizer and Searle. He is the chairman of The Goode Group, advisers to the pharmaceutical industry, a Director of Greystone Pharmaceuticals, sits on the Advisory Board of ART Recherches et Technologies Avancees Inc (a TSX-listed company), and is a Director of Mercy Ships International and a trustee of Thunderbird School of Global Management. He was formerly President and Chief Executive Officer of Unimed Pharmaceuticals, Inc and eXegenics Inc, and a Director of several other companies, including Genitope Corporation, Hokuriku Seiyaku and Vitro Diagnostics.

# Senior management


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**1 Bassam Kanaan**
Chief Financial Officer
Bassam joined Hikma in 2001 and played a leading role in preparing the Company for its IPO in 2005. Prior to joining Hikma, Bassam was the CFO of PADICO from 1994 to 2001. He currently serves on the Board of Zara Holding and has previously served as a Board member of several large corporations including Palestine Telecommunication Co and Central Electricity Generation Company in Jordan. He qualified as a CPA with Deloitte & Touche in Los Angeles where he worked as an audit manager. Bassam holds an Executive MBA from Northwestern University and a BA from Claremont McKenna College in the United States.

**2 Taghreed Al-Shunnar**
Corporate Vice President
Branded Pharmaceuticals, MENA
Taghreed joined the Company in 1988 after graduating from the University in Jordan with a degree in pharmacy. In 1995, she was appointed as Marketing Planning Director of Hikma Pharmaceuticals Limited and in 2002, promoted to General Manager of Hikma Pharmaceuticals Limited. In 2005, Taghreed became Corporate Vice President of Branded Pharmaceuticals MENA. Taghreed completed her Executive MBA from INSEAD in December 2007.

**3 Majda Labadi**
Vice President of Injectables and General Manager, Hikma Farmaceutica
Majda joined the Company in 1985 as a purchasing manager at Hikma Pharmaceuticals Limited and held several positions there culminating in her current appointment in March 2001. Majda holds a masters degree in health economics and a BA from the American University of Beirut.

**4 Nabil Rizk**
CEO of Generic Pharmaceuticals
Nabil joined the Company in 1991 from Pioneer Pharmaceuticals, Inc, a division of Dow Chemical, where he worked as Vice President of Operations. From 1976 to 1983 he served in various capacities with Hudson Pharmaceuticals, a division of Cadence Corporation including as Manager of Quality Control and Quality Assurance and Laboratory Supervisor (Research & Development). Nabil holds a masters degree in chemistry from the New Jersey Institute of Technology and a BSc in applied chemistry from Cairo University.

**5 Dr Ibrahim Jalal**
Senior Corporate Vice President for R&D
Ibrahim Joined Hikma in June 1979 as Technical Director. He was promoted to Corporate Technical Vice President for Compliance in 1998 and to Senior Corporate Vice President for R&D in 2008. He has played a leading role in getting FDA approval to Hikma manufacturing units. Ibrahim holds a PhD in pharmacy from the University of Wisconsin/Madison in the United States.

**6 Henry Knowles**
General Counsel and Company Secretary
Henry joined the Company in September 2005. Before joining Hikma, he worked for the international law firm, Ashurst, where he specialised in corporate law. Since joining Hikma, Henry has advised on all aspects of the Group's business, including commercial negotiations, supervising corporate governance and compliance and contributing to the execution of the Group's acquisition strategy. Henry is admitted as a solicitor in England and Wales and holds an MA in Social and Political Science from Cambridge University.

**7 Fadi Nassar**
Corporate Vice President,
Active Pharmaceutical Ingredients (API)
Fadi joined Hikma in 1988 and has worked in many areas across the Group including Operations, Purchasing and Business Development. He was promoted to Corporate Vice President, API in 2007. Fadi holds a bachelors degree in chemical engineering from Newcastle University and a masters degree in chemical enginering from Leeds University. Fadi is also a graduate of INSEAD's International Executive Programme.

**8 Michael Raya**
Executive Vice President, Operations, West-ward Pharmaceutical Corporation and Senior Corporate Vice President, Regulatory Affairs and Quality Systems
Michael joined the Company in 1992 from Vitarine Pharmaceuticals where he worked from 1984 until 1992 in various capacities, including Vice President, Quality Control. Prior to Vitarine, Michael worked at Schering-Plough and Hoffman LaRoche. Michael is a member of Hikma's Ethics Committee and is in charge of the Corporate CAPEX Committee. Michael holds a masters degree in industrial pharmacy from Long Island University and a bachelor's degree in chemistry from St. Francis College. Michael is also a graduate of INSEAD's International Executive Programme.

**9 Susan Ringdal**
Investor Relations Director
Susan joined the Company in November 2005, having previously worked for the pharmaceutical distribution and retail pharmacy group Alliance UniChem plc as Investor Relations Manager. She also has experience as an equity analyst at Morgan Stanley in London. Susan holds a BA in history from Cornell University and an MBA from London Business School.

# Corporate Governance report

**Combined code**
The Board is responsible for and committed to meeting the standards of good corporate governance set out in the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 (as revised) (the "Combined Code") as well as the corporate governance principles set out in the Markets Law of the Dubai Financial Services Authority (the "Markets Law") (together the "Corporate Governance Principles"). This report, the Audit Committee report set out on pages 40 and 41 and the Remuneration Committee report set out on pages 44 to 53 describe how the Board applied the Corporate Governance Principles during the year under review.

The Listing Rules of the Financial Services Authority and the Markets Law require the Group to report on their application of the principles of good governance and the extent of their compliance with the Corporate Governance Principles. This statement provides details on how the Group has applied these principles.

**The Board**
The Group is led and controlled by the Board of Directors. The Board's role is to determine the Group's long-term strategy; to monitor the achievement of its business objectives; to ensure the Group has adequate resources available to meet these objectives; to promote good corporate governance; and to ensure that the Group meets it responsibilities to shareholders, employees, suppliers, customers and other stakeholders. There is a formal schedule of matters reserved to the Board for consideration and decision, which is reviewed and updated annually. This includes approval of strategic plans, approval of financial statements and the annual Group budget, approval of material investment decisions, acquisitions and divestments, and review of the effectiveness of the Group's systems of internal control.

Except for the matters formally reserved for the Board, and in accordance with the Company's Articles of Association, the Board has delegated responsibility for the management of the Group, through the Chief Executive Officer, to its executive management team.

**Composition of the Board**
A majority of the Board comprises Non-Executive Directors. The Board currently comprises of the Non-Executive Chairman, the Chief Executive Officer, the Executive Vice-Chairman and five Non-Executive Directors. The names of the Directors and their biographical details are set out on page 35. The Chairman and the Executive Vice-Chairman were appointed to the Board on the incorporation of the Company on 8 September 2005. The Chief Executive Officer was appointed to the Board on 1 July 2007, and save for Ronald Goode, who joined the Board on 12 December 2006, each of the Non-Executive Directors joined the Board prior to the Company's listing on the London Stock Exchange, on 14 October 2005.

On 1 July 2007, on the recommendation of the Nomination Committee, the Board appointed Said Darwazah as the Chief Executive Officer of the Company. On this appointment, Samih Darwazah relinquished his role as Chief Executive Officer, and now continues to serve the Company as its Non-Executive Chairman. Previously, the Company had combined the roles of Chairman and Chief Executive Officer, both these roles having been held by Samih Darwazah, the founder of the Group.

Prior to his relinquishing the role of Chief Executive Officer, the Board believed that the unparalleled experience brought to the Group by Samih Darwazah, being both its founder and its leader through the transition from private to public company, justified his holding the positions of both Chairman and Chief Executive Officer. On the appointment of Said Darwazah as Chief Executive Officer, the Board undertook consultation with its major shareholders and in conjunction with external advisers concluded that his former executive role with the Company should not preclude Samih Darwazah from continuing to give important guidance to the Group through the Board as its Non-Executive Chairman.

On the appointment of its new Chief Executive Officer, the Board adopted written guidelines on the separation of the roles of Chairman and Chief Executive Officer.

Each of Michael Ashton, Breffni Byrne, Ronald Goode and Sir David Rowe-Ham are independent Non-Executive Directors. The fifth Non-Executive Director, Ali Al-Husry, who continues to bring broad financial experience to the Board as well as a detailed knowledge of the MENA region which is significant to the Group's business, is not treated as being independent as a result of his close links to the Darwazah family through Darhold Limited, the Company's largest shareholder.

During the year under review, the Company has complied with the Combined Code requirement that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors. The Non-Executive Directors who have diverse business backgrounds, skills and experience bring independent judgement to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board.

The Senior Independent Director is Sir David Rowe-Ham.

**Board procedures and support**
The Group's Board procedures require the provision of regular and necessary management information to Directors to enable them to fulfil their duties, with full Board papers circulated in advance of Board and Committee meetings. The Company Secretary is charged with ensuring good information flow within the Board and its committees, so that appropriate levels of information are provided in a timely manner to the Board before making decisions.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that good board procedures are followed and for advising the Board through the Chairman on all matters of corporate governance to maintain compliance throughout the Group. The appointment and removal of the Company Secretary is a matter reserved for the Board. To the extent necessary, the Directors are able to obtain independent professional advice at the Company's expense in the performance of their duties as Directors.

## Board meetings

During the year under review, the Board held eight scheduled meetings and three other meetings. The Company Secretary attended all Board meetings and Committee meetings.
A table showing attendance at these meetings is set out below. All directors attended meetings of the Board and committees of which they are members unless, in the case of additional meetings called on short notice, prevented from doing so by prior commitments. Where Directors are not able to attend such meetings as a result of conflicts in their schedule, they receive and read the papers for consideration at that meeting, relay their comments in advance and, if necessary, follow up with the Chairman on the decisions taken.

| | Board | | | | |
|---|---|---|---|---|---|
| Meeting record | Scheduled | Other | Audit | Remuneration | Nomination |
| Number of meetings | 8 | 3 | 8 | 4 | 3 |
| Samih Darwazah | 8 | 3 | | | |
| Said Darwazah* | 4 | – | | | |
| Mazen Darwazah | 8 | 3 | | | 3 |
| Ali Al-Husry | 8 | 3 | | | |
| Michael Ashton | 8 | 2 | 8 | 4 | 3 |
| Breffni Byrne | 8 | 2 | 8 | 4 | |
| David Rowe-Ham | 8 | 3 | 8 | 4 | 3 |
| Ronald Goode | 8 | 3 | 7 | 4 | |

*Said Darwazah was appointed on 1 July 2007.

The Directors maintain a close dialogue between Board meetings, ensuring that, amongst other things, the Non-Executive Directors are kept up to date with major developments in the Group's business. Visits by each of the Non-Executive Directors to the Group's main facilities in the MENA region, the United States and Europe help to reinforce the Board's understanding of the key business issues facing the Group.

## Board performance evaluation

All Directors other than Ronald Goode, who was elected by shareholders at the Annual General Meeting held on 6 June 2007, were elected by shareholders at the first Annual General Meeting, held on 25 May 2006. Said Darwazah will be subject to election by shareholders at the Annual General Meeting to be held on 15 May 2008. All Directors are subject to re-election at intervals of no more than three years. Non-Executive Directors are appointed for an initial term of three years, which can be renewed and extended for not more than two further three-year terms.

The Chairman believes that the Non-Executive Directors continue to bring a balance of skill and experience to the Board, and have shown themselves to discharge their roles effectively and with commitment to their respective roles and to the strategic aims of the Group. Biographies of the Non-Executive Directors are set out on page 34.

As required by the Combined Code, a formal evaluation of the performance of the Board, the Chairman, the Committee Chairmen and the individual Non-Executive Directors was undertaken during the period under review.

The evaluation process was led by the Senior Independent Director, who met with each of the Non-Executive Directors and the Committee Chairmen to undertake a formal appraisal of the performance of the Board, its committees and each of the individual Directors. These discussions focused on Board and Committee performance, membership, timetabling, internal and external support, the quality and timely availability of relevant Board information and the contribution of, preparation for and performance by individual Directors at Board and Committee meetings. The results of the evaluation process and feedback were reviewed with the Chairman and formed part of his appraisal of the overall effectiveness of the Board and its members. Overall the review concluded that the Board functions well, with good communication, and with issues raised in good time to allow for consultation, debate and effective decision-making.

In addition to the matters set out above in respect of all Directors, the Senior Independent Director met with the non-executive directors to undertake a formal appraisal of the performance of the Chairman. This review also addressed the effectiveness of his leadership, the setting of the Board agenda, communication with shareholders, internal communication and Board efficiency.

## Directors' service arrangements and terms of appointment

Details of the Executive Directors' service arrangements and Non-Executive Directors' letters of appointment are contained in the Remuneration Report set out on pages 44 to 53.

## Directors' remuneration

Details of the remuneration of the executive and Non-Executive Directors are contained in the Remuneration Report set out on pages 44 to 53.

## Dialogue with shareholders

Ongoing communication with shareholders is a high priority. The Company undertakes a continuous programme of meetings with institutional shareholders in the UK, Europe, the United States and the MENA region. This programme includes but is not limited to one-on-one meetings, conference calls and presentations at investor conferences. In addition the Company makes formal presentations at the time of its annual and interim results which are webcast and disseminated on the Company's website.

The Chief Executive Officer, Executive Vice-Chairman, Chief Financial Officer and other senior corporate executives have all participated in this investor programme during the period under review.

The principal ongoing communication with shareholders is through the publication of the Company's Annual Report and Accounts and Interim Results, together with the opportunity to question the Board and committees at the Annual General Meeting. The Company maintains a website (www.hikma.com) containing financial and other information which is updated regularly. Additionally, the Company presents a balanced view of the Group's performance and prospects through the release of appropriate press announcements and other updates.

The Board is kept updated on the views of shareholders and the market in general through the feedback from the investor meeting programme and results presentations. Analysts' reports are circulated to the Board members together with monthly Investor Relations Reports. The Senior Independent Director has undertaken to be available to shareholders if they have a concern that cannot be appropriately addressed through the Chairman.

**Board committees**
In accordance with the principles of good corporate governance and in compliance with the Combined Code and the Markets Law, the Board maintains three committees – the Audit Committee, Nomination Committee and Remuneration Committee. The Group also has an Executive Committee comprising the Executive Directors and senior management of the Group, and an Ethics Committee, which draws its members from the Board and the senior management of the Group.

Each of the three Combined Code committees has terms of reference, which were reviewed during the year. Copies are published on the corporate website at www.hikma.com. Their Chairmen give regular reports of the committees' business to the Board.

Nomination Committee
The Nomination Committee consists of two independent Non-Executive Directors – Sir David Rowe-Ham (Committee Chairman) and Michael Ashton – and the Executive Vice-Chairman, Mazen Darwazah. As required by the Corporate Governance Principles, the majority of the members of the Committee are independent Non-Executive Directors and an independent Non-Executive Director holds the Chairmanship of the committee.

The Nomination Committee is responsible for succession planning and for ensuring that all appointments to the Board are made on objective criteria. In accordance with its terms of reference, the Committee is required to take into account the skills, knowledge and experience of the Board in making its decisions and is able to use external search firms or open advertising to compile shortlists of candidates for the Board. It is also charged with reviewing the appropriateness of the size, structure and composition of the Board.

The Nomination Committee met three times during the year, with full attendance, to review overall Board structure and composition and to recommend the appointment of a new Chief Executive Officer. The Committee undertook extensive discussions with the Group's advisers in respect of this appointment and conducted a directed consultation process with major shareholders, culminating in the recommendation of the appointment of Said Darwazah as the new Chief Executive Officer of the Company.

Remuneration Committee
The Remuneration Committee consists of the Company's four independent Non-Executive Directors – Michael Ashton (Committee Chairman), Breffni Byrne, Sir David Rowe-Ham and Ronald Goode. The Remuneration Committee therefore complies with the membership requirements laid out in the Corporate Governance Principles.

The Committee met four times during the year with full attendance. The Committee is responsible for setting and reviewing executive remuneration and that of the Company Secretary and is able to take advice from external consultants when required. A full report on the role of the Remuneration Committee is set out in the Remuneration Committee report on pages 44 to 53.

Audit Committee
The Audit Committee consists of four independent Non-Executive Directors – Breffni Byrne (Committee Chairman), Michael Ashton, Sir David Rowe-Ham and Ronald Goode. The Audit Committee therefore complies with the membership requirements laid out in the Corporate Governance Principles.

The Committee met eight times during the year. A full report of the role of the Audit Committee and the details of how it carried out its duties is set out in the Audit Committee report on pages 40 and 41.

Executive Committee
The Group also has an Executive Committee, made up of the Executive Directors and other senior management of the Group, which oversees the day-to-day operation of the Group's major operating subsidiaries, implements the decisions of the Board, and makes recommendations for the Board's approval.

Ethics Committee
The Ethics Committee is chaired by Michael Ashton and draws its members from the Board (Ronald Goode and Mazen Darwazah) and senior management across the Group. The Ethics Committee aims to monitor ethical behaviour and integrity across all areas of the Group's business. Thus, the Committee is responsible for the review and approval of statements and policies on ethics, conduct, values and principles within the Group.

**Internal control**
The Board has overall responsibility for the Group's systems of internal control and risk management and has complied with the requirements of the Corporate Governance Principles in establishing a continuous process for identifying, evaluating and managing the risks the Group faces. The Board is responsible for monitoring the effectiveness of these systems on an ongoing basis and, at least annually, conducting a formal review of the Group's policies on internal control. The system of internal control provides reasonable but not absolute assurance against material misstatement or loss.

The key elements are as follows:

- An organisational structure with clear operating and reporting procedures, authorisation limits, segregation of duties and delegated authority;
- Annual budgets, updated forecasting, and long-term business plans for the Group that identify risks and opportunities which are reviewed and approved by the Board;
- A comprehensive system of internal financial reporting which includes regular comparison of financial results and key performance indicators against budget, informed by management commentary;

- A clearly defined process for controlling capital expenditure and other financial commitments, including appropriate authorisation levels, which are monitored and approved by the Board on an ongoing basis;
- Written policies on procedures for all material functional areas with specific responsibility allocated to individual managers.

During the year under review, Ernst & Young continued its management and execution of the Group's internal audit function on a global basis under a three year contract which commenced in 2006. This involves a risk-driven approach to internal audit which is overseen by the Audit Committee. The internal audit process focuses on reviewing areas of business risk, internal controls financial reporting and other systems in the Company's main subsidiaries and at the corporate level, with regular reports of its findings made to the Audit Committee. Ernst & Young have direct access to the Audit Committee and the Board Chairman.

The Board confirms that, in accordance with the requirements of the Corporate Governance Principles, a review of the effectiveness of the Group's systems of internal controls was conducted during the year.

**Insurance**
The Company maintains an appropriate level of Directors' and Officers' insurance in respect of action taken against Directors. Additionally, in accordance with Hikma's Articles of Association, to the extent permitted by law, Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office.

**Compliance with the provisions of the Combined Code**
During the year under review, the Company applied the principles set out in section 1 of the Combined Code, including both the main principles and the supporting principles, and the corporate governance principles set out in the Markets Law. At the year end the Company was in full compliance with the Corporate Governance Principles. However, consistent with the prior year and for the reasons outlined above, the founder of the Group, Mr Samih Darwazah, occupied the roles of both Chief Executive Officer and Chairman for the first half of the year under review.

**Going concern**
The Board believes that the Group has adequate resources to continue operating for the foreseeable future. For this reason, it will adopt the going concern basis in preparing the accounts.

# Audit Committee report

The Combined Code requires that this Annual Report separately describes the work of the Audit Committee and how it discharges its responsibilities.

**Terms of reference**
The Audit Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. These can be found on the Company's website at http://www.hikma.com/aboutus/governance/boardcommittees/ and are summarised as follows:

- monitor the integrity of the financial statements and any other formal announcement relating to the Group's financial performance and review summary financial statements and significant financial returns to regulators;
- review and challenge accounting policies and accounting for significant or unusual transactions;
- review and challenge the adoption of accounting standards, estimates and judgements and the clarity of disclosure in financial reports;
- review and challenge compliance with stock exchange, UK Listing Authority and legal requirements including the requirements of the Combined Code and Markets Law;
- review arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- monitor and review the internal financial controls and the Group's overall risk identification and management systems;
- consider and approve the remit and effectiveness of the internal audit function, its annual plan, its resources and access to information and its freedom from management or other restrictions;
- review and monitor management's responsiveness to the findings and recommendations of the internal auditors;
- consider and make recommendations for appointment, re-appointment and removal of the Company's external auditor, and oversee the relationship with the external auditor;
- review and monitor the quality, independence and objectivity of the external auditor (accounting for relevant UK and professional regulatory requirements) and approve their remuneration and terms of engagement;
- develop and implement a policy on the supply by the external auditor of non-audit services, taking into account relevant ethical guidance and potential conflicts of interest.

