



WHAT MAKES THE DIFFERENCE?

Hikma Pharmaceuticals PLC
Annual report 2010



QUALITY

MAKES THE DIFFERENCE

HIKMA PHARMACEUTICALS PLC

SINCE HIKMA WAS FOUNDED, WE HAVE GROWN INTO A SUCCESSFUL
MULTINATIONAL PHARMACEUTICAL GROUP. OUR BUSINESS TODAY
IS DIVERSE IN ITS PRODUCT LINE AND THE BREADTH OF ITS GEOGRAPHIC
COVERAGE. THIS DIVERSIFICATION WILL ENSURE THAT WE MAINTAIN
OUR TRACK RECORD OF STRONG GROWTH.



For more information, visit our website
www.hikma.com

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Section One
**HOW HAVE
WE PERFORMED?**

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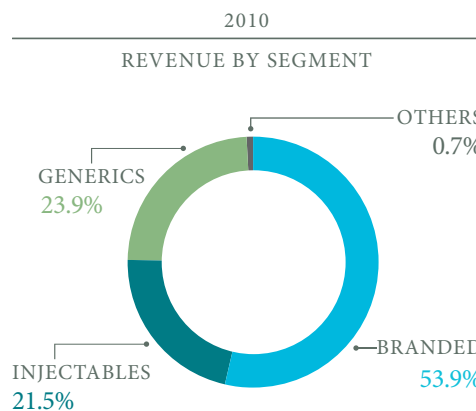
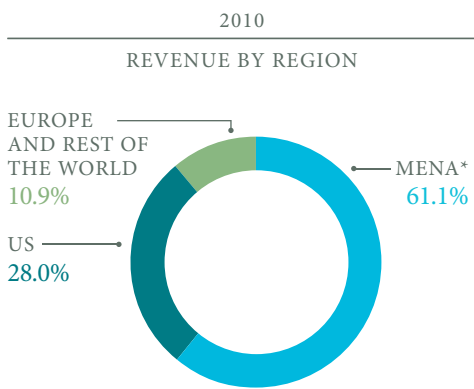


HOW WE PERFORMED IN 2010

ANOTHER SUCCESSFUL YEAR
 HIKMA ONCE AGAIN DELIVERED ROBUST GROWTH
 IN REVENUE AND PROFIT

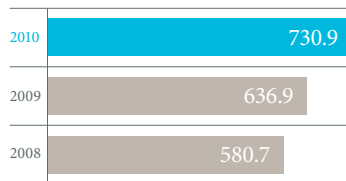
2010	2005-10	2010
REVENUE	REVENUE CAGR	OPERATING MARGIN
\$730.9m	+22.8%	18.5%

2010	2010	2010
PRODUCTS MARKETED	OPERATING CASH FLOW	EMPLOYEES
423	\$144.8m	5,396

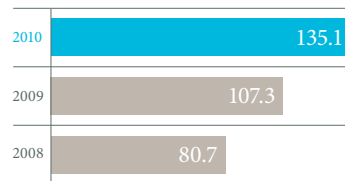


*Middle East and North Africa region ("MENA").

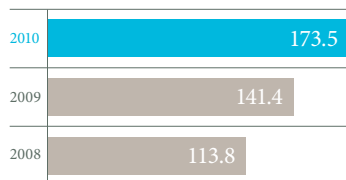
2010 HIGHLIGHTS



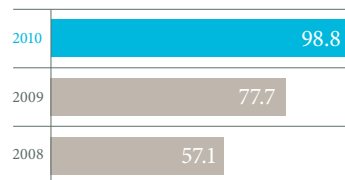
REVENUE
(\$ million)
+14.8%



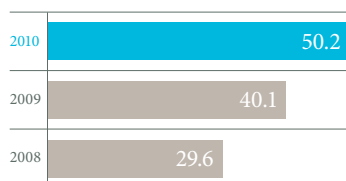
OPERATING PROFIT
(\$ million)
+25.9%



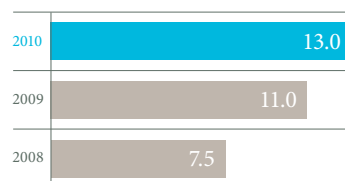
EBITDA¹
(\$ million)
+22.7%



PROFIT ATTRIBUTABLE TO
SHAREHOLDERS
(\$ million)
+27.2%



DILUTED EARNINGS PER SHARE
(Cents)
+25.2%



DIVIDEND PER SHARE
(Cents)
+18.2%

¹ Reported profit before interest, tax, depreciation and amortisation.



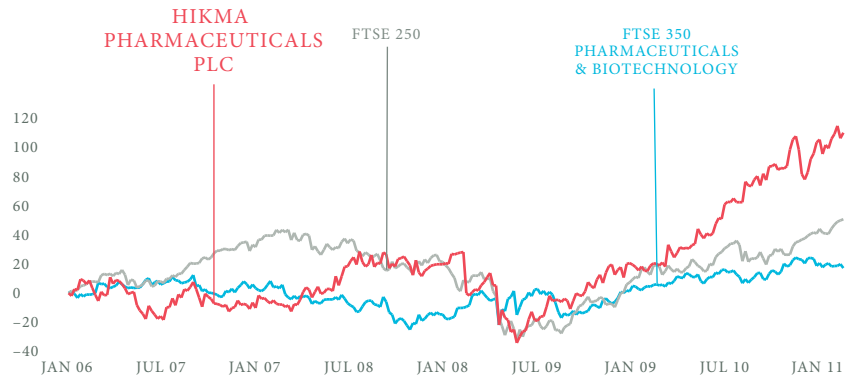
CHAIRMAN'S STATEMENT

A STRONG PERFORMANCE

IN 2010, HIKMA ONCE AGAIN DELIVERED A STRONG PERFORMANCE, INCREASING REVENUE BY 14.8% AND DILUTED EARNINGS PER SHARE BY 25.2%

Samih Darwazah *Non-Executive Chairman*





HIKMA'S TOTAL SHAREHOLDER RETURN FROM JANUARY 2006 (%)

Our success is underpinned by our diverse business model, which combines our extensive presence and experience in the Middle East and North Africa ("MENA") markets, a strong business in the US generic market and a growing global Injectables business.

In 2010, the MENA pharmaceutical market continued to grow at a pace well above the global average. Rising life expectancy and changing lifestyles are creating new healthcare needs, particularly for the treatment of diabetes and cancer and increasing demand for pharmaceuticals.

We expect the present turbulence in the MENA will improve the living standards of the people in the region, driving increased affluence and greater government support for healthcare services. We remain committed to the region and to continuing to play a key role in improving healthcare standards by providing high quality affordable medicines.

Our expanding presence in the US and Europe complements and strengthens our activities in MENA, providing access to different market opportunities, technologies, products and customers. At the same time, our businesses in the US and Europe are benefitting from our MENA manufacturing capabilities and associated cost synergies.

Our reputation for quality and high service levels has increased our potential for further growth in the US market. This has given us the confidence to expand our operations in the US through an agreement to acquire the US injectables business of Baxter Healthcare, Multi-Source Injectables ("MSI"). This acquisition, expected to complete in April 2011, will transform our global injectables business by giving us greater scale and reach. We have aspirations to be a global leader in generic injectables and believe that bringing together MSI's broad product portfolio, strong sales platform and customer relationships with Hikma's growing pipeline and leading manufacturing facilities in Europe, is an extremely powerful combination.

The Board is recommending a final dividend of 7.5 cents per share (approximately 4.7 pence per share), which will make a dividend for the full year of 13.0 cents per share, an increase of 18.2% on 2009. The proposed final dividend will be paid on 26 May 2011 to shareholders on the register on 15 April 2011, subject to approval by shareholders at the Annual General Meeting.

We made significant progress on a number of fronts in 2010. We delivered very robust organic growth in revenues and profits. We announced the important MSI acquisition in the US and transactions in both Algeria and Tunisia. The strength of our global, diversified business model has enabled us to deliver an excellent performance and we are confident that the business is positioned to deliver continued growth in the short, medium and long term.

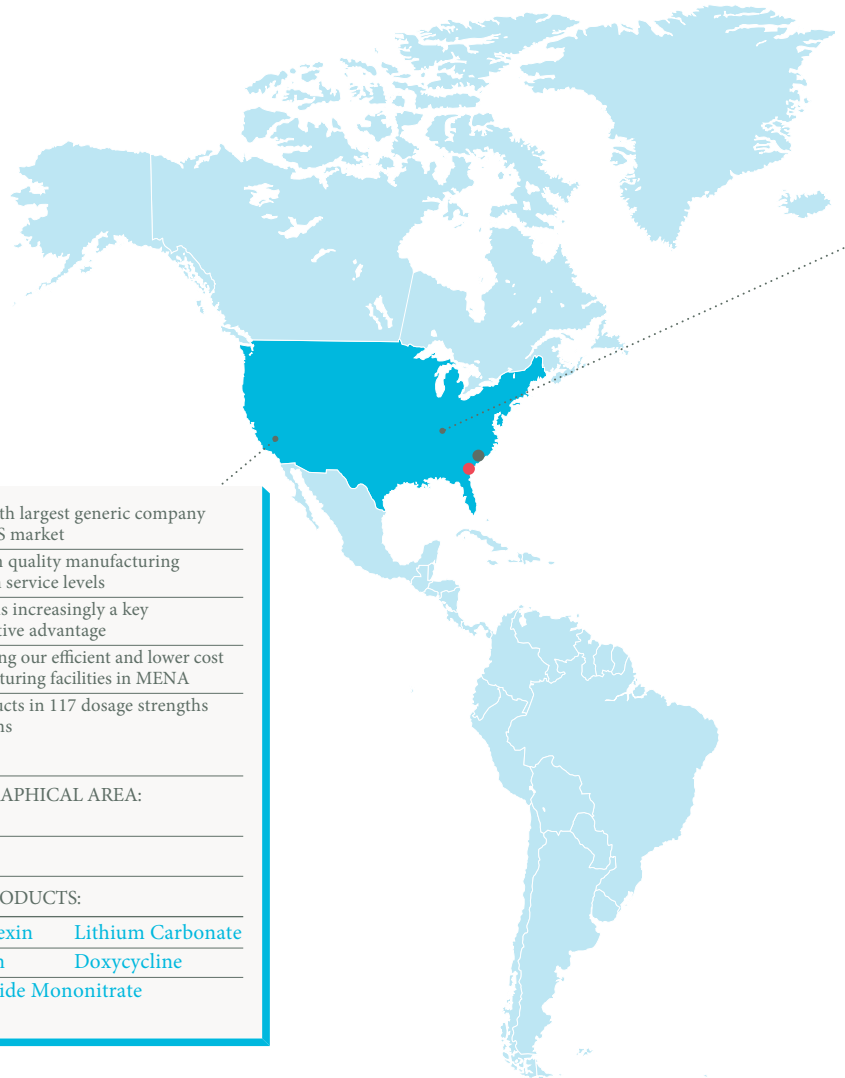
Samih Darwazah Non-Executive Chairman



GROUP AT A GLANCE

WHAT WE DO AND WHERE

WE DEVELOP, MANUFACTURE AND MARKET GENERIC AND IN-LICENSED PHARMACEUTICAL PRODUCTS WITHIN THREE CORE BUSINESSES. OUR OPERATIONS SPAN 49 COUNTRIES AND FOCUS ON KEY THERAPEUTIC AREAS SUCH AS ANTI-INFECTIVES, CARDIOVASCULAR, ALIMENTARY TRACT AND CNS



GENERICS

Selling generic products across the US

2010
REVENUE

\$174.5m
+29.2%

Thirteenth largest generic company in the US market

Focus on quality manufacturing and high service levels

Quality is increasingly a key competitive advantage

Leveraging our efficient and lower cost manufacturing facilities in MENA

50 products in 117 dosage strengths and forms

GEOGRAPHICAL AREA:
US

TOP PRODUCTS:

Cephalexin	Lithium Carbonate
Digoxin	Doxycycline
Isosorbide Mononitrate	

INJECTABLES

Selling specialised injectable products globally

2010
REVENUE

\$157.4m
+9.3%

Leading manufacturer for quality sterile injectables

US FDA approved manufacturing facilities in Portugal and Germany

Developing oncology platform for manufacturing and sales

Transforming our global platform with the agreement to acquire Baxter's US generic injectables business

120 products in 215 dosage strengths and forms

GEOGRAPHICAL AREA:
EUROPE, MENA, US

TOP PRODUCTS:

Ceftriaxone	Cefizox
Vancomycin	Gemcitabine
Paclitaxel	

BRANDED

Selling branded generics and patented products across 17 MENA markets

2010
REVENUE

\$394.2m
+11.8%

Fifth largest pharmaceutical company in the MENA region

40% of sales from in-licensed products

1,600 reps targeting physicians and pharmacists across the region

Strong anti-infectives franchise and increasing focus on cardiovascular, diabetes and CNS products

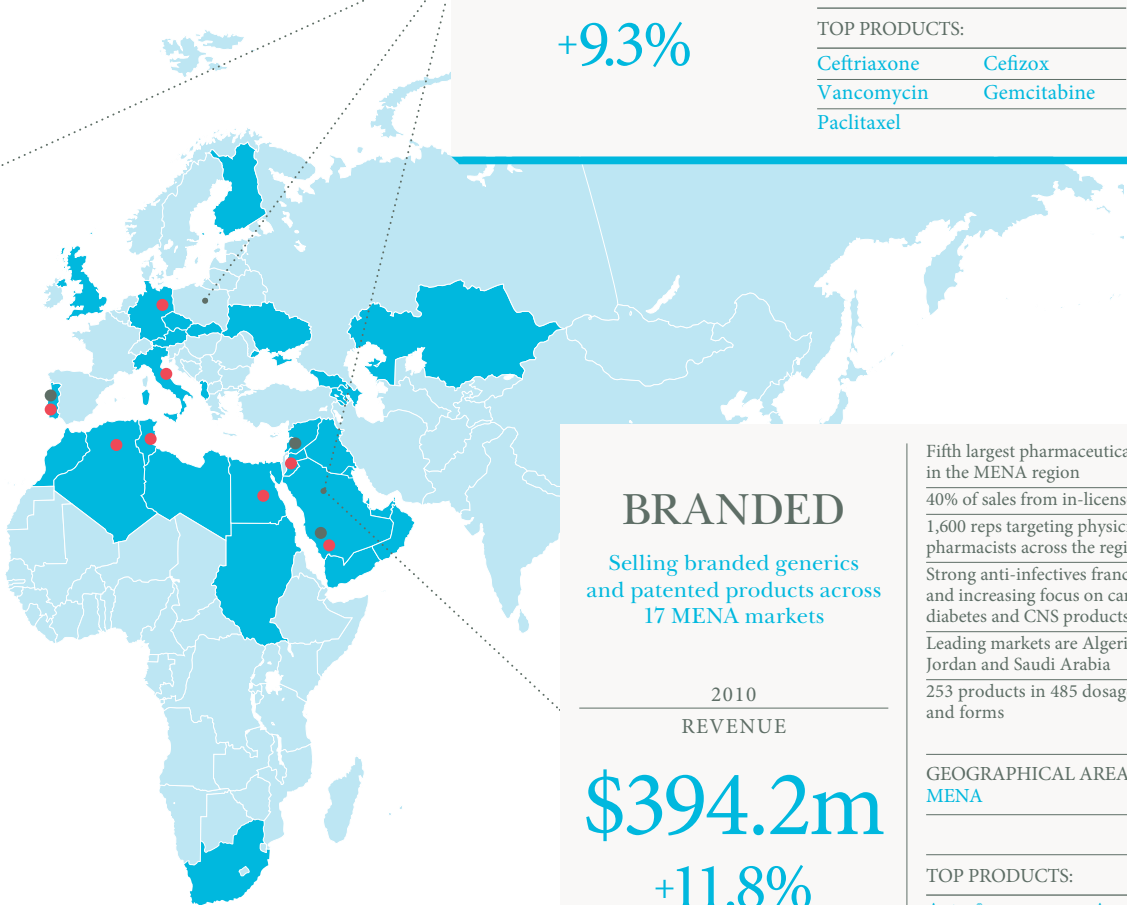
Leading markets are Algeria, Egypt, Jordan and Saudi Arabia

253 products in 485 dosage strengths and forms

GEOGRAPHICAL AREA:
MENA

TOP PRODUCTS:

Actos*	Amoclan
Blopress*	Prograf*
Suprax*	



Key:
● Manufacturing plants R&D
● R&D plants





Section Two

HOW ARE WE
DELIVERING ON
OUR STRATEGY?

12_CHIEF EXECUTIVE OFFICER'S REVIEW
16_BUSINESS AND FINANCIAL REVIEW
29_PRINCIPAL RISKS AND UNCERTAINTIES

CHIEF EXECUTIVE OFFICER'S REVIEW

GROWTH THROUGH DIVERSIFICATION

IN 2010, HIKMA CONTINUED ITS TRACK RECORD OF DOUBLING SALES EVERY FOUR YEARS. THIS SUCCESS RESTS ON THE HARD WORK OF HIKMA EMPLOYEES GLOBALLY AND HIKMA'S DIVERSIFIED BUSINESS MODEL

Said Darwazah *Chief Executive Officer*



OUR STRATEGY FOR GROWTH



Strengthening our leading position in the MENA region

Our position as the leading regional company in the fast growing MENA pharmaceutical market continued to offer excellent opportunities in 2010. We delivered a strong performance in our top markets, continued to develop our product portfolio, made further investment in sales and marketing and successfully completed two acquisitions.

Across all our 17 MENA markets, we remained focused on developing our local presence. By providing jobs, bringing technical skills, raising quality standards and training staff, we are helping to build global pharmaceutical industries in each of our local markets, while at the same time creating new opportunities for Hikma.

Developing our global product range in growing therapeutic areas

Our product portfolio continues to grow with 22 new compounds and 38 new dosage strengths and forms marketed and sold in 2010. A further 230 approvals across all regions and markets will enable us to maintain a steady stream of new product launches in 2011. Our portfolio also continues to develop in new therapeutic areas, with new launches in oncology, central nervous system, diabetes and respiratory.

Extending our reach and diversity through partnerships

We continue to deliver a strong performance from our in-licensed products, which grew by 14.7% in 2010, reinforcing our position as the licensing partner of choice in the MENA region. The development of our in-licensed portfolio is an integral part of our growth strategy and is a key lever for developing our capabilities in new product areas.

The strategic partnership with Celltrion that we agreed in 2010 was a major achievement. Through this partnership, we plan to introduce nine biosimilar products, including four in oncology, into the MENA markets. With Celltrion's unique biosimilar portfolio and our strong reputation for quality, we will be in an excellent position to lead the market in these important products in the MENA region.

CHIEF EXECUTIVE OFFICER'S REVIEW

Continued

STRENGTHEN OUR
LOCAL PRESENCE
THROUGH ACQUISITION
Tunis, Tunisia

In March 2010, we took a controlling equity interest in the Tunisian pharmaceutical company Ibn Al Baytar, enabling us to accelerate our penetration of the local market.



**Increasing the scale of our speciality
Injectables business**

The acquisition of Baxter's Multi-Source Injectables business, agreed in October 2010, will be transformational for our Injectables business, significantly enhancing the scale and scope of our global Injectables platform. MSI will add a high-quality, complementary injectables portfolio including excellent critical care products and DEA controlled substances. It will position Hikma as the second largest generic injectables supplier by volume in the US with a combined market share of more than 15%. It will bring well qualified and experienced operational and sales teams with excellent technical skills and customer relationships and will increase our high quality injectables manufacturing capacity and distribution capabilities.