The Audit Committee's terms of reference were reviewed by the Audit Committee during the period under review and referred to the Board for approval.

**Composition**
Hikma's Audit Committee comprises four members – Breffni Byrne, Michael Ashton, Sir David Rowe-Ham, and Ronald Goode – all of whom are independent Non-Executive Directors, and whose qualifications are set out on page 34. The committee is chaired by Breffni Byrne, who is a chartered accountant and who is considered by the Board to have recent and relevant financial experience. No members of the Committee have links with the Company's external auditors. The Company therefore considers that it complies with the Corporate Governance Principles regarding the composition of the Audit Committee.
The Committee Chairman receives additional remuneration to compensate him for his additional responsibilities.

**Responsibilities**
The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audit and internal control. This includes reviewing the Company's annual financial statements, interim report and trading updates, reviewing and monitoring the extent of non-audit work undertaken by external auditors, and monitoring the effectiveness and output of the Company's internal audit activities, internal controls and risk management systems. The Audit Committee is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, as well as the effectiveness of the audit process. The ultimate responsibility for reviewing and approving the annual report and financial statements and the half-yearly reports remains with the Board.

**Meetings**
The Audit Committee met eight times during the year under review, with the Chief Financial Officer and the Company Secretary in attendance. The Audit Committee reviewed the 2006 annual report and financial statements, the 2007 interim report and each of the regulatory statements made by the Company in respect of trading and results issued during the year. The Committee also reviewed and approved the audit plans for 2007 for both internal and external auditors and the related scope of internal audit work to be undertaken. The Committee reviewed the effectiveness of the Group's internal controls and risk management processes and the disclosures made in the annual report and financial statements on these matters.
The Committee also reviewed its own terms of reference and general effectiveness, both specifically and in the context of the overall annual review of corporate governance matters conducted by the Company.

The Group's external auditors, Deloitte and Touche LLP, attended four Audit Committee meetings for the purposes of presenting their 2006 audit results and findings, the results of the 2007 interim review and their audit plan for 2007. The internal auditors, Ernst & Young presented their 2007 audit plan and summary findings of their work to the Audit Committee, who continue to review the response by management, proposed action plans and the overall effectiveness of the internal audit function. In accordance with the Combined Code, the Audit Committee also met with the Group's external auditor and internal auditor without executive management present.

In addition, the Audit Committee Chairman met with the external auditor in the United States and also in Germany following the acquisition of Ribosepharm and Thymoorgan during the year. The Audit Committee Chairman also met with Ernst & Young in late 2007 to discuss the scope of the 2008 internal audit programme.

Attendance of members at Audit Committee meetings is shown on page 37 of the report on corporate governance.

**External auditors**

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit, and has adopted a policy in relation to the provision of non-audit services by the external auditors.

Fees paid in respect of audit, audit-related and non-audit services are outlined in Note 4 to the Group financial statements. Audit-related services are services carried out by the external auditor by virtue of its role as auditor and principally include assurance-related work and accounting advice.

In line with audit independence requirements the external auditor does not provide services such as information system design and valuation or advocacy work which could be considered to be inconsistent with the audit role. In addition audit related and non-related services provided by the external auditor in excess of certain monetary limits require prior approval by the Audit Committee. The Committee has reviewed the non-audit services provided by the external auditor and is satisfied that the nature of these services has not compromised the auditor's independence.

A policy has also been adopted whereby prior approval by the Audit Committee is required before the recruitment of a senior member of the audit team or the recruitment of an employee of the external auditors to a senior finance position within the Group.

The Group Whistleblowing Policy contains arrangements for the Chairman of the Audit Committee, the Senior Independent Director, and Ronald Goode (as a US-based member of the Audit Committee) to receive, in confidence, complaints on accounting, risk issues, internal control and other instances of allegedly improper behaviour by Group employees.

**Overview**

The Audit Committee concludes that it has acted in accordance with its terms of reference and ensured the independence of external audits. The Audit Committee also reviewed the effectiveness of the external auditors and recommends to the Board that they be re-appointed. The Chairman of the Audit Committee will be available at the Annual General Meeting to answer questions on the work of the Committee.

# Other matters

## Principal activity
The principal activities of the Group are the development, manufacture and marketing of a broad range of generic and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. Hikma's operations are conducted through three business segments: Branded Pharmaceuticals, Generic Pharmaceuticals and Injectable Pharmaceuticals. The majority of Hikma's operations are in the MENA region, the United States and Europe.

The Group's net sales, gross profit and operating profit are shown by business segment in Note 3 to the consolidated financial statements.

## Results and dividends
The Group's profit for the year attributable to shareholders in 2007 was US$62.6 million. The Board is recommending a final dividend of 4.0 cents per share (approximately 2.0 pence). The proposed final dividend will be paid on 2 June 2008 to shareholders on the register on 2 May 2008, subject to approval at the Annual General Meeting.

## Directors and their Interests
The names of the Directors as at the date of this report, together with details of their roles, backgrounds and abilities, are set out in the Directors' biographies on page 34. Details of the independence of Non-Executive Directors are set out in the Corporate Governance report on pages 36 to 39.

The Executive and Non-Executive Directors served the Company throughout the year, save for Said Darwazah, who was appointed as a Director and Chief Executive Officer on 1 July 2007. Having been appointed by the Directors, Mr Darwazah will offer himself for re-election at the next Annual General Meeting.

Details of directors' share options are provided in the Remuneration Committee report on pages 44 to 53.

The Directors who held office on 31 December 2007 had the following interests in the shares and debentures of the Company at the year end and at 17 March 2008, being the date of this document.

| | Ordinary Shares of 10 pence | | |
|---|---|---|---|
| Director | 1 January 2007 | 31 December 2007 | **17 March 2008** |
| Samih Darwazah | 1,394,506 | 1,706,506 | **1,875,450** |
| Said Darwazah* | – | 612,780 | **673,445** |
| Mazen Darwazah | 561,958 | 561,958 | **617,591** |
| Michael Ashton | 4,566 | 4,566 | **4,566** |
| Ali Al Husry | 1,109,748 | 1,109,748 | **1,109,748** |
| Breffni Byrne | 10,000 | 10,000 | **10,000** |
| Ronald Goode | – | 6,000 | **6,000** |
| Sir David Rowe-Ham | 10,000 | 10,000 | **10,000** |
| Total shares | 3,090, 778 | 4,021,558 | **4,306,800** |

*Whilst Said Darwazah owned shares on 1 January 2007, he was not appointed as a director of the Company until 1 July 2007.

## Creditor payment policy
The Company's policy, which is also applied by the Group, 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. Trade creditors of the Company at 31 December 2007 were equivalent to 81 days' purchases, as compared to 74 days at 31 December 2006, based on the average daily amount invoiced by suppliers during the year.

## Charitable and political contributions
During the year the Group made charitable donations of approximately $1.3 million, principally to local charities serving the communities in which the Group operates. Donations of medicines accounted for approximately $590,000 of total donations made.

The Group does not make political donations.

## Capital structure
The Company has one class of Ordinary Shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. As at 31 December 2007, the Company had 898 ordinary shareholders and 170,733,807 Ordinary Shares of 10 pence each in issue. During 2007 the Company issued 2,569,000 Ordinary Shares pursuant to the exercise of options under the Hikma Pharmaceuticals PLC 2004 Stock Option Plan.

There are no specific restrictions on the size of a holding nor the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may have resulted in restrictions on the transfer of securities or on voting rights. No person has any special rights with regard to the control of the Company's share capital. With regard to the appointment and replacement of directors, the Company is governed by the Articles of Association, the Combined Code, and prevailing legislation.

## Substantial shareholdings
As at 31 December 2007, the Company had been notified pursuant to sections 89A to 89L of the Financial Services and Markets Act 2000 and Rule 5.1.2R of the Disclosure and Transparency Rules of the UKLA of the following interests in the voting rights attaching to shares in the capital of the Company:

| Name of Shareholder | Number of shares | Percentage held |
|---|---|---|
| Darhold Limited | 52,649,972 | 30.83% |
| Capital Research and Management Company | 10,223,003 | 6.08% |
| Legal & General Group PLC | 5,181,598 | 3.05% |

No further notifications were received between 31 December 2007 and the date of this document. However, as a result of shares subscribed in the placing undertaken by the Company on 17 January 2008, Darhold Limited now holds 57,883,028 Ordinary Shares, though no notification obligation arose as a result of this subscription.

**The Takeover Code – Rule 9**
At the Annual General Meeting held on 6 June 2007, a vote of the independent shareholders of the Company approved the award of up to an aggregate of 437,141 Ordinary Shares pursuant to the Company's 2006 Long-Term Incentive Plan to Said Darwazah and Mazen Darwazah (the "LTIP Holders"). Because of the relationship of the LTIP Holders with Darhold Limited, who at the time of the Annual General Meeting held 52,649,972 Ordinary Shares (representing 31.129% of the issued share capital of the Company at 25 April 2007, being the latest practicable date prior to the publication of the Notice of Annual General Meeting), each of the LTIP Holders (together with certain other identified individuals at that date) was treated as acting in concert with Darhold Limited for the purposes of the Takeover Code (the "Concert Party"). As at 25 April 2007, the Concert Party held, in aggregate, interests in 60,550,416 Ordinary Shares in the capital of Hikma (representing 35.800% of the then issued share capital of the Company). On full exercise of the options under the Hikma Pharmaceuticals 2004 Stock Option Plan (the "2004 Plan") and full vesting of the LTIPs, the Concert Party would potentially have, in aggregate, interests in 62,659,557 shares in the capital of the Company (representing 36.590% of the enlarged issued share capital of the Company, on the basis that no Ordinary Shares were issued other than pursuant to the exercise of such options or vesting of LTIPs).

During the period from the Annual General Meeting in 2007 to 17 March 2008, the LTIP Holders together with other members of the Concert Party who hold options over Ordinary Shares pursuant to the 2004 Plan (the "Option Holders") have exercised, in aggregate, options over 500,000 Ordinary Shares in the capital of the Company, of which 180,000 Ordinary Shares were sold immediately upon exercise and 320,000 Ordinary Shares were retained but subsequently disposed of by the Options Holders. Thus, at the date of this document (including shares subscribed by the Option Holders as part of the fund raising by the Company undertaken in January 2008, the Concert Party holds interests in 66,106,123 Ordinary Shares (representing 35.156% of the issued share capital of the Company as at the date of this document).

**Pre-emptive issue of Ordinary Shares**
During the year under review, and in the period since 1 November 2005, the date of the Company's IPO, the Company did not issue any Ordinary Shares pursuant to an authority given by shareholders at annual general meeting to issue Ordinary Shares for cash on a non pre-emptive basis.

**Articles of Association**
A summary of the relevant provisions of the Company's Articles of Association (the "Articles") is set out in the "Shareholder information" section on pages 101 to 103. References to the Articles are to the existing set of Articles. It should be noted however that the Company will adopt new Articles of Association with effect from the conclusion of the Annual General Meeting to be held on 15 May 2008.

**Significant agreements and contracts**
Due to the nature of the Group's business, members of the Group are party to agreements that could alter or be terminated upon a change or control of the Group following a takeover. However, none of these agreements is individually deemed to be significant in terms of its potential impact on the business of the Group taken as a whole. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

**Auditors**
Each of the persons who is a Director of the Company at the date when this report was approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

**Annual General Meeting**
The Annual General Meeting of the Company will be held at The Andaz Hotel, 40 Liverpool Street, London EC2M 7QN on Thursday, 15 May 2008, starting at 11.00 a.m. The Notice convening the meeting is given in a separate document accompanying this document, and includes a commentary on the business of the AGM, and notes to help shareholders exercise their rights at the meeting.

Approved by the Board of Directors on 17 March 2008 and signed on its behalf

**Henry Knowles**
Company Secretary

# Remuneration Committee report

**Introduction**
This report has been prepared in accordance with The Directors' Remuneration Report Regulations 2002, (the "Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles and complied with the provisions of the Combined Code and the Markets Law relating to directors' remuneration. As required by the Regulations, an advisory resolution to approve this report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The auditors are required to report on the "auditable" part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report is therefore divided into separate sections for unaudited and audited information.

**Unaudited information**

Remuneration Committee

The Directors who were members of the Committee during the year under review are set out on pages 36 to 39 in the Corporate Governance report.

The responsibility for the establishment of a remuneration policy and its cost is a matter for the full Board, on the advice of the Remuneration Committee. The ongoing recommendations of the Remuneration Committee have been approved without amendment by the Board for submission to shareholders.

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors and senior management and for determining specific remuneration packages for each of the Executive Directors. The Remuneration Committee members have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business.

The Remuneration Committee sought the assistance of the Chairman, the Chief Executive Officer and Executive Vice-Chairman on matters relating to directors' performance and remuneration in respect of the period under review. The Chairman, Chief Executive Officer, Executive Vice Chairman and General Counsel may attend meetings by invitation except when their individual remuneration arrangements are discussed. No director takes part in discussions relating to his own remuneration or benefits. As detailed below, during the year the Remuneration Committee received wholly independent advice on executive compensation from Halliwell Consulting. Halliwell Consulting also provides associated administrative support for the Company's share plans. No services other than those detailed in this report were provided to the Company by Halliwell during the year under review.

The Remuneration Committee is formally constituted with written terms of reference with the full remit of the Committee role described. The terms of reference are available on the Company's website or on request by shareholders in writing from the Company Secretary whose contact details are set out on page 104 of the Annual Report.

Philosophy behind Remuneration Committee's approach

The Company's remuneration policy is designed to encourage, reward and retain executives and the Remuneration Committee believes that shareholders' interests are best served by remuneration packages which have a large emphasis on performance related pay, thus encouraging executives to focus on delivering the Group's business strategy. By providing meaningful incentives to executives the Company's policy seeks to ensure that the appropriate balance between fixed and performance related pay is maintained.

## Remuneration policy 2007

### Overall policy

The Remuneration Committee's policy during the year under review was to set the main elements of the remuneration package at the following quartiles in comparison to the Company's Comparator Group:

| Base salary | Annual bonus potential | Pension | Benefits in kind | Potential total short-term remuneration available | Potential annual share awards | Potential total compensation value |
|---|---|---|---|---|---|---|
| Lower quartile to median | Upper quartile | Lower quartile to median | | Median to upper quartile | Upper quartile | Median to upper quartile |
| This supports the performance based culture of the Company. Fixed costs are minimised and total short-term remuneration will only reach and exceed the median if the performance-based bonus is earned for the relevant financial year. | | | | | The policy in respect of long-term incentives and potential compensation value is an extension of the policy on total short-term remuneration. Executives will only receive a market competitive package if the annual bonus and long-term incentives are earned. | |

### 2007 Comparator Group

The constituents of the Company's Comparator Group ("CG") for benchmarking remuneration during 2007 were as follows:

| Name | Name | Name |
|---|---|---|
| Acambis Plc | Barr Pharmaceuticals Inc | Oxford Biomedica Plc |
| Alizyme Plc | CAT Group Plc | Protherics Plc |
| Allergan Inc | Forest Laboratories Inc | Shire Pharmaceuticals PLC |
| Alpharma Inc | King Pharmaceuticals Inc | SkyePharma Plc |
| AstraZeneca PLC | Mylan Laboratories Inc | Vernalis PLC |
| Axis-Shield Plc | Neutec Pharma Plc | Watson Pharmaceuticals Inc |

Factors the Remuneration Committee took into account when selecting the Comparator Group included:

- the industry within which the Company operates, specifically taking into account both the international nature of the Company's business and its competitors, and the international nature of the Company's current executive team and potential recruits to that team;
- the market capitalisation, turnover and number of employees of the Company; and
- the UK listing environment of the Company.

Throughout this report, references to quartiles are to quartiles in the Comparator Group.

It is the Committee's current intention to use the same Comparator Group (with the removal of CAT Group Plc and Neutec Pharma Plc due to acquisition) to benchmark the Company's Executive compensation in 2008 and as the Comparator Group for the total shareholder return performance condition attached to awards under the Hikma Pharmaceuticals PLC 2006 Long-Term Incentive Plan ("LTIP").

### Ongoing review

The Remuneration Committee continues to review the remuneration policy on an annual basis to ensure it remains appropriate for the financial year under review. Factors taken into account by the Remuneration Committee include:

- market conditions affecting the Company;
- the recruitment market in the Company's sector;
- changing market practice; and
- changing views of institutional shareholders and their representative bodies.

It is the current intention of the Remuneration Committee to apply the 2007 policy in 2008.

### Background

During the year, the Company appointed Said Darwazah as its Chief Executive Officer. His appointment commenced on 1 July 2007. At the same time, Samih Darwazah relinquished his executive role, continuing in his position as the Non-Executive Chairman of the Company. At this time the Committee undertook an independent review of remuneration for Chief Executive Officers in conjunction with the appointment. This was performed by the Committee's independent external remuneration consultants, Halliwell Consulting.

### 2007 balance between fixed and variable performance based compensation

The chart below demonstrates the balance between the potential fixed and variable performance based compensation for each Executive Director for the year ended 31 December 2007.

| | Fixed compensation is calculated as: | Variable performance compensation is calculated as: |
|---|---|---|
| Name | Salary benefits pension contribution | Maximum bonus available fair market value of maximum potential LTIP award |
| Said Darwazah | 43% | 57% |
| Mazen Darwazah | 45% | 55% |

### Elements of Executive Directors' remuneration

#### Basic salary

*Policy 2007 and 2008 – Lower quartile to median*

The Company's remuneration policy is to set the levels of base salary for the Executive Directors below the median to support a performance based culture.

| Name | **2007 salary** | 2008 salary | Rise | Median rise in Comparator Group |
|---|---|---|---|---|
| **Samih Darwazah*** | **$458,494** | – | 0% | 8.1% |
| Median | | $676,000 | | |
| Lower quartile | | $500,000 | | |
| **Said Darwazah**** | **$600,000** | $630,000 | 5% | 8.1% |
| Median | | $676,000 | | |
| Lower quartile | | $500,000 | | |
| **Mazen Darwazah** | **$371,763** | $420,000 | 13% | 10.6% |
| Median | | $449,000 | | |
| Lower quartile | | $374,000 | | |

*The salary for Samih Darwazah has been annualised for the purposes of comparison, though Mr Darwazah performed an executive role only until 30 June 2007.

**The salary for Said Darwazah has been annualised for the purposes of comparison, though he performed an executive role only from 1 July 2007.

As in 2007, the increases in executive salary reflect the Committee's ongoing policy that, save in exceptional circumstances, only modest salary rises should be required.

When determining the salary of the executives the Committee takes into consideration:

- the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity, in particular the lower quartile and median salary levels of those comparable companies within the pharmaceuticals industry and the Comparator Group;
- the performance of the individual executive director;
- the individual Executive Director's experience and responsibilities; and
- pay and conditions throughout the Company.

## Annual performance related bonus

*Policy 2007 and 2008 – Upper quartile bonus potential*

Bonus payments are not pensionable. The following tables summarise the main features of the Company's executive bonus plan.

| Bonus | Samih Darwazah | Said Darwazah | Mazen Darwazah |
|---|---|---|---|
| **Company bonus potential** | 100% | 100% | 100% |
| Upper quartile CG | 94% | 94% | 94% |
| Median CG | 55% | 55% | 55% |
| **2007 bonus paid as percentage of salary** | 80% | 80% | 90% |
| Upper quartile bonus payments in the CG as a percentage of salary* | 133% | 133% | 104% |

*Certain of the US companies contained in the CG do not have a cap on bonus and therefore pay in excess of the CG Upper quartile amount.

The maximum target bonus potential is 100% of salary. It is possible for exceptional performance to earn up to a total maximum bonus of 200% of salary. The maximum bonus potentials for 2008 will remain the same as those applied for 2007.

The bonuses for 2007 have been paid on the basis of the level of the satisfaction of the performance targets, and in respect of Samih Darwazah and Said Darwazah, on a pro rated basis. The table below shows the principal performance targets used for 2007 and their percentage satisfaction.

| | Percentage of maximum bonus potential subject to target | Percentage satisfaction of bonus target | Percentage of salary payable |
|---|---|---|---|
| **Samih Darwazah** | | | |
| Profit after tax | 50% | 60% | 30% |
| Operational milestones | 30% | 100% | 30% |
| Personal business targets | 20% | 100% | 20% |
| **Total** | | | **80%** |
| **Said Darwazah** | | | |
| Profit after tax | 50% | 60% | 30% |
| Operational milestones | 30% | 100% | 30% |
| Personal business targets | 20% | 100% | 20% |
| **Total** | | | **80%** |
| **Mazen Darwazah** | | | |
| Profit after tax | 50% | 80% | 40% |
| Operational milestones | 30% | 100% | 30% |
| Personal business targets | 20% | 100% | 20% |
| **Total** | | | **90%** |

The targets for the annual bonus plan are reviewed and agreed by the Remuneration Committee each year to ensure that they are appropriate to the current market conditions and position of the Company in order to ensure that they continue to remain challenging. It is the opinion of the Committee that the overall nature of the conditions remains appropriate for the requirements of the Group in 2008, although the percentage targets will be reviewed.