**Leveraging our expertise and capacity
in the US market**

For a second consecutive year, the performance of our Generics business has exceeded our expectations. Through our commitment to quality and service, we have continued to grow our core business in the US and to take market share from our competitors. At the same time, we have been well positioned to

take advantage of some exceptional market opportunities. While the level of competition in the US remains high, we believe this market will continue to offer exciting opportunities and we are committed to pursuing these opportunities.

**Maintaining our world class
manufacturing capabilities**

Quality remains a key differentiating factor across our business. In 2010, our commitment to upholding the highest quality standards in manufacturing helped to create new opportunities in the very competitive US market, both for our Generics and Injectables businesses, and in both the US and Europe for contract manufacturing. We continued our track record of successful regulatory inspections in 2010, most notably by receiving FDA approval for our oncology manufacturing facility in Germany.

Strengthening our organisational structure

In January 2011, we announced some important changes to the senior management team. Bassam Kanaan, Chief Financial Officer, was appointed President and Chief Operating Officer for the MENA and EU regions.

Khalid Nabils, VP Finance, has taken over as Chief Financial Officer. Michael Raya, Corporate Vice President and CEO West-Ward, assumed the responsibility of Executive Vice President and CEO of the USA, with responsibility for all the activities of the Group in this region and Riad Mishlawi, Vice President European Operations, assumed the position of EU Vice President and Global Head of Injectables. These appointments reflect the increasing scale and internationalisation of the Group and will support Hikma's continued growth.

Looking ahead

On the back of these strong results, we entered 2011 with good momentum across all our businesses. The events of early 2011 in the MENA region have led us to be more cautious on the short-term outlook for our Branded business. We are very optimistic about the longer-term opportunities that economic reform can bring and our commitment to the MENA region has not changed. We continue to believe in the excellent long-term growth potential of the MENA region and we will continue to invest in building our unique local presence, both organically and through acquisitions.



We are confident that we can continue to deliver strong performances in our Injectables and Generics businesses. We have made significant investments in these businesses in recent years, we now have very experienced management teams in place and we see numerous opportunities for growth. We also have the integration of the MSI business to look forward to and the transformation this business will bring to both our global Injectables and US businesses.

Overall, we are very positive on the potential for 2011 and for the longer-term prospects for the Group and expect to continue our track record of doubling Group sales every four years.

Said Darwazah *Chief Executive Officer*

HIKMA'S KEY PERFORMANCE INDICATORS

KPIs	DEFINITION	2009	2010
<i>Revenue growth</i>	Percentage increase or decrease in the current year's revenue compared to the prior year's revenue	+9.7%	+14.8%
<i>Operating profit growth/revenue growth</i>	Measures how revenue growth translates into growth in operating profit	3.4x	1.7x
<i>Total working capital days</i>	Measures the average number of days to convert working capital into revenue	230	205
<i>Return on invested capital</i>	Measures the Group's efficiency in allocating capital to profitable investments	10.6%	12.4%
<i>New product launches</i>	New pharmaceutical compounds launched across the Group	24	22

BUSINESS AND FINANCIAL REVIEW

BRANDED

A FOCUS ON QUALITY SALES IS DELIVERING
RESULTS ACROSS OUR PORTFOLIO OF
BRANDED GENERIC AND IN-LICENSED PRODUCTS



2010 HIGHLIGHTS

Strong second half performance across the MENA region delivers full year revenue growth of 12.9% in constant currency

Successful completion of acquisitions in Tunisia and Algeria, strengthening our presence and capabilities in the MENA region

Excellent progress in the roll-out of key in-licensed products

Overview of the marketplace

The pharmaceutical markets in the MENA region tend to be branded markets in which products, either generic or patented, are marketed under specific brand names.

According to IMS, pharmaceutical sales in the private retail market in the MENA region reached \$8.4 billion in 2010, an increase of 8.4% over 2009. In recent years, MENA pharmaceutical market growth has consistently exceeded global market growth thanks to positive demographic trends, improving health awareness and increases in healthcare coverage. We expect that these trends, the increasing incidence of chronic diseases and the continuous expansion of government spending on healthcare will continue to drive future growth.

Branded performance

Branded revenues increased by 11.8% in 2010 to \$394.2 million, compared to \$352.7 million in 2009. In constant currency, Branded revenues increased by 12.9%. Ibn Al Baytar, the Tunisian business acquired at the end of March 2010, contributed \$11.4 million in sales during the period.

During the year we continued to focus on new product promotion, developing our market position in leading products and therapeutic areas, and improving the credit quality of our customer base. These efforts are delivering results across our portfolio of branded generic and in-licensed products.

We successfully completed two acquisitions¹ in 2010, strengthening our presence and capabilities in the MENA region. In March, we took a controlling equity interest in the Tunisian pharmaceutical company Société D'Industries Pharmaceutiques Ibn Al Baytar, enabling us to accelerate our penetration of the Tunisian market. In April, the Group agreed to acquire the remaining 50% of the issued share capital that we did not already own of Al Dar Al Arabia in Algeria. The Al Dar Al Arabia plant is expected to be completed by the end of 2011. It will double Hikma's local manufacturing capacity in Algeria and will significantly enhance our competitive position in the Algerian market.

¹ For more details on these acquisitions, please see note 39 of the consolidated financial statements.



DEVELOP OUR GLOBAL
PRODUCT RANGE IN GROWING
THERAPEUTIC AREAS

Amman, Jordan

The anti-psychotic therapeutic class is one of the fastest growing in the MENA region. According to IMS, Respirox[®], our leading anti-psychotic drug, doubled its sales in 2010 and is now ranked number five, compared to number eight at the end of 2009.

THE MENA² PHARMACEUTICAL MARKET

	2010 Value \$m	2010 vs 2009 Growth
Top 9 MENA markets	8,356	+8.4%
Egypt	2,072	+12.4%
Saudi Arabia	1,829	+11.0%
Algeria	1,681	+7.1%
Morocco	894	-2.0%
UAE	629	+9.3%
Lebanon	481	+12.5%
Tunisia	437	+3.3%
Jordan	195	+10.0%
Kuwait	139	+6.3%

² All market data sourced from IMS Health MAT December 2010. Figures reflect private retail sales only.

BUSINESS AND FINANCIAL REVIEW

BRANDED *Continued*

As expected, our business in Algeria picked up strongly in the second half of the year. We are successfully managing the recent regulatory changes by increasing the number of products manufactured locally (from 54 in 2009 to 67 at the end of 2010) and by successfully promoting our higher value branded generics as well as our in-licensed products.

Our other key markets also performed well. We delivered strong revenue growth in Egypt, where sales were driven by newly launched products and by our new cardiovascular sales team. We achieved excellent growth in Iraq, where investment in the sales force and our focus on promotion in the private market is delivering results in this developing market. Good performances were also achieved in Saudi Arabia and across

the GCC (Gulf Co-Operation Council) countries. While sales in Jordan continued to be impacted by the restructuring of our distribution channels, we are now moving towards more optimal direct distribution to our pharmacist customers and we believe that this positions us well for 2011.

Revenue from in-licensed products grew by 14.7%¹ to \$159.2 million, representing 40.4% of Branded sales, up from 39.4% in 2009. Key in-licensed products such as Blopess[®] and Actos[®] have performed extremely well, particularly in Algeria, Saudi Arabia and Egypt.

We continue to develop our portfolio of in-licensed products, demonstrating our position as the partner of choice in the MENA region.

¹ 2009 in-licensed sales were \$138.9 million reflecting a reclassification of products.





EXTEND OUR REACH
AS A PARTNER
OF CHOICE IN MENA
South Korea

In April 2010 we signed an exclusive licensing agreement with the South Korean company Celltrion to distribute and market nine biosimilar products, that are currently under development, throughout the MENA region.



The strategic partnership with Celltrion that we agreed in April 2010 was a major achievement. Through this partnership, we will introduce nine biosimilar products, including four for oncology, into the MENA markets. With Celltrion's unique biosimilar portfolio and our strong reputation for quality, we will be in an excellent position to lead the market in these important products in the MENA region.

In addition, we signed a further three licensing agreements: with Piramal Healthcare for sevoflurane, an inhalation anaesthetic, and with Sirao for Infasurf®, their leading respiratory product, both for the MENA region; and with Engelhard Arzneimittel for Prospan® cough medicine for Algeria, Tunisia, Sudan and Libya.

As a result of all of our efforts during the year, Hikma remains the largest regional pharmaceutical company and the fifth¹ largest pharmaceutical company overall in the MENA region, with a market share of 3.7% for the 12 months through December 2010.

In 2010, the Branded business launched a total of 61 products across all markets, including 8 new compounds and 14 new dosage forms and strengths. The Branded business also received 95 regulatory approvals across the region, including 16 for new compounds.

Gross profit in the Branded business increased by 8.4% to \$203.4 million, compared to \$187.6 million in 2009. The Branded business gross margin declined to 51.6%, compared to 53.2% in 2009. This reflects price declines on locally manufactured products in Algeria and the strengthening of the Japanese Yen, which increased raw material costs.

Operating profit in the Branded business increased by 7.9% to \$98.7 million, compared to \$91.4 million in 2009. Operating margin was 25.0%, compared to 25.9% in 2009. This includes a non-recurring gain of \$7.2 million arising from the revaluation of the previously held interests in the Tunisian company Ibn Al Baytar and the Algerian company Al Dar Al Arabia and \$7.7 million in foreign exchange losses.

¹ All market data sourced from IMS Health, YTD December 2010. Private retail sales only include Algeria, Jordan, Kuwait, Egypt, Tunisia, Morocco, UAE, Lebanon and Saudi Arabia.

BUSINESS AND FINANCIAL REVIEW

INJECTABLES

AS SALES ACCELERATE ACROSS OUR
INJECTABLES BUSINESS, WE ARE SEEING THE
BENEFITS OF ECONOMIES OF SCALE



2010 HIGHLIGHTS:

Injectables revenues up 12.1% in constant currency driven by excellent growth in the US

Excellent improvement in Injectables operating margin, to 15.1% from 10.6%

Transformation of our global Injectables business through an agreement to acquire the US generic injectables business of Baxter Healthcare

INCREASE THE SCALE
OF OUR SPECIALITY
INJECTABLES BUSINESS
New Jersey, USA

On 29 October 2010, we signed an agreement to acquire Baxter Healthcare Corporation's US generic injectables business. This acquisition will double the size of our global Injectables business and at the same time double our total sales in the US market.

**Overview of the marketplace**

Injectable products comprise the second largest segment of the global pharmaceutical market in terms of delivery mechanism after oral products and have grown at a 20.9% CAGR between 2002 and 2008. Injectable products are produced in either liquid, powder or lyophilized (freeze-dried) forms. The manufacture of injectable products requires specialised and sterile manufacturing facilities and techniques. Regulatory authorities impose strict standards. All of these factors have led to a market with high barriers to entry and, as a result, a limited number of competitors.

Going forward, the injectables market is expected to benefit from the key drivers of generic growth as well as from the patent expiries of a number of injectable products.

Injectables performance

Revenue in our global Injectables business increased by 9.3% to \$157.4 million compared to \$144.1 million in 2009. In constant currency, Injectables revenues increased by 12.1%.

US Injectables sales reached \$29.9 million, up 75.9% from \$17.0 million in 2009. This excellent performance was driven primarily by the successful launch of new products and good demand for existing products. An increased demand for contract manufacturing also contributed to this performance.

In 2010, our injectable manufacturing facility in Germany, which produces lyophilized

and liquid injectable products for both oncology and non-oncological uses, was inspected and approved by the US FDA. This represents an important step in the process of registering our oncology products in the US and reinforces our excellent track record for quality. This was followed in December by an FDA approval for irinotecan – our first oncology ANDA approval for the US.

In the MENA region, Injectables sales picked up in the second half of 2010, enabling us to close the year up 4.1% with sales of \$64.9 million compared to \$62.3 million in 2009. This increase is attributed to strong growth in Algeria, our newly launched oncology products and a good performance in the tender market in the second half of the year.

European Injectables sales decreased by 3.2% to \$62.7 million in 2010 compared to \$64.8 million. In constant currency, European sales increased slightly to \$65.9 million, reflecting our ability to offset significant price declines in most of our European markets, including declines driven by the supplementary reimbursement scheme implemented in Germany, with increased volumes from existing products and from new contract manufacturing opportunities.

In 2010, the Injectables business launched a total of 36 products across all markets, including 12 new compounds and 21 new dosage forms and strengths. The Injectables business also received a total of 131 regulatory approvals

across all regions and markets, including 44 in MENA, 77 in Europe and 10 in the US.

Injectables gross profit grew by 12.9% to \$71.0 million, compared to \$62.9 million in 2009, with gross margin increasing to 45.1%, compared to 43.7% in 2009. The increase in margin reflects growth in our own product sales and in contract manufacturing and increasing economies of scale.

Injectables operating profit increased by 54.7% to \$23.7 million, compared to \$15.3 million in 2009. Injectables operating margin improved to 15.1% in 2010, up from 10.6% in 2009. This increase reflects our strong performance in the US and a better control of costs in Europe, and was achieved despite an increased investment in R&D.

In 2010, we agreed to acquire Baxter Healthcare's Multi-Source Injectables business for a cash consideration of \$112 million. This acquisition will transform our Injectables business, and positioning Hikma, through our wholly-owned subsidiary West-Ward Pharmaceuticals Corp. ("West-Ward"), as the second largest supplier by volume of generic injectables in the US market. The Multi-Source Injectables business will bring a portfolio of 41 products including several DEA controlled substances and is estimated to have generated in excess of \$180 million in annual revenue in 2010.

BUSINESS AND FINANCIAL REVIEW

GENERICS

THIS YEAR WE HAVE EXPANDED OUR MARKET SHARE IN THE US
GENERICS MARKET THROUGH A CONTINUING FOCUS ON IMPROVING
SERVICE LEVELS AND BY LEVERAGING OUR QUALITY REPUTATION



2010 HIGHLIGHTS

Generics revenues up 29.2% to \$174.5 million

Robust demand across the core product portfolio supports the underlying business

Specific market opportunities enhance segment results

Overview of the marketplace

The US represents the world's largest generic market, accounting for nearly 45% of the global generic market. The total number of US oral generic prescriptions dispensed grew by 6.9% in 2010. Generics now account for nearly 75% of all prescriptions dispensed in the US. Generics now account for nearly 75% of all prescriptions dispensed in the US. The increase in generic prescriptions has been driven by the greater availability of generic options and the efforts of both public and private healthcare payers to use lower-cost alternatives. The US generic pharmaceutical industry is very competitive and has experienced significant pricing pressure in recent years.

Going forward we expect that expanded health coverage and significant patent expiries will offset pricing pressures and drive future generic market growth.

Generics performance

Revenue in our Generics business increased by 29.2% to \$174.5 million, compared to \$135.1 million in 2009. This performance reflects strong demand for our core products as well as a substantial increase in sales resulting from our ability to take advantage of specific market opportunities.

Since mid-2008 we have focused on improving service levels, leveraging our quality reputation and optimising our manufacturing capacity to meet market needs. In 2010, these actions enabled us to deliver solid growth in revenues from our core product portfolio.

We were also able to take advantage of some specific market opportunities. The most notable relates to the sale of colchicine, an oral drug recommended for the treatment of gout. This opportunity was finite and on 30 September 2010, West-Ward discontinued sales of oral colchicine to comply with regulatory requirements of the US Food and Drug Administration.

The Generics segments gross profit increased by 55.7% to \$81.8 million, compared to \$52.5 million in 2009. Gross margin reached 46.9%, up from 38.9% in 2009. Consequently, the Generics segment achieved an operating profit of \$51.1 million compared to \$25.0 million in 2009. Generic operating margin grew from 18.5% to 29.3% in 2010. This significant improvement in both the gross and operating profit reflects the exceptional performance of colchicine as well as a good performance from our core product portfolio.

In 2010, the Generics business launched 2 new compounds in 3 new dosage forms and strengths and received 4 new product approvals.

Other businesses

Other businesses primarily comprise Arab Medical Containers, a manufacturer of pharmaceutical packaging, and International Pharmaceuticals Research Centre, which conducts bio-equivalency studies. These businesses, which supply Group operations and third parties, had aggregate revenues of \$4.8 million, compared with aggregate revenue of \$5.1 million in 2009.

These Other businesses delivered an operating loss of \$2.9 million in 2010, compared to an operating loss of \$2.3 million in 2009. The slight increase in loss can be attributed to an increase in overheads in our Chemicals division.



LEVERAGE OUR
EXPERTISE AND CAPACITY
IN THE US MARKET

New Jersey, USA

Through our commitment to quality and service, we have taken market share from our competitors and are now the thirteenth largest generic company in the US market in terms of number of prescriptions written.

BUSINESS AND FINANCIAL REVIEW

GROUP PERFORMANCE

OUR SUCCESS IS UNDERPINNED BY OUR DIVERSE BUSINESS MODEL,
WHICH COMBINES OUR EXTENSIVE PRESENCE IN THE MENA MARKETS,
A STRONG BUSINESS IN THE US GENERICS MARKET AND A GROWING
GLOBAL INJECTABLES BUSINESS



SUMMARY PROFIT AND LOSS

\$ million	2010	2009	Change
Net sales	730.9	636.9	+14.8%
Gross profit	357.3	304.4	+17.4%
<i>Gross margin</i>	48.9%	47.8%	+1.1
Operating profit	135.1	107.3	+25.9%
<i>Operating margin</i>	18.5%	16.8%	+1.7
Profit before tax	121.0	94.8	+27.6%
Tax	(21.5)	(15.5)	+38.7%
<i>Effective tax rate</i>	17.7%	16.3%	+1.4
Profit attributable to shareholders	98.8	77.7	+27.2%

Group performance

Revenue for the Group increased by 14.8% to \$730.9 million, compared to \$636.9 million in 2009. On a constant currency basis, Group revenues increased by 16.0%. During the year, our US generics business performed extremely well driven by a strong performance in its core business and exceptionally strong sales from specific market opportunities. Our Branded business continued to deliver double-digit growth and we made good progress in our Injectables business, particularly in the US.

The Group's gross profit increased by 17.4% to \$357.3 million, compared to \$304.4 million in 2009. Group gross margin was 48.9%, compared to 47.8% in 2009. This improvement primarily reflects the exceptional improvement in gross profit in our Generics business.

Group operating expenses grew by 12.7% to \$222.2 million, compared to \$197.1 million in 2009. As a percentage of sales, Group operating expenses decreased slightly to 30.4% compared to 31.0% in 2009.

The following paragraphs address the Group's main operating expenses.

Group sales and marketing expenses grew more slowly than Group revenue during the year, increasing by 8.8% to \$106.7 million, compared to \$98.1 million in 2009. Consequently sales and marketing expenses decreased as a percentage of sales to 14.6% in 2010, compared to 15.4% in 2009. This reflects the strong performance in our Generics business with its relatively lower sales and marketing expenses as a percentage of sales, and economies of scale and reduced costs in our global Injectables business.

General and administrative expenses increased by 27.1% to \$84.8 million. As a percentage of sales, general and administrative expenses increased to 11.6% in 2010, compared to 10.5% in 2009. Excluding \$7.7 million in one-off costs related to the acquisition of the Tunisian company Ibn Al Baytar, the Algerian company Al Dar Al Arabia and Baxter's Multi Source Injectables business, general and administrative expenses were flat as a percentage of sales at 10.5%. This was achieved through good control of costs across the Group and despite an increase in corporate expenses related to the strengthening of the corporate management team and an increase in employee benefits.

In line with our strategy to increase investment in R&D across the Group, R&D grew by 40.2% to \$23.6 million. Total investment in R&D represented 3.2% of Group revenue, compared to 2.6% in 2009. This reflects increased investment in product development for the US market and for our global Injectables portfolio. We expect to continue to increase our investment in R&D as a percentage of sales as we work to develop our global product portfolio.

Other net operating expenses declined on a reported basis by \$8.3 million to \$7.2 million in 2010. Increases in provisions for slow moving items and foreign exchange losses were more than offset by non-recurring gains arising from the revaluation of the previously held interests in the Tunisian company Ibn Al Baytar and the Algerian company Al Dar Al Arabia, gains on the sale of intangible assets, and other product related income.

Operating profit for the Group increased by 25.9% to \$135.1 million, compared to \$107.3 million in 2009. Group operating margin improved by nearly two percentage points to 18.5%, compared to 16.8% in 2009.

BUSINESS AND FINANCIAL REVIEW

GROUP PERFORMANCE *Continued*



Net finance expense

Net finance expense increased to \$13.5 million, compared to \$12.3 million in 2009. The increase reflects higher bank charges related to requirements in Algeria to sell through confirmed letters of credit.

Profit before tax

Profit before tax for the Group increased by 27.6% to \$121.0 million, compared to \$94.8 million in 2009.

Tax

The Group incurred a tax expense of \$21.5 million in 2010, compared to \$15.5 million in 2009. The effective tax rate was 17.7%, compared to 16.3% in 2009, reflecting the impact of the significant increase in profitability in the US.

Profit for the year

The Group's profit attributable to equity holders of the parent increased by 27.2% to \$98.8 million.

Earnings per share

Diluted earnings per share for the year to 31 December 2010 were 50.2 cents, up 25.2% from 40.1 cents in 2009.

Dividend

The Board has recommended a final dividend of 7.5 cents per share (approximately 4.7 pence per share), which will make a dividend for the full year of 13.0 cents per share, up from 11.0 cents per share in 2009, an increase of 18.2%. The proposed final dividend will be paid on 26 May 2011 to shareholders on the register on 15 April 2011, subject to approval by shareholders at the Annual General Meeting.

Net cash flow from operating activities and investment

The Group continued to deliver significant improvements in working capital in 2010, reducing its overall working capital cycle by 25 days. This reflects our commitment to improve collections, increase the factoring of receivables and optimise our supply chain. Over the year, Group receivable days decreased by 16 days to 100 days as at 31 December 2010. Inventory days increased by 1 day to 178 days and payable days improved by 10 days to 73 days.

Working capital improvements coupled with improved profitability led to a significant increase in operating cash flow, particularly in the MENA region and the US. Overall Group net cash flow from operating activities grew by 21.7% to \$144.8 million in 2010, compared to \$119.0 million in 2009.

Capital expenditures increased to \$49.1 million, compared to \$37.0 million in 2009. In 2010, expenditure was focused on the completion of our new lyophilisation plant in Portugal, the expansion of our manufacturing capacity in Algeria and Egypt, continuous investment in IT infrastructure and overall maintenance capex across all of our facilities. We expect to increase capital expenditure in 2011 as we continue to expand our manufacturing capacity in the MENA region to support demand for our global products.

During the year, other Group investing activities included investments of \$4.4 million and \$18.6 million for the acquisitions of Ibn Al Baytar and Al Dar Al Arabia, respectively, and advanced payments related to the acquisition of products and product related technologies.



BUILD ON OUR WORLD CLASS MANUFACTURING

Viennenburg, Germany

We continually seek to improve our production facilities. In April 2010, our injectable facility in Germany, which manufactures lyophilized and liquid injectables for both oncological and non-oncological uses, was inspected and approved by the US FDA.

Balance sheet

As a result of working capital improvements, net debt decreased from \$116.9 million as at 31 December 2009 to \$101.1 million as at 31 December 2010 keeping the Group in a very strong financing position.

We expect to fund the purchase of MSI and associated working capital requirements with new debt financing. This financing has already been arranged and will increase our total debt by around \$140 million.

Research & Development¹

The Group's product portfolio continues to grow. In 2010 we launched 22 new compounds, expanding the Group portfolio to 423 compounds in 817 dosage forms and strengths. We manufacture and/or sell 46 of these compounds under-license.

Across all businesses and markets, a total of 100 products were launched. In addition, the Group received 230 approvals.

To ensure the continuous development of our product pipeline, we submitted 267 regulatory filings in 2010 across all regions and markets. As of 31 December 2010, we had a total of 633 pending approvals across all regions and markets.

At 31 December 2010, we had a total of 102 new products under development, the majority of which should receive several marketing authorisations for differing strengths and/or product forms over the next few years.

HIKMA'S PRODUCT PORTFOLIO

	Total marketed products			Products launched in 2010	
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries in 2010 ²
Branded	253	485	8	14	61
Injectables	120	215	12	21	36
Generics	50	117	2	3	3
Group	423	817	22	38	100

HIKMA'S PRODUCT PIPELINE

	Products approved in 2010			Products pending approval as at 31 December 2010		
	New compounds	New dosage forms and strengths	Total approvals across all countries in 2010 ²	New compounds	New dosage forms and strengths	Total pending approvals across all countries as of 31 December 2010 ²
Branded	16	30	95	51	112	313
Injectables	11	21	131	43	55	286
Generics	4	4	4	25	34	34
Group	31	55	230	119	201	633

¹ Products are defined as pharmaceutical compounds sold by the Group. New compounds are defined as pharmaceutical compounds not yet launched by the Group and existing compounds being introduced into a new segment.

² Totals include all compounds and formulations that are either launched, approved or pending approval across all markets.

BUSINESS AND FINANCIAL REVIEW

GROUP PERFORMANCE *Continued*

2011 Outlook (at constant currency)

We expect to deliver Group revenue growth of around 7% in 2011 and gross margin of around 47%, excluding the Multi-Source Injectables business.

We started 2011 with double digit growth expectations for our Branded business. Recent events in the MENA region, particularly in Egypt, Libya and Tunisia, now require us to be more cautious in our ability to achieve this. To date, we have experienced disruptions in manufacturing, sales and distribution. While our focus in each affected market is on returning to 'business as usual' as soon as possible, it is very difficult to fully assess the potential for further disruptions. With this in mind, we now anticipate Branded revenue growth of around 7% for the year, which

takes into consideration the disruption we have experienced to date and assumes the affected markets return to normal by the middle of 2011. We continue to believe in the excellent long-term growth potential of the MENA region.

We are confident that we can continue to deliver a strong performance in our global Injectables business and we are excited about the opportunities that the MSI business will bring. We now anticipate this acquisition to close by the end of April.

We expect that our Generics business will perform well in 2011 and that our commitment to quality and service will continue to differentiate us in the competitive US market. We estimate 2011 Generics sales of around \$160 million and mid-teens operating margin.



Refer to page 31 for Basis of preparation and Forward-looking statements.



BUSINESS AND FINANCIAL REVIEW

PRINCIPAL RISKS AND UNCERTAINTIES

THE SECTION BELOW INCLUDES THE PRINCIPAL RISKS AND UNCERTAINTIES THAT THE GROUP CONSIDERS COULD HAVE A SIGNIFICANT EFFECT ON ITS FINANCIAL CONDITION, RESULTS OF OPERATIONS OR FUTURE PERFORMANCE. THE LIST IS NOT SET OUT IN ORDER OF PRIORITY AND OTHER RISKS, CURRENTLY UNKNOWN OR NOT CONSIDERED MATERIAL, COULD HAVE A SIMILAR EFFECT

OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	MITIGATION
<p>Compliance with cGMP</p> <p>Non-compliance with manufacturing standards (often referred to as “Current Good Manufacturing Practices” or cGMP)</p>	<p>Delays in supply or an inability to market or develop the Group’s products</p> <p>Delayed or denied approvals for the introduction of new products</p> <p>Product complaints or recalls</p> <p>Bans on product sales or importation</p> <p>Disruptions to operations</p> <p>Litigation</p>	<p>Commitment to maintain the highest levels of quality across all manufacturing facilities</p> <p>Strong global compliance function that oversees across the Group</p> <p>Remuneration and reward structure that helps retain experienced personnel</p> <p>Continuous staff training</p>
<p>Regulation</p> <p>Unanticipated legislative and other regulatory actions and developments concerning various aspects of the Group’s operations and products</p>	<p>Restrictions on the sale of one or more of our products</p> <p>Restrictions on our ability to sell our products at a profit</p> <p>Unexpected additional costs required to produce, market or sell our products</p> <p>Increased compliance costs</p>	<p>Local operations in most of our key markets</p> <p>Strong oversight of local regulatory requirements to help anticipate potential changes to the regulatory environments in which we operate</p> <p>Representation and/or affiliation with local industry bodies</p>
<p>Commercialisation of new products</p> <p>Delays in the receipt of marketing approvals, the authorisation of price and reimbursement</p> <p>Lack of approval and acceptance of new products by physicians, patients and other key decision-makers</p> <p>Inability to confirm safety, efficacy, convenience and/or cost-effectiveness of our products as compared to competitive products</p> <p>Inability to participate in tender sales</p>	<p>Slowdown in revenue growth from new products</p> <p>Inability to deliver a positive return on investments in R&D, manufacturing and sales and marketing</p>	<p>Experienced regulatory teams able to accelerate submission processes across all of our markets</p> <p>Highly qualified sales and marketing teams across all markets</p> <p>A diversified product pipeline with 63 new compounds pending approval, covering a broad range of therapeutic areas</p> <p>A systematic commitment to quality that helps to secure approval and acceptance of new products and mitigate potential safety issues</p>

OPERATIONAL RISKS *Continued*

RISK	POTENTIAL IMPACT	MITIGATION
<p><i>Product development</i></p> <p>Failure to secure new products or compounds for development, either through internal research and development efforts, in-licensing, or acquisition</p>	<p>Inability to grow sales and increase profitability for the Group</p> <p>Lower return on investment in research and development</p>	<p>Experienced and successful in-house research and development team</p> <p>Strong business development team</p> <p>Track record of building in-licensed brands</p>
<p><i>Partnerships</i></p> <p>Inability to renew or extend in-licensing or other partnership agreements with a third-party</p>	<p>Liability of products from our portfolio</p> <p>Inability to market existing products as planned</p> <p>Failure to recoup sales and marketing and business development costs</p>	<p>Long-term relationships with existing in-licensing partners</p> <p>Experienced legal team capable of negotiating appropriate agreements with licensing partners</p> <p>Continuous development of new licensing partners</p> <p>Diverse revenue model with in-house research and development capabilities</p>
<p><i>Disruptions in the manufacturing supply chain</i></p> <p>Inability to procure active ingredients from approved sources</p> <p>Inability to procure active ingredients on commercially viable terms</p> <p>Inability to procure the quantities of active ingredients needed to meet market requirements</p> <p>Inability to supply finished product to our customers in a timely fashion</p>	<p>Inability to develop and/or commercialise new products</p> <p>Inability to market existing products as planned</p> <p>Lost revenue streams on short notice</p> <p>Reduced service levels and damage to customer relationships</p>	<p>Alternate approved suppliers of active ingredients</p> <p>Long-term relationships with reliable raw material suppliers</p> <p>Corporate auditing team continuously monitors regulatory compliance of API suppliers</p> <p>Focus on improving service levels and optimising our supply chain</p>
<p><i>Economic and political and unforeseen events</i></p> <p>The failure of control, a change in the economic conditions or political environment or sustained civil unrest in any particular market or country</p> <p>Unforeseen events such as fire or flooding could cause disruptions to manufacturing or supply</p>	<p>Disruptions to manufacturing and marketing plans</p> <p>Lost revenue streams</p> <p>Inability to supply products</p>	<p>Geographic diversification, with 9 manufacturing facilities and sales in more than 40 countries</p> <p>Product diversification, with 423 products and 817 dosage strengths and forms</p>
<p><i>Litigation</i></p> <p>Commercial, product liability and other claims brought against the Group</p>	<p>Financial impact on Group results from damages awards</p> <p>Reputational damage</p>	<p>In-house legal counsel with relevant jurisdictional experience</p>

FINANCIAL RISKS

RISK	POTENTIAL IMPACT	MITIGATION
<p>Foreign exchange risk</p> <p>Exposure to foreign exchange movements, primarily in the European, Algerian, Sudanese and Egyptian currencies</p>	<p>Fluctuations in the Group's net asset values and profits upon translation into US Dollars</p>	<p>Entering into currency derivative contracts where possible</p> <p>Foreign currency borrowing</p> <p>Matching foreign currency revenues to costs</p>
<p>Interest rate risk</p> <p>Volatility in interest rates</p>	<p>Fluctuating impact on profits before taxation</p>	<p>Optimisation of fixed and variable rate debt as a proportion of our total debt</p> <p>Use of interest rate swap agreements</p>
<p>Credit Risk</p> <p>Inability to recover trade receivables</p> <p>Concentration of significant trade balances with key customers in the MENA region and the US</p>	<p>Reduced working capital funds</p> <p>Risk of bad debt or default</p>	<p>Clear credit terms for settlement of sales invoices</p> <p>Group Credit policy limiting credit exposures</p> <p>Use of various financial instruments such as letters of credit, factoring and credit insurance arrangements</p>
<p>Liquidity Risk</p> <p>Insufficient free cash flow and borrowings headroom</p>	<p>Reduced liquidity and working capital funds</p> <p>Inability to meet short-term working capital needs and, therefore, to execute our long-term strategic plans</p>	<p>Continual evaluation of headroom and borrowing</p> <p>Committed debt facilities</p> <p>Diversity of institution, subsidiary and geography of borrowings</p>
<p>Tax</p> <p>Changes to tax laws and regulations in any of the markets in which we operate</p>	<p>Negative impact on the Group's effective tax rate</p> <p>Costly compliance requirements</p>	<p>Close observation of any intended or proposed changes to tax rules, both in the UK and in other key countries where the Group operates</p>

Basis of preparation and forward-looking statements

This business and financial review has been prepared solely to provide additional information to shareholders 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 – using words such as “intends”, “believes”, “anticipates” and “expects”. Where included, these 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 are based on assumptions and involve inherent risks and uncertainties 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 announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.





Section Three
**HOW DO WE
ACT RESPONSIBLY?**

34_ENSURING THE SUSTAINABILITY OF OUR BUSINESS

CORPORATE RESPONSIBILITY REPORT

ENSURING THE SUSTAINABILITY OF OUR BUSINESS

ONE OF THE VIRTUES WE VALUE MOST AT HIKMA IS QUALITY,
NOT JUST PRODUCT QUALITY, BUT QUALITY IN EVERYTHING WE DO





Since the Company was founded in 1979, we have been committed to honesty, integrity and the highest possible standards in everything we do. We are dedicated to the welfare and education of our employees, committed to the communities in which we work and determined to preserve and protect the environment in which we operate. These principles have guided us for the past 30 years and will continue to do so in the future.

Our five-year Corporate Responsibility ("CR") plan, which takes us from 2010 to 2015, revolves around two broad themes, wellbeing and education, and four key platforms, our people, our community, our environment and ethics. These platforms reflect Hikma's genuine commitment to its stakeholders and its dedication to fully integrate CR within its business strategy.

We believe the CR Strategy in place will further enhance Hikma's reputation, support both the global health and environment agendas, and support a culture of global community engagement. We continuously aim for Hikma to be internationally acknowledged as a committed and responsible global business.

Reporting

For the fourth year, we continued to use the Global Reporting Initiative's G3 guidelines as a benchmark tool. We remain focused on indicators relevant to our business and our stakeholders; these indicators cover community investment, environmental impacts, employees and labour practices.

People

We have always recognized that our people are our most important asset. We have a talented and diverse workforce, which reached approximately 5,400 employees in 2010. To successfully grow our business, we are continuously seeking new ways to develop and reward our people.

Developing our people

With our commitment to maintaining the highest quality standards and cGMP (current good manufacturing practices), technical training continued to be a top priority across the Group in 2010. Our Continuing Education Scheme, which supports employees in fully-funded further education programmes, also continued successfully in 2010, as did our ongoing graduate development programmes and management rotation plans.



HIKMA'S DAY AGAINST DIABETES *Amman, Jordan*

The aim of the campaign is to raise public awareness about diabetes and to promote a healthy lifestyle to combat the spread of one of the most challenging health conditions.

CORPORATE RESPONSIBILITY REPORT

Continued

Rewarding our people

During 2010, we continued to develop our remuneration plans for the Group. We are working with the Hay Group and other international consultancy firms to improve employee compensation, benefits and working conditions. In 2010, our employees benefited from an employee savings fund, share-based LTIP and MIP incentive programmes, medical and life insurance and bonus schemes, where possible.

Communication

As our business grows, both in terms of the number of employees and across new geographies, we are continuously working to improve our internal communications. Through bi-annual management briefings, Hikma’s internal quarterly magazine and our “Ask your CEO” initiative, we are able to relay key messages regarding the strategy and performance of the business, articulate the short- and long-term business priorities, recognise employee achievements and address any employee questions or concerns. Through these tools, and our “open-door” policy, we have been able to maintain our close family culture of openness and respect.

Health and Safety Policy

We cannot operate successfully and deliver quality products without ensuring the health and wellbeing of our employees. Communication of Hikma’s Health and Safety policy – to meet and, where possible, exceed all the labour laws and regulations with regards to workplace health and safety in all the countries in which we operate – continued to be a priority in 2010.

Health awareness

As a leading pharmaceutical company, Hikma aspires to prepare its employees to be leaders in health. By raising awareness about obesity and other diseases and by setting an example for healthy nutrition and lifestyle, Hikma hopes to lead the way for all its employees.

In 2010, significant events were organised to raise health awareness including:

- “You Are Hikma” campaign
Raising awareness within the Group regarding health, safety, and the environment at Hikma and in the broader community
- Hikma’s Day against Breast Cancer
Events and activities focused on awareness, early detection and health screening
- Hikma’s World Heart Day
Raising awareness about heart diseases and prevention in conjunction with the World Heart Federation’s World Heart Day
- Hikma Anti-Obesity campaign
Awareness campaign and obesity screening

Community

In 2010, we continued to seek new ways for our employees to engage with their local communities.

Hikma’s Global Volunteering Day

The Hikma Global Volunteering Day, held in April each year, aims to encourage more and more employees in our different units to invest time in their local communities. This year, Hikma celebrated its global volunteering day by supporting cancer patients. Over 1,300 employees in 10 Hikma locations participated in mid-April 2010 by donating blood, cleaning and painting hospitals and grounds, fundraising, spending time with patients, entertaining children and organising awareness campaigns and lectures for Hikma employees.

Development and education

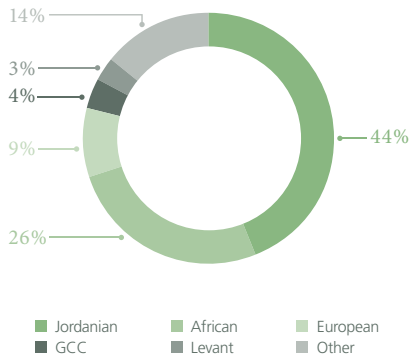
We are active in our communities throughout the year through a number of other initiatives, including providing funding for students in the fields of Technical Pharmacy and Applied Medical Sciences. The time, interest and funding that we provide to local students is a real indication of our ongoing commitment to the communities in which we work. Over the long term, these efforts should also help to ensure that we can continue to attract well-trained employees in each of the markets in which we are operating.