### Share incentives

*Policy 2007 and 2008 – Upper quartile*

The Remuneration Committee's policy is to provide annual share grants to senior executives at the upper quartile level compared to the Comparator Group. Ongoing share incentives, excluding all-employee plans, are provided to the Executive Directors solely through the LTIP. The Remuneration Committee believes that share awards under the LTIP enable the Company to provide a competitive incentive and retention tool which is also cost effective in respect of both shareholder dilution and income statement expense. Furthermore, the proposed grant of awards with the attached performance condition ensures that the Company's comparative Total Shareholder Return ("TSR"[1]) performance against the Comparator Group is at least at the upper quartile before executives will receive the full benefit of their share incentives. This structure demonstrates the Remuneration Committee's desire to correlate incentive arrangements with the achievement of substantial performance.

[1] Total Shareholder Return ("TSR") – is a measure showing the return on investing in one share of the Company over the performance period (the return is the value of the capital gain and reinvested dividends). It is normally used comparatively and the Company which achieves the best return is ranked number one.

The Remuneration Committee granted the following awards to Executive Directors during 2007.

| Name | Percentage of salary |
|---|---|
| Said Darwazah | 139.42 |
| Mazen Darwazah | 112.50 |

For operational reasons the Company granted smaller awards than indicated in its consultation with shareholders on the changed parameters of the LTIP. The Committee intends to revert to the policy agreed during this consultation for the 2008 grants.

The following table summarises the main features of the LTIP and its proposed operation during 2008.

### Maximum annual grant face value[2] as percentage of salary and performance condition

*Maximum annual grant 300% (current normal operating maximum set by the Remuneration Committee 200%)*
The Awards will be subject to comparative TSR performance against the Comparator Group. 20% of Awards will be released for median performance with full release occurring for upper quartile comparative performance. The Remuneration Committee will also ensure that the underlying financial performance of the Company is consistent with its TSR performance. When considering this underlying financial performance the factors taken into account by the Remuneration Committee will include profit after tax, revenue growth and the achievement of operational milestones.

| | Said Darwazah | Mazen Darwazah |
|---|---|---|
| Proposed grants for 2008 face value as a percentage of salary* | 200% (maximum of 148,778 Ordinary Shares) | 200% (maximum of 138,363 Ordinary Shares) |

*The maximum numbers of shares detailed above have been fixed pursuant to a resolution approved by shareholders at the Annual General Meeting of the Company held on 6 June 2007 in accordance with Rule 9 of the Takeover Code.

It should be noted that the real value received by the Executive Directors under the share incentive arrangements will be dependent upon the degree to which the performance conditions are satisfied at the end of the three year performance period and the share price of the Company at this time.

### Basis of performance condition selection and measurement

Comparative TSR was selected as the performance condition for the proposed awards by the Remuneration Committee as it ensures that the executives have outperformed their peers over the measurement period in delivering shareholder value before being entitled to receive any of their awards irrespective of general market conditions. The Remuneration Committee will provide a full explanation and justification at the time of the release of the award and why it believes that the underlying financial performance of the Company is consistent with this TSR performance.

The Remuneration Committee determines whether the performance conditions for share awards are satisfied. The Committee has appointed Halliwell Consulting to assist in the ongoing calculation of TSR in accordance with the rules of the LTIP. The Committee will approve these figures prior to the release of any award.

### Dilution

In accordance with the guidelines set out by the Association of British Insurers ("ABI") the Company can issue a maximum of 10% of its issued share capital in a rolling ten year period to employees under all its share plans. Under the LTIP rules, grants of no more than 3% of the issued ordinary share capital of the Company may be awarded in the first three years following the Company's IPO in 2005.

The following table summarises the current level of dilution resulting from Company share plans following the IPO:

| | Share awards as a percentage of issued share capital as at 31 December 2007 in a rolling ten year period | Share awards as a percentage of issued share capital as at 31 December 2007 granted during the year |
|---|---|---|
| All-employee Share Plans | 0% | 0% |
| Discretionary Share Plans | 0.454% | 0.454% |

The Company has currently not implemented any all-employee option arrangements.

It is the Company's current intention that the awards granted in 2008 will be satisfied by newly issued shares.

### Post employment benefits

*Policy 2007 and 2008 – Lower quartile to median*
The Executive Directors participate in the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (the "Benefit Plan") in accordance with the Rules of the Benefit Plan relevant to employees of the Group based in Jordan. Under the Benefit Plan the Group matches employee contributions made to the Benefit Plan. These are fixed at 5% of applicable salary. Participants are entitled to 30% of the Group's contributions to the Benefit Plan after three years of employment with the Group, and an additional 10% in each subsequent year. The participant's interest in the Group's contribution fully vests after ten years of employment.

[2] Face value for awards under the LTIP face value is the aggregate market value of the shares subject to the award at the date of grant.

The following table sets out the percentage post employment contributions compared to the Comparator Group.

| | Samih Darwazah | Said Darwazah | Mazen Darwazah |
|---|---|---|---|
| **Company** | 1.37% | 0.47% | 2.07% |
| Upper quartile | 17% | 17% | 9% |
| Median | 10% | 10% | 5% |
| Lower quartile | 0% | 0% | 0% |

In addition, pursuant to applicable law, each of the Executive Directors receives contributions as a percentage of salary which are paid by the Group into government social security systems.

### Benefits in kind

*Policy 2007 and 2008 – Market practice*
The Company provides the normal benefits in kind for executives of this level in a company of this size, such as company cars, healthcare and life insurance.

### Total compensation

*Policy 2007 and 2008 – Median to upper quartile depending on performance*
The following table shows the value of each of the main elements of the remuneration package provided to the Executive Directors during the year ended 31 December 2007.

| Name | Salary $000s | Bonus paid $000s | Benefits $000s | **Total payments $000s** | FMV LTIP $000s | Total Actual and FMV $000s | Total in 2007 CG at median $000s |
|---|---|---|---|---|---|---|---|
| **Samih Darwazah*** | $458 | $367 | $83 | **$908** | $0 | $908 | $2,572 |
| **Said Darwazah*** | $600 | $480 | $126 | **$1,206** | $468 | $1,674 | $2,572 |
| **Mazen Darwazah** | $372 | $335 | $89 | **$796** | $234 | $1,030 | $982 |

*Whilst each of Samih Darwazah and Said Darwazah served only half of the year in an executive role, the amounts received by them have been annualised to allow for comparison against the CG benchmarks.

## Other remuneration matters

### Directors' shareholding policy

The Remuneration Committee does not currently have a formal shareholding requirement due to the substantial shareholdings of the Executive Directors. The Committee, however, wholeheartedly supports the alignment of interests created by a minimum level of executive shareholding and should the make-up of the Board change would consider the introduction of a formal shareholding requirement.

### All-Employee share arrangements

Historically, the Company has used options to provide share incentives to employees of the Company. While options may continue to be a part of the compensation package for those employees who do not participate in the LTIP, the Company has decided to operate a Company-wide all-employee share purchase and matching plan which will be implemented as soon as practicable. The view of the Board is that this type of arrangement has the same cost versus benefit advantages behind the change from options to LTIP awards and is important in supporting the engagement of employees with the business as a whole. The main features of the Hikma Pharmaceuticals PLC 2006 Share Incentive Plan ("SIP") are set out below. Shares required to satisfy awards under the SIP will be purchased in the market.

| Name | Status | Eligibility | Main features |
|---|---|---|---|
| SIP | As soon as practicable | All employees of the Company including the Executive Directors | The Plan provides employees with the opportunity of purchasing £1,500 (or local currency equivalent) of shares a year out of salary and providing additional matching shares on a 1:1 ratio. These matching shares will be normally released three years after they have been awarded provided that the associated shares purchased by the employee have been retained and provided the employee is still employed by a Group Company at this time. |

## Executive Directors' contracts

Details of the service contracts of the Executive Directors of the Company in force at the end of the year under review are as follows:

| Name | Company notice period | Contract date | Unexpired term of contract | Potential termination payment |
|---|---|---|---|---|
| Said Darwazah | 12 months | 1 July 2007 | Rolling contract | 12 months salary and benefits |
| Mazen Darwazah | 12 months | 25 May 2006 | Rolling contract | 12 months salary and benefits |

The Executive Directors' contracts are on a rolling basis, unless terminated by at least 12 months' written notice. This arrangement is in line with best corporate practice for listed companies. In the event of the termination of an executive's contract, salary and benefits will be payable during the notice period (there will, however, be no automatic entitlement to bonus payments or share incentive grants during the period of notice other than in accordance with the rules of the relevant incentive plan). The Remuneration Committee will ensure that there have been no unjustified payments for failure on an Executive Director's termination of employment. There are no special provisions in the contracts of employment extending notice periods on a change of control, liquidation of the Company or cessation of employment.

Said Darwazah, who has an executive service contract with the Company as detailed above, will be proposed for re-election at the next Annual General Meeting of the Company.

## External appointments

The Committee recognises that Executive Directors may be invited to take up non-executive directorships or public sector appointments, and that these can broaden the experience and knowledge of the Director, from which the Company can benefit. Executive Directors may therefore accept non-executive appointments as long as they do not lead to a conflict of interest, and are allowed to retain any fees paid under such appointments. During the year under review, Said Darwazah and Mazen Darwazah received fees of US$10,155 and US$36,150 respectively, in respect of such appointments.

## Non-discretionary statutory entitlement

On 1 July 2007, on the appointment of Said Darwazah as Chief Executive Officer, Samih Darwazah relinquished his executive role within the Group. Pursuant to the requirements of Jordanian Social Security legislation, this triggered a one-off compulsory statutory payment to Mr Samih Darwazah in lieu of social security contributions relating to his historical employment with the Group. The details of this payment are set out on page 51 of this report. No other payment was made to Samih Darwazah in respect of the termination of his executive role, including any payment in lieu of notice. Jordanian Social Security legislation is such that the Group will not be required to make any such payment in respect of any other Executive Director.

## Non-Executive Directors' fees

*Policy 2007 – Upper quartile*

The remuneration of the Non-Executive Directors is determined by the Board based upon recommendations from the Chief Executive Officer and Executive Vice Chairman and is within the limits set by the Articles of Association.

The nature of the Company's business is international, requiring the Non-Executive Directors to travel to the USA, Middle East and Europe. The Board is therefore made up of Non-Executive Directors with a wide range of experience both in the UK and internationally. The use of options for Non-Executive Directors is very prevalent in the US and also to some extent internationally. However, as a UK listed company complying with UK best practice it is not considered appropriate to grant options to the Company's independent Non-Executive Directors. To ensure that the Company remains able to attract the appropriate calibre of candidate and to take account of its inability to grant options, the Board has therefore set its fee policy at the upper quartile.

During the year Samih Darwazah relinquished his executive role with the Group, remaining its Non-Executive Chairman. At this time, the Board consulted external advisors in respect the appropriate level of fees to be paid in respect of his role as Non-Executive Chairman.

The individual basic and committee fees, which are paid in £Sterling, are as follows:

| | 2007 | | | 2008 | |
|---|---|---|---|---|---|
| Name | **Total fee £000s** | Basic fee £000s | Committee fee £000s | Total fee £000s | Upper quartile fees in CG £000s |
| Samih Darwazah* | **150** | 150 | – | 150 | 123 |
| Michael Ashton | **64** | 57 | 7 | 64 | 76 |
| Ali Al-Husry | **57** | 57 | – | 57 | 71 |
| Breffni Byrne | **71** | 57 | 14 | 71 | 77 |
| Ronald Goode | **57** | 57 | – | 57 | 71 |
| Sir David Rowe-Ham | **64** | 57 | 7 | 64 | 76 |

*The fees of Samih Darwazah, who has only served part of the year, have been annualised on the same basis as the remuneration of his fellow Non-Executive Directors to allow the levels to be compared to other Non-Executive Directors of the Company and his peers within the Comparator Group.

The level of Non-Executive Director fees will be kept under review to ensure that that nomination Committee is able to recruit Non-Executive Directors of the appropriate calibre in accordance with the requirements of succession planning.

Non-Executive Directors do not participate in any bonus plan or share incentive programme operated by the Company and are not entitled to pension contributions or other benefits provided by the Company. The Non-Executive Directors do not have service contracts, but have letters of appointment with the Company. Each appointment is terminable on one months' notice from either the Company or the Director, but is envisaged to be for an initial period of up to 36 months, subject to the terms of the Company's Articles of Association, the Companies Act and shareholder approval.

| Name | Effective date of appointment | Notice payment |
|---|---|---|
| Samih Darwazah | 1 July 2007 | 1 month |
| Michael Ashton | 14 October 2005 | 1 month |
| Ali Al-Husry | 14 October 2005 | 1 month |
| Breffni Byrne | 14 October 2005 | 1 month |
| Ronald Goode | 12 December 2006 | 1 month |
| Sir David Rowe-Ham | 14 October 2005 | 1 month |

### Total Shareholder Return performance graph

The graph shows the Company's performance, measured by total shareholder return ("TSR"), compared to the constituents of the Comparator Group and FTSE 250 Index from 1 November 2005 to 31 December 2007. The Comparator Group has been selected as it is the group of companies whose performance the Company is compared to in determining the release of awards under the LTIP. The FTSE 250 Index has been selected to provide a broader comparator of the Company's performance and is the main Index in which the Company's shares are included.

**Total Shareholder Return from 1 November 2005**
(percent)


### Audited information

#### Aggregate Directors' remuneration for 2007 and 2006

The total amounts for Directors' remuneration were as follows:

| | 2007 US$ | 2006 US$ |
|---|---|---|
| Emoluments | **3,328,197** | 2,094,372 |
| Compensation for loss of office | **–** | – |
| Non-discretionary statutory entitlement | **687,139** | |
| Gains on exercise of share options | **5,844,823** | 2,312,149 |
| Amounts receivable under long-term incentive schemes | **–** | – |
| Money purchase pension contributions | **–** | – |
| **Total** | **9,860,159** | 4,226,521 |

## Directors' emoluments and compensation

| Director | Fees/Basic salary US$ | Other benefits† US$ | Annual bonuses US$ | **2007 Total US$** | 2006 Total US$ |
|---|---|---|---|---|---|
| **Executives** | | | | | |
| Samih Darwazah** | 229,247 | 728,975 | 183,400 | **1,141,622** | 954,206 |
| Said Darwazah* | 300,000 | 63,067 | 240,000 | **603,067** | – |
| Mazen Darwazah | 371,763 | 89,574 | 334,800 | **796,137** | 788,564 |
| **Non-Executives** | | | | | |
| Samih Darwazah** | 152,466 | – | – | **152,466** | – |
| Ali Al-Husry | 114,461 | – | – | **114,461** | 75,503 |
| Michael Ashton | 128,781 | – | – | **128,781** | 85,680 |
| Breffni Byrne | 143,101 | – | – | **143,101** | 98,709 |
| Ronald Goode | 119,781 | | | **119,781** | 6,030 |
| Sir David Rowe-Ham | 128,781 | – | – | **128,781** | 85,680 |
| **Aggregate Emoluments** | 1,688,381 | 881,616 | 758,200 | **3,328,197** | 2,094,372 |

*The emoluments for 2007 of Said Darwazah reflect the amounts paid to him from 1 July 2007, the date of his appointment until the year-end.

**The emoluments for 2007 of Samih Darwazah are split to reflect the amounts received by him in his executive and subsequent non-executive capacity on the change in these roles on 1 July 2007.

†Other benefits include provision of health insurance, company car, medical expenses and statutory contributions to government social security funds.

## Directors' post employment benefits

Each of the Executive Directors received contributions to the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (Jordan) during the year under review. The contributions paid by the Group were as follows:

| Director | **2007 US$** | 2006 US$ |
|---|---|---|
| Samih Darwazah | **3,133** | 6,265 |
| Said Darwazah | **1,417** | – |
| Mazen Darwazah | **7,693** | 7,441 |

## Directors' interests in shares

The table below details the Directors' holdings in the share capital of the Company, including the changes between 31 December and the date of this document.

| | Ordinary Shares of 10 pence | | |
|---|---|---|---|
| Director | 1 January 2007 | 31 December 2007 | **17 March 2008** |
| Samih Darwazah | 1,394,506 | 1,706,506 | **1,875,450** |
| Said Darwazah* | – | 612,780 | **673,445** |
| Mazen Darwazah | 561,958 | 561,958 | **617,591** |
| Michael Ashton | 4,566 | 4,566 | **4,566** |
| Ali Al Husry | 1,109,748 | 1,109,748 | **1,109,748** |
| Breffni Byrne | 10,000 | 10,000 | **10,000** |
| Ronald Goode | – | 6,000 | **6,000** |
| Sir David Rowe-Ham | 10,000 | 10,000 | **10,000** |
| **Total shares** | 3,090,778 | 4,021,558 | **4,306,800** |

*Whilst Said Darwazah owned shares on 1 January 2007, he was not appointed as a Director of the Company until 1 July 2007.

## Directors' share options

The aggregate emoluments disclosed above do not include any amounts or the value of options to acquire Ordinary Shares in the capital of the Company granted or held by the Executive Directors.

Options granted under the 2004 Plan are not subject to performance criteria, though vesting of options under the 2004 Plan was conditional on the successful listing of the Company's share on the London Stock Exchange. Samih Darwazah continues to hold options over shares awarded to him during his period as an executive of the Company, as he remains a qualified holder under the terms of the 2004 Stock Option Plan. During the year, Samih Darwazah exercised options over 640,000 Ordinary Shares of the Company, and Mazen Darwazah exercised options over 160,000 Ordinary Shares of the Company. No other options were exercised by Directors during the year and no options expired unexercised. Furthermore, there were no variations to the terms and conditions of share options during the year.

### Hikma Pharmaceuticals PLC 2004 Stock Option Plan

| | Number of options | | | | | | |
|---|---|---|---|---|---|---|---|
| Director | **As at 31 December 2007** | As at 1 January 2007 | No. of options exercised during year | Exercise price (US$) | Price paid for award | Initial date of vesting** | Date of expiry |
| Samih Darwazah | **640,000** | 1,280,000 | 640,000 | 0.9075* | – | 1 Nov 2005 | 11 Oct 2014 |
| Said Darwazah | **–** | – | – | – | – | – | – |
| Mazen Darwazah | **640,000** | 800,000 | 160,000 | 0.9075* | – | 1 Nov 2005 | 11 Oct 2014 |

*Representing the exercise price of options following the share re-organisation undertaken on 31 October 2005. Options were awarded on 12 October 2004 with an exercise price of US$3.63.

**Share options became exercisable following the successful listing of the Company's shares on the London Stock Exchange. Options under the 2004 Plan have phased vesting over five years, with 20% vesting each year on the anniversary of award, being 12 October.

The gains/notional gains made by Executive Directors on the exercise of their stock options during the year were as follows:

| Director | Options exercised | Date | Share price (£) | Exchange rate | Gain (US$) | Held/Sold |
|---|---|---|---|---|---|---|
| Samih Darwazah | 320,000 | 2 Apr 2007 | 379.0 | 1.9685 | 2,096,997 | Held |
| Samih Darwazah | 320,000 | 15 Oct 2007 | 458.75 | 2.0366 | 2,699,328 | Held |
| Mazen Darwazah | 160,000 | 2 Apr 2007 | 379.0 | 1.9685 | 1,048,498 | Sold |
| **Total** | | | | | **5,844,823** | |

### Hikma Pharmaceuticals PLC 2006 Long-Term Incentive Plan

| | No. of LTIP Shares | | | | | | |
|---|---|---|---|---|---|---|---|
| Director | As at 31 December 2007 | As at 1 January 2007 | Price paid for award | Exercise price | Date of award | Initial date of vesting | Date of expiry |
| Said Darwazah | 100,000 | – | – | Nil | 10 Sep 2007 | 10 Sep 2010 | 10 Sep 2017 |
| Mazen Darwazah | 50,000 | – | – | Nil | 10 Sep 2007 | 10 Sep 2010 | 10 Sep 2017 |

The closing market price for the Ordinary Shares on 31 December 2007 was 473.25 pence. During the period from 1 January 2007 to the year-end the share's closing price ranged from a low of 350.0 pence to a high of 512.5 pence.

## Audit

The emoluments and Directors' interests' information disclosed in the Directors' report on remuneration, which is required by Part 3 of Schedule 7A of the Companies Act 1985 (as amended), has been audited.

Approved by the Board of Directors on 17 March 2008 and signed on its behalf

**Michael Ashton**
Chairman of the Remuneration Committee

# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# Independent auditors' report to the members of Hikma Pharmaceuticals PLC

We have audited the Group financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the related notes 1 to 40. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**
The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements.

In addition, we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the annual report.

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' remuneration report to be audited.

**Opinion**
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Group financial statements.

**Separate opinion in relation to IFRSs**
As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended.

**Deloitte & Touche LLP**
Chartered Accountants
and Registered Auditors
London, United Kingdom
17 March 2008

# Consolidated income statement
## for the year ended 31 December 2007

| | Notes | 2007 $000's | 2006 $000's |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **448,796** | 317,022 |
| Cost of sales | 3 | **(227,263)** | (158,492) |
| **Gross profit** | 3 | **221,533** | 158,530 |
| Sales and marketing costs | | **(61,021)** | (35,014) |
| General and administrative expenses | | **(46,012)** | (30,328) |
| Research and development costs | | **(19,342)** | (18,291) |
| Other operating expenses (net) | 6 | **(2,760)** | (588) |
| **Total operating expenses** | | **(129,135)** | (84,221) |
| Share of results of associates | 14 | **–** | 938 |
| **Operating profit before intangible amortisation** | | **95,061** | 75,524 |
| Intangible amortisation* | | **(2,663)** | (277) |
| **Operating profit** | 3 | **92,398** | 75,247 |
| Finance income | 7 | **2,029** | 5,258 |
| Finance expense | 8 | **(10,837)** | (4,958) |
| Other income | | **199** | 49 |
| **Profit before tax** | | **83,789** | 75,596 |
| Tax | 9 | **(19,596)** | (19,639) |
| **Profit for the year** | 4 | **64,193** | 55,957 |
| Attributable to: | | | |
| Minority interest | 31 | **1,617** | 1,435 |
| **Equity holders of the parent** | | **62,576** | 54,522 |
| | | **64,193** | 55,957 |
| **Earnings per share (cents)** | | | |
| Basic | 11 | **37.0** | 32.6 |
| Diluted | 11 | **35.4** | 31.0 |

*Intangible amortisation comprises the amortisation on intangible assets excluding software.

# Consolidated balance sheet
## at 31 December 2007

| | Notes | 2007 $000's | 2006 $000's |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | **251,340** | 23,940 |
| Property, plant and equipment | 13 | **243,901** | 156,845 |
| Interest in joint venture | 15 | **4,543** | – |
| Deferred tax assets | 16 | **14,503** | 5,719 |
| Available for sale investments | 17 | **1,008** | 776 |
| Financial and other non-current assets | 18 | **1,290** | 1,242 |
| | | **516,585** | 188,522 |
| **Current assets** | | | |
| Inventories | 19 | **147,670** | 83,720 |
| Income tax recoverable | | **358** | 500 |
| Trade and other receivables | 20 | **190,714** | 121,846 |
| Collateralised cash | 21 | **5,628** | 5,337 |
| Cash and cash equivalents | 22 | **28,905** | 86,227 |
| Other current assets | | **2,625** | 2,204 |
| | | **375,900** | 299,834 |
| **Total assets** | | **892,485** | 488,356 |
| **Current liabilities** | | | |
| Bank overdrafts and loans | 23 | **276,537** | 35,614 |
| Obligations under finance leases | 27 | **1,455** | 1,216 |
| Trade and other payables | 24 | **84,324** | 53,916 |
| Income tax provision | | **10,583** | 8,535 |
| Other provisions | 25 | **4,475** | 2,577 |
| Other current liabilities | | **14,542** | 4,868 |
| | | **391,916** | 106,726 |
| **Net current (liabilities)/assets** | | **(16,016)** | 193,108 |
| **Non-current liabilities** | | | |
| Long-term financial debts | 26 | **57,662** | 25,339 |
| Deferred income | | **279** | 356 |
| Obligations under finance leases | 27 | **5,698** | 4,441 |
| Deferred tax liabilities | 16 | **12,273** | 1,695 |
| | | **75,912** | 31,831 |
| **Total liabilities** | | **467,828** | 138,557 |
| **Net assets** | | **424,657** | 349,799 |
| **Equity** | | | |
| Share capital | 30 | **30,229** | 29,712 |
| Share premium | | **114,059** | 111,431 |
| Reserves | | **274,192** | 203,924 |
| Equity attributable to equity holders of the parent | | **418,480** | 345,067 |
| Minority interest | 31 | **6,177** | 4,732 |
| **Total equity** | | **424,657** | 349,799 |

The financial statements were approved by the Board of Directors and signed on its behalf by:

**Said Darwazah**
Director

**Mazen Darwazah**
Director

17 March 2008

# Consolidated statement of changes in equity
## for the year ended 31 December 2007

| | Merger reserve $000's | Retained earnings $000's | Other reserves* $000's | Total reserves $000's | Share capital $000's | Share premium $000's | Total equity attributable to equity shareholders of the parent $000's |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2006 | 33,920 | 111,023 | (593) | 144,350 | 29,457 | 110,074 | 283,881 |
| Issue of equity shares | – | – | – | – | 255 | 1,357 | 1,612 |
| Cost of equity settled employee share scheme | – | 879 | – | 879 | – | – | 879 |
| Deferred tax arising on share options | – | 2,352 | – | 2,352 | – | – | 2,352 |
| Dividends on ordinary shares | – | (6,509) | – | (6,509) | – | – | (6,509) |
| Profit for the year | – | 54,522 | – | 54,522 | – | – | 54,522 |
| Cumulative effect of change in fair value of available for sale investments | – | (663) | – | (663) | – | – | (663) |
| Cumulative effect of change in fair value of financial derivatives | – | 27 | – | 27 | – | – | 27 |
| Revaluation reserve | – | – | 4,807 | 4,807 | – | – | 4,807 |
| Currency translation gain | – | – | 4,159 | 4,159 | – | – | 4,159 |
| **Balance at 31 December 2006 and 1 January 2007** | **33,920** | **161,631** | **8,373** | **203,924** | **29,712** | **111,431** | **345,067** |
| Issue of equity shares | – | – | – | – | 517 | 2,628 | 3,145 |
| Cost of equity settled employee share scheme | – | 1,601 | – | 1,601 | – | – | 1,601 |
| Deferred tax arising on share options | – | 2,968 | – | 2,968 | – | – | 2,968 |
| Dividends on ordinary shares | – | (12,696) | – | (12,696) | – | – | (12,696) |
| Profit for the year | – | 62,576 | – | 62,576 | – | – | 62,576 |
| Cumulative effect of change in fair value of available for sale investments | – | (151) | – | (151) | – | – | (151) |
| Cumulative effect of change in fair value of financial derivatives | – | (256) | – | (256) | – | – | (256) |
| Revaluation reserve | – | 180 | (180) | – | – | – | – |
| Currency translation gain | – | – | 16,226 | 16,226 | – | – | 16,226 |
| **Balance at 31 December 2007** | **33,920** | **215,853** | **24,419** | **274,192** | **30,229** | **114,059** | **418,480** |

*Other reserves comprise the revaluation reserve and the cumulative translation reserve.

# Consolidated cash flow statement
## for the year ended 31 December 2007

| | Notes | 2007 $000's | 2006 $000's |
|---|---|---|---|
| **Net cash from operating activities** | 33 | **45,146** | 35,250 |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | | **(50,402)** | (49,725) |
| Proceeds from disposal of property, plant and equipment | | **906** | 453 |
| Purchase of intangible assets | | **(4,586)** | (2,715) |
| Investment in financial and other assets | | **329** | 34 |
| Investment in available for sale securities | | **(226)** | – |
| Acquisition of subsidiary undertakings net of cash acquired | | **(296,903)** | (20,773) |
| **Net cash used in investing activities** | | **(350,882)** | (72,726) |
| **Financing activities** | | | |
| Increase in collateralised cash | | **(291)** | (217) |
| Increase in long-term financial debts | | **42,464** | 495 |
| Repayment of long-term financial debts | | **(13,546)** | (12,881) |
| Increase in short-term borrowings | | **229,658** | 1,244 |
| Increase in obligations under finance leases | | **126** | 3,449 |
| Dividends paid | | **(12,834)** | (6,989) |
| Dividends paid to minority shareholders | | **(166)** | (294) |
| Proceeds from issue of new shares | | **3,145** | 1,612 |
| **Net cash from/(used in) financing activities** | | **248,556** | (13,581) |
| **Net (decrease) in cash and cash equivalents** | | **(57,180)** | (51,057) |
| **Cash and cash equivalents at beginning of year** | | **86,227** | 135,959 |
| Foreign exchange translation | | **(142)** | 1,325 |
| **Cash and cash equivalents at end of year** | | **28,905** | 86,227 |

# Notes to the consolidated financial statements

## 1. Adoption of new and revised Standards

In the current year, the Group has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 "Presentation of Financial Statements". The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

## 2. Significant accounting policies

### Basis of accounting

Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, except for the revaluation to market of certain financial assets and liabilities.

The Group's previously published financial statements were also prepared in accordance with International Financial Reporting Standards. These International Financial Reporting Standards have been subject to amendment and interpretation by the International Accounting Standards Board and the financial statements presented for the years ended 31 December 2006 and 31 December 2007 have been prepared in accordance with those revised standards. Unless stated otherwise these policies are in accordance with the revised standards that have been applied throughout the year and prior years presented in these financial statements.

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US Dollar as the majority of the Company's business is conducted in US Dollars ($).

The significant accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the "Company") and entities controlled by the Company (together the "Group") and the Group's share of the results and net assets of its associates. Control is achieved where the Company has the power to govern the financial and operating policies either directly or indirectly of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting except when classified as held for sale.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over these policies.

### Investment in joint venture

A joint venture is a contractual arrangement whereby the Group and a third-party undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

**2. Significant accounting policies (continued)**

Each venturer contributes cash or other resources to the jointly controlled entity. These contributions are included in the accounting records of the venturer and recognised in its financial statements as an investment in the jointly controlled entity.

The Group recognises its interest in the joint venture using proportionate consolidation. The application of proportionate consolidation means that the balance sheet of the Group includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible.

### Intangible assets

*(a) Goodwill:* arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*(b) Marketing rights:* are amortised over their useful lives commencing in the year in which the rights first generate sales.

*(c) Customer relationships:* represent the value attributed to the long-term relationships held with existing customers at the date of acquisition and are amortised over their useful economic life.

*(d) Product related intangibles:*

(i) product files and under-licenced products are assigned indefinite useful lives which are reviewed for impairment at least annually; any impairment is recognised immediately in profit and loss and is not subsequently reversed; and

(ii) Under-licence agreements and product dossiers are amortised over their useful lives commencing in the year acquired.

*(e) Purchased software:* is amortised over the useful economic lives commencing when the asset is available for use.

*(f) In process research and development* is amortised over the useful life commencing in the year acquired.

*(g) Trade name:* some trade names are assigned indefinite useful lives and others have finite useful lives over which they are amortised. The trade names with indefinite useful lives are reviewed for impairment at least annually; any impairment is recognised immediately in profit and loss and is not subsequently reversed.

### Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, the functional currency of Hikma Pharmaceuticals PLC and the presentation currency for the consolidated financial statements.

Transactions in currencies other than local currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value and the related foreign exchange are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such cumulative translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Revenue recognition

Revenue is recognised in the income statement when goods or services are supplied or made available to external customers against orders received and when title and risk of loss has passed.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information and past experience.

**2. Significant accounting policies (continued)**

*Chargebacks*
The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the USA the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and Group purchasing organisations, collectively referred to as "indirect customers". The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to the large wholesale customers, the Group continually monitors the reserve for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves.

*Returns and rebates*
In certain countries and consistent with industry practice, the Group has a product return policy that allows selected customers to return the product within a specified period prior to and subsequent to the expiration date, in exchange for a credit to be applied to future purchases.

The Group estimates its provision for returns and rebates based on historical experience, changes to business practices and credit terms. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and rebates, and makes adjustments when it believes that actual product returns may differ from established reserves.

*Price adjustments*
Price adjustments, also known as "shelf stock adjustments", are credits issued to reflect decreases in the selling prices of the Group's products that customers have remaining in their inventories at the time of the price reduction. Decreases in selling prices are discretionary decisions made by Group management to reflect competitive market conditions. Amounts recorded for estimated shelf stock adjustments are based upon specified terms with direct customers, estimated declines in market prices and estimates of inventory held by customers. The Group regularly monitors these and other factors and re-evaluates the reserve as additional information becomes available.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Dividend income
Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing
Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under capital leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Government grants
Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

**2. Significant accounting policies (continued)**

### Research and development
Research and development expenses are fully charged to the income statement, as the Group considers that the regulatory and other uncertainties inherent in the development of its products generally mean that the recognition criteria in IAS 38 "Intangible assets" are not met. Where, however the recognition criteria are met, intangible assets will be recognised and amortised over their useful economic life.

### Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

### Tax
The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 "Income Taxes".

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Share-based payment transactions
Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

### Share-based payments
IFRS 2 "Share-based Payments" requires an expense to be recognised when the Group buys goods or services in exchange for share or rights over shares ("share based payments") or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The equity settled stock options scheme fair value is determined using a binomial model. The long-term incentive plan fair value is determined using a Monte Carlo valuation model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations (further details are given in Note 35). In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Hikma Pharmaceuticals PLC.

**2. Significant accounting policies (continued)**

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. No expense is recognised for awards that do not ultimately vest. Where the terms of a share-based payments are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date. Where a share-based payments award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

### Property, plant and equipment

Property, plant and equipment have been valued at cost on acquisition and are depreciated, except for land, on a straight-line basis at the following depreciation rates:

| | |
|---|---|
| Buildings | 2% to 4% |
| Vehicles | 10% to 20% |
| Machinery and equipment | 5% to 20% |
| Fixtures and equipment | 8% to 33% |

Projects under construction are not depreciated until construction has been completed.

Any additional costs that extend the useful life of property, plant and equipment are capitalised. Property, plant and equipment which are financed by leases giving Hikma Pharmaceuticals PLC substantially all the risks and rewards of ownership are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at the inception of the lease, and depreciated in the same manner as other property, plant and equipment over the shorter of the lease term or their useful life. Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the income statement. Projects under construction are carried at cost, less any recognised impairment loss.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are valued at acquisition cost and all other costs incurred in bringing each product to its present location and condition. Cost of own-manufactured products comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. In the balance sheet, inventory is primarily valued at standard cost, which approximates to historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and all estimated costs necessary to make the sale. Provisions are made for inventories with net realisable value lower than cost or for slow moving inventory.

### Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments are used to manage the Group's exposure to interest rate and foreign exchange risks. The principal derivative instruments used by the Group are interest rate swaps and foreign exchange forward and option contracts. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are initially recognised in the balance sheet at cost and then remeasured at subsequent reporting dates to fair value. Hedging derivatives are classified on inception as fair value hedges, cash flow hedges or net investment hedges. Changes in the fair value of derivatives designed as fair value hedges are recorded in the income statement, with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivatives designed as cash flow hedges are recognised in equity. Amounts deferred in equity are transferred to the income statement in line with the hedged forecast transaction.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

**2. Significant accounting policies (continued)**

*Investments*
Available for sale investments with quoted market prices are initially recognised at cost on acquisition and remeasured to their fair values at year-end. Gains or losses on remeasurement to fair value are recognised in shareholders' equity until the investments are sold, disposed of, or determined to be impaired, at which time the cumulative gains or loss relating to these investments previously recognised in equity is included in the income statement. Available for sale financial assets without market prices and the fair value of which cannot be reliably measured are stated at cost, less a provision for any impairment loss, which is taken to the income statement.

The fair value of quoted financial assets represents the closing price in the financial markets at the date of the financial statements. However, the fair value of unquoted financial assets, or those with no declared price are estimated by comparing the fair value of a similar financial instrument or through a discounted cash flow method.

*Accounts receivable*
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

*Cash and cash equivalents*
Cash and cash equivalents include highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

*Bank borrowings*
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

*Trade payables*
Trade payables are not interest bearing and are stated at fair value.

*Equity instruments*
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or income-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (income-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## 3. Business and geographical segments

For management purposes, the Group is currently organised into three operating divisions – Generics, Branded and Injectables. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

| Year ended 31 December 2007 | Generics $000's | Branded $000's | Injectables $000's | Corporate and other $000's | Group $000's |
|---|---|---|---|---|---|
| Revenue | 124,229 | 198,942 | 121,164 | 4,461 | 448,796 |
| Cost of sales | (65,644) | (90,925) | (67,005) | (3,689) | (227,263) |
| Gross profit | 58,585 | 108,017 | 54,159 | 772 | 221,533 |
| **Result** | | | | | |
| Segment result | 31,644 | 61,696 | 20,457 | (3,396) | 110,401 |
| Unallocated corporate expenses | – | – | – | – | (18,003) |
| Operating profit | | | | | 92,398 |
| Finance income | | | | | 2,029 |
| Finance costs | | | | | (10,837) |
| Other income | | | | | 199 |
| Profit before tax | | | | | 83,789 |
| Tax | | | | | (19,596) |
| Profit for the year | | | | | 64,193 |
| Attributable to: | | | | | |
| Minority interest | | | | | 1,617 |
| Equity holders of the parent | | | | | 62,576 |
| | | | | | 64,193 |

| Other information 2007 | Generics $000's | Branded $000's | Injectables $000's | Corporate and other $000's | Group $000's |
|---|---|---|---|---|---|
| Additions to property, plant and equipment assets (cost) | 4,189 | 28,366 | 15,811 | 990 | 49,356 |
| Acquisition of subsidiary's property, plant and equipment (cost) | – | 53,625 | 9,213 | – | 62,838 |
| Additions to intangible assets | 445 | 1,453 | 2,557 | 131 | 4,586 |
| Intangible assets arising on acquisition | – | 155,582 | 62,642 | – | 218,224 |
| Total property, plant and equipment and intangible assets (net book value) | 28,304 | 309,669 | 148,399 | 8,869 | 495,241 |
| Depreciation and amortisation | 5,153 | 9,740 | 7,054 | 1,486 | 23,433 |
| **Balance sheet** | | | | | |
| **Total assets** | | | | | |
| Segment assets | 97,355 | 574,057 | 196,337 | 24,736 | 892,485 |
| **Total liabilities** | | | | | |
| Segment liabilities | 9,781 | 167,019 | 78,723 | 212,305 | 467,828 |

## 3. Business and geographical segments (continued)

| Year ended 31 December 2006 | Generics $000's | Branded $000's | Injectables $000's | Corporate and other $000's | Group $000's |
|---|---|---|---|---|---|
| Revenue | 113,674 | 130,114 | 67,570 | 5,664 | 317,022 |
| Cost of sales | (53,911) | (60,642) | (39,225) | (4,714) | (158,492) |
| Gross profit | 59,763 | 69,472 | 28,345 | 950 | 158,530 |
| **Result** | | | | | |
| Segment result | 36,011 | 39,379 | 13,360 | (1,200) | 87,550 |
| Unallocated corporate expenses | – | – | – | – | (13,241) |
| Share of results of associates | – | 938 | – | – | 938 |
| Operating profit | | | | | 75,247 |
| Finance income | | | | | 5,258 |
| Finance costs | | | | | (4,958) |
| Other income | | | | | 49 |
| Profit before tax | | | | | 75,596 |
| Tax | | | | | (19,639) |
| Profit for the year | | | | | 55,957 |
| Attributable to: | | | | | |
| Minority interest | | | | | 1,435 |
| Equity holders of the parent | | | | | 54,522 |
| | | | | | 55,957 |

| Other information 2006 | Generics $000's | Branded $000's | Injectables $000's | Corporate and other $000's | Group $000's |
|---|---|---|---|---|---|
| Additions to property, plant and equipment assets (cost) | 7,569 | 21,953 | 21,184 | 2,465 | 53,171 |
| Acquisition of subsidiary's property, plant and equipment (cost) | – | 34,400 | – | – | 34,400 |
| Additions to intangible assets | – | 1,494 | 1,200 | 21 | 2,715 |
| Intangible assets arising on acquisition | – | 14,929 | – | – | 14,929 |
| Total property, plant and equipment and intangible assets (net book value) | 28,847 | 89,159 | 53,557 | 9,222 | 180,785 |
| Depreciation and amortisation | 4,321 | 5,376 | 2,730 | 1,370 | 13,797 |
| **Balance sheet** | | | | | |
| **Total assets** | | | | | |
| Segment assets | 95,510 | 233,323 | 72,750 | 86,773 | 488,356 |
| **Total liabilities** | | | | | |
| Segment liabilities | 8,054 | 85,212 | 31,157 | 14,134 | 138,557 |

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

| | Sales revenue by geographical market For the years ended 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| United States | **143,510** | 129,778 |
| Middle East and North Africa | **229,196** | 157,701 |
| Europe and Rest of the World | **76,090** | 29,543 |
| | **448,796** | 317,022 |

### 3. Business and geographical segments (continued)

The following is an analysis of the additions to property, plant and equipment and intangible assets, an analysis of total property, plant and equipment and intangible assets and an analysis of total assets by the geographical area in which the assets are located:

| | Additions* to property, plant and equipment and intangibles | | Total property, plant and equipment and intangibles | | Total assets | |
|---|---|---|---|---|---|---|
| | **2007 $000's** | 2006 $000's | **2007 $000's** | 2006 $000's | **2007 $000's** | 2006 $000's |
| United States | **4,634** | 7,569 | **28,304** | 28,848 | **96,196** | 94,466 |
| Europe | **90,316** | 22,804 | **148,694** | 53,898 | **208,388** | 149,057 |
| Middle East and North Africa | **240,054** | 74,842 | **318,243** | 98,039 | **587,901** | 244,833 |
| | **335,004** | 105,215 | **495,241** | 180,785 | **892,485** | 488,356 |

*Additions include property, plant and equipment and intangibles acquired with and arising on the acquisition of subsidiary undertakings.