HIKMA’S GLOBAL VOLUNTEERING DAY
Amman, Jordan

In 2010, Hikma celebrated its global volunteering day by supporting cancer patients. On the occasion, Jordanian employees planted seedlings at The King Hussein Cancer Centre.



NATIONALITY HEADCOUNT
AS AT DECEMBER 2010



Giving

Across the Group, we continued in 2010 to give generously to local causes, to donate medicines to NGOs and to support communities in crisis. Examples include donating in kind to the World Economic Forum’s Disaster Relief Network, sponsoring the 2010 King Hussein Cancer Center summer camp, supporting the Children’s Museum Jordan, sponsoring SOS Children’s Villages, and donating to the Palestinian Association for Children’s Encouragement of Sports (PACES).

Global Fund to fight AIDS, TB and Malaria

Hikma continues to support the Global Fund to fight AIDS, TB and Malaria. In December 2010, the MENA Chapter launched its first awareness and advocacy campaign.

The campaign’s objective was to raise awareness about infectious disease and preserving human rights for infected patients within the community.

Environment

In 2010, we continued to work on reducing our impact on the environment across our businesses, while at the same time meeting our corporate and business requirements to reduce costs and operate more efficiently.

Hikma’s Environmental Policy

This year, we focused on disseminating our Environmental Policy through awareness campaigns and “You are Hikma” training sessions.



CORPORATE RESPONSIBILITY REPORT

Continued

Hikma’s Environmental Policy’s five key pledges:

1. To integrate our environmental policy across the Group;
2. To reduce our impact on climate change;
3. To comply with environmental legislation and regulation in every country in which we operate;
4. To strive for continuous improvement in our environmental protection; and
5. To implement and develop ISO 14001 or its equivalent at every production site across the Company.

Measuring our impact

During the year, we successfully obtained a continuity certification for ISO 14001 in our

main units in Jordan and Saudi Arabia and/or equivalent accreditations elsewhere. We also performed a thorough assessment of carbon emissions in our operations in Jordan. This analysis is based on the Carbon Disclosure Project framework and will provide valuable insights on how to measure emissions and on which steps to take to reduce emissions across the Group in the coming years. GRI data collection also helped to heighten awareness of energy usage in 2010 and helped to identify areas for improvement.

Ethics

Hikma is committed to the highest ethical principles and we endeavour to ensure that all our employees conform to the highest possible standards of integrity and honesty.

We are members of the Global Compact, a UN-sponsored initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Hikma remains committed to upholding these principles and embedding them into its operations. We submitted our Communication on Progress Report for the second consecutive year in December 2010 ensuring our active membership in the United Nations Global Compact.

We have updated our Supplier practices audit to become more comprehensive and in line with international best practice. Suppliers Audit questionnaires relate to the environment, human rights, child labour, anti bribery measures and other relevant issues.



OUR PLATFORMS

COMMUNITY

We do not exist in isolation. We wish to engage in our local communities, recognising the importance of establishing a strong community footprint in all countries of operation.

Aim

Building our brand

PEOPLE

Our people are our greatest asset. They are ambassadors for the company and we aim to support them as fully as possible through training, welfare and recognition and by supporting diversity.

Aim

Making us stronger

ENVIRONMENT

Limiting our environmental impact is a priority. We are working to establish a sustainable presence in our communities through recycling, waste reduction and energy efficiency.

Aim

Efficient use of resources

ETHICS

We are committed to the highest ethical principles and encourage all our counterparties to conduct business at the highest possible standards.

Aim

Preferred partner for business

ACTING RESPONSIBLY

- Global Volunteering Day
- Partnership with the Jordan River Foundation Fundraising for local homeless groups, disadvantaged families and the elderly

- Professional and technical training and development
- Transparent remuneration structure with job grading and levelling
- Compliance with health and safety regulation

- You are Hikma
- Energy and water conservation, recycling and waste management
- Solvency recovery pilot
- Carbon Disclosure Project

- Member of UN Global Compact
- Member of PACI
- Audit of main suppliers' employment practices

WELLBEING

- Partnering with the Global Fund to fight AIDS, TB and Malaria
- Distribution of free medicines
- Local fundraising for research and treatment of chronic diseases

- Hikma's Day against Breast Cancer
- Hikma's Day against Diabetes
- Free breast exams and mammograms for all employees

- Local clean water initiatives
- Focus on hazardous waste reduction

- Stakeholder engagement
- Adherence to highest quality standards across our global business

EDUCATION

- Funding students in the fields of Technical Pharmacy and Applied Medical Sciences
- Educational bursaries
- Community open days at Hikma
- Internships and work experience

- Staff education seminars
- Awareness sessions on key diseases
- Health and safety training for all employees

- Environmental awareness lectures
- Awareness campaigns
- Staff training

- Staff training on Global Compact principles

GRI REPORTING

- EC1 – Direct economic value generated (including revenues, costs, donations, investments)
- EC8 – Development and impact of infrastructure investments for public benefit

- LA7 – Rates of injury, disease, lost days, absenteeism
- LA10 – Average hours of training per employee per category
- SO3 – Percentage of employees trained in anti-corruption policies

- EN3 – Direct energy consumption
- EN8 – Total water withdrawal
- EN22 – Total weight of waste

- PR1 – Life cycle stages in which H&S impact of products are measured for improvements
- HR2 – Percentage of suppliers/contractors undergone human rights screening





Section Four
GOVERNANCE

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BOARD OF DIRECTORS

1. Samih Darwazah *Non-Executive Chairman, 80*

Samih Darwazah is founder and Chairman of Hikma Pharmaceuticals PLC. Samih was employed at Eli Lilly from 1964 to 1976 before establishing Hikma Pharmaceuticals in Jordan in 1977. Between 1995 and 1996 he served as Minister of Energy and Mineral Resources in Jordan. He also founded the Jordan Exporters' Association and served as a member of the Senate of the Hashemite Kingdom of Jordan.

A Fullbright scholar, Samih holds a Masters Degree in Industrial Pharmacy from the St. Louis College of Pharmacy, Missouri which he obtained in 1964, and from which he was awarded an honorary Doctor of Science degree in 2010. He obtained his BSc Degree in Pharmacy from the American University of Beirut in 1954. In January 2011, the Samih Darwazah Center for Innovation Management and Entrepreneurship was established at the Olayan School of Business at the American University of Beirut.

2. Said Darwazah *Chief Executive Officer, 53*

Said was appointed Chief Executive Officer in July 2007. He joined Hikma in 1981, and was Chairman and Chief Executive of the Group holding company from 1994–2003.

Said played a key role in the development of the Group strategy during his tenure, including the acquisition of West-Ward Pharmaceuticals in the USA and the development of the Injectables business in Europe and the MENA region. During this period the Company's facilities in the USA, Jordan, and Portugal received FDA approval. Said was Minister of Health for the Hashemite Kingdom of Jordan from 2003–2006. He is currently Vice Chairman of the Capital Bank of Jordan. He is also Chairman of the Dead Sea Touristic and Real Estate Investments and Chairman of the Health Care Accreditation Council of Jordan. He has a degree in industrial engineering from Purdue University (USA) and an MBA from INSEAD.

3. Mazen Darwazah •# *Executive Vice Chairman, CEO of MENA, 52*

Mazen Darwazah was appointed Executive Vice Chairman in 2005. Since joining Hikma in 1985 he has held various positions within the Group, including Chairman and CEO of Hikma Pharmaceuticals Limited (Jordan).

Mazen was recently appointed as a Senator of the Hashemite Kingdom of Jordan. Mazen is also the Chairman of the Jordan International Insurance Company and holds a number of non-executive

directorships of various non-governmental and educational organisations. He has previously served as the President of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances. Mazen holds a BA in Business Administration from the Lebanese American University and an Advanced Management Programme from INSEAD.

4. Sir David Rowe-Ham *†• *Senior Independent Non-Executive Director, 75*

Sir David Rowe-Ham was appointed to the Board in October 2005 as senior independent director. He also holds the position of Chairman of the Nomination Committee.

Sir David brings to Hikma wide experience in financial matters, corporate governance, public affairs and the development of listed companies. He is also Chairman of Olayan Europe Ltd.



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5. Ali Al-Husry *Non-Executive Director, 53*

Ali Al-Husry was appointed as a Non-Executive Director in 2005. He joined Hikma as Director of Hikma Pharma Limited in 1991 and has held various directorships within the Group.

In 1995 Ali was a founder of The Capital Bank of Jordan. He was Chief Executive Officer of the Bank until 2007 and continues to be a Director. He is chairman of Endeavour Jordan, a director of the Microfund for Women and a member of the Board of Trustees of the Jordan Museum. He brings great financial experience to the Board as well as an in-depth knowledge of the MENA region and Hikma Pharmaceuticals. Ali has a degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD.



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6. Michael Ashton *†• *Independent Non-Executive Director, 65*

Michael Ashton was appointed to the Board in October 2005 and is Chairman of the Remuneration Committee.

Michael has over 30 years' experience in the pharmaceutical industry, having previously held positions with Pfizer and Merck. He was formerly Chairman, President and Chief Executive of Faulding and Chief Executive of Skyepharma PLC. He is also a non-executive director at Transition Therapeutics, Proximagen Neuroscience plc and Phosphagenics Limited.

7. Breffni Byrne *†# *Independent Non-Executive Director, 65*

Breffni Byrne was appointed to the Board in October 2005 and is Chairman of the Audit 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, international operations, corporate governance and general financial and commercial matters. Breffni is Chairman of NCB Stockbrokers, a non-executive director of Irish Life and Permanent plc, Cpl Resources plc, Coillte Teoranta (the Irish state forestry company) and other companies.



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8. Dr. Ronald Goode *†# *Independent Non-Executive Director, 67*

Ronald Goode was appointed to the Board in December 2006 and holds the position of Chairman of the Compliance, Responsibility and Ethics Committee.

Ron has spent over 30 years in the international pharmaceutical industry, including senior positions with Pfizer and Searle. He is currently the Chairman of The Goode Group, advisers to the pharmaceutical industry, on the Advisory Board of ART Recherches et Technologies Avancées Inc. (a TSX-listed company), 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.

Board Committee membership key

- * Audit Committee
- † Remuneration Committee
- Nomination Committee
- # Compliance, Responsibility and Ethics Committee



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SENIOR MANAGEMENT

1. Bassam Kanaan *President and Chief Operating Officer for the MENA and EU regions*

Bassam joined Hikma as Chief Financial Officer in 2001, playing a leading role in the IPO in 2005. He qualified as a Chartered Accountant in 1989 with Deloitte & Touche (USA) where he held a variety of roles prior to joining PADICO in 1994 as CFO. In February 2009, Bassam assumed the additional responsibility for Operations, Manufacturing and Supply Chain management in Europe & MENA. In January 2011, Bassam relinquished his CFO role and became President and Chief Operating Officer for the MENA and EU regions. He currently holds non-executive directorships in Zara Holding, Aqaba Development Co. and Capital Bank of Jordan. Bassam has an Executive MBA from Northwestern University and a BA from Claremont McKenna College, USA.

2. Michael Raya *Executive Vice President and CEO of the USA*

Michael joined Hikma's US subsidiary West-Ward in 1992 from Vitarine Pharmaceuticals where he had worked from 1984 until 1992 in various roles, including Vice President, Quality Control. Prior to this, Michael worked at Schering-Plough and Hoffman

LaRoche. Michael has previously been responsible for all West-Ward's operations as well as quality/compliance for all worldwide Hikma facilities until his appointment as CEO of West-Ward in 2008. 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 Program.

3. Khalid Nabils *Chief Financial Officer*

Khalid joined Hikma in 2001 and was a member of the IPO team in 2005. Prior to assuming his current role Khalid held several senior positions in the Finance department including Corporate Vice President, Finance. Following qualification as a CPA he held a variety of roles in financial accounting, reporting and financial advisory services, and with Atlas Investment Group (now AB Invest) where he was involved in merger and acquisition advisory services. Prior to Atlas, Khalid had managed several multinational audit engagements at Arthur Andersen in Amman, Jordan. Khalid is a founder and board member of the Jordan Association for Management Accountants and a board member of the Jordan Armed Forces and Security Apparatuses Credit Union. Khalid has an MBA from the University of Hull, UK.

4. Riad Mechlaoui *EU Vice President and Global Head of Injectables*

Riad joined Hikma in 1990 as a Project Engineer in the engineering department where he was involved in the construction of Hikma's facility in Portugal. Riad spent a significant period in the manufacturing operations of West-Ward, was general manager of Hikma Italy and became Head of Injectables Manufacturing Operations before assuming his current role. Riad has a BSc in Engineering and a Masters in Engineering and Administration from George Washington University.

5. Majda Labadi *Corporate Vice President, Human Resources*

Majda joined the Company in 1985 and has held a variety of roles including Purchasing Manager at Hikma Pharmaceuticals Limited, Strategy Manager at Hikma Investment, General Manager of Hikma Farmaceutica and from 2007, Vice President of Injectables. In February 2009 Majda assumed her current position as Corporate Vice President, Human Resources.



She has been responsible for establishing a central HR function and implementing and consolidating a number of group-wide HR initiatives including a compensation structure and performance evaluation process. Majda holds a Masters degree in Health Economics and a BA from the American University of Beirut. She is currently enrolled in the DBA program at Instituto De Imprensa, Madrid.

6. Henry Knowles *General Counsel and Company Secretary*

Henry joined the Company as General Counsel and Company Secretary 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.



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7. Susan Ringdal *Vice President, Investor Relations and Group Goal Compliance*

Susan joined the Company as Investor Relations Director 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.

8. Dr. Ibrahim Jalal *Senior Corporate Vice President, Technical Affairs*

Ibrahim joined Hikma in June 1979 as Technical Director and has held a variety of roles including Corporate Technical Vice President for Compliance and Senior Corporate Vice President for R&D. He has played a leading role in Hikma securing FDA approval for its manufacturing units. Ibrahim holds a PhD in Pharmacy from the University of Wisconsin-Madison (USA).



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9. Fadi Nassar *Corporate Vice President, Active Pharmaceutical Ingredients (API)*

Fadi joined Hikma in 1988 and has worked in various roles within the Group including Operations, Purchasing and Business Development. He was promoted to Corporate Vice President, API in 2007. Fadi holds a BSc in Chemical Engineering from Newcastle University and an MA in Chemical Engineering from Leeds University. Fadi is also a graduate of INSEAD's International Executive Program.

10. Ragheb Al-Shakhshir *Corporate Vice President, Research and Development*

Ragheb joined Hikma in 2000 as a Research & Development Manager. Prior to joining Hikma he held a variety of roles as Senior Scientist at Novartis Pharmaceuticals, and at Alcon Labs in the United States. From 2003–2008 Ragheb led the Hikma R&D Injectable team and from February 2009 assumed the responsibility of Corporate Vice President, Research & Development. Ragheb has a PhD in Industrial and Physical Pharmacy from Purdue University, MS in Engineering from the University of Massachusetts-Amherst and a BS in Chemical Engineering from the University of Wisconsin-Madison.



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CORPORATE GOVERNANCE REPORT

Corporate Governance Principles

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 2008 (the "Combined Code") and 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 49 to 51 and the Directors' Remuneration Report set out on pages 55 to 68 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 its application of the principles of good governance and the extent of its compliance with the Corporate Governance Principles. This statement provides details on how the Group has applied these principles.

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. Throughout the year and up until the date of this report the Company was in full compliance with the Corporate Governance Principles.

The Combined Code has been replaced with the UK Governance Code ("UK Code"), which comes into effect for financial years beginning on or after 30 June 2010. The Board is conscious of the need to have regard for the new principles set out in the UK Code and acknowledges that there are many similarities between the two codes. Whilst the Company is only required to comply or explain its position in relation to the Combined Code, where the UK Code is different from the Combined Code the Board has, in addition, sought to explain its position in relation to the UK Code in this report.

The Board

The Group is led and controlled by the Board of Directors.

The Board is responsible for setting the strategic direction and monitoring the financial performance of the Group against its targets. The Board also promotes good corporate governance within the Group, and ensures that the Group meets its 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, if necessary 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. The Schedule of Matters Reserved to the Board was reviewed and updated during 2010.

The Board delegates its powers to the CEO who is responsible for delivering the Company's strategic objectives and is assisted in this task by the executive management team.

The executive management team who report directly to the CEO meet with him to discuss strategy and key objectives for their areas of responsibility. The CEO reports on operational progress in these areas to the Board and the key senior management team present to the Board, as appropriate, to highlight and debate developments in their areas of responsibility.

Composition of the Board

The Board comprises eight members, half of whom are independent: a Non-Executive Chairman, five Non-Executive Directors, one of whom is not classified as independent for the purposes of the Combined Code and two Executive Directors. The Board reviewed and considered the independence of the Non-Executive Directors during the year as part of the annual corporate governance review that takes place in December each year.

The names of the Directors and their biographical details are set out on pages 42 to 43. The Chairman and the Executive Vice-Chairman were appointed to the Board at 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 on 14 October 2005. The Non-Executive Directors have diverse business backgrounds, skills and experience and as such bring independent judgement to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board.

In 2011, Said Darwazah, offers himself for re-election at the Annual General Meeting. His biographical details are on page 42. The other Directors retired and sought re-election at either the 2009 or 2010 AGM and, in compliance with the current governance guidelines, will retire every three years. The Board is aware that the UK Code will require all Directors to seek re-election every year and that this requirement comes into force for the Group in 2012. 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 roles of the Chairman and Chief Executive Officer are separate, and the Board has approved a statement of their respective responsibilities in writing. These guidelines were reviewed during 2010 as part of the annual corporate governance review. Prior to the appointment of the current Chief Executive Officer the Board undertook consultation with its major shareholders and external advisers regarding the continuation of Samih Darwazah in his role as Chairman. The Board concluded that his former executive role should not prevent him from remaining as Chairman, especially as he has an in-depth understanding of the Group and the business and is able to provide a valuable contribution in his capacity as Non-Executive Chairman. The Chairman's external commitments have changed during the year. The Board has reviewed these and considers that the changes do not affect his ability to perform his role.

Sir David Rowe-Ham, Michael Ashton, Ronald Goode and Breffni Byrne are considered by the Board to be independent. The Board does not classify Ali Al-Husry as an Independent Director for the purposes of the Combined Code as a result of his involvement with Darhold Limited, the Company's largest shareholder. He was also a Director of Hikma Pharmaceuticals Limited prior to the Company's listing. However, he continues to bring his broad financial experience to the Board as well as a detailed knowledge of the MENA region which is significant to the Group's business.

The Senior Independent Director is Sir David Rowe-Ham who remains available to shareholders should they have concerns that they do not wish to raise with the Chairman. Sir David is also Chairman of the Nomination Committee and is responsible for chairing meetings of the Non-Executive Directors conducted without the presence of the Chairman or executive management.

The Board continues to discuss its composition and the skills and business experience of its members. All of the Directors believe in the necessity for challenge and debate in the Boardroom and consider that Board dynamics encourage honest and open debate with the Executive Directors. The Directors believe that the Board's decision making process is inclusive, and is not dominated by any individual or group of individuals.

Information flow

Board and committee papers are circulated to members in advance of the meetings. In addition to formal meetings, the Chairman and non-executive directors maintain regular contact with each other and strong relationships with executive management outside the formal timetabled board meetings, as well as visiting subsidiary companies regularly in order to discharge their obligations. The Chairman also holds informal meetings with non-executive directors without the executive management present to discuss issues affecting the Group. At the discretion of the Board or relevant committee, senior executives are invited to attend meetings and make presentations on the results and strategies of their business units.