### 4. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

| | For the years ended 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Net foreign exchange gains | **(1,698)** | (793) |
| Research and development costs | **19,342** | 18,291 |
| (Gain)/Loss on sale of property, plant and equipment | **(202)** | 59 |
| Depreciation of property, plant and equipment | **19,374** | 12,468 |
| Amortisation and impairment of intangible assets | **4,059** | 1,329 |
| Bad debt expense | **1,064** | 1,244 |
| Cost of inventories recognised as an expense | **142,541** | 100,552 |
| Staff costs (see Note 5) | **102,639** | 67,777 |
| Auditors' remuneration (see below) | **1,630** | 1,447 |

A more detailed analysis of the Group auditors' remuneration on a worldwide basis is provided below.

| | For the years ended 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Audit of the Company's annual accounts | **452** | 360 |
| Audit of the Company's subsidiaries pursuant to legislation | **606** | 476 |
| Total audit fees | **1,058** | 836 |
| Other services* | **188** | 191 |
| Tax compliance services | **84** | 94 |
| Tax advisory services | **170** | 194 |
| Transaction due diligence services | **130** | 132 |
| Total non-audit fees | **572** | 611 |
| Total fees | **1,630** | 1,447 |

*These fees predominantly relate to review procedures in respect of the interim financial information.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 40 and 41 includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

## 5. Staff costs

The average monthly number of employees (including Executive Directors) was:

| | 2007 Number | 2006 Number |
|---|---|---|
| Production | **1,817** | 1,420 |
| Selling and marketing | **888** | 538 |
| Research and development | **213** | 193 |
| General and administrative | **379** | 292 |
| | **3,297** | 2,443 |

| | 2007 $000's | 2006 $000's |
|---|---|---|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | **72,448** | 52,009 |
| Social security costs | **6,755** | 4,938 |
| Post employment benefits | **2,477** | 758 |
| End of service indemnity | **2,696** | 1,180 |
| Share-based payments | **1,601** | 879 |
| Other costs* | **16,662** | 8,892 |
| | **102,639** | 68,656 |

*Other costs mainly consist of health insurance, training, housing and living allowances.

## 6. Other operating expenses (net)

| | For the years ended 31 December | |
|---|---|---|
| | 2007 $000's | 2006 $000's |
| Other operating expense | **(5,316)** | (2,504) |
| Other operating income | **2,556** | 1,916 |
| | **(2,760)** | (588) |

Other operating expenses consist mainly of the creation of provisions against slow moving items. Other operating income consists mainly of foreign exchange gains.

## 7. Finance income

| | For the years ended 31 December | |
|---|---|---|
| | 2007 $000's | 2006 $000's |
| Interest income | **2,029** | 4,874 |
| Net foreign exchange gain | **–** | 384 |
| | **2,029** | 5,258 |

## 8. Finance expense

| | For the years ended 31 December | |
|---|---|---|
| | 2007 $000's | 2006 $000's |
| Interest on bank overdrafts and loans | **7,789** | 2,931 |
| Interest on obligations under finance leases | **306** | 99 |
| Other bank charges | **2,632** | 1,928 |
| Net foreign exchange loss | **110** | – |
| | **10,837** | 4,958 |

## 9. Tax

| | For the years ended 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Current tax: | | |
| UK current tax | **13,664** | 26,982 |
| Double tax relief | **(13,664)** | (26,840) |
| Foreign tax | **19,552** | 23,093 |
| Prior year adjustments | **–** | (500) |
| Deferred tax (Note 16) | **44** | (3,096) |
| | **19,596** | 19,639 |

UK corporation tax is calculated at 30% of the estimated assessable profit made in the UK for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to profit before tax per the income statement as follows:

| | **2007 $000's** | 2006 $000's |
|---|---|---|
| Profit before tax: | **83,789** | 75,596 |
| Tax at the UK corporation tax rate of 30% | **25,137** | 22,679 |
| Profits taxed at different rates | **(7,100)** | (5,561) |
| UK tax on dividend income | **13,664** | 26,800 |
| Double tax relief offset | **(13,664)** | (26,800) |
| Share of associate's profits not taxed | **–** | (281) |
| Permanent differences | **2,314** | 1,273 |
| Losses for which no benefit is recognised | **713** | (838) |
| Other tax adjustments | **(468)** | 429 |
| Prior year adjustments | **–** | (500) |
| Movement in tax provisions | **(1,000)** | 2,438 |
| Tax expense for the year | **19,596** | 19,639 |

In 2007, the Group released a provision of $1 million largely in relation to clarification of tax legislations and a change of view on the likely outcome of challenges by various tax authorities.

## 10. Dividends

| | **2007 $000's** | 2006 $000's |
|---|---|---|
| Amounts recognised as distributions to equity holders in the year: | | |
| Final dividend for the year ended 31 December 2006 of 4.0 cents (2005: 0.89 cents) per share | **6,765** | 1,489 |
| Interim dividend for the year ended 31 December 2007 of 3.5 cents (2006: 3.0 cents) per share | **5,931** | 5,020 |
| | **12,696** | 6,509 |

Proposed final dividend for the year ended 31 December 2007 of 4.0 cents per share (2006: 4.0 cents) per share. Total dividends for the year 7.5 cents (2006: 7.0 cents) per share.

## 11. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| | For the years ended 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent | **62,576** | 54,522 |
| | **Number 000's** | Number 000's |
| **Number of shares** | | |
| Weighted average number of Ordinary Shares for the purposes of basic earnings per share | **169,216** | 167,279 |
| Effect of dilutive potential Ordinary Shares: | | |
| Share options | **7,631** | 8,638 |
| Weighted average number of Ordinary Shares for the purposes of diluted earnings per share | **176,847** | 175,917 |

| | **2007 Earnings per share Cents** | 2006 Earnings per share Cents |
|---|---|---|
| Basic | **37.0** | 32.6 |
| Diluted | **35.4** | 31.0 |

## 12. Intangible assets

| | Goodwill $000's | Marketing rights $000's | Customer relationships $000's | Product related intangibles $000's | Software $000's | In process R&D $000's | Trade name $000's | Other acquisition related intangibles $000's | Total $000's |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **Balance at 1 January 2006** | 2,395 | 1,340 | – | 2,581 | 3,443 | – | – | – | 9,759 |
| Additions | 21 | 998 | – | 1,037 | 659 | – | – | – | 2,715 |
| Acquisition of subsidiaries | 6,727 | – | 4,946 | 3,256 | – | – | – | – | 14,929 |
| Subsequent adjustments | (219) | – | – | – | – | – | – | – | (219) |
| Translation adjustments | – | 121 | – | – | – | – | – | – | 121 |
| **Balance at 1 January 2007** | **8,924** | **2,459** | **4,946** | **6,874** | **4,102** | **–** | **–** | **–** | **27,305** |
| Additions | – | 2,705 | – | 651 | 1,099 | – | – | 131 | 4,586 |
| Acquisition of subsidiaries | 134,699 | – | 58,224 | 12,089 | – | 4,576 | 5,754 | 2,882 | 218,224 |
| Subsequent adjustments | 394 | – | – | – | – | – | – | – | 394 |
| Translation adjustments | 4,674 | 248 | 2,199 | 391 | – | 33 | 639 | 276 | 8,460 |
| **Balance at 31 December 2007** | **148,691** | **5,412** | **65,369** | **20,005** | **5,201** | **4,609** | **6,393** | **3,289** | **258,969** |
| **Amortisation** | | | | | | | | | |
| **Balance at 1 January 2006** | (608) | (102) | – | – | (1,314) | – | – | – | (2,024) |
| Charge for the year | – | (152) | – | (125) | (1,064) | – | – | – | (1,341) |
| **Balance at 1 January 2007** | **(608)** | **(254)** | **–** | **(125)** | **(2,378)** | **–** | **–** | **–** | **(3,365)** |
| Charge for the year | – | (303) | (1,512) | (477) | (1,396) | – | – | (371) | (4,059) |
| Acquisition of subsidiaries | – | – | – | (72) | – | – | – | – | (72) |
| Translation adjustments | – | (35) | (92) | (12) | – | – | – | 6 | (133) |
| **Balance at 31 December 2007** | **(608)** | **(592)** | **(1,604)** | **(686)** | **(3,774)** | **–** | **–** | **(365)** | **(7,629)** |
| **Carrying amount** | | | | | | | | | |
| **At 31 December 2007** | **148,083** | **4,820** | **63,765** | **19,319** | **1,427** | **4,609** | **6,393** | **2,924** | **251,340** |
| **At 31 December 2006** | 8,316 | 2,205 | 4,946 | 6,749 | 1,724 | – | – | – | 23,940 |

**12. Intangible assets (continued)**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

| | 2007 $000's | 2006 $000's |
|---|---|---|
| *Branded* | | |
| Arab Pharmaceuticals Manufacturing Company | **66,479** | – |
| Al Jazeera Pharmaceutical Industries | **6,752** | 6,727 |
| Hikma Pharma Egypt | **34,274** | – |
| | **107,505** | 6,727 |
| *Injectables* | | |
| Ribosepharm | **13,806** | – |
| Thymoorgan | **25,178** | – |
| Hikma Italia | **757** | 757 |
| | **39,741** | 757 |
| *Others* | | |
| Arab Medical Containers | **742** | 742 |
| IPRC and STD | **95** | 90 |
| | **837** | 832 |
| **Total** | **148,083** | 8,316 |

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.

Other intangible assets

*Marketing rights*

Marketing rights are amortised over their useful lives commencing on the year in which the rights first generate sales.

*Product related intangibles*

Product related intangibles include three types:

***(a) Product files and under-licenced products:*** The product files and under-licence products intangibles are assessed as having indefinite useful life due to the expected longevity of the products. These assets are being reviewed for impairment at least annually.

***(b) Under licence agreements:*** Under licence agreements have an average estimated useful life of 11 years.

***(c) Product dossiers:*** Product dossiers have an average estimated useful life of 15 years.

*Customer relationships*

Customer relationships represent the value attributed to the existing direct customers that the Company acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years.

*In process R&D*

In process R&D represents the pipeline of products under development that were recognised on the acquisition of Arab Pharmaceutical Manufacturing Company and Alkan Pharma SAE. The in process R&D has an average estimated useful life of 15 years.

*Trade name*

Trade names were recognised on the acquisition of Ribosepharm and Arab Pharmaceutical Manufacturing Company.

The trade name recognised on the acquisition of Ribosepharm is expected to have an indefinite economic useful life due to its expected longevity. The trade name recognised on the acquisition of Arab Pharmaceutical Manufacturing Company has an average estimated useful life of 12 years.

*Software*

Software intangibles mainly represent the Enterprise Resource Planning solution that is being implemented in different operations across the Group.

*Other acquisition related intangibles*

This mainly represents intangible assets recognised on the acquisition of Thymoorgan which relate to its specialist manufacturing capabilities. The estimated useful lives vary from ten years to indefinite useful life.

## 13. Property, plant and equipment

| | Land and buildings $000's | Vehicles $000's | Machinery and equipment $000's | Fixtures and equipment $000's | Projects under construction $000's | Total $000's |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2006** | 42,291 | 4,620 | 75,443 | 11,063 | 12,815 | 146,232 |
| Additions | 3,059 | 1,331 | 9,082 | 3,303 | 36,396 | 53,171 |
| Acquisition of subsidiaries | 16,247 | 348 | 15,922 | 1,883 | – | 34,400 |
| Disposals | (11) | (658) | (747) | (192) | (113) | (1,721) |
| Transfers | 5,121 | 75 | 7,286 | 833 | (13,315) | – |
| Translation adjustment | 1,480 | 113 | 2,206 | 262 | 833 | 4,894 |
| **Balance at 1 January 2007** | **68,187** | **5,829** | **109,192** | **17,152** | **36,616** | **236,976** |
| Additions | 4,371 | 3,045 | 13,250 | 5,867 | 22,823 | 49,356 |
| Acquisition of subsidiaries | 31,705 | 766 | 21,387 | 4,864 | 4,116 | 62,838 |
| Disposals | – | (792) | (3,202) | (521) | (233) | (4,748) |
| Transfers | 24,584 | 270 | 18,618 | 2,520 | (45,992) | – |
| Translation adjustment | 2,173 | 99 | 4,198 | 615 | 2,957 | 10,042 |
| **Balance at 31 December 2007** | **131,020** | **9,217** | **163,443** | **30,497** | **20,287** | **354,464** |
| **Accumulated depreciation** | | | | | | |
| **Balance at 1 January 2006** | 8,202 | 2,033 | 39,462 | 5,326 | – | 55,023 |
| Charge for the year | 1,570 | 701 | 8,185 | 2,012 | – | 12,468 |
| Acquisition of subsidiaries | 2,326 | 262 | 8,315 | 1,221 | – | 12,124 |
| Disposals and transfers | (4) | (478) | (586) | (141) | – | (1,209) |
| Translation adjustment | 485 | 44 | 1,057 | 139 | – | 1,725 |
| **Balance at 1 January 2007** | **12,579** | **2,562** | **56,433** | **8,557** | **–** | **80,131** |
| Charge for the year | 2,713 | 1,126 | 12,217 | 3,318 | – | 19,374 |
| Acquisition of subsidiaries | 3,150 | 344 | 6,820 | 2,302 | – | 12,616 |
| Disposals and transfers | (3) | (496) | (3,152) | (393) | – | (4,044) |
| Translation adjustment | 601 | 47 | 1,514 | 324 | – | 2,486 |
| **Balance at 31 December 2007** | **19,040** | **3,583** | **73,832** | **14,108** | **–** | **110,563** |
| **Net book value** | | | | | | |
| **31 December 2007** | **111,980** | **5,634** | **89,611** | **16,389** | **20,287** | **243,901** |
| **Net book value** | | | | | | |
| **31 December 2006** | **55,608** | **3,267** | **52,759** | **8,595** | **36,616** | **156,845** |

The net book value of the Group's machinery and equipment includes an amount of $11,738,000 (2006: $7,991,000) in respect of assets held under finance lease.

As at 31 December 2007 the Group had pledged property, plant and equipment, having a carrying value of $63,207,000 (2006: $53,468,000).

In 1994, the Portuguese Government granted Hikma Farmaceutica an amount of Euro 1,600,000 to build the Company's factory in accordance with the SINPEDIP programme. The grant amount is being released to the income statement over the period necessary to match it with the assets' life. The carrying value of the grant as of 31 December 2007 was $279,000 (2006: $357,000).

During the year 2007, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to $7,020,000 (2006: $3,700,000).

The amount of borrowing costs that have been capitalised within the projects under construction is $541,000 (2006: $612,000). The average capitalisation rate used ranges between 5.5%–6.0%.

The Group's net fixed assets in Portugal, Egypt and Saudi Arabia are pledged as collateral for various long-term loans provided by local banks in those respective countries.

## 14. Share of results of associate

The table below shows the Group's share of results of JPI up to 11 September 2006 when the Group acquired the remaining 52.5% share capital of JPI. JPI was accounted for as an associate prior to this date. Thereafter, the results of JPI have been fully consolidated.

| | For the period ended and as at 11 September 2006 $000's |
|---|---|
| Revenues | 26,390 |
| Profit | 1,975 |
| Share of result of associate | 938 |

Profit for 2006 is stated after management fees of $923,648 for the period up to 11 September 2006 due to the Group.

## 15. Interest in joint venture

During 2005, APM entered in a 50% joint venture agreement with another Jordanian company to establish a new manufacturing plant in Algeria (Al Dar Al Arabia Pharmaceutical Manufacturing Company). APM was acquired by the Group on 27 December 2007. APM's share is $4.5 million, being the amount paid at the balance sheet date to finance the construction of the plant.

## 16. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

| | Tax losses $000's | Deferred R&D costs $000's | Reserves and others $000's | Amortisable assets $000's | Fixed assets $000's | Stock options $000's | Software development $000's | Total $000's |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2006 | (314) | (270) | (1,908) | (27) | 2,447 | (1,174) | 902 | (344) |
| Charge/(credit) to income | (1,086) | 17 | (1,125) | – | (412) | (264) | (226) | (3,096) |
| Credit to equity | – | – | – | – | – | (1,805) | – | (1,805) |
| Acquisition of subsidiaries | – | – | – | 989 | 706 | – | – | 1,695 |
| Adjustments | – | – | (500) | – | 34 | – | – | (466) |
| Exchange differences | (36) | (30) | – | – | 58 | – | – | (8) |
| **At 31 December 2006/ 1 January 2007** | (1,436) | (283) | (3,533) | 962 | 2,833 | (3,243) | 676 | (4,024) |
| Charge/(credit) to income | (83) | 8 | (914) | 1,576 | 200 | (371) | (372) | 44 |
| Credit to equity | – | – | – | – | – | (2,956) | – | (2,956) |
| Acquisition of subsidiaries | – | – | (49) | 4,812 | (16) | – | – | 4,747 |
| Adjustments | – | – | – | 364 | – | – | – | 364 |
| Exchange differences | (164) | – | – | (234) | (7) | – | – | (405) |
| **At 31 December 2007** | **(1,683)** | **(275)** | **(4,496)** | **7,480** | **3,010** | **(6,570)** | **304** | **(2,230)** |

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | **2007 $000's** | 2006 $000's |
|---|---|---|
| Deferred tax liabilities | **12,273** | 1,695 |
| Deferred tax assets | **(14,503)** | (5,719) |
| | **(2,230)** | (4,024) |

A deferred tax asset on unused tax losses totalling $1,944,000 (2006: $578,000) has not been recognised in the year due to the unpredictability of the related future profit streams. These losses may be carried forward indefinitely. In addition, a deferred tax asset of approximately $5.0 million (2006: $8.5 million) on other deductible temporary differences has not been recognised due to uncertainty regarding the tax treatment of the profits against which these differences will reverse.

As at 31 December 2007, the undistributed earnings of foreign subsidiaries amounted to $195 million (2006: $161 million). No income taxes have been provided on the Company's share of these undistributed earnings due to management's ability and intent to reinvest such amounts indefinitely. A determination of the amount of the unrecognised deferred tax liability has not been made because it is not practical to do so. A portion of these earnings can be distributed without incurring additional taxes.

## 17. Available for sale investments

The investment in available for sale securities represents investments in listed equity securities and unlisted securities that are recorded at the fair value based on either quoted market price for listed companies or using other valuation methods for unlisted companies.

| | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | **Listed $000's** | **Non Listed* $000's** | **Total $000's** | Listed $000's | Non Listed* $000's | Total $000's |
| **1 January** | **606** | **170** | **776** | 1,185 | 254 | 1,439 |
| Provision charged to income statement | **–** | **(28)** | **(28)** | – | – | – |
| Fair value adjustments recognised in equity | **(151)** | **–** | **(151)** | (579) | (84) | (663) |
| Acquisition of subsidiary | **411** | **–** | **411** | – | – | – |
| **31 December** | **866** | **142** | **1,008** | 606 | 170 | 776 |

*Included in this amount is an investment in a non-listed US company (MENA Innovative Technologies Inc.) of $62,000 (2006: $62,000) that represents 32.5% (2006: 32.5%) of its common share capital (see Note 37). The Group does not exert significant influence over this entity.

## 18. Financial and other non-current assets

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Investments recorded at cost | **485** | 488 |
| Amounts due from investments recorded at cost | **602** | 475 |
| Other financial assets | **203** | 279 |
| | **1,290** | 1,242 |

Investments at cost represent the Group's share of 32% (2006: 32%) and nil (2006: 49%) in Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A. – Tunisia and Hikma Pharma Co – Tunisia, respectively, over which the Company does not exert significant influence.

On 9 February 2007, the Group completed the acquisition of the remaining 51% of the issued share capital of Hikma Pharma Co – Tunisia. Therefore, the investment of $3,000 previously recognised has been eliminated on consolidation. Further details are in Note 32.

Amounts due from investments recorded at cost consist of amount due from the same Tunisian investments (see Note 37).

## 19. Inventories

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Finished goods | **36,405** | 21,684 |
| Work-in-progress | **31,673** | 18,489 |
| Raw and packing materials | **62,327** | 36,109 |
| Goods in transit | **17,265** | 7,438 |
| | **147,670** | 83,720 |

Goods in transit include inventory held at third parties whilst in transit between Group companies.

The amount utilised from the slow moving inventory provision during 2007 was $4,230,000 (2006: $1,273,000).

## 20. Trade and other receivables

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Trade receivables | **173,832** | 109,266 |
| Prepayments | **12,629** | 6,148 |
| Value added tax recoverable | **3,647** | 5,701 |
| Interest receivable | **302** | 427 |
| Employee advances | **304** | 304 |
| | **190,714** | 121,846 |

Trade receivables are stated net of provisions for chargebacks, doubtful debts and expired goods as follows:

| | As at 31 December 2006 $000's | **Additions $000's** | **Acquisition of subsidiaries $000's** | **Utilisation $000's** | **Amounts recovered $000's** | **Translation adjustments $000's** | **As at 31 December 2007 $000's** |
|---|---|---|---|---|---|---|---|
| Chargebacks | 14,918 | **99,424** | **–** | **(93,095)** | **–** | **–** | **21,247** |
| Doubtful debts | 7,131 | **1,064** | **5,619** | **(377)** | **(394)** | **272** | **13,315** |
| Expired goods | 2,611 | **2,418** | **–** | **(148)** | **–** | **(429)** | **4,452** |
| | 24,660 | **102,906** | **5,619** | **(93,620)** | **(394)** | **(157)** | **39,014** |

Additions include doubtful debts and expired goods charged and arising on the acquisition of subsidiary undertakings.

The following table sets forth a summary of the age of trade receivables:

| **2007** | **Not past due on the reporting date $000's** | **Past due less than 90 days $000's** | **Past due between 91 and 180 days $000's** | **Past due between 181 and 360 days $000's** | **Past due over one year $000's** | **Impaired $000's** | **Total $000's** |
|---|---|---|---|---|---|---|---|
| Total trade accounts receivables as of December 31, 2007 | **141,757** | **34,037** | **8,718** | **10,680** | **4,339** | **13,315** | **212,846** |
| Related allowance for doubtful debts | | | | | | **(13,315)** | **(13,315)** |
| | **141,757** | **34,037** | **8,718** | **10,680** | **4,339** | **–** | **199,531** |
| Chargebacks provision | | | | | | | **(21,247)** |
| Expired goods provision | | | | | | | **(4,452)** |
| Net receivables | | | | | | | **173,832** |

| 2006 | Not past due on the reporting date $000's | Past due less than 90 days $000's | Past due between 91 and 180 days $000's | Past due between 181 and 360 days $000's | Past due over one year $000's | Impaired $000's | Total $000's |
|---|---|---|---|---|---|---|---|
| Total trade accounts receivables as of December 31, 2006 | 89,966 | 24,747 | 2,895 | 5,680 | 3,507 | 7,131 | 133,926 |
| Related allowance for doubtful debts | | | | | | (7,131) | (7,131) |
| | 89,966 | 24,747 | 2,895 | 5,680 | 3,507 | – | 126,795 |
| Chargebacks provision | | | | | | | (14,918) |
| Expired goods provision | | | | | | | (2,611) |
| Net receivables | | | | | | | 109,266 |

Trade receivable exposures are managed locally in the operating units where they arise and credit limits set as deemed appropriate for the customer. Credit limits are set based on a number of qualitative and quantitative factors related to the credit worthiness of a particular customer. The Group is exposed to customers ranging from government backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic and sovereign risks vary throughout the world. Typical credit terms in the US range from 30–60 days, in Europe 60–120 days, and MENA 180–360 days. Where appropriate, the Group endeavours to minimise risks by the use of trade finance instruments such as letters of credit and insurance.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable. When the debt is deemed irrecoverable, the allowance account is written off against the underlying receivable.

## 21. Collateralised cash

Collateralised cash represents an amount equal to 105% of a portion of bank facilities granted to the Group's Algerian operations.

## 22. Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Cash on hand and at banks | **24,209** | 19,708 |
| Time deposits | **3,380** | 66,412 |
| Money market deposits | **1,316** | 107 |
| | **28,905** | 86,227 |

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

## 23. Bank overdrafts and loans

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Bank overdrafts | **22,419** | 3,031 |
| Import and export financing | **22,276** | 10,115 |
| Short-term loans | **216,096** | 11,281 |
| Current portion of long-term loans (Note 26) | **15,746** | 11,187 |
| | **276,537** | 35,614 |

| | **2007 %** | 2006 % |
|---|---|---|
| The weighted average interest rates paid were as follows: | | |
| Bank overdrafts | **6.85** | 5.11 |
| Bank loans (including the non-current bank loans) | **5.76** | 5.53 |

Import and export financing represent short-term financing for the ordinary trading activities of the business.

As at 31 December 2007, the Group was in a net current liabilities position and as a result it was in breach of certain financial covenants related to its short-term debt. The breach arose as a result of short-term debt taken out to fund the acquisition of APM on 27 December 2007.

The relevant financial institution was made aware of this fact prior to the breach and gave its consent. The proceeds of the post year end equity placing on 17 January 2008 were applied to repay short-term debt and as such the breach was remedied.

More details of the equity placing are provided in Note 40.

## 24. Trade and other payables

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Trade payables | **49,143** | 32,331 |
| Accrued expenses | **25,392** | 15,000 |
| Employees' provident fund* | **3,158** | 2,106 |
| VAT and sales tax payables | **543** | 2,281 |
| Dividends payable** | **3,490** | 361 |
| Social security withholdings | **1,026** | 653 |
| Income tax withholdings | **588** | 382 |
| Other payables | **984** | 802 |
| | **84,324** | 53,916 |

*The employee's provident fund liability represents largely the outstanding contributions to Hikma Pharmaceuticals Limited – Jordan retirement benefit plan, on which the fund receives 5% interest.

**Dividends payable includes $3,261,000 reported at the acquisition of APM.

## 25. Other provisions

Other provisions represent the end of service indemnity provisions of Hikma Pharmaceuticals Limited – Jordan, Hikma Italia, JPI, AMC, APM, Hikma Pharma Co. (Tunisia) and Pharma Ixir Co. Ltd (Sudan). This provision represents a one month salary payable for each year employed for certain individuals in accordance with the agreements for the Group employees for those companies except for Hikma Italia. The annual accrual for end of service indemnity is calculated (as required by Italian law) by dividing the employees' remuneration for the year by 13.5 and it is subject to revaluation on an annual basis.

Movements on the provision for end of service indemnity:

| | 2007 $000's | 2006 $000's |
|---|---|---|
| **1 January** | **2,577** | 1,233 |
| Additions | **1,200** | 1,630 |
| Acquisition of subsidiaries | **820** | – |
| Utilisation | **(178)** | (347) |
| Translation adjustments | **56** | 61 |
| **31 December** | **4,475** | 2,577 |

## 26. Long-term financial debts

| | As at 31 December | |
|---|---|---|
| | 2007 $000's | 2006 $000's |
| Total loans | **73,408** | 36,526 |
| Less: current portion of loans (Note 23) | **(15,746)** | (11,187) |
| Long-term financial loans | **57,662** | 25,339 |

| | As at 31 December | |
|---|---|---|
| | 2007 $000's | 2006 $000's |
| Breakdown by maturity: | | |
| Within one year | **15,746** | 11,187 |
| In the second year | **16,149** | 10,101 |
| In the third year | **11,019** | 9,354 |
| In the fourth year | **21,950** | 4,679 |
| In the fifth year | **4,317** | 1,179 |
| Thereafter | **4,227** | 26 |
| | **73,408** | 36,526 |
| Breakdown by currency: | | |
| US Dollar | **30,750** | 14,250 |
| Euro | **30,622** | 5,387 |
| Jordanian Dinar | **5,259** | 7,928 |
| Saudi Riyal | **5,611** | 8,961 |
| Egyptian Pound | **1,166** | – |
| | **73,408** | 36,526 |

At 31 December 2007, import and export financing, short-term loans and the current and long term portion of long-term loans total $311,780,000 (2006: $57,922,000).

Loans amounting to $32,594,000 (2006: $13,350,000) are secured on property, plant and equipment.

## 27. Obligations under finance leases

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2007 $000's** | 2006 $000's | **2007 $000's** | 2006 $000's |
| **Amounts payable under finance leases:** | | | | |
| Within one year | **1,775** | 1,380 | **1,455** | 1,216 |
| In the second to fifth years inclusive | **6,306** | 5,183 | **5,698** | 4,441 |
| | **8,081** | 6,563 | **7,153** | 5,657 |
| Less: Interest lease charges | **(928)** | (906) | | |
| Present value of minimum lease payments payable | **7,153** | 5,657 | | |

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years (2006: six years). For the year ended 31 December 2007, the average effective borrowings rate was between 3.9% and 7.5% (2006: between 3.8% and 7.0%).

## 28. Financial policies for risk management and their objectives

### Credit risk:

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, chargebacks in the US, expired goods and without recourse discounts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

As a market norm, clients in the MENA region are offered relatively longer payment terms compared to clients in Europe and the US. As at 31 December 2007, the Group's largest three clients in the MENA region represented 14% of Group Turnover (located in S. Arabia), 4% of Group turnover (located in Algeria) and 3% of Group turnover (located in Algeria). The amount of receivables due from the Algerian market for 2007 is $34,979,000 (2006: $13,804,000). The Group manages this risk through the implementation of stringent credit policies and procedures and certain credit insurance agreements. As at 31 December 2007, none of the Group's major debtors have gone into liquidation.

### Market risk:

The Group's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. The Group is exposed to foreign exchange and interest rate risk. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments.

### Foreign exchange risk:

The Group uses the US Dollar as its functional currency and is therefore exposed to foreign exchange movements primarily in European, Algerian and Japanese currencies. Consequently, the Group enters into various contracts, which change in value as foreign exchange rates change to hedge against the risk of movement in foreign denominated assets and liabilities.

### Interest rate risk:

The Group manages its exposures to interest rate risks by changing the proportion of debt that is fixed by entering into interest rate swap agreements. Using these derivative financial instruments has not had a material impact on the Group's financial position at 31 December 2007 or the Group's results of operations for the year then ended.

| | **As at 31 December 2007** | | | As at 31 December 2006 | | |
|---|---|---|---|---|---|---|
| | **Fixed rate $000's** | **Floating rate $000's** | **Total $000's** | Fixed rate $000's | Floating rate $000's | Total $000's |
| Financial liabilities | | | | | | |
| Interest bearing loans and borrowings | **50,106** | **284,093** | **334,199** | 45,195 | 15,758 | 60,953 |
| Financial assets | | | | | | |
| Cash and cash equivalents | **–** | **28,905** | **28,905** | – | 86,227 | 86,227 |

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2007, with all other variables held constant. Based on the composition of our debt portfolio as at 31 December 2007, a 1% increase in interest rates would result in an additional $2.8 million in interest expense being incurred per year.

## 28. Financial policies for risk management and their objectives (continued)

### Fair value of financial assets and liabilities:

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents – approximates to the carrying amount;
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
- Long-term loans – approximates to the carrying amount in the case of floating rate bank loans and other loans;
- Forward exchange contracts – based on market prices and exchange rates at the balance sheet date;
- Receivables and payables – approximates to the carrying amount; and
- Lease obligations – approximates to the carrying value.

Management consider that the book value of the Group's financial assets and liabilities do not materially differ from their fair value.

### Currency risk:

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. The following table illustrates financial assets and liabilities for the Group demonstrated in different currencies:

| | Net foreign currency financial assets/(liabilities) | | | | | |
|---|---|---|---|---|---|---|
| 2007 | US Dollar $000's | Euro $000's | Sterling $000's | Algerian Dinar $000's | Japanese Yen $000's | Others $000's |
| Functional currency of entity: | | | | | | |
| – Jordanian Dinar | **19,254** | **(9,191)** | **64** | **–** | **(1,305)** | **(64)** |
| – Euro | **(6,561)** | **–** | **–** | **–** | **–** | **–** |
| – Algerian Dinar | **(29,797)** | **(20)** | **–** | **–** | **–** | **–** |
| – Saudi Riyal | **(1,437)** | **596** | **–** | **1,148** | **–** | **(839)** |
| – Sudanese Pound | **(4,640)** | **–** | **–** | **–** | **–** | **–** |
| – Egyptian Pound | **1,049** | **(358)** | **5** | **–** | **–** | **(950)** |
| | **(22,132)** | **(8,973)** | **69** | **1,148** | **(1,305)** | **(1,853)** |

Sensitivity analysis:

| | P&L effect assuming 1% appreciation of column currency against row currency as at year end | | | | | |
|---|---|---|---|---|---|---|
| 2007 | US Dollar $000's | Euro $000's | Sterling $000's | Algerian Dinar $000's | Japanese Yen $000's | Others $000's |
| Functional currency of entity: | | | | | | |
| – Jordanian Dinar | **193** | **(92)** | **1** | **–** | **(13)** | **(1)** |
| – Euro | **(66)** | **–** | **–** | **–** | **–** | **–** |
| – Algerian Dinar | **(298)** | **–** | **–** | **–** | **–** | **–** |
| – Saudi Riyal | **(14)** | **6** | **–** | **11** | **–** | **(8)** |
| – Sudanese Pound | **(46)** | **–** | **–** | **–** | **–** | **–** |
| – Egyptian Pound | **10** | **(4)** | **–** | **–** | **–** | **(10)** |
| | **(221)** | **(90)** | **1** | **11** | **(13)** | **(19)** |

## 28. Financial policies for risk management and their objectives (continued)

| 2006 | US Dollar $000's | Euro $000's | Sterling $000's | Algerian Dinar $000's | Japanese Yen $000's | Others $000's |
|---|---|---|---|---|---|---|
| | Net foreign currency financial assets/(liabilities) | | | | | |
| Functional currency of entity: | | | | | | |
| – Jordanian Dinar | 28,186 | (4,243) | 1,059 | – | 274 | (212) |
| – Euro | (23,165) | – | – | – | – | – |
| – Algerian Dinar | (13,774) | – | – | – | – | – |
| – Saudi Riyal | (4,167) | (57) | – | 1,906 | – | (855) |
| – Sudanese Pound | (2,544) | – | – | – | – | – |
| | (15,464) | (4,300) | 1,059 | 1,906 | 274 | (1,067) |

Sensitivity analysis:

| 2006 | US Dollar $000's | Euro $000's | Sterling $000's | Algerian Dinar $000's | Japanese Yen $000's | Others $000's |
|---|---|---|---|---|---|---|
| | P&L effect assuming 1% appreciation of column currency against row currency as at year end | | | | | |
| Functional currency of entity: | | | | | | |
| – Jordanian Dinar | 282 | (42) | 11 | – | 3 | (2) |
| – Euro | (232) | – | – | – | – | – |
| – Algerian Dinar | (138) | – | – | – | – | – |
| – Saudi Riyal | (42) | (1) | – | 19 | – | (9) |
| – Sudanese Pound | (25) | – | – | – | – | – |
| | (155) | (43) | 11 | 19 | 3 | (11) |

### Liquidity risk

| **2007** | **Less than one year $000's** | **More than one year $000's** | **Total $000's** |
|---|---|---|---|
| Cash and cash equivalents | **28,905** | **–** | **28,905** |
| Trade receivables | **173,832** | **–** | **173,832** |
| Interest bearing loans and borrowings | **(248,304)** | **(81,256)** | **(329,560)** |
| Interest bearing overdrafts | **(22,869)** | **–** | **(22,869)** |
| Interest bearing finance lease | **(1,775)** | **(6,306)** | **(8,081)** |
| Trade payables | **(49,018)** | **(125)** | **(49,143)** |
| | **(119,229)** | **(87,687)** | **(206,916)** |

| 2006 | Less than one year $000's | More than one year $000's | Total $000's |
|---|---|---|---|
| Cash and cash equivalents | 86,227 | – | 86,227 |
| Trade receivables | 109,266 | – | 109,266 |
| Interest bearing loans and borrowings | (34,553) | (29,709) | (64,262) |
| Interest bearing overdrafts | (3,133) | – | (3,133) |
| Interest bearing finance lease | (1,380) | (5,183) | (6,563) |
| Trade payables | (32,214) | (117) | (32,331) |
| | 124,213 | (35,009) | 89,204 |

For liquid assets and liabilities maturing in less than one year, the Group moved from a net assets position of $89,204,000 as at 31 December 2006 to a net liabilities position of $206,916,000 as at 31 December 2007. This came as a result of increased borrowings to fund acquisitions during 2007.

The Group believes, that given the $158 million net equity placing in January that was used to repay short-term debt (less than one year), its committed financing headroom and forecast operating cash flow during 2008, it has the ability to satisfy its liability commitments.

## 29. Derivative financial instruments

### Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group was committed to, are as below.

| | 2007 $000's | 2006 $000's |
|---|---|---|
| Foreign exchange forward contracts and options (Euro) | **1,471** | – |
| Foreign exchange forward contracts (Yen) | **578** | – |

These arrangements are designed to address significant exchange exposures.

At 31 December 2007 the fair value of the Group's currency derivatives was a net loss of $24,889. The fair valuation of the currency derivatives that are designated and effective as cash flow hedge resulted in a loss of $24,889 for the year ended 31 December 2007 that has been reflected in equity. These amounts are based on market values of equivalent instruments at the balance sheet date. At 31 December 2006 there were no open forward foreign exchange contracts.

The Group believes that the effect on the value of cash flow hedges of currency and interest rate fluctuations is not significant and will not affect in a material way the financial health of the Group.

### Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. These contracts (with original nominal values of $15 million as at 31 December 2006 increasing to $23.8 million as at 31 December 2007) have fixed interest payments at rates ranging from 3.9% to 4.75% for periods up until 2017 and have floating interest receipts at LIBOR.

The fair value of swaps entered into by the Group is estimated as a liability of $28,000 (2006: $149,000). These amounts are based on market values provided by the banks that originated the swaps and are based on equivalent instruments at the balance sheet date. Some of these interest rate swaps are designated as effective cash flow hedges and the fair value thereof totalling $82,000 (2006: $149,000) has been deferred in equity. The ineffective element of the cash flow hedges are taken to the income statement. No gain or loss has been recognised in the income statement for the years ended 31 December 2007 and 2006.

The Group believes that the effect on the value of interest rate swaps by interest rate fluctuations is not significant and will not affect in a material way the financial health of the Group.

## 30. Share capital

| | 2007 $000's | 2006 $000's |
|---|---|---|
| **Authorised:** | | |
| 500,000,000 Ordinary Shares of 10p each | **88,700** | 88,700 |

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Number '000 | $000's | Number '000 | $000's |
| **Issued and fully paid – included in shareholders' equity:** | | | | |
| **At 1 January** | **168,164** | **29,712** | 166,798 | 29,457 |
| Issued during the year | **2,570** | **517** | 1,366 | 255 |
| **At 31 December** | **170,734** | **30,229** | 168,164 | 29,712 |

On 17 January 2008, the Group placed equity share raising gross proceeds of approximately £81.6 million ($160.8 million). More details are provided in Note 40.

## 31. Minority interest

| | 2007 $000's | 2006 $000's |
|---|---|---|
| **At 1 January** | **4,732** | 3,601 |
| Minority interest share of profit | **1,617** | 1,435 |
| Other movements including dividends paid | **(172)** | (304) |
| **At 31 December** | **6,177** | 4,732 |

## 32. Acquisitions of subsidiaries

During the year, Hikma acquired five businesses: Ribosepharm GmbH, Thymoorgan GmbH Pharmazie Co. KG, Arab Pharmaceutical Manufacturing Co, Alkan Pharma SAE, and Hikma Pharma Co. – Tunisia.

Due to the timing of the acquisitions, the accounting for these, except for Ribosepharm, has been disclosed as provisional.

Details are as follows:

### Ribosepharm

On 25 January 2007, the Group completed the acquisition of 100% of the issued share capital of Ribosepharm GmbH ("Ribosepharm") located in Germany for cash consideration of $42,225,000. Ribosepharm's business is the marketing and distribution of generic injectable oncology products to private practices and hospitals in Germany.