This year the Board received presentations from the CEO and COO of the MENA region, the CEO of the US business, the Chief Financial Officer, the General Counsel, the Head of Treasury, and the Corporate Vice President for HR. Strategic presentations were received on human resources, sales, compliance, supply chain management, finance and operations. Each of the senior executives will update the Board on their initiatives in their areas of responsibility during the course of 2011.

All directors have access to the advice and services of the Company Secretary, who under the Chairman's direction is responsible for ensuring good information flow to the Board and its committees, that sound board procedures are followed, assisting with training and induction for directors and for advising the Board through the Chairman on all matters of corporate governance. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Directors are able to obtain independent professional advice at the Company's expense in the performance of their duties as directors and the Board has approved a formal policy in this regard.

Board Training/Continuing Professional Development

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. The Board is also encouraged to visit the major business units and to meet the senior management teams in order to facilitate a better understanding of the key issues facing the business. During 2010 the

Company organised training for directors by external parties on the changing legal and regulatory landscape. The Company's brokers and financial advisers also presented industry and market updates to the Board on several occasions in 2010. These sessions are in addition to the written briefings on areas of regulatory and legislative change presented at each board meeting in the form of a Corporate Governance Paper. This year briefings took place on the Bribery Act 2010, UK Governance Code, UK Stewardship Code, ICASA guidance review, market abuse, and various aspects of the Listing Rules. A tailored induction programme would be made available to new directors joining the Board.

Board meetings

During the year under review the Board held eight scheduled meetings and one unscheduled meeting. The Company Secretary attended all Board meetings and committee meetings. A table showing attendance at the Board and committee meetings is set out below. To the extent Directors are unable to attend additional meetings called on short notice, or are prevented from doing so by prior commitments, they receive and read the papers for consideration at that meeting, relay their comments in advance and, where necessary, follow up with the Chairman on the decisions taken.

Director	Board	Audit	Remuneration	Nomination	Compliance
Samih Darwazah	9	–	–	–	–
Said Darwazah	9	–	–	–	–
Mazen Darwazah	9	–	–	3	1
Ali Al-Husry	9	–	–	–	–
Sir David Rowe-Ham	9	9	6	3	–
Breffni Byrne	9	9	6	–	1
Michael Ashton	9	9	6	3	–
Dr. Ronald Goode	9	9	6	–	1
<i>Total meetings held</i>	9	9	6	3	1

Board performance evaluation

As required by the Combined Code, a formal evaluation of the performance of the Board was undertaken during the period under review.

During 2009 the Board reviewed its approach to board evaluations and approved a three year evaluation process, which included seeking external consultation every third year. During 2010 the Board decided to advance the move towards external facilitation and appointed Lintstock to conduct an independently moderated evaluation of the Board and its Committees. As in previous years the process was overseen by the senior independent director. Lintstock prepared online questionnaires designed to assess key governance and management themes. Lintstock managed the process and reported independently to the Chairman and the senior independent director, following which Lintstock presented the results and findings to the full Board. The report for each committee was reviewed by the relevant Committee.

CORPORATE GOVERNANCE REPORT

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The report to the Board included the aggregated data, the comments from all completed questionnaires and the trends emerging from them. Lintstock presented these results including the context of the review and provided clear and independent feedback. From these results the Board resolved certain action points to enhance performance. The results of the evaluation process formed part of the Chairman's appraisal of the overall effectiveness of the Board and its members. Overall the review concluded that the Board functions well, with good communication, an inclusive and constructive approach to the consultation and debate, all of which promotes effective decision-making.

During 2011 the Board will continue to review the overall process and the areas on which it focuses in light of issues arising and make enhancements in respect of the next evaluation. In 2012 the Board will consider whether to undergo a fully moderated evaluation with independent face-to-face Director interviews and Board meeting review. The Board considers that the new process should assist in its development and direction, with the aim of adding value to the Board's operations.

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 addressed the effectiveness of his leadership, the setting of the Board agenda, communication with shareholders, internal communication and Board efficiency. The Non-Executives concluded that the Chairman gave clear leadership and direction to the Board, and that the Board is run in an appropriate and effective manner.

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 on pages 64 and 66. The terms of appointment of all Directors are made available for inspection before the Annual General Meeting and during business hours at the Company's registered office at 13 Hanover Square, London.

Directors' remuneration

Details of the remuneration of the Executive and Non-Executive Directors are contained in the Remuneration Report set out on pages 55 to 68.

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. During 2010, in response to the expanding compliance requirements in all areas of the Group's business, the Board formalised its oversight in this critical area by forming a new committee, the Compliance, Responsibility and Ethics Committee ("CREC").

Each of the three Combined Code committees and the CREC has terms of reference, which were reviewed during the year. Copies are published on the Group's website at www.hikma.com and are available for inspection at the registered office. The 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, including progressive refreshing of the Board, and for ensuring that all appointments to the Board are made on objective criteria and that candidates have sufficient time to devote to their prospective responsibilities. 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. It met to discuss and review Board and Committee composition, director and executive succession planning and to discuss the performance evaluation and appraisal system for the Board.

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 set out in the Corporate Governance Principles.

The Committee met six 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 Directors' Remuneration Report on pages 55 to 68. During the year under review, there has been close co-operation between the Corporate Vice President for HR and the Chairman of the Remuneration Committee. This close co-operation seeks to ensure that executive remuneration policies and structure are appropriate and adequately reflect the remuneration structures and policies in place for the Group's employees as a whole.

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 set out in the Corporate Governance Principles.

The Committee met nine times during the year with full attendance. A full report of the role of the Audit Committee and details of how it carried out its duties is set out in the Audit Committee report on pages 49 to 51.

Compliance, Responsibility and Ethics Committee

The Committee was formed in August 2010 and met once during the year under review. The programme of meetings is scheduled to expand over the course of 2011.

The Compliance, Responsibility and Ethics Committee ("CREC") is chaired by Ronald Goode. The other members are the Executive Vice Chairman, Mazen Darwazah, and the Audit Committee Chairman, Breffni Byrne. The key functions of the Committee are to oversee the Group's approach to compliance-related issues including the Group compliance function, anti-corruption, whistleblowing, statements and policies on ethics, conduct, values and principles and at Board level to set and review Group policy in the area of Corporate Responsibility ("CR"). The responsibilities and functions of the Ethics Committee were passed to the CREC on its formation. Therefore the Ethics Committee has been disbanded. The CREC has responsibility for CR issues at Board level and is supported by the CR Steering Committee.

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:

a reporting structure with clear procedures, authorisation limits, segregation of duties and delegated authorities;
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 and forecast, 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 as appropriate;
written policies and 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 2009. 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 under review and that it accords with the relevant guidance.

Whistleblowing

The Group Whistleblowing Policy contains arrangements for the Chairman of the Compliance, Responsibility and Ethics Committee, the Senior Independent Director, and the Chairman 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.

Insurance

The Company maintains an appropriate level of Directors' and Officers' insurance in respect of any actions brought against Directors.

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 www.hikma.com 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 Interim Management Statements;
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;
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, reappointment 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;

CORPORATE GOVERNANCE REPORT

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review and monitor the Directors' potential conflicts of interest and make recommendations to the Board for the management of those interests and; 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 were subsequently reviewed and approved by the Board.

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 biographical details are set out on pages 42 to 43. 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 Report, financial statements, Interim Report, Interim Management Statements 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, reappointment 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. The Board has also delegated responsibility for the operation of the Company's policies on monitoring Directors' conflicts of interest to the Audit Committee and thus has been included in the Audit Committee's terms of reference.

Meetings

The Audit Committee met nine times during the year under review, with the Chief Financial Officer, Corporate Vice President for Finance, the Company Secretary and the Deputy Secretary in attendance. The Audit Committee reviewed the 2009 Annual Report & financial statements, the 2010 interim report, the two Interim Management Statements released by the Company 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 2010 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 & financial statements on these matters and reported on these to the Board. 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 LLP, attended three Audit Committee meetings for the purposes of presenting their 2009 audit results and findings, the results of the 2010 interim review and their audit plan for 2011. The internal auditors, Ernst & Young presented the results of their audit programme for 2010 to the Audit Committee together with their proposed audit plan for 2011. The Audit Committee continues 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, during 2010, the Audit Committee Chairman met with the external auditors in the USA and Jordan. The Audit Committee Chairman also met with Ernst & Young in Jordan to discuss the results of the 2010 internal audit programme and the risk assessment and proposal for 2011.

Attendance of members at Audit Committee meetings is shown on page 47 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, which is led by Deloitte LLP in the UK. Oversight and responsibility for monitoring the independence and objectivity of the external auditors lies with the Audit Committee. The Audit Committee is also the point of primary contact with the Board. The Group has adopted a policy in relation to the provision of non-audit services by the external auditors. The policy also sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group.

During the period under review the Group used members of the global Deloitte network in certain jurisdictions for non-audit services. The non-audit fees incurred of \$3.9 million were higher than in previous years (2009: \$1.3 million) principally due to the performance of work by Deloitte Consulting LLP in the United States related to assisting the Group with the development of a post-merger integration ("PMI") plan for West-Ward's acquisition of Baxter's multi-source injectables ("MSI") business.

The appointment of Deloitte Consulting LLP in the United States was made after a competitive tender process. A detailed Request For Proposal was prepared and five international consulting firms were invited to tender. Each firm produced a proposal and made presentations to West-Ward's executive management whereby their capabilities were assessed. The US team recommended Deloitte Consulting LLP because of its strengths and greater experience above other firms in relation to carve-out integrations and the pharmaceutical industry, its capabilities in the integration areas that were most likely to represent a challenge to the MSI acquisition and the characteristics of the team. The appointment of Deloitte Consulting LLP by West-Ward enabled them to obtain the most appropriate advice and team for the work in a cost-effective manner.

The Audit Committee held extensive discussions with Deloitte LLP, the UK-based Group auditors, regarding the safeguards that have been put in place to ensure continued audit independence. These include completely separate teams undertaking audit and non-audit work and regular UK audit partner and US audit partner review of the nature of the non-audit work being performed in the United States, together with an independent US partner review of the local audit engagement in the United States. The Committee is satisfied that, whilst fees charged for this non-audit work in the United States are higher than those charged for the audit work during the year, adequate controls remain in place to safeguard auditor independence. In accordance with the Group's non-audit services policy, none of the work for the MSI acquisition undertaken in the United States by Deloitte Consulting LLP was of a financial information systems design, valuation, executive recruitment or advocacy nature. The assistance has not involved undertaking decisions that are the responsibility of management. The Committee continues to keep the position under review. The UK-led audit team continues to provide an appropriately high level of audit challenge to management and constructively raise issues with the Committee. Should shareholders wish to discuss the situation with the Company, the Chairman of the Audit Committee will be happy to make himself available.

Fees paid in respect of audit, audit-related and non-audit services are outlined in Note 6 to the Consolidated 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.

The Group also maintains a policy 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.

There are no contractual provisions that restrict the Committee's choice of auditors. It is also the Committee's policy to consider every year whether there should be an audit tender process and whether using auditors from one audit network continues to enhance the quality of the audit. As part of its review of the effectiveness of the auditors, the Committee gave extensive consideration to this issue during the year and concluded that the existing team continue to conduct an effective audit, the team's knowledge of the Group, particularly the Group's diverse international operations, is advantageous in terms of its ability to identify issues of importance and that there is a strong and open relationship between the audit team leadership and the Audit Committee. The Committee recommended to the Board the re-appointment of the existing external auditor, who has been in place since the Company listed in 2005

Overview

Consequently, the Audit Committee concludes that it has acted in accordance with its terms of reference and ensured the independence of the external auditors. The Chairman of the Audit Committee will be available at the Annual General Meeting to answer questions on the work of the Committee.

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-to-one meetings, investor days, 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 the 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, Interim Results and Interim Management Statements, together with the opportunity to question the Board and Committees at the Annual General Meeting. Shareholders are encouraged to attend the AGM and if unable to do so are encouraged to vote by proxy. Copies of presentations made at the AGM are available on the website after the event together with the results of the voting. The full Board is present at the AGM. The Company maintains a website (www.hikma.com) 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 Investor Relations Director also presents an annual investor relations review to the Board and regularly provides feedback from institutional investors and analysts.

Procedures to deal with conflicts of interests

The Company has implemented procedures to deal with Directors' conflicts of interest or potential conflicts of interest. Responsibility has been delegated to the Audit Committee to operate, monitor and review the procedures, which have operated effectively during the year.

Breffni Byrne

Chairman of the Audit Committee

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010.

This report forms the management report for the purposes of the Disclosure and Transparency Rules.

Business Review

The Company is required by the Companies Act 2006 to set out a fair review of the business during the year and a description of the principal risks and uncertainties facing the Company, noting the performance and development of the Company during the year and the position at the year end. The information that fulfils these requirements and which is incorporated in this report by reference, is included in the following sections of the Annual Report:

a review of the business and strategy and expected future developments is set out in the Chairman's Statement on pages 6 to 7, the Chief Executive's Review on pages 12 to 15 and the Financial Review on pages 16 to 28;

the principal risks and uncertainties are set out on pages 29 to 31 and financial risks are described on page 31;

key financial performance indicators are described on page 15;

information on environmental, social and community issues is set out in our Corporate Responsibility report on pages 33 to 39 which also provides key performance indicators in this area; and

the principal operating subsidiaries are set out on page 128.

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. The Group's operations are conducted through three business segments: Branded Pharmaceuticals, Injectable Pharmaceuticals, and Generic Pharmaceuticals. The majority of the Group's operations are in the MENA region, the United States and Europe. The Group does not have overseas branches within the meaning of the Companies Act 2006.

The Group's net sales, gross profit and operating profit are shown by business segment in Note 4 to the consolidated financial statements.

Results and dividends

The Group's profit for the year attributable to shareholders in 2010 was \$99 million (2009: \$79 million). The Board is recommending a final dividend of 7.5 cents per share (approximately 4.7 pence) (2009: 6.5 cents). The proposed final dividend will be paid on 26 May 2011 to shareholders on the register on 15 April 2011, subject to approval at the Annual General Meeting on 12 May 2011.

An interim dividend of 5.5 cents per share was paid on 14 October 2010 (approximately 3.6 pence per Ordinary Share) (2009: 4.5 cents) which together with the final dividend, will make a total of 13 cents per share for the period (2009: 11.0 cents).

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 pages 42 and 43. Details of the independence of Non-Executive Directors are set out in the report on corporate governance on page 46.

The Executive and Non-Executive Directors served the Company throughout the year. All of the Directors have been re-elected by shareholders within the last two years with the exception of Mr. Said Darwazah. At the 2011 Annual General Meeting, Said Darwazah will retire in accordance with Article 110 of the Articles of Association and, being eligible, will offer himself for re-election. The explanatory notes to the Notice of Annual General Meeting sets out why the Board believes Said Darwazah should be re-elected.

Details of Directors' share-based incentives and interests in the Ordinary Shares of the Company are provided in the Directors' Remuneration Report on pages 67 to 68.

Creditor payment policy

The Company's policy, which is also applied by the Group and will continue in respect of the 2011 financial year, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of and abide by the terms of payment. Trade creditors of the Company at 31 December 2010 were equivalent to 73 days' purchases (2009: 63 days), 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 \$2.5 million (2009: \$1.2 million), principally to local charities serving the communities in which the Group operates. Donations of medicines accounted for approximately \$1,662,000 (2009: \$108,000) of total donations made.

The Group does not make political donations.

Research and Development (R&D)

The Group's investment in Research & Development ("R&D") during 2010 represented 3.2% of group revenue (2009: 2.6%). Further details on the Group's R&D activities can be found on page 27.

Going concern

Although the current economic and political conditions may affect short-term demand for the Company's products, as well as place pressure on our customers and suppliers, the Directors believe that the Group's geographic spread, product diversity and large customer and supplier base substantially mitigate these risks. In addition, the Group operates in the relatively defensive generic pharmaceuticals industry which the Directors expect to be less affected compared to other industries.

The Group has reduced its year end net debt position to \$101 million (2009: \$117 million) following strong cash generation from operations. Operating cash flow in 2010 was \$145 million. The Group has \$265 million of undrawn banking facilities having allowed for the US acquisition. These facilities are well diversified across the operating subsidiaries of the Group and are with a number of financial institutions. The Group's forecasts, taking into account reasonable possible changes in trading performance, facility renewal sensitivities and maturities of long-term debt, show that the Group should be able to operate well within the levels of its facilities and their related covenants.

After making enquiries, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully despite the current uncertain economic and political outlook. The Directors have formed a judgement that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

Capital structure

Details of the issued share capital, together with movements in the issued share capital during the year can be found in Note 31 to the financial statements. 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 2010 the Company had 193,516,989 shares of 10 pence each in issue. During 2010 the Company issued 1,889,382 Ordinary Shares pursuant to the exercise of options under the Hikma Pharmaceuticals PLC 2004 Stock Option Plan and 2005 Long-Term Incentive Plan.

There are no specific restrictions on the size of a holding or on 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 and all issued shares are fully paid.

Details of any significant shareholdings in the Company can be found on page 54 of this report.

Details of the employee share schemes are set out in Note 36 to the financial statements. Shares are also held by the Hikma Pharmaceuticals Employee Benefit Trust ("EBT") and are detailed in Note 33 to the financial statements. The EBT has waived its right to vote on the shares

it holds and also to its entitlement to a dividend. No other shareholder has waived the right to a dividend. During the year, the Company did not acquire any of its own shares by direct purchase, nominee purchase or any other means nor did it dispose of such shares previously acquired. The Company does not have a lien over its own shares.

At the Annual General Meeting on 13 May 2010, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £6,424,770, and to be empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £963,715, at any time up to the earlier of the date of the Annual General Meeting in 2011 or 30 June 2011. The Directors propose to renew these authorities at the Annual General Meeting to be held on 12 May 2011 for a further year. In the year ahead, other than in respect of the Company's obligations to satisfy rights granted to employees under its various share-based incentive arrangements, the Directors have no present intention of issuing any share capital of the Company.

The powers of the Directors are determined by its Articles of Association, the Combined Code and other relevant UK legislation. The Directors powers are detailed in the Corporate Governance Report starting on page 46. The Articles give the Directors the power to appoint and remove directors and they also provide for re-election at three-yearly intervals. The power to issue and allot shares contained in the Articles is subject to shareholder approval at each annual general meeting. The Articles, which are available on the website, may only be amended by special resolution of the shareholders.

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 of 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.

There are no persons, with whom the Company has contractual or other arrangements, who are deemed to be essential to the business of the Company.

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 an Annual General Meeting to issue Ordinary Shares for cash on a non pre-emptive basis, other than in respect of the placing undertaken on 17 January 2008.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were in force during the year and as at the date of this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

DIRECTORS' REPORT

Continued

Substantial shareholdings

As at the date of this document, the Company had been notified pursuant to sections 89A to 89L of the Financial Services and Markets Act 2000 and Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following interests in the voting rights attaching to the share capital of the Company:

Name of shareholder	Number of shares	Percentage held
Darhold Limited*	57,183,028	29.549%
Sectoral Asset Management	6,222,574	3.216%

*Messrs Samih Darwazah, Said Darwazah, Mazen Darwazah and Ali Al-Husry, each being a Director and shareholder of the Company, are shareholders in the capital of Darhold Limited and are also Directors of Darhold Limited.