The net assets acquired in the transaction and the goodwill arising are set out below:

| | Book value $000's | Fair value adjustment $000's | Fair value $000's |
|---|---|---|---|
| Net assets acquired: | | | |
| Product related intangibles | 3,291 | (1,838) | 1,453 |
| Trade name | – | 5,529 | 5,529 |
| Customer relationships | – | 17,789 | 17,789 |
| Net deferred tax asset | – | 4,719 | 4,719 |
| Property, plant and equipment | 285 | – | 285 |
| Inventory | 4,750 | – | 4,750 |
| Other current assets | 308 | – | 308 |
| Accounts receivable, net | 4,085 | – | 4,085 |
| Cash and cash equivalents | 2 | – | 2 |
| Trade accounts payable | (3,728) | – | (3,728) |
| Other current liabilities | (4,594) | – | (4,594) |
| Net assets acquired (100%) | 4,399 | 26,199 | 30,598 |
| Goodwill | | | 12,376 |
| Total consideration | | | 42,974 |
| Satisfied by: | | | |
| Cash | | | 42,225 |
| Directly attributable costs | | | 749 |
| | | | 42,974 |
| Cash consideration | | | 42,225 |
| Cash and cash equivalents acquired | | | (2) |
| Net cash outflow arising on acquisition | | | 42,223 |

The revenue and net profit of Ribosepharm from the date of acquisition that is included in the Group's income statement for the year amounted to $30,988,000 and $5,556,000 respectively.

## 32. Acquisitions of subsidiaries (continued)

### Thymoorgan

On 31 May 2007, the Group completed the acquisition of 100% of the issued share capital of Thymoorgan GmbH Pharmazie & Co. KG ("Thymoorgan") located in Germany for cash consideration of $29,506,000. Thymoorgan is a German contract manufacturer of lyophilised and liquid injectables for both oncological and non-oncological uses.

The net assets acquired in the transaction and the provisional goodwill arising are set out below:

| | Book value $000's | Provisional fair value adjustment $000's | Provisional fair value $000's |
|---|---|---|---|
| Net assets acquired: | | | |
| Other related intangibles | – | 2,882 | 2,882 |
| Cash and cash equivalent | 47 | – | 47 |
| Accounts receivable, net | 743 | – | 743 |
| Other current assets | 566 | – | 566 |
| Inventories | 1,124 | – | 1,124 |
| Property, plant and equipment | 7,781 | – | 7,781 |
| Financial debts | (46) | – | (46) |
| Capital lease obligations – current portion | (276) | – | (276) |
| Trade accounts payable | (621) | – | (621) |
| Other current liabilities | (395) | – | (395) |
| Income tax provision | (62) | – | (62) |
| Long-term financial debts | (2,426) | – | (2,426) |
| Capital lease obligations – long term | (974) | – | (974) |
| Net deferred tax liabilities | (154) | (209) | (363) |
| Net assets acquired (100%) | 5,307 | 2,673 | 7,980 |
| Goodwill | | | 22,614 |
| Total consideration | | | 30,594 |
| Satisfied by: | | | |
| Cash | | | 29,506 |
| Directly attributable costs | | | 1,088 |
| | | | 30,594 |
| Cash consideration | | | 29,506 |
| Cash and cash equivalents acquired | | | (47) |
| Net cash outflow arising on acquisition | | | 29,459 |

The revenue and net profit of Thymoorgan from the date of acquisition that is included in the Group's income statement for the year amounted to $5,588,000 and $389,000 respectively.

The amount of goodwill recognised in relation to the Thymoorgan acquisition relates to the value attributed to the employee know how within the business, as Hikma do not have contractual or legal rights over these assets they do not meet the identifiability criteria within IAS 38 and hence are reflected within goodwill. In addition, the goodwill is also attributable to the anticipated profitability of the distribution of the products manufactured into the new Hikma oncology market.

## 32. Acquisitions of subsidiaries (continued)

### Alkan Pharma SAE

On 6 September 2007, the Group completed the acquisition of 100% of the issued share capital of Alkan Pharma SAE, subsequently renamed Hikma Pharma SAE for cash consideration of $60,505,000. Hikma Pharma SAE develops, manufactures and markets generic pharmaceuticals in both solid and liquid form for the Egyptian market. Hikma Pharma Egypt's product portfolio spans a number of therapeutic categories, including Alimentary and Metabolic, Musculoskeletal and Infectious Disease.

The net assets acquired in the transaction and the provisional goodwill arising are set out below:

| | Book value $000's | Provisional fair value adjustment $000's | Provisional fair value $000's |
|---|---|---|---|
| Net assets acquired: | | | |
| Customer relationships | – | 16,121 | 16,121 |
| Product related intangibles | – | 1,476 | 1,476 |
| In-process research and development | – | 1,055 | 1,055 |
| Cash and cash equivalents | 1,856 | – | 1,856 |
| Accounts receivable, net | 7,088 | – | 7,088 |
| Other current assets | 255 | – | 255 |
| Inventories | 3,559 | – | 3,559 |
| Deferred taxes asset | 220 | – | 220 |
| Property, plant and equipment | 5,084 | 3,151 | 8,235 |
| Financial debts | (3,539) | – | (3,539) |
| Trade accounts payable | (1,324) | – | (1,324) |
| Other current liabilities | (1,521) | – | (1,521) |
| Income tax provision | (328) | – | (328) |
| Provisions | (75) | – | (75) |
| Long-term financial debts | (883) | – | (883) |
| Deferred tax liabilities | – | (4,361) | (4,361) |
| Net assets acquired (100%) | 10,392 | 17,442 | 27,834 |
| Goodwill | | | 33,232 |
| Total consideration | | | 61,066 |
| Satisfied by: | | | |
| Cash | | | 60,505 |
| Directly attributable costs | | | 561 |
| | | | 61,066 |
| Cash consideration | | | 60,505 |
| Cash and cash equivalents acquired | | | (1,856) |
| Net cash outflow arising on acquisition | | | 58,649 |

The revenue and net profit of Hikma Pharma Egypt from the date of acquisition that is included in the Group's income statement for the year amounted to $6,470,000 and $1,827,000 respectively.

## 32. Acquisitions of subsidiaries (continued)

### Arab Pharmaceutical Manufacturing Company

On 27 December 2007, the Group acquired Arab Pharmaceutical Manufacturing Company located in Jordan for cash consideration of $163,842,000. APM is a well-established pharmaceutical company that develops and manufactures its own branded generic products. APM also manufacturers and markets a number of in-licenced products from leading global pharmaceutical companies. APM's products are distributed in more than 25 countries and its 200-strong sales and marketing team operates across 14 MENA markets.

The net assets acquired in the transaction and the provisional goodwill arising are set out below:

| | Book value $000's | Provisional fair value adjustment $000's | Provisional fair value $000's |
|---|---|---|---|
| Net assets acquired: | | | |
| Trade name | – | 225 | 225 |
| Customer relationships | – | 24,314 | 24,314 |
| Product related intangibles | – | 9,152 | 9,152 |
| In-process research and development | – | 3,521 | 3,521 |
| Cash and cash equivalents | 470 | – | 470 |
| Accounts receivable, net | 25,511 | – | 25,511 |
| Other current assets | 256 | – | 256 |
| Inventories | 24,806 | – | 24,806 |
| Financial and other non current assets | 411 | – | 411 |
| Investment in associated companies | 4,542 | – | 4,542 |
| Property, plant and equipment | 28,513 | 5,194 | 33,707 |
| Financial debts | (7,401) | – | (7,401) |
| Trade accounts payable | (3,568) | – | (3,568) |
| Other current liabilities | (7,449) | – | (7,449) |
| Income tax provision | (28) | – | (28) |
| Provisions | (2,577) | – | (2,577) |
| Deferred tax liabilities | – | (4,962) | (4,962) |
| Net assets acquired (100%) | 63,486 | 37,444 | 100,930 |
| Goodwill | | | 66,480 |
| Total consideration | | | 167,410 |
| Satisfied by: | | | |
| Cash | | | 163,842 |
| Directly attributable costs | | | 3,568 |
| | | | 167,410 |
| Cash consideration | | | 163,842 |
| Cash and cash equivalents acquired | | | (470) |
| Net cash outflow arising on acquisition | | | 163,372 |

### Hikma Pharma Co. – Tunisia

On 9 February 2007, the Group completed the acquisition of the remaining 51% of the issued share capital of Hikma Pharma Co. – Tunisia located in Tunisia for cash consideration of $4,000 which is equal to the fair value of net assets acquired. The business of Hikma Pharma Co. – Tunisia is the marketing and promotion of medical products.

## 32. Acquisitions of subsidiaries (continued)

### Full year impact of acquisitions:

If the acquisition of Thymoorgan, Hikma Pharma Egypt and APM had been completed on the first day of the financial year, the Group's revenues for the year would have been approximately $508,307,000 and the Group's profit attributable to equity holders of the parent would have been approximately $72,405,000. The appropriate additional contribution by entity for the period from the beginning of the year up to the acquisition date is illustrated in the table below:

| Subsidiary | Effect on Group's revenues $000's | Effect on Group's profit $000's |
|---|---|---|
| Thymoorgan | 3,422 | 453 |
| Hikma Pharma Egypt | 11,722 | 2,570 |
| APM | 44,367 | 6,806 |
| | 59,511 | 9,829 |

As Ribosepharm's full year results were consolidated into the Group results for the year, this disclosure is not applicable for Ribosepharm. The impact of Hikma Pharma Co. – Tunisia is not considered material.

## 33. Net cash from operating activities

| | **2007 $000's** | 2006 $000's |
|---|---|---|
| **Profit before tax** | **83,789** | 75,596 |
| Adjustments for: | | |
| Depreciation, amortisation and impairment of: | | |
| Property, plant and equipment | **19,374** | 12,468 |
| Intangible assets | **4,059** | 1,329 |
| Results from associated companies | **–** | (938) |
| (Gains)/losses on disposal of property, plant and equipment and intangibles | **(202)** | 59 |
| Movement on provisions | **1,078** | 362 |
| Deferred income | **(78)** | (59) |
| Cumulative effect of change in fair value of derivatives | **(256)** | 27 |
| Stock options/awards granted | **1,601** | 879 |
| Finance income | **(2,029)** | (5,258) |
| Interest and bank charges | **10,837** | 4,958 |
| **Cash flow before working capital** | **118,173** | 89,423 |
| Change in trade and other receivables | **(29,453)** | (17,059) |
| Change in due from associate/related party | **–** | (896) |
| Change in other current assets | **(47)** | (290) |
| Change in inventories | **(29,065)** | (17,565) |
| Change in trade and other payables | **17,774** | 610 |
| Change in other current liabilities | **(6,112)** | 138 |
| **Cash generated by operations** | **71,270** | 54,361 |
| Income tax paid | **(17,987)** | (19,397) |
| Finance income | **2,029** | 5,258 |
| Interest paid | **(10,166)** | (4,972) |
| **Net cash generated from operating activities** | **45,146** | 35,250 |

## 34. Contingent liabilities

The Group was contingently liable for letters of guarantee and letters of credit totalling $17.8 million (2006: $16.9 million).

The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the profits on which individual Group companies are liable to tax. Disagreements with, and between, revenue authorities as to intra-Group transactions, in particular the price at which goods and services should be transferred between Group companies in different tax jurisdictions, can produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories. Resolution of such issues is ongoing.

In common with many other companies in the pharmaceutical industries the Group is subject to certain legal and product liability claims from time to time. Whilst provisions have been made for probable losses that management deems to be reasonable or appropriate there are inherent uncertainties connected with these estimates.

The Group does not expect the resolution of uncertainties to have a material effect on the consolidated financial statements.

## 35. Share-based payments

### Equity settled share option scheme

During the year ended 31 December 2007 and 2006, the Company had two share-based compensation schemes settled by equity instruments with two separate grant dates. The options over these instruments are settled in equity once exercised.

Details of the grants under the scheme are shown below:

2005

| | |
|---|---|
| Type of arrangement | General employee share option plan |
| Date of grant | 13 October 2005 |
| Number granted | 1,600,000 |
| Contractual life | 10 years |
| Vesting conditions | 20% per year for five years beginning on the first anniversary of the grant date |

The estimated fair value of each share option granted in the general employee share option plan is $0.74. This was calculated by applying a binomial option pricing model. The model inputs were the share price at grant date of $4.50, exercise price of $4.50, expected volatility of 26.2%, expected dividend yield of 6.67%, expected contractual life of 7.5 years, and a risk-free interest rate of 4.54%. To allow for the effects of early exercise, it was assumed that the employees would exercise the options immediately after vesting date.

2004

| | |
|---|---|
| Type of arrangement | General employee share option plan |
| Date of grant | 12 October 2004 |
| Number granted | 9,520,000 |
| Contractual life | 10 years |
| Vesting conditions | 20% per year for five years beginning on the first anniversary of the grant date |

The estimated fair value of each share option granted in the general employee share option plan is $0.35. This was calculated by applying a binomial option pricing model. The model inputs were the share price at grant date of $0.91, exercise price of $0.91, expected volatility of 44.8%, expected dividend yield of 3.85%, expected contractual life of 7.5 years, and a risk-free interest rate of 4.22%. To allow for the effects of early exercise, it was assumed that the employees would exercise the options immediately after vesting date.

## 35. Share-based payments (continued)

Further details of the general employee share option plan are as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Number of shares option | Weighted average exercise price (in $) | Number of shares option | Weighted average exercise price (in $) |
| Outstanding at 1 January | **9,598,200** | **1.44** | 11,120,000 | 1.42 |
| Exercised during the year | **(2,569,600)** | **1.21** | (1,365,800) | 1.18 |
| Expired during the year | **(169,200)** | **4.25** | (156,000) | 2.94 |
| Outstanding at 31 December | **6,859,400** | **1.43** | 9,598,200 | 1.44 |
| Exercisable at 31 December | **2,046,733** | **1.00** | 2,606,200 | 1.09 |

The cost of the equity settled share option scheme of $865,000 (2006: $879,000) has been recorded in the income statement as part of general and administrative expenses.

The weighted average share price at the date of exercise for share options exercised during the period was $8.56. The options outstanding at 31 December 2007 had a weighted average remaining contractual life of two to three years.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three to four years.

### Long-term incentive plan

During the year, the Company granted awards under Hikma Long-Term Incentive Plan ("LTIP") to certain employees. Under the LTIP, conditional awards of nominal cost share options are made which vest after three years subject to a total shareholder return ("TSR") performance condition. This condition measures the Group's TSR relative to a comparator group of other pharmaceutical companies. In this case, the vesting schedule dictates that 20% of awards vest for median performance and 100% for upper quartile performance, with pro rata vesting in between these points. No awards vest for performance which is below the median.

Details of the grants under the plan are shown below:

**2 April 2007**

| | |
|---|---|
| Type of arrangement | Long-Term Incentive Plan |
| Date of grant | 2 April 2007 |
| Number granted | 160,000 |
| Contractual life | 10 years |
| Vesting conditions | After three years subject to a TSR performance condition |

The estimated fair value of each share option granted in the LTIP is £2.20. This was calculated by applying the Monte Carlo Simulation methodology for estimation of the fair value. The model inputs were as follows:

(a) the exercise price of the share award of nil;
(b) the life of the share award of three years;
(c) the current price of the underlying shares on the date of grant of £3.79;
(d) the volatility of the Company's share returns of 34.64%;
(e) expected dividend yield of 0.075%; and
(f) the risk-free interest rate for the life of the share award of 5.40%.

**23 April 2007**

| | |
|---|---|
| Type of arrangement | Long-Term Incentive Plan |
| Date of grant | 23 April 2007 |
| Number granted | 466,000 |
| Contractual life | 10 years |
| Vesting conditions | After three years subject to a TSR performance condition |

**35. Share-based payments (continued)**

The estimated fair value of each share option granted in the LTIP is £2.23. This was calculated by applying the Monte Carlo Simulation methodology for estimation of the fair value. The model inputs were as follows:

(a) the exercise price of the share award
(b) the life of the share award of three years;
(c) the current price of the underlying shares on the date of grant of £3.84;
(d) the volatility of the Company's share returns of 34.64%;
(e) expected dividend yield of 0.075%; and
(f) the risk-free interest rate for the life of the share award of 5.45%.

**10 September 2007**

| | |
|---|---|
| Type of arrangement | Long-Term Incentive Plan |
| Date of grant | 10 September 2007 |
| Number granted | 150,000 |
| Contractual life | 10 years |
| Vesting conditions | After three years subject to a TSR performance condition |

The estimated fair value of each share option granted in the LTIP is £2.3163. This was calculated by applying the Monte Carlo Simulation methodology for estimation of the fair value. The model inputs were as follows:

(a) the exercise price of the share award
(b) the life of the share award of three years;
(c) the current price of the underlying shares on the date of grant of £4.08;
(d) the volatility of the Company's share returns of 34.64%;
(e) expected dividend yield of 0.075%; and
(f) the risk-free interest rate for the life of the share award of 4.998%.

Further details on the number of shares granted are as follows:

| | 2007 | | | |
|---|---|---|---|---|
| | 2 April Number | 23 April Number | 10 September Number | Total Number |
| Granted during the year | **160,000** | **466,000** | **150,000** | **776,000** |
| Expired during the year | **–** | **(13,000)** | **–** | **(13,000)** |
| Outstanding at 31 December | **160,000** | **453,000** | **150,000** | **763,000** |

The cost of the equity settled share option scheme of $735,000 (2006: $nil) has been recorded in the income statement as part of general and administrative expenses.

## 36. Operating lease arrangements

| | 2007 $000's | 2006 $000's |
|---|---|---|
| Minimum lease payments under operating leases recognised in the income statement for the year | **2,005** | 532 |

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2007 $000's | 2006 $000's |
|---|---|---|
| Within one year | **1,348** | 1,074 |
| In the second to fifth years inclusive | **4,482** | 3,493 |
| After five years | **2,877** | 3,836 |
| | **8,707** | 8,403 |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 1 to 7.5 years.

## 37. Related party balances

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associate and other related parties are disclosed below.

### Trading transactions:

During the year, Group companies entered into the following transactions with related parties:

*Darhold Limited:* is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with ownership percentage of 30.8% at the end of 2007 (2006: 31.3%).

*Capital Bank (previously Export & Finance Bank) – Jordan:* is a related party of the Group because two board members of the Bank are also Board members at Hikma Pharmaceuticals PLC. Total cash balances at Capital Bank – Jordan were $155,000 (2006: $207,000). Loans and overdrafts granted by Capital Bank to the Group amounted to $389,000 (2006: $594,000) with interest rates ranging between 8.75% and LIBOR + 1 to 1.25%. Total interest expense incurred against Group facilities was $47,000 (2006: $81,000).

*Jordan International Insurance Co:* is a related party of the Group because one board member of the company is also a Board member at Hikma Pharmaceuticals PLC. Total insurance premiums paid by the Group to Jordan International Insurance Co during the year were $1,107,000 (2006: $1,214,000). The Group's insurance expense for Jordan International Insurance Co contracts in the year 2007 was $1,360,000 (2006: $1,183,000). The amounts due to Jordan International Insurance Co at the year end were $143,000 (2006: $90,000).

*Mena Innovative Technology:* is a related party of the Group because it holds a minority stake in this company (see Note 17) and because the majority shareholder is the wife of Mr. Nabil Rizk – CEO of Generic Pharmaceuticals. Total purchases during the year were $76,000 (2006: $75,000). Purchases were made at market price discounted to reflect the quantity of goods purchased. At 31 December 2007, the Group has no outstanding balance with Mena Innovation Technology (2006: $Nil).

*Tunisian Companies:* Amounts due from Tunisian companies include $270,000 (2006: $236,000) and $486,000 (2006: $375,000) due from Societe Hikma Ibn Al Baytar Limited – Tunisia and Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A. – Tunisia, respectively. The amounts due from Societe Hikma Pharma – Tunisia and Societe Hikma Ibn Al Baytar Limited-Tunisia are stated after provision for doubtful debts of $154,000 (2006: $298,000).

*West-Ward Pharmaceuticals Corp:* Certain expenses of the Chairman were paid in the USA by West-Ward Pharmaceuticals Corp and reimbursed by the Chairman. At 31 December 2007, the balance outstanding amounted to $11,000 (2006: $101,000). The total amount has been repaid since the year end.