The Takeover Code – Rule 9

At the Annual General Meeting held on 13 May 2010, a vote of the independent shareholders of the Company approved the award of up to an aggregate of 175,200 Ordinary Shares pursuant to the Company's 2005 Long-Term Incentive Plan to Said Darwazah and Mazen Darwazah (the "LTIP Holders") and 4,500 Ordinary Shares pursuant to the Management Incentive Plan to Hana Ramadan (the "MIP Holder"). Because of the relationship of the LTIP Holders and the MIP Holder with Darhold Limited, who at the time of the Annual General Meeting held 57,183,028 Ordinary Shares (at 9 April 2010 representing 29.56% of the issued share capital of the Company, and as at 15 March 2011 being the latest practicable date prior to the publication of this document, holding 57,183,028 Ordinary Shares, representing 29.55% of the issued share capital of the Company), each of the LTIP Holders and the MIP holder (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 9 April 2010, the Concert Party held, in aggregate, interests in 65,969,712 Ordinary Shares in the capital of Hikma (then representing 34.46% of the then issued share capital of the Company). As at 15 March 2011 being the latest practicable date prior to the publication of this document, the Concert Party held, in aggregate, interests in 64,453,907 Ordinary Shares in the capital of Hikma (representing 33.30% 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 and the MIPs, the Concert Party would potentially have, in aggregate, interests in 65,238,707 Shares in the capital of the Company (representing 33.57% 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/MIPs).

During the period from the Annual General Meeting in 2010 to 15 March 2011, the LTIP/MIP Holders together with other members of the Concert Party who hold options over Ordinary Shares pursuant to the Company's 2005 Long Term Incentive Plan (the "Option Holders") exercised, in aggregate, options over 100,000 Ordinary Shares in the capital of the Company, all of which Ordinary Shares were retained by the Option Holder. Additionally the LTIP/MIP Holders exercised, in

aggregate, options over 5,000 Ordinary Shares under the 2004 Plan during the same period, all of which were sold.

Auditors

Each person who was 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 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 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint 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 Westbury, Bond Street, Mayfair, London W1S 2YF on Thursday, 12 May 2011, 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 15 March 2011 and signed on its behalf by

Henry Knowles
Company Secretary

15 March 2011

REMUNERATION COMMITTEE REPORT

Introduction

This report has been prepared in accordance with The Large & Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, (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 UK Governance 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 2006 and the Regulations. The report is therefore divided into separate sections for unaudited and audited information.

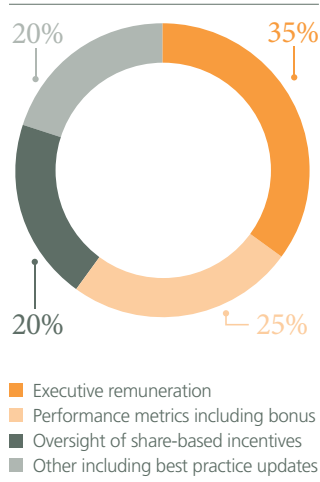
Unaudited information

Remuneration Committee

The Directors who were members of the Committee during the year under review are set out on pages 42 to 43 in the Directors' Report. The Committee is composed entirely of Independent Non-Executive Directors and is chaired by Michael Ashton.

The responsibility for the establishment of a remuneration policy and approval of the aggregate remuneration 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 following chart shows how the Remuneration Committee spent its time during the year:



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, Executive Vice Chairman and the Corporate VP, Human Resources 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 of the Remuneration Committee 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 independent advice on executive compensation from PricewaterhouseCoopers LLP. With the exception of certain corporate taxation advice, only services relating to human resource practices were provided to the Company by PricewaterhouseCoopers LLP 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 were reviewed and updated during the year and 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 128 of the Annual Report.

Philosophy behind Remuneration Committee's approach

The Company's remuneration policy is designed to incentivise, 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 ensures that the appropriate balance between fixed and performance-related pay is maintained.

Performance-related pay and risk profile

The Remuneration Committee ensures that a significant proportion of the remuneration package varies with the financial performance of the Group and that targets are aligned with the Group's stated business objectives.

In applying its policy, the Committee is mindful of the Association of British Insurers' Guidelines on Responsible Investment Disclosure, and seeks to ensure that the incentive structure for Executive Directors and the wider senior executive management team takes account of corporate performance on environmental, social and governance issues, and will not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Remuneration Committee which prevents it from taking into account corporate governance on such matters and it takes due account

REMUNERATION COMMITTEE REPORT

Continued

of issues of general operational risk when structuring incentives. Performance-related pay targets are reviewed to ensure they are consistent with the general principles of effective risk management set by the Company and do not encourage short-term risk taking at the expense of long-term objectives. In assessing the extent to which annual bonus and LTIP performance targets have been achieved, the audited results of the Company are used and performance criteria are independently reviewed by the Company's advisers.

Remuneration policy 2010

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.	

Background

There have been several general statements from shareholder bodies and institutional investors clarifying their expectations for remuneration in 2010 and 2011 and a subsequent revised UK Corporate Governance Code has been issued.

In formulating the application of its policy for 2010 and future years, the Remuneration Committee has been cognisant of the evolving landscape in remuneration developments. The Remuneration Committee also believe that many of the principles proposed by the Walker Review, UK Corporate Governance Code and by institutional shareholders and their representative bodies are already in operation or embedded within the Company's remuneration framework, namely:

the terms of reference for the Remuneration Committee include the responsibility for setting the over-arching parameters of incentive reward for all senior employees, including those who could have a material impact on the risk profile of the Group;

the Remuneration Committee has amended the performance conditions for the LTIP (following full shareholder consultation) to include key financial performance metrics to encourage consistent and sustainable levels of Company performance and has ensured when selecting the targeted level of performance that it is consistent with the risk profile set by the Board for the Company and therefore does not encourage inappropriate risk taking by the executives (see later for full details of the new performance conditions for the LTIP).

The overall economic environment, the business background and the principal risks facing the Company are described in detail in the Business Review on pages 11 and 31.

In assessing the performance priorities set for annual bonus the Remuneration Committee takes into account the general performance of the Company and the prevailing economic environment.

The key highlights of the Company for 2010 include:

Sales Growth of 14.8% from 2009.

Profit after tax of \$98.8 million an increase of 27.2% from 2009.

EPS Growth of 25% from 2009; and

Return on Invested Capital of 12.4% (2009 10.6%).

The Remuneration Committee feels that this level of performance in 2010 justifies the maximum on target bonus of 100% of salary for the Executive Directors. Further, the Remuneration Committee has determined to award an additional bonus of 100% of salary to each of the Executive Directors (total 200% of salary) to recognise the exceptional performance of the Company during 2010 in relation to the above measures and also to recognise the achievement of the following important strategic goals by the executive team during 2010:

Continuation of the MENA consolidation strategy;
Transformation of the global Injectables business through the agreement to acquire Baxter's Multi –Source injectables business
Successful implementation of a partnership for entry into the biosimilars market;
Development and implementation of key executive management responsibilities in line with the strategic direction; and
Ongoing improvement of financial processes.

2010 Comparator Group

During 2009 the Company reviewed its Comparator Group to ensure that it remained appropriate for the Company on an ongoing basis, reflecting the increase in size of the Company and further internationalisation of the business. The only amendment to the Comparator Group during the year was the removal of Sepracor Inc. due to its merger with Dainippon Sumitomo Pharma Co., Ltd, another entity.

The constituents of the Company's Comparator Group for benchmarking remuneration during 2010 were as follows:

Name	Name	Name
Amylin Pharmaceuticals Inc	Hospira Inc.	Sanofi Aventis
AstraZeneca PLC	Impax Labs Inc	Shire Pharmaceuticals PLC
BTG PLC	King Pharmaceuticals Inc.	UCB SA
Crucell NV	Merck KgaA	Valeant Pharmaceutical International
Endo Pharmaceuticals Holdings	Mylan Inc	Watson Pharmaceuticals Inc
Forest Laboratories Inc	Novartis AG	
Grilfols SA	Prostraken Group PLC	

Factors the Remuneration Committee took into account when selecting the current 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;
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;
the consolidation in the pharmaceutical industry affecting the number of UK comparable companies; and
the UK listing environment.

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

The Comparator Group was used as the comparator group in respect of the total shareholder return ("TSR") performance condition for awards granted in 2010 under the Hikma Pharmaceuticals PLC 2005 Long-Term Incentive Plan ("LTIP") and will also be used in respect of the TSR condition for the 2011 LTIP Awards. The Company has historically used the same comparators for both benchmarking remuneration and the TSR performance condition aspect of awards granted during the relevant year, and will continue to do so in 2011. Awards made under the LTIP in 2010 also have financial performance criteria (details of which are set out on pages 60 to 61 of this report) in addition to the TSR criterion. The Committee intends to continue this practice in respect of future grants.

Ongoing review

The Remuneration Committee continues to review the remuneration policy on an annual basis to ensure it remains appropriate. This includes reviewing overall remuneration practices to ensure that they achieve the strategic aims of the Group and to confirm and ensure that, after taking account of all employment conditions, the remuneration of all employees, management and directors remains aligned. In this way the policy for remuneration of executive directors is examined within the context of employment and remuneration policies across the Group. In particular the Company has focused on increasing share ownership throughout the Group with wide access at management level to the Management Incentive Plan.

REMUNERATION COMMITTEE REPORT

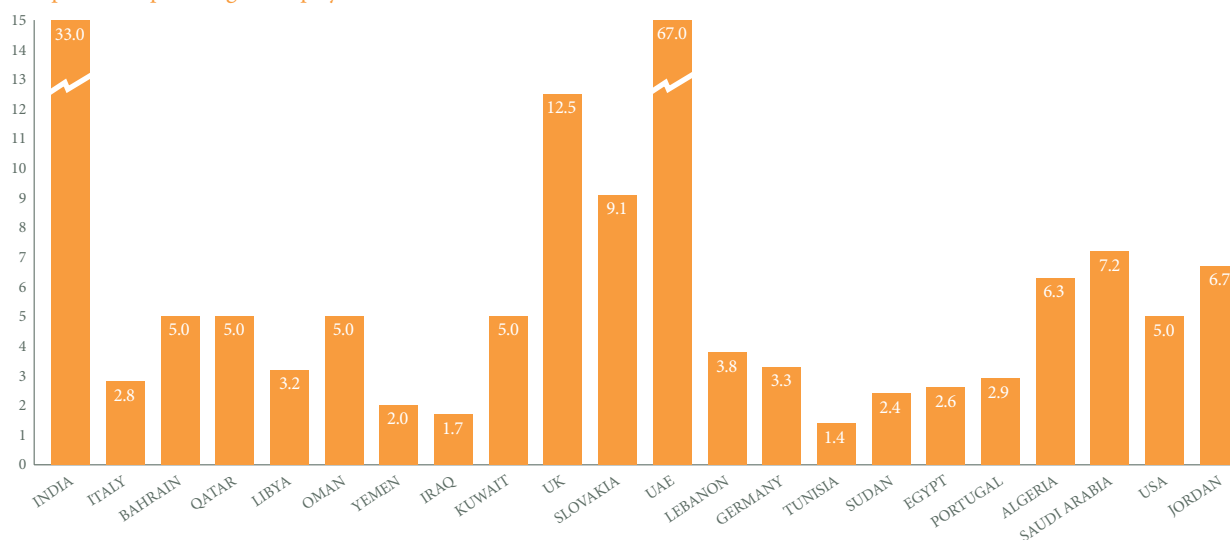
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Factors taken into account by the Remuneration Committee include:

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

The Remuneration Committee has oversight of the main reward structures throughout the Group. In addition, in respect of the Committee's specific review for executive directors, the Committee is satisfied that the Group's incentive structures are consistent with the risk profile of the Company set by the Board and also encourage a long-term sustainable view to be taken by participants. One of the features of the Group's remuneration which the Committee believes is particularly relevant in this context is the availability of plans encouraging wide share ownership at all levels of management.

The Management Incentive Plan is used to incentivise management below the most senior level and provide share ownership. Approximately 300 employees are eligible to participate in the plan. Participants come from all levels of management (excluding those who participate in the Long Term Incentive Plan) and are based in many of the Group's geographical areas of operation, as the table below demonstrates.

Participation as a percentage of employees

It is the current intention of the Remuneration Committee to apply the 2010 policy in 2011.

2010 Balance between fixed and variable performance-based compensation

The chart below demonstrates the balance between the fixed and variable performance-based compensation for each Executive Director for the year ended 31 December 2010.

	Fixed compensation is calculated as:	Variable performance compensation is calculated as:
	Salary Benefits Pension contribution	Bonus Paid Fair market value of maximum potential LTIP award
Said Darwazah	26%	74%
Mazen Darwazah	26%	74%

Elements of Executive Directors' remuneration

Base salary

Policy 2010 and 2011 – 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.

When determining the base salary of the Executive Directors 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 Group.

The Remuneration Committee has access to information on the pay and conditions of other employees in the Group when determining the remuneration packages for Executive Directors. The Remuneration Committee actively considers the relationship between general changes to employees' pay and conditions and any proposed changes in the remuneration packages for Executive Directors to ensure it can be sufficiently robust in its determinations in light of the position of the Company as a whole.

The following tables summarises the base salary of Executive Directors:

Name	2010 Salary	2011 Salary	Rise	Median Rise in Comparator Group
<i>Said Darwazah</i>	\$630,000	\$630,000	0%	1%
Median		\$1,076,000		
Lower quartile		\$746,000		
<i>Mazen Darwazah</i>	\$420,000	\$420,000	0%	0%
Median		\$453,000		
Lower quartile		\$404,000		

After reviewing the above criteria, the Committee elected not to increase executive directors' salaries for 2011, which remain at the 2009 level. It remains the Committee's ongoing policy that, save in exceptional circumstances, only modest rises in base salary should be required.

Annual performance-related bonus

Policy 2010 and 2011 – Upper quartile bonus potential 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 2011 will remain the same as those applied for 2010.

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

Bonus	Said Darwazah	Mazen Darwazah
<i>Hikma Target Bonus Potential</i>	100%	100%
<i>Hikma Maximum Bonus Potential</i>	200%	200%
Upper quartile Comparator Group	200%	158%
Median Comparator Group	200%	118%
<i>Hikma 2010 Bonus Paid as % of Salary</i>	200%	200%

REMUNERATION COMMITTEE REPORT

Continued

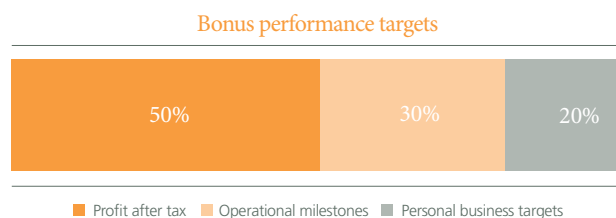
Bonus payments for the Executive Directors for 2010 have been awarded at the maximum level. The Committee assessed corporate performance during the year to be exceptional and therefore decided that it would be appropriate to reflect this in the performance-related remuneration for the executive directors reflecting their strong leadership in difficult trading circumstances. The Executive Directors' salaries are set at lower quartile levels, enabling the Committee to reflect outstanding performance in bonus payments whilst remaining within the overall policies set by the Group. See pages 56 to 57 for further information on the basis for the Committee's decision.

The bonuses for 2010 have been paid on the basis of the level of satisfaction of the performance targets. The table below shows the principal performance targets used for 2010 and their percentage satisfaction.

	Percentage of maximum bonus potential subject to target	Percentage satisfaction of bonus target	Percentage of salary payable
<i>Said Darwazah</i>			
Profit after tax	50%	100%	50%
Operational milestones	30%	100%	30%
Personal business targets	20%	100%	20%
<i>Total</i>			100%
<i>Mazen Darwazah</i>			
Profit after tax	50%	100%	50%
Operational milestones	30%	100%	30%
Personal business targets	20%	100%	20%
<i>Total</i>			100%

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 and in order to ensure that they continue to remain challenging. Underlying performance targets for Executive Directors' bonuses were reviewed during 2008 to ensure that they remained in line with the Group's overall business strategy. The Committee applied the same parameters in 2010 and it is the opinion of the Committee that the overall nature of the conditions remains appropriate for the requirements of the Group in 2011.

The 2011 bonus targets are set out below:



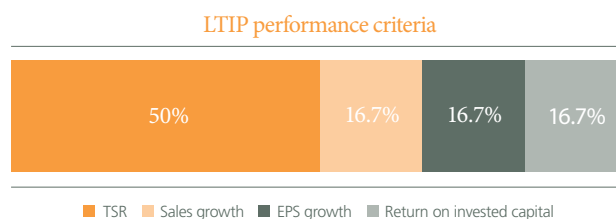
Share incentives

Policy 2010 and 2011 – Upper quartile The Remuneration Committee's policy is to provide annual share grants to senior executives at a maximum of the upper quartile level compared to the Comparator Group. Ongoing share incentives are provided to the Executive Directors solely through the Long-term Incentive Plan ("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.

During 2010 the Committee reviewed the performance criteria for the LTIP with the assistance of the remuneration adviser. The Committee decided that the performance criteria should be expanded to include financial metrics relating to sales growth, earnings per share growth and return on invested capital (see the table below). The Committee consulted the Company's major shareholders and the main shareholder representative bodies on the proposed change before it was implemented. The Committee is grateful for the time taken by shareholders on the consultation and welcomes the confirmation received that the majority were supportive of the approach.

The Committee considers that the financial metrics ensure that absolute performance is taken into account and more closely align the criteria with the Group's strategy. The advantages of Total Shareholder Return ("TSR"), particularly performance compared to peers, are retained as this criterion applies in respect of 50% of the award.

Performance criteria	Element of award	Minimum requirement	Maximum requirement
TSR (against comparator)	50%	Median	Upper quartile
Sales growth	16.7%	9%	13%
EPS growth	16.7%	15%	20%
Return on invested capital	16.7%	10%	12%



Where the minimum requirement is achieved, 20% of this element of the award vests and becomes exercisable. Where the maximum requirement is achieved all of this element of the award vests and becomes exercisable. Each criterion is independent of the other criteria.

Therefore, the proposed grant of awards with the attached performance conditions ensures that:

in respect of the element of the award measured against TSR¹, that the Company's comparative TSR performance against the Comparator Group is at least at the upper quartile before executives receive the full benefit of this element of their share incentives; and

in respect of the remainder of the award, that the underlying financial performance of the Group supports the comparative performance before executives receive their full award.

This structure demonstrates the Remuneration Committee's desire to correlate incentive arrangements with the achievement of substantial performance.

The Remuneration Committee granted the following awards to Executive Directors during 2010.

Name	Percentage of salary	UQ in CG percentage of salary
Said Darwazah	147.4%	343%
Mazen Darwazah	147.4%	213%

The following table summarises the main features of the LTIP in 2010 and its proposed operation during 2011.

Maximum annual grant face value² 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 (50% of the Award) and financial metrics relating to sales growth, EPS growth and return on invested capital (50% in aggregate). 20% of Awards will be released for achieving minimum performance with full release occurring for maximum performance, as detailed in the table, above. In relation to TSR the minimum requirement is median comparable performance and the maximum requirement is upper quartile 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
Maximum grants for 2011 face value as a percentage of salary	200%	200%

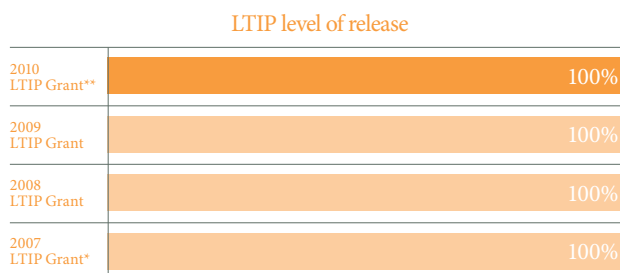
¹ Total Shareholder Return ("TSR") – is a measure showing the return on investing in one share of the Company over the performance period (the return is the value of the capital gain and reinvested dividends). It is normally used comparatively and the company which achieves the best return is ranked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

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.

REMUNERATION COMMITTEE REPORT

Continued

The following chart sets out the level of release of existing LTIP awards if the Company's performance measured as at 31 December 2010 continued until the end of the relevant performance period.



*2007 LTIP Grant has been released in full (see later section of the report).

**2010 LTIP Grant is based 50% on TSR performance and 50% on financial performance.

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 that time.

Basis of performance condition selection and measurement

Comparative TSR was selected as a 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 Committee believes that the financial metrics link the final award of the LTIPs more closely to the underlying financial performance of the Group. The combination of TSR performance and financial metrics allows comparable performance and absolute performance to be taken into account in equal measure. In respect of the 2008 and 2009 awards the Remuneration Committee will provide a full explanation and justification at the time of the release of each LTIP award as to why it believes that the underlying financial performance of the Company is consistent with the TSR performance. In respect of the awards made in 2010 and onwards, the Group performance will be taken into account by the financial metrics.

The Remuneration Committee determines whether the performance conditions for share awards are satisfied. The Committee has appointed PricewaterhouseCoopers LLP to assist in the ongoing calculation of TSR and newly introduced financial metrics in accordance with the rules of the LTIP. The Committee will review and, if appropriate, 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 10 year period to employees under all its share plans and a maximum of 5% of this 10% for discretionary share plans.

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

Type of plan	Share awards as a percentage of issued share capital as at 31 December 2010 in a rolling 10 year period	Share awards as a percentage of issued share capital as at 31 December 2010 granted during the year
All Employee Share Plans (10% limit)	0%	0%
Discretionary Share Plans (5% limit)	2.36%	0.62%

The Company has not implemented any all-employee share incentive arrangements.

It is the Company's current intention that LTIP awards granted in 2010 will be satisfied by newly issued shares.

Post-employment benefits

Policy 2010 and 2011 – 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 10 years of employment.

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

	Said Darwazah	Mazen Darwazah
<i>Company</i>	1.35%	1.86%
Median CG	35%	22%

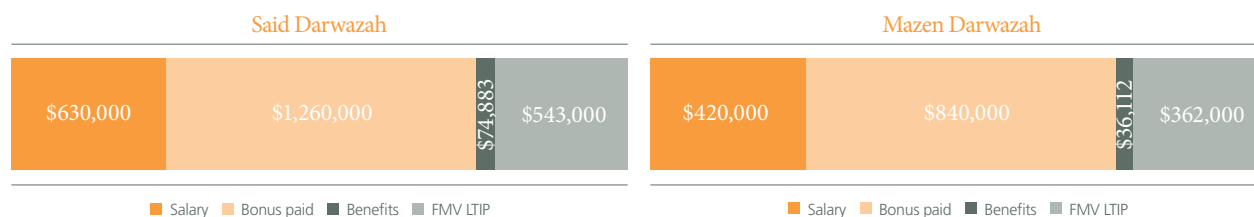
In addition, pursuant to applicable law, each of the Executive Directors receives contributions as a percentage of salary which is paid by the Group into government social security systems.

Benefits in kind

Policy 2010 and 2011 – 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 2010 and 2011 – Median to upper quartile depending on performance The following charts show the value of each of the main elements of the remuneration package provided to the Executive Directors during the year ended 31 December 2010.

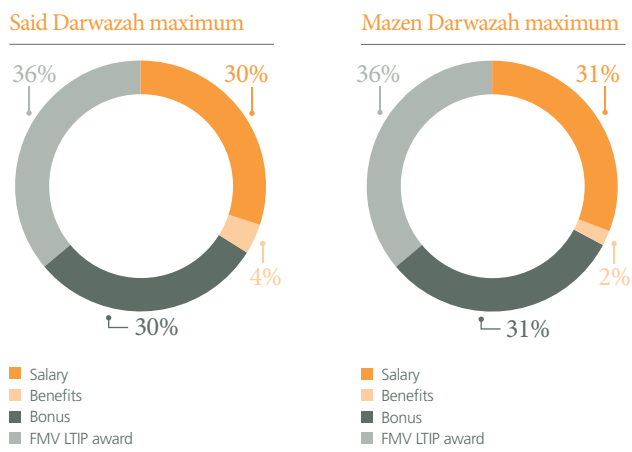


Name	Salary	Bonus paid	Benefits	Total payments	FMV LTIP	Total actual and FMV	Total on target in 2010 CG at median
<i>Said Darwazah</i>	\$630,000	\$1,260,000	\$74,883	\$1,964,883	\$543,000	\$2,507,883	\$5,028,000
<i>Mazen Darwazah</i>	\$420,000	\$840,000	\$36,112	\$1,296,112	\$362,000	\$1,658,112	\$1,288,000

REMUNERATION COMMITTEE REPORT

*Continued**Potential compensation for 2011: Policy – Median to Upper Quartile depending on performance*

The following charts illustrate the maximum 2011 level of salary, benefits, bonus and LTIP award as a proportion of total compensation:

**Other remuneration matters***Directors' shareholding policy*

The Company does not have a formal Directors' 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.

Management Incentive Plan ("MIP")

Under the MIP, the Company makes grants of conditional awards to executive management across the Group based on the satisfaction of annual performance targets. The key features of the MIP are as follows:

the MIP is open to management level employees across the Group below senior executive level;

participation in the LTIP will preclude participation in the MIP;

participants will be notified of a maximum monetary entitlement (the maximum award level is anticipated to be 50% of salary per annum) the value of which will be awarded to participants in the form of conditional awards over shares, based on annual performance against individual and Group KPIs;

nil cost options will vest two years after the date of award (being approximately three years after the commencement of the financial year to which the award relates), subject to the participant remaining in employment with the Group during this period. Once the options have been awarded, the continued employment requirement is the only condition for vesting.

At the AGM held on 13 May 2010 the Company obtained approval from shareholders to satisfy awards under the MIP from newly issued shares.

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, which have not changed during the year, 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.

External appointments

The Committee recognises that Executive Directors may be invited to take up non-executive directorships or public sector and not-for-profit appointments, and that these can broaden the experience and knowledge of the Director, from which the Company can benefit. Executive Directors may therefore accept such 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\$10,000 and US\$10,000 respectively, in respect of such appointments.

Non-Executive Directors' Fees

Policy 2010 – 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 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 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.

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

Name	2010	2011			2011
	Total fee £000	Basic fee £000	Chairmanship fee £000	Committee fee £000	Total fee £000
Samih Darwazah	157.5	157.5	–	–	157.5
Michael Ashton	78.0	67.0	7.5	7.5	82.0
Ali Al-Husry	63.0	67.0	–	–	67.0
Breffni Byrne	85.5	67.0	15.0	7.5	89.5
Ronald Goode	72.4	67.0	7.5	7.5	82.0
Sir David Rowe-Ham	78.0	67.0	7.5	7.5	82.0

During 2009 the Board commissioned PricewaterhouseCoopers LLP to conduct a study of non-executive remuneration against the Comparator Group. This showed that, in relation to the overall NED fee policy set by the Group, Hikma's NED fees remained out of step with those of the Comparator Group. Following the review it was resolved by the Board that the composition of the NED fees should be updated to reflect not only the work undertaken as a chairman of a Board committee, but also as a member of Board committees. Therefore, a Board committee membership fee is paid in addition to the basic fee to those NEDs who sit on the board committees in 2010. The Board also resolved that from 1 January 2011, the basic fees of Non-Executive Directors should be increased to the amounts set out above. There has been no change in the fees of the Non-Executive Chairman. The increases continue to move non-executive fees back towards the Group's stated policy, though overall non-executive fees remain below the level set by Group policy. The Board continues to believe that it is important to ensure that the fees paid to non-executives remain competitive, that they reflect the increasingly important role played by non-executives and allow the Nomination Committee to recruit Non-Executive Directors of the appropriate calibre in accordance with the requirements of succession planning. A further external review of non-executive fees will be conducted in 2011.

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 month's 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.

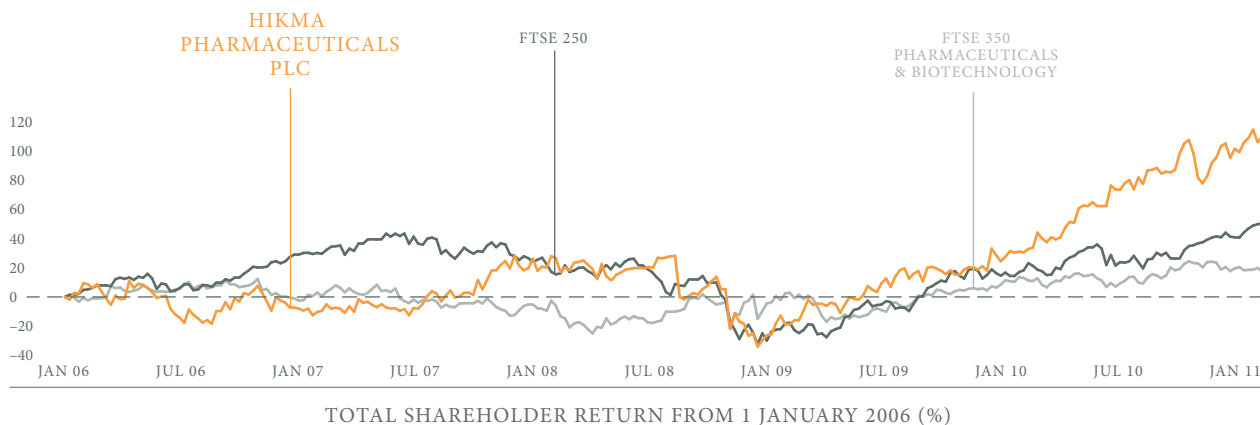
REMUNERATION COMMITTEE REPORT

Continued

Name	Date of original appointment	Notice payment
Samih Darwazah	17 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 FTSE 250 Index and the FTSE 350 Pharmaceuticals & Biotechnology Index from 1 January 2006 to 31 January 2011. The FTSE 250 and 350 Indices have been selected to provide a broader comparator of the Company's performance.

**Audited information***Aggregate Directors' remuneration for 2010 and 2009*

The total amounts for Directors' remuneration were as follows:

	2010 US\$	2009 US\$
Emoluments	4,083,095	2,739,389
Compensation for loss of office	-	-
Gains on exercise of share options	1,248,654	4,644,835
Amounts receivable under long-term incentive schemes	-	-
Money purchase pension contributions	-	-
<i>Total</i>	<i>5,331,749</i>	<i>7,384,224</i>

Directors' emoluments and compensation

Director	Fees/Basic salary US\$	Other benefits ¹	Annual bonuses US\$	2010	2009
				Total US\$	Total US\$
<i>Executives</i>					
Said Darwazah	630,000	74,883	1,260,000	1,964,883	1,182,845
Mazen Darwazah	420,000	36,112	840,000	1,296,112	796,968
<i>Non-Executives</i>					
Samih Darwazah	243,538	–	–	243,538	245,693
Ali Al-Husry	96,752	–	–	96,752	93,431
Michael Ashton	119,725	–	–	119,725	105,113
Breffni Byrne	131,247	–	–	131,247	116,795
Ronald Goode ²	111,113	–	–	111,113	93,431
Sir David Rowe-Ham	119,725	–	–	119,725	105,113
<i>Aggregate emoluments</i>	1,872,100	110,995	2,100,000	4,083,095	2,739,389

¹ Other Benefits include provision of health insurance, company car and medical expenses.

² Dr Ronald Goode became Chairman of the Compliance, Responsibility and Ethics Committee in August 2010 and received the chairmanship fee of £7,500 per annum pro rated for one quarter.

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	2010 US\$	2009 US\$
Said Darwazah	8,505	8,505
Mazen Darwazah	7,818	7,818

Directors' interests in shares

The table below details the Directors' holdings in the share capital of the Company, including the changes between 31 December 2010 and the date of this document.

Director	Ordinary Shares of 10 pence		
	1 January 2010	31 December 2010	15 March 2011
Samih Darwazah	2,515,450	2,331,746	2,331,746
Said Darwazah	413,445	213,445	213,445
Mazen Darwazah	986,591	695,225	695,225
Michael Ashton	18,566	18,566	18,566
Ali Al-Husry	1,109,748	1,109,748	1,109,748
Breffni Byrne	10,000	10,000	10,000
Ronald Goode	9,000	12,700	12,700
Sir David Rowe-Ham	10,000	10,000	10,000
<i>Total shares</i>	5,072,800	4,401,430	4,401,430

Each of Samih Darwazah, Said Darwazah, Mazen Darwazah and Ali Al-Husry are directors of Darhold Limited, which is therefore a connected person of these individuals for the purposes of the Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority. Samih Darwazah, Said Darwazah, Mazen Darwazah and Ali Al-Husry are also shareholders of Darhold Limited. At the date of this document, Darhold Limited held 57,183,028 Ordinary Shares of the Company.

REMUNERATION COMMITTEE REPORT

Continued

Directors' share options

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

On 4 November 2010, the Chief Executive Officer, Said Darwazah exercised a nil-cost option over 100,000 Ordinary Shares in the Company granted under the 2005 Long Term Incentive Plan, retaining all of the shares so exercised. The share price at the point of exercise was £7.77p, the exchange rate was \$1.61:£1 and, therefore, the value of this holding at that point was approximately \$1,249,000. 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

None of the Directors had any share options outstanding under this scheme at the beginning of or during the year under review and no further options will be granted under this plan. 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 shares on the London Stock Exchange.

Hikma Pharmaceuticals PLC 2005 Long Term Incentive Plan (LTIP)

In respect of each of the Executive Directors, the aggregate number of shares under option outstanding at the year-end was:

Director	Number of LTIP shares	
	As at 31 December 2010	As at 31 December 2009
Said Darwazah	320,000	315,000
Mazen Darwazah	249,000	179,000

The aggregate options detailed above relate to the following unexercised options over Ordinary Shares as at 31 December 2010:

Director	Number of LTIP shares	Price paid for award	Exercise price	Date of award	Initial date of vesting	Date of expiry
Said Darwazah	90,000	–	Nil	29 April 2008	29 April 2011	29 April 2018
	125,000	–	Nil	19 May 2009	19 May 2012	19 May 2019
	105,000	–	Nil	2 November 2010	2 November 2013	2 November 2020
Mazen Darwazah	50,000	–	Nil	10 September 2007	10 September 2010	10 September 2017
	54,000	–	Nil	29 April 2008	29 April 2011	29 April 2018
	75,000	–	Nil	19 May 2009	19 May 2012	19 May 2019
	70,000	–	Nil	2 November 2010	2 November 2013	2 November 2020

The closing market price for the Ordinary Shares on 31 December 2010 was 811.5 pence. During the period from 1 January 2010 to the year end the closing price for the Company's shares ranged from a low of 514.0 pence to a high of 829.5 pence.

Audit

The emoluments and Directors' interests' information disclosed in the Directors' report on remuneration, which is required by Schedule 8 of the Regulations and the Companies Act 2006 (as amended), has been audited.

Approved by the Board of Directors on 15 March 2011 and signed on its behalf by

Michael Ashton
Chairman of the Remuneration Committee

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 the International Financial Reporting Standards as adopted by the EU (IFRS) and have also elected to prepare financial statements for the Company in accordance with the IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 2006 and Article 4 of the International Accounting Standard (IAS) Regulations.

IAS 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 condition 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 IFRS. 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 IFRS 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 2006.

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

We confirm to the best of our knowledge:

the financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

the business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Said Darwazah
Chief Executive Officer

Mazen Darwazah
Executive Vice Chairman, CEO MENA

15 March 2011





Section Five
FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIKMA PHARMACEUTICALS PLC

We have audited the financial statements of Hikma Pharmaceuticals PLC for the year ended 31 December 2010 which comprise the Consolidated statement of comprehensive income, the Consolidated and the Company balance sheet, the Consolidated and the Company statement of changes in equity, the Consolidated and Company cash flow Statement, and the related Notes 1 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;

the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

certain disclosures of Directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

the Directors' statement, contained within the Directors' Report, in relation to going concern;

the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and

certain elements of the report to shareholders by the Board on Directors' remuneration.