## 37. Related party balances (continued)

### Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive Directors' and certain of senior management as set out in the Directors' report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee report on pages 44 to 53.

| | **2007 $000's** | 2006 $000's |
|---|---|---|
| Short-term employee benefits | **4,824** | 4,227 |
| Share-based payments | **638** | 414 |
| Post employment benefits | **732** | 55 |
| Other benefits | **170** | 136 |
| | **6,364** | 4,832 |

## 38. Hikma Pharmaceuticals PLC main subsidiaries

The main subsidiaries of Hikma Pharmaceuticals PLC are as follows:

| Company's name | Established in | **Ownership % Ordinary Shares 2007** | Ownership % Ordinary Shares 2006 |
|---|---|---|---|
| Hikma Pharmaceuticals Limited | Jordan | **100** | 100 |
| Arab Pharmaceutical Manufacturing Co. | Jordan | **100** | – |
| SARL Hikma Pharma Algeria | Algeria | **100** | 100 |
| Hikma Farmaceutica S.A | Portugal | **100** | 100 |
| West-Ward Pharmaceuticals Corp. | U.S.A. | **100** | 100 |
| Pharma Ixir Co. | Sudan | **51** | 51 |
| Hikma Pharma SAE | Egypt | **100** | – |
| Thymoorgan GmbH Pharmazie & Co. KG | Germany | **100** | – |
| Ribosepharm GmbH | Germany | **100** | – |
| Hikma Italia | Italy | **100** | 100 |
| Al Jazeera Pharmaceutical Industries (JPI) | K.S.A | **100** | 100 |

**39. Hikma Pharmaceuticals PLC defined contribution retirement benefit plan**

Hikma Pharmaceuticals PLC has defined contribution retirement plans in two of its subsidiaries: West-Ward Pharmaceuticals Corp and Hikma Pharmaceuticals Limited – Jordan. The details of each contribution plan are as follows:

Hikma Pharmaceuticals Limited – Jordan:

The Group currently has an employee saving plan wherein the Group fully matches employee's contributions, which are fixed at 5% of salary. Employees are entitled to 30% of the Group contributions after three years of employment with the Group and an additional 10% for each subsequent year. Employees fully vest in the Group contributions after ten years of employment. The Group's contributions for the year ended 31 December 2007 were $618,000 (2006: $493,000).

West-Ward Pharmaceuticals Corp: (401 (k) salary saving plan)

Prior to 2001, West-Ward Pharmaceuticals Corp established a 401 (k) defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. All employees not covered by any collective bargaining agreement are eligible after being employed for one year. Employees can defer up to 25% of their gross salary into the plan, not to exceed $15,500 and $15,000 for 2007 and 2006, respectively, not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches 40% of the employees' eligible contribution. Employer contributions vest 0% after one year of service, 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2007 were $315,000 (2006: $265,000).

The assets of the plans are held separately from those of the Group. The only obligation of the Group with respect to the retirement benefit plans is to make specified contributions.

**40. Subsequent events**

On 17 January 2008, a total of 17.0 million new ordinary shares of 10 pence each in the Group were placed at a price of 480 pence per share, raising gross proceeds of approximately £81.6 million ($160.8 million). As part of the Placing 5.23 million shares were placed with Darhold Limited at the Placing Price and 332,663 shares were placed with the Darwazah family and other connected individuals at the Placing Price. The total number of shares issued represents 9.96% of Hikma's issued ordinary share capital prior to the placing.

The Group used the proceeds from the placing to reduce borrowings incurred in connection with its JD116.0 million ($163.8 million) acquisition of Arab Pharmaceutical Manufacturing Company thereby providing the Group with increased flexibility to finance future growth.

The estimated cost of the placing was $2,530,000.

# Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# Independent auditors' report to the members of Hikma Pharmaceuticals PLC

We have audited the individual company financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2007 which comprise the Company balance sheet, the statement of changes in equity, the cash flow statement and the related Notes 1 to 14. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2007 and on the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**
The Directors' responsibilities for preparing the annual report and the parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the annual report.

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

**Opinion**
In our opinion:

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

**Deloitte & Touche LLP**
Chartered Accountants and Registered Auditors
London, United Kingdom

17 March 2008

# Company balance sheet
## at 31 December 2007

| | Notes | 2007 $000's | 2006 $000's |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 2 | **1,353,367** | 1,353,342 |
| Due from subsidiaries | 3 | **60,443** | 72,039 |
| Property, plant and equipment | | **458** | 597 |
| | | **1,414,268** | 1,425,978 |
| **Current assets** | | | |
| Other current assets | | **877** | 986 |
| Cash and cash equivalents | 4 | **2,404** | 65,442 |
| Due from subsidiaries | | **306,886** | 726 |
| Accounts receivable | | **15** | 18 |
| | | **310,182** | 67,172 |
| **Total assets** | | **1,724,450** | 1,493,150 |
| **Current liabilities** | | | |
| Other payables | 5 | **976** | 454 |
| Other current liabilities | | **2,146** | 1,098 |
| Income tax provision | | **–** | 142 |
| Short-term debts | 6 | **198,000** | – |
| Due to subsidiaries | | **592,083** | 593,290 |
| | | **793,205** | 594,984 |
| **Net current liabilities** | | **483,023** | 527,812 |
| **Total liabilities** | | **793,205** | 594,984 |
| **Net assets** | | **931,245** | 898,166 |
| **Equity** | | | |
| Share capital | 11 | **30,229** | 29,712 |
| Share premium | 12 | **821,428** | 818,800 |
| Retained earnings | 13 | **79,588** | 49,654 |
| **Equity attributable to equity holders to the parent** | | **931,245** | 898,166 |

The financial statements were approved by the Board of Directors and signed on its behalf by:

**Said Darwazah**
Director

17 March 2008

# Company statement of changes in equity
## for the year ended 31 December 2007

| | Paid up capital $000's | Share premium $000's | Retained earnings $000's | Total $000's |
|---|---|---|---|---|
| **At 1 January 2006** | 29,457 | 817,443 | 1,758 | 848,658 |
| Issue of share capital | 255 | 1,357 | – | 1,612 |
| Net income for the year | – | – | 54,405 | 54,405 |
| Dividends paid | – | – | (6,509) | (6,509) |
| **At 31 December 2006 and 1 January 2007** | 29,712 | 818,800 | 49,654 | 898,166 |
| Issue of share capital | 517 | 2,628 | – | 3,145 |
| Cost of equity settled employee share scheme | – | – | 1,601 | 1,601 |
| Net income for the year | – | – | 41,029 | 41,029 |
| Dividends paid | – | – | (12,696) | (12,696) |
| **At 31 December 2007** | **30,229** | **821,428** | **79,588** | **931,245** |

As permitted by section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these accounts.

# Company cash flow statement
## for the year ended 31 December 2007

| | 2007 $000's | 2006 $000's |
|---|---|---|
| **Profit before tax** | **41,029** | 53,851 |
| Stock options granted and LTIPs awarded | **327** | 196 |
| Interest expense | **1,012** | 21 |
| Change in other current assets | **109** | (564) |
| Change in other payables | **522** | (540) |
| Depreciation of property, plant and equipment | **149** | 93 |
| Change in accounts receivable | **3** | (18) |
| Change in amounts due from/to subsidiaries | **(306,093)** | 1,764 |
| Change in other current liabilities | **409** | 744 |
| Interest paid | **(515)** | (21) |
| Income tax paid | **–** | (610) |
| **Net cash (used in)/from operating activities** | **(263,048)** | 54,916 |
| **Investing activities** | | |
| Change in amounts due from/to subsidiaries | **11,596** | (22,875) |
| Change in dividends receivable | **–** | 1,500 |
| Purchase of property, plant and equipment | **(10)** | (690) |
| Investment in subsidiary | **(25)** | (21,244) |
| **Net cash from/(used) in investing activities** | **11,561** | (43,309) |
| **Financing activities** | | |
| Proceeds from issue of new shares | **3,145** | 1,612 |
| Increase in short-term debts | **198,000** | – |
| Dividends paid | **(12,696)** | (6,509) |
| **Net cash from/(used in) financing activities** | **188,449** | (4,897) |
| **Net (decrease)/increase in cash and cash equivalents** | **(63,038)** | 6,710 |
| **Cash and cash equivalents at beginning of the year** | **65,442** | 58,732 |
| **Cash and cash equivalents at end of the year** | **2,404** | 65,442 |

# Notes to the Company financial statements

## 1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards and UK law.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements with the addition of the policy as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## 2. Investment in subsidiaries

Investment in subsidiaries represents 100% share in Hikma Pharma Limited – Jersey, Hikma Holdings and 52.5% of JPI (the other 47.5% being held elsewhere in the Group). The cost method is being used to account for these investments.

## 3. Due from subsidiaries

| | As at 31 December | |
|---|---|---|
| | **2007 $000's** | 2006 $000's |
| Hikma Investment | **55,075** | 52,685 |
| Hikma Italy | **4,063** | 3,878 |
| Hikma Farmaceutica S.A | **–** | 15,476 |
| Hikma UK Limited | **200** | – |
| Thymoorgan GmbH | **1,105** | – |
| | **60,443** | 72,039 |

## 4. Financial assets

### Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 5. Financial liabilities

### Other payables

The Directors consider that the carrying amount of other payables approximates to their fair value.

## 6. Short-term debts

Short-term debts represents the drawdown of $170 million of a bridge loan to finance the acquisition of APM and drawdown of $28 million under the $40 million credit line from Citibank. These amounts were repaid following the equity placing on 17 January 2008. The relevant financial institution was made aware of this fact prior to the breach and gave its consent. The proceeds of the post year end equity placing on 17 January 2008 were applied to repay short-term debt and as such the breach was remedied.

## 7. Financial policies for risk management and their objectives

### Currency risk:

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. The following table illustrates financial assets and liabilities for the Company in different currencies:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2007 $000's** | 2006 $000's | **2007 $000's** | 2006 $000's |
| Euro | **–** | – | **31** | 226 |
| GBP | **926** | 450 | **57** | 362 |

### Liquidity risk:

| 2007 | Less than one year $000's | More than one year $000's | Total $000's |
|---|---|---|---|
| Cash and cash equivalents | **2,404** | **–** | **2,404** |
| Interest bearing loans and borrowings | **(198,000)** | **–** | **(198,000)** |
| Trade payables | **(976)** | **–** | **(976)** |
| | **(196,572)** | **–** | **(196,572)** |

## 7. Financial policies for risk management and their objectives (continued)

| 2006 | Less than one year $000's | More than one year $000's | Total $000's |
|---|---|---|---|
| Cash and cash equivalents | 65,442 | – | 65,442 |
| Trade payables | (454) | – | (454) |
| | 64,988 | – | (64,988) |

The Company believes, that given the $158 million net equity placing in January that was used to repay short-term debt (less than one year), its committed financing headroom and forecast operating cash flow during 2008, it has the ability to satisfy its liability commitments.

### Interest rate risk

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2007, with all other variables held constant. Based on the composition of our debt portfolio as at 31 December 2007, a 1% increase in interest rates would result in an additional $2.0 million in interest expense being incurred per year.

## 8. Staff costs

Hikma Pharmaceuticals PLC currently has five employees (2006: four); total compensation paid to them amounted to $1,279,000 (2006: $923,000) of which salaries and wages compromise an amount of $763,000 (2006: $492,000) the remaining balance of $515,000 (2006: $431,000) represent social security and other benefits.

## 9. Stock options

The details of the stock compensation scheme were provided in Note 35 to the Group accounts. The number of options granted to the employees of the Company (including Directors) was 2,600,000 shares (2006: 2,600,000 shares) and the total amount of the compensation expenses charged to income statement is $196,400 (2006: $196,400).

## 10. Long-term incentive plans (LTIPs)

The details of the LTIP scheme were provided in Note 35 to the Group accounts. The number of awards granted to the employees of the Company (including Directors) was 205,000 shares (2006: nil) and the total amount of the compensation expenses charged to income statement is $130,800 (2006: $nil).

## 11. Share capital

| | 2007 $000's | 2006 $000's |
|---|---|---|
| **Authorised:** | | |
| 500,000,000 Ordinary Shares of 10 pence each | **88,700** | 88,700 |
| Issued and fully paid – included in shareholders' equity<br>170,734,000 (2006: 168,164,000) Ordinary Shares of 10 pence each | **30,229** | 29,712 |

The details of the issue of the share capital in the year are given in Note 30 to the Group accounts.

## 12. Share premium

| | Share premium $000's |
|---|---|
| **Balance at 31 December 2006** | **818,800** |
| Premium arising on issue of equity shares | 2,628 |
| **Balance at 31 December 2007** | **821,428** |

## 13. Retained earnings

Included in the retained earnings an amount of $45,545,000 (2006: $53,666,000) representing dividends received and $327,200 (2006: $196,400) representing the current year charge of stock option and LTIPs expenses.

## 14. Subsequent events

On 17 January 2008, the Company issued 17 million new ordinary shares of 10 pence each, representing up to 9.96% of Hikma's issued ordinary share capital immediately prior to the Placing, with institutional and other investors at a price of 480 pence per share, raising gross proceeds of approximately £81.6 million ($160.8 million). The estimated cost of the placing was $2,530,000.

# Shareholder information

**2008 financial calendar**

| | |
|---|---|
| 18 March | 2007 preliminary results and final dividend announced |
| 30 April | 2007 final dividend ex-dividend date |
| 2 May | 2007 final dividend record date |
| 15 May | Annual General Meeting |
| 2 June | 2007 final dividend paid to shareholders |
| 28 August* | 2008 interim results and interim dividend announced |
| 10 September* | 2008 interim dividend ex-dividend date |
| 12 September* | 2008 interim dividend record date |
| 13 October* | 2008 interim dividend paid to shareholders |

*Provisional date.

**Articles of Association**
The disclosures set out below summarise certain parts of the Articles. If required, full provisions can be found in the Articles themselves. The Articles may only be amended by special resolution of the shareholders.

Share rights
Any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

If at any time the share capital is divided into different classes of share, the rights attached to any class may be modified, abrogated or varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

The Directors may, subject to the terms of allotment, from time to time make such calls upon the shareholders (each a "Member") as they think fit in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium). A person upon whom a call is made shall remain liable for all calls made upon him even if there is a subsequent transfer of the shares in respect of which the call was made.

Transfer of shares
Subject to Article 75 (see below), the Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the UK Listing Authority or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

In relation to a certificated share, the Directors may decline to recognise any instrument of transfer unless the instrument of transfer is left at the Company's office, or at such other place as the Directors may from time to time determine, accompanied by the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and the instrument of transfer is in respect of only one class of share.

Article 75 states, amongst other things, that:

(1) if any Member, or any other person appearing to the Directors to be interested in any shares in the capital of the Company held by such Member, has been duly served with a notice requiring them to disclose the extent of their shareholding and does not comply within 14 days, then the Company may (at the discretion of the Directors) at any time thereafter by notice to such Member (a "restriction notice") direct that, in respect of the shares in relation to which the default occurred and any other shares held at the date of the restriction notice by the Member, or such of them as the Directors may determine from time to time (the "restricted shares"), the Member shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer or as set out below, be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum;

(2) where the restricted shares represent at least 0.25% of the issued shares of that class, then the restriction notice may also direct that:

- any dividend or other monies which would otherwise be payable on or in respect of the restricted shares shall be withheld by the Company and shall not bear interest against the Company; and/or
- such a Member may not elect to receive shares of the Company instead of cash in respect of any dividend; and/or
- no transfer of any of the shares held by such Member shall be recognised or registered by the Directors unless the transfer is a permitted transfer or (a) the Member is not himself in default as regards supplying the information required and (b) the transfer is of part only of the Member's holding and, when presented for registration, is accompanied by a certificate by the Member in a form satisfactory to the Directors to the effect that after due and careful enquiry the Member is satisfied that none of the shares the subject of the transfer are restricted shares.

(3) a transfer of shares is a permitted transfer if:

(a) it is a transfer by way of, or in pursuance of, acceptance of a takeover offer for the Company; or

(b) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a third party unconnected with the transferring Member or with any other person appearing to the Directors to be interested in such shares; or

(c) the transfer results from a sale made on or through a market operated by the London Stock Exchange or on or through any stock exchange outside the United Kingdom on which the Company's shares of the same class as the restricted shares are normally dealt.

### Powers of Directors

The Board is empowered to appoint Directors, but Directors so appointed are required to submit themselves for election at the first Annual General Meeting following their appointment and for re-election where they have been a Director at each of the preceding two Annual General Meetings and were not appointed or re-appointed by the Company at, or since, either such meeting.

Subject to the Articles and relevant statutes and to such direction as may be given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in General Meeting.

Under the Articles, the Directors may:

– at any time appoint as an alternate Director another Director, and, at any time to terminate such appointment;

– exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to any persons who are or have been Directors of or employed by the Company or in the service of a Group member, and to the wives, widows, children and other relatives and dependants of any such persons and may establish, maintain, support, subscribe to and contribute to any schemes, trusts and funds for the benefit of such persons;

– exercise all the powers of the Company to purchase and maintain insurance for persons who are or were Directors, officers, employees or auditors of the Company, or of any Group member or subsidiary;

– make such arrangements as they think fit for the management and transaction of the Company's affairs and may at any time establish any local boards or agencies for managing any of the affairs of the Company in any specified locality, and may appoint any persons to be members of such local board, or any managers or agents, on such terms and conditions as they think fit. The Directors may delegate to any person so appointed, any of the powers of the Directors (other than the powers of borrowing and of making calls), with power to sub-delegate, and may authorise the members of any such local board to fill up any vacancies therein; the directors may at any time remove any person so appointed, and may annul or vary any delegation; and

– by power of attorney appoint any body corporate, firm or person to be the attorney of the Company for such purposes and with such powers (not exceeding those vested in or exercisable by the Directors under the Articles) and for such period and under such conditions as they may think fit.

Subject to the relevant statutes, a Director may hold any other office or place of profit, except that of auditor, in conjunction with the office of Director and may act in a professional capacity for the Company, and in any such case on such terms as the Directors may arrange. Any payment for this shall be in addition to his normal payment. No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company. Subject to the relevant statutes, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised, but he shall declare the nature of his interest.

A Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is a material interest otherwise than by virtue of interests in shares or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

However, a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning:

– the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;

– the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in under a guarantee or indemnity or by the giving of security;

– any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

– any contract, arrangement, transaction or other proposal concerning any other body corporate in which he or any person connected with him is interested, provided that he and any persons so connected with him do not to his knowledge hold an interest in 1%, or more of the shares or the voting rights of such body corporate;

– any contract, arrangement, transaction or other proposal for the benefit of employees of the Company or any of its subsidiaries which does not give him any privilege or advantage not generally accorded to employees to whom the scheme relates; and

– any contract, arrangement, transaction or other proposal concerning any insurance which the Company is to maintain for the benefit of any Directors.

A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office with the Company or any subsidiary, including fixing or varying the terms of his appointment or the termination thereof.

If any question shall arise as to the materiality of an interest or the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain, such question shall be referred to the Chairman and his ruling shall be final except in a case where the nature of the interests of the Director have not been fairly disclosed.

Subject to the provisions of the relevant statutes, the Company may by ordinary resolution suspend or relax the provisions of the Articles that prescribe the Directors' permitted interests and entitlement to vote to any extent or ratify any contract, arrangement or transaction not duly authorised by that Article.

The Directors may exercise or procure the exercise of the voting rights conferred by the shares in any other body corporate held or owned by the Company or any power of appointment in relation to any other body corporate, and may exercise any voting rights or power of appointment to which they are entitled as Directors of such other body corporate, in such manner as they shall in their discretion think fit, including the exercise thereof in favour of appointing themselves or any of them as Directors, officers or servants of such other body corporate, and fixing their remuneration as such, and may vote as Directors of the Company in connection with any of the matters aforesaid.

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed in such manner as the Directors shall from time to time determine.

The Directors may delegate any of their powers or discretions to committees consisting of one or more members of their body.

Subject to the provisions of the relevant statutes, the directors may from time to time appoint one or more of their body to the office of Managing Director or to hold such other executive office in relation to the management of the business of the Company as they may decide and on such terms as they think fit. The Directors may also entrust to and confer upon a Managing Director or such Executive Director any of the powers and discretions exercisable by them upon such terms and conditions and with such restrictions as they may think fit.

For any additional information, shareholders should refer to the Company's Memorandum and Articles.

**Shareholding enquiries**
Enquiries or information concerning existing shareholdings should be directed to the Company's registrars, Capita Registrars either:

– in writing to Shareholder Services, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;

– by telephone from within the UK on 0870 162 3100;

– by telephone from outside the UK on +44 208 639 2157; or

– through the website www.capitaregistrars.co.uk.

Changes of address should be promptly notified to the registrars.

**Website**
Press releases, the share price and other information on the Group are available on the Company's website www.hikma.com.

**Share listings**
The Company's Ordinary Shares are listed on the London Stock Exchange. They are listed under EPIC – HIK, SEDOL – B0LCW08 GB and ISIN – GB00B0LCW083. The Company also has listed Global Depository Receipts ("GDRs") on the Dubai International Financial Exchange ("DIFX"). They are listed under EPIC – HIK and ISIN – US4312882081.

Further information on this market, its trading systems and current trading in Hikma Pharmaceuticals PLC shares can be found on the London Stock Exchange website www.londonstockexchange.com.

Further information on the DIFX, its trading systems and current trading in Hikma Pharmaceuticals PLC GDRs can be found on the DIFX website www.difx.ae.

# Principal Group companies

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