Edward Hanson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

15 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$000	2009 \$000
<i>Continuing operations</i>			
Revenue	4	730,936	636,884
Cost of sales	4	(373,592)	(332,459)
Gross profit	4	357,344	304,425
Sales and marketing costs		(106,673)	(98,083)
General and administrative expenses		(84,755)	(66,677)
Research and development costs		(23,608)	(16,843)
Other operating expenses (net)	8	(7,213)	(15,529)
Total operating expenses		(222,249)	(197,132)
Adjusted operating profit		143,025	114,742
<i>Exceptional items:</i>			
– Acquisition related expenses	5	(7,705)	–
– Gains on revaluation of previously held equity interests	5	7,176	–
Intangible amortisation*	5	(7,401)	(7,449)
Operating profit	4	135,095	107,293
Finance income	9	346	514
Finance expense	10	(13,856)	(12,827)
Other expense (net)		(603)	(193)
Profit before tax		120,982	94,787
Tax	11	(21,455)	(15,469)
Profit for the year	6	99,527	79,318
Attributable to:			
Non-controlling interests	32	678	1,635
Equity holders of the Parent		98,849	77,683
		99,527	79,318
<i>Earnings per share (cents)</i>			
Basic	13	51.4	40.9
Diluted	13	50.2	40.1
Adjusted basic	13	53.6	44.1
Adjusted diluted	13	52.4	43.2
Cumulative effect of change in fair value of available for sale investments		75	2
Cumulative effect of change in fair value of financial derivatives		(256)	(202)
Exchange difference on translation of foreign operations		(19,532)	1,364
Total comprehensive income before tax relating to components of other comprehensive income		79,814	80,482
Total comprehensive income for the year		79,814	80,482
Attributable to:			
Non-controlling interests		(1,023)	1,586
Equity holders of the Parent		80,837	78,896
		79,814	80,482

* Intangible amortisation comprises the amortisation on intangible assets other than software.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2010

	Note	2010 \$000	2009 \$000
NON-CURRENT ASSETS			
Intangible assets	14	269,120	255,696
Property, plant and equipment	15	317,463	283,371
Interest in joint venture	16	–	5,451
Deferred tax assets	17	23,288	18,793
Available for sale investments	18	477	542
Financial and other non-current assets	19	11,357	2,270
		621,705	566,123
CURRENT ASSETS			
Inventories	20	182,192	160,509
Trade and other receivables	21	228,703	226,841
Collateralised cash	22	3,573	2,334
Cash and cash equivalents	23	62,718	65,663
Other current assets		929	1,251
		478,115	456,598
<i>Total assets</i>		1,099,820	1,022,721
CURRENT LIABILITIES			
Bank overdrafts and loans	24	81,015	60,317
Obligations under finance leases	28	2,251	1,826
Trade and other payables	25	127,555	107,618
Income tax provision		12,621	14,857
Other provisions	26	8,641	6,153
Other current liabilities		20,540	13,671
		252,623	204,442
<i>Net current assets</i>		225,492	252,156
NON-CURRENT LIABILITIES			
Long-term financial debts	27	78,040	116,119
Deferred income		335	494
Obligations under finance leases	28	6,118	6,675
Deferred tax liabilities	17	12,404	11,734
		96,897	135,022
<i>Total liabilities</i>		349,520	339,464
<i>Net assets</i>		750,300	683,257

CONSOLIDATED BALANCE SHEET *Continued*
AT 31 DECEMBER 2010

	Note	2010 \$000	2009 \$000
EQUITY			
Share capital	31	34,525	34,236
Share premium		275,968	272,785
Own shares	33	(2,220)	(2,203)
Other reserves		435,649	371,067
<i>Equity attributable to equity holders of the Parent</i>		743,922	675,885
Non-controlling interests	32	6,378	7,372
<i>Total equity</i>		750,300	683,257

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah
Director

Mazen Darwazah
Director

15 March 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Merger reserve \$000	Revaluation reserves \$000	Translation reserves \$000	Retained earnings \$000	Total reserves \$000	Share capital \$000	Share premium \$000	Own shares \$000	Total equity attributable to equity shareholders of parent \$000	Non- controlling interests \$000	Total equity \$000
<i>Balance at 1 January 2009</i>	33,920	4,447	4,338	257,798	300,503	33,857	269,973	(1,124)	603,209	5,786	608,995
Profit for the year	-	-	-	77,683	77,683	-	-	-	77,683	1,635	79,318
Cumulative effect of change in fair value of available for sale investments	-	-	-	2	2	-	-	-	2	-	2
Cumulative effect of change in fair value of financial derivatives	-	-	-	(202)	(202)	-	-	-	(202)	-	(202)
Realisation of revaluation reserve	-	(181)	-	181	-	-	-	-	-	-	-
Currency translation gain/(loss)	-	-	1,413	-	1,413	-	-	-	1,413	(49)	1,364
<i>Total comprehensive income for the year</i>	-	(181)	1,413	77,664	78,896	-	-	-	78,896	1,586	80,482
Issue of equity shares	-	-	-	-	-	379	2,812	-	3,191	-	3,191
Acquisition of own shares	-	-	-	-	-	-	-	(1,079)	(1,079)	-	(1,079)
Cost of equity-settled employee share scheme	-	-	-	4,616	4,616	-	-	-	4,616	-	4,616
Current and deferred tax arising on share-based payments	-	-	-	3,170	3,170	-	-	-	3,170	-	3,170
Dividends on Ordinary Shares (Note 12)	-	-	-	(16,118)	(16,118)	-	-	-	(16,118)	-	(16,118)
<i>Balance at 31 December 2009 and 1 January 2010</i>	33,920	4,266	5,751	327,130	371,067	34,236	272,785	(2,203)	675,885	7,372	683,257
Profit for the year	-	-	-	98,849	98,849	-	-	-	98,849	678	99,527
Cumulative effect of change in fair value of available for sale investments	-	-	-	75	75	-	-	-	75	-	75
Cumulative effect of change in fair value of financial derivatives	-	-	-	(256)	(256)	-	-	-	(256)	-	(256)
Realisation of revaluation reserve	-	(181)	-	181	-	-	-	-	-	-	-
Currency translation loss	-	-	(17,831)	-	(17,831)	-	-	-	(17,831)	(1,701)	(19,532)
<i>Total comprehensive income for the year</i>	-	(181)	(17,831)	98,849	80,837	-	-	-	80,837	(1,023)	79,814
Issue of equity shares	-	-	-	-	-	289	3,183	-	3,472	-	3,472
Issue of own shares	-	-	-	-	-	-	-	(107)	(107)	-	(107)
Cost of equity-settled employee share scheme	-	-	-	4,473	4,473	-	-	-	4,473	-	4,473
Exercise of employees long-term incentive plan	-	-	-	(90)	(90)	-	-	90	-	-	-
Current and deferred tax arising on share-based payments	-	-	-	2,435	2,435	-	-	-	2,435	-	2,435
Dividends on ordinary shares (Note 12)	-	-	-	(23,073)	(23,073)	-	-	-	(23,073)	-	(23,073)
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	29	29
<i>Balance at 31 December 2010</i>	33,920	4,085	(12,080)	409,724	435,649	34,525	275,968	(2,220)	743,922	6,378	750,300

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$000	2009 \$000
<i>Net cash from operating activities</i>	34	144,835	118,979
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(49,121)	(35,170)
Proceeds from disposal of property, plant and equipment		1,556	1,080
Purchase of intangible assets		(4,074)	(5,213)
Proceeds from disposal of intangible assets		566	1,316
Investment in joint venture		–	2
Investment in financial and other non-current assets		(10,800)	(193)
Proceeds from disposal of available for sale investments		140	–
Acquisition of subsidiary undertakings net of cash acquired		(23,000)	–
Finance income		346	514
<i>Net cash used in investing activities</i>		(84,387)	(37,664)
FINANCING ACTIVITIES			
Increase in collateralised cash		(1,140)	(1,515)
Increase in long-term financial debts		19,045	39,275
Repayment of long-term financial debts		(59,177)	(33,570)
Increase/(decrease) in short-term borrowings		14,147	(56,983)
(Decrease)/increase in obligations under finance leases		(616)	1,784
Dividends paid		(23,073)	(16,118)
Purchase of own shares		–	(1,079)
Interest paid		(13,754)	(13,461)
Proceeds from issue of new shares		3,365	3,191
<i>Net cash used in financing activities</i>		(61,203)	(78,476)
<i>Net (decrease)/increase in cash and cash equivalents</i>		(755)	2,839
<i>Cash and cash equivalents at beginning of year</i>		65,663	62,727
Foreign exchange translation movements		(2,190)	97
<i>Cash and cash equivalents at end of year</i>		62,718	65,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised Standards and Interpretations have been adopted in the current year. With exception to IFRS 3 (2008) Business Combination and IAS 27 (2008) Consolidated and Separate Financial Statements (see Note 2), their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 3(2008) <i>Business Combinations</i> ; IAS 27(2008) <i>Consolidated and Separate Financial Statements</i> ; IAS 28(2008) <i>Investments in Associates</i>	These standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate. IFRS 3 (2008) has also introduced additional disclosure requirements for acquisitions.
Amendment to IFRS 2 <i>Share-based Payment</i>	IFRS 2 has been amended, following the issue of IFRS 3 (2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2.
Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	<i>Financial Instruments</i>
ISA 24 (amended)	<i>Related Party Disclosures</i>
IAS 32 (amended)	<i>Classification of Rights Issues</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
IFRIC 14 (amended)	<i>Prepayments of a Minimum Funding Requirements</i>
Improvements to IFRSs (May 2010)	

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES

General Information

Hikma Pharmaceuticals PLC is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 128.

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.

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 (USD).

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the set of financial statements as applied in the Group's latest annual audited financial statements, except as described below.

In the current financial year, the Group has adopted International Financial Reporting Standard 3 "Business Combinations" (revised 2008) and International Accounting Standard 27 "Consolidated and Separate Financial Statements" (revised 2008).

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Changes in accounting policy continued

The most significant changes to the Group's previous accounting policies for business combinations are as follows:

Acquisition related costs which previously would have been included in the cost of a business combination are included in the unallocated corporate expenses as they are incurred;
Any previously held equity interest in the entity acquired is remeasured to fair value at the date of obtaining control, with any resulting gain or loss recognised as a profit or loss;
Any changes in the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity, with no adjustment to goodwill; and
Any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised as a profit or loss. Previously, such changes resulted in an adjustment to goodwill.

The revised standards have been applied to the acquisition of Société D'Industries Pharmaceutiques Ibn Al Baytar S.A. (Ibn Al Baytar) and Al Dar al Arabia as described in Note 39. The result has been a total gain of USD 7,176,000 due to the remeasurement to fair value of the previously held equity interests and transaction costs totalling of USD 2,306,000 which have been expensed to general and administrative expenses. Both the gain and the transaction costs have been classified as exceptional items as described in Note 5.

Any adjustments to contingent consideration for acquisitions made prior to 1 January 2010 which result in an adjustment to goodwill continue to be accounted for under IFRS 3 (2004) and IAS 27 (2005). There have been no such adjustments into the year ended 31 December 2010.

Exceptional items are defined as those that are material in nature or amount and are non-recurring.

These items are disclosed separately in the consolidated statement of comprehensive income to assist in the understanding of the financial performance of the Group.

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 ability 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. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The non-controlling interest is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling 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 statement of comprehensive income 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.

Business combinations

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 statement of comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*2. SIGNIFICANT ACCOUNTING POLICIES *Continued***Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements (see page 53).

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).

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 in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

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-licensed products are assigned indefinite useful lives which are reviewed for impairment at least annually; and
- (ii) Under-licence agreements and product dossiers are amortised over their useful lives in the year of acquisition.

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

(f) **In process research and development recognised on acquisition** is amortised over the useful life in the year of acquisition.

(g) **Trade name** some trade names are assigned indefinite useful lives and others have finite useful lives over which they are amortised where applicable, in the period from acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 presentational currency of 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 statement of comprehensive income 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, provisions for chargebacks 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*2. SIGNIFICANT ACCOUNTING POLICIES *Continued***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 statement of comprehensive income over the expected useful lives of the assets concerned.

Research and development

Research and development expenses are fully charged to the statement of comprehensive income, 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 statement of comprehensive income 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.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Tax *Continued*

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 statement of comprehensive income, 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 offset 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 fair value of the equity-settled stock options scheme is determined using a binomial model. The fair value of the long-term incentive plan 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 36). 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.

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 award 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*2. SIGNIFICANT ACCOUNTING POLICIES *Continued***Property, plant and equipment**

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

Buildings	2% to 4%
Vehicles	10% to 20%
Machinery	5% to 33%
Fixtures and equipment	6% to 33%

A units of production method of depreciation is applied to operations in their start up phase such as the lyophilised manufacturing plant in Portugal as this reflect the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised a straight-line method of depreciation is applied.

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 statement of comprehensive income. 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 statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated 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 statement of comprehensive income. Net realisable value represents the estimated selling price in the ordinary course of business, less 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 re-measured at subsequent reporting dates to fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedging derivatives are classified on inception as fair value hedges, cash flow hedges or net investment hedges. Changes in the fair value of derivatives designated as fair value hedges are recorded in the statement of comprehensive income, 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 statement of comprehensive income 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 statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Financial instruments *Continued*

Investments Available for sale investments with quoted market prices are initially recognised at cost on acquisition and re-measured to their fair values at year-end. Gains or losses on re-measurement 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 statement of comprehensive income. 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 statement of comprehensive income.

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. 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 accrual basis 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued***3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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.

Chargebacks

(see details above)

Revenue recognition

The Group's revenue recognition policies require management to make a number of estimates, with the most significant relating to chargebacks, product returns, rebates and price adjustments which vary by product arrangements and buying groups.

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 critical areas of judgement in relation to goodwill and intangible assets are the useful economic lives of the product-related intangibles, the growth rates used in the impairment tests for goodwill and the discount rates used to determine net present values.

Contingent liabilities

The Group is involved in various legal proceedings considered typical to its business relating to employment, product liability and other commercial disputes. Often this litigation is subject to substantial uncertainties, and therefore the probability of a loss, if any, being sustained or an estimate of the amount of any loss, is difficult to ascertain. Consequently, it is often not practicable to make a reasonable estimate of the possible financial effect, if any, that could arise from the ultimate resolution of legal proceedings. In such cases, where the Group believes that disclosure is required, information regarding the nature and facts of the case is disclosed. For current matters see Note 35. Although there can be no assurance regarding the outcome of the disclosed legal proceeding, based on management's current and considered view, the Group does not expect it to have a materially adverse effect on our financial position. This position could change over time.

4. SEGMENTAL REPORTING

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

The Group discloses underlying operating profit as the measure of segment result as this is the measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below.

The following is an analysis of the Group's revenue and results by reportable segment in 2010:

Year ended 31 December 2010	Branded \$000	Injectables \$000	Generic \$000	Others \$000	Group \$000
Revenue	394,166	157,439	174,491	4,840	730,936
Cost of sales	(190,733)	(86,437)	(92,710)	(3,712)	(373,592)
Gross profit	203,433	71,002	81,781	1,128	357,344
Adjusted segment result	96,230	26,224	51,258	(2,889)	170,823
Exceptional items:					
– Gains on revaluation of previously held equity interests	7,176	–	–	–	7,176
Intangible amortisation*	(4,732)	(2,500)	(169)	–	(7,401)
Segment result	98,674	23,724	51,089	(2,889)	170,598
Adjusted unallocated corporate expenses					(27,798)
Exceptional items:					
– Acquisition related expenses					(7,705)
Unallocated corporate expenses					(35,503)
Operating profit					135,095
Finance income					346
Finance expense					(13,856)
Other expense (net)					(603)
Profit before tax					120,982
Tax					(21,455)
Profit for the year					99,527
Attributable to:					
Non-controlling interest					678
Equity holders of the Parent					98,849
					99,527

* Intangible amortisation comprises the amortisation on intangible assets other than software.

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd Jordan.

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations, travel expenses and acquisition related expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*4. SEGMENTAL REPORTING *Continued*

Segment assets and liabilities 2010	Branded \$000	Injectables \$000	Generic \$000	Corporate and others \$000	Group \$000
Additions to property, plant and equipment (cost)	32,747	7,428	6,798	2,125	49,098
Acquisition of subsidiary's property, plant and equipment (net book value)	24,437	–	–	–	24,437
Additions to intangible assets	2,147	1,902	5	20	4,074
Intangible assets arising on acquisition (net book value)	28,066	–	–	–	28,066
Total property, plant and equipment and intangible assets (net book value)	397,301	146,818	32,682	9,782	586,583
Depreciation	16,032	5,517	6,373	1,169	29,091
Amortisation (including software)	6,044	2,848	365	85	9,342
<i>Balance sheet</i>					
Segment assets	748,353	184,039	141,599	25,829	1,099,820
Segment liabilities	232,855	77,217	18,551	20,897	349,520

The following is an analysis of the Group's revenue and results by reportable segment in 2009:

Year ended 31 December 2009	Branded \$000	Injectables \$000	Generic \$000	Others \$000	Group \$000
Revenue	352,674	144,069	135,060	5,081	636,884
Cost of sales	(165,066)	(81,162)	(82,524)	(3,707)	(332,459)
Gross profit	187,608	62,907	52,536	1,374	304,425
Adjusted segment result	96,029	17,859	25,360	(2,345)	136,903
Intangible amortisation*	(4,580)	(2,526)	(343)	–	(7,449)
Segment result	91,449	15,333	25,017	(2,345)	129,454
Unallocated corporate expenses					(22,161)
Operating profit					107,293
Finance income					514
Finance expense					(12,827)
Other expense (net)					(193)
Profit before tax					94,787
Tax					(15,469)
Profit for the year					79,318
Attributable to:					
Non-controlling interest					1,635
Equity holders of the Parent					77,683
					79,318

* Intangible amortisation comprises the amortisation on intangible assets other than software.

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd Jordan.

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations, travel expenses and acquisition related expenses.

4. SEGMENTAL REPORTING *Continued*

Segment assets and liabilities 2009	Branded \$000	Injectables \$000	Generic \$000	Corporate and others \$000	Group \$000
Additions to property, plant and equipment (cost)	23,827	9,594	2,925	609	36,955
Additions to intangible assets	1,889	2,591	709	24	5,213
Total property, plant and equipment and intangible assets (net book value)	341,548	157,938	30,815	8,766	539,067
Depreciation	14,715	4,730	4,567	1,187	25,199
Amortisation (including software)	5,509	2,956	434	50	8,949
<i>Balance sheet</i>					
Segment assets	679,112	204,220	119,093	20,296	1,022,721
Segment liabilities	203,750	91,104	30,567	14,043	339,464

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 year ended 31 December	
	2010 \$000	2009 \$000
Middle East and North Africa	446,524	404,689
United States	204,389	152,406
Europe and Rest of the World	79,133	78,981
United Kingdom	890	808
	730,936	636,884

The top selling markets are USA, Saudi Arabia and Algeria with total sales of USD 204.4 million (2009: USD 152.4 million), USD 118.5 million (2009: USD 107.2 million) and USD 88.8 million (2009: USD 74.5 million), respectively.

Included in the Group's total sales are sales of approximately USD 99.4 million (2009: USD 92.8 million) which arose from sales to the Group's largest client in Saudi Arabia.

The following is an analysis of the total non-current assets excluding deferred tax assets and an analysis of total assets by the geographical area in which the assets are located:

	Total non-current assets excluding deferred tax assets as at 31 December		Total assets as at 31 December	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Middle East and North Africa	417,553	357,945	766,822	690,170
Europe	146,844	157,938	185,945	205,758
United States	33,589	30,944	141,598	119,093
United Kingdom	431	503	5,455	7,700
	598,417	547,330	1,099,820	1,022,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

5. EXCEPTIONAL ITEMS AND INTANGIBLE AMORTISATION

Exceptional items are disclosed separately in the statement of comprehensive income to assist in the understanding of the Group's underlying performance.

	For the years ended 31 December	
	2010 \$000	2009 \$000
Acquisition related expenses	(7,705)	–
Gains on revaluation of previously held equity interests	7,176	–
<i>Exceptional items</i>	(529)	–
Intangible amortisation*	(7,401)	(7,449)
<i>Exceptional items and intangible amortisation</i>	(7,930)	(7,449)
Tax effect	3,666	1,531
<i>Impact on profit for the year</i>	(4,264)	(5,918)

*Intangible amortisation comprises the amortisation on intangible assets other than software.

Acquisition related expenses relate to transaction costs incurred in acquiring Ibn Al Baytar, Al Dar Al Arabia and the Baxter Multi-Source injectables business in the USA which is in the process of completion. These are included in the unallocated corporate expenses.

Gains on revaluation of previously held equity interests relate to gains arising from the remeasurement to fair value of the previously held equity interest in Ibn Al Baytar and Al Dar Al Arabia. These are included within other operating expenses (net). Further details are set out in Note 39 "Acquisition of subsidiaries".

6. PROFIT FOR THE YEAR

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

	For the years ended 31 December	
	2010 \$000	2009 \$000
Net foreign exchange losses	6,309	1,783
Research and development costs	23,608	16,843
Loss on disposal of property, plant and equipment	376	236
Depreciation of property, plant and equipment	29,091	25,199
Amortisation of intangible assets (including software)	9,342	8,949
Inventories:		
Cost of inventories recognised as an expense	247,774	213,558
Write-down of inventories	13,076	12,501
Staff costs (see Note 7)	168,957	156,274
Auditors' remuneration (see below)	5,014	1,302
Gains on revaluation of previously held equity interests (see Note 39)	(7,176)	–

6. PROFIT FOR THE YEAR *Continued*

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

	For the years ended 31 December	
	2010 \$000	2009 \$000
Audit of the Company's annual accounts	367	330
Audit of the Company's subsidiaries pursuant to legislation	619	624
Total audit fees	986	954
Audit related service*	115	119
Total audit and audit related fees	1,101	1,073
– Tax compliance services	128	103
– Tax advisory services	281	88
– Other services**	3,159	–
– Transaction due diligence services	345	38
Total non-audit fees	3,913	229
Total fees	5,014	1,302

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

** Other services relate to integration planning performed in the US in respect of the planned acquisition of the Baxter Multi-Source injectables business. Further details in respect of this service are on pages 50 to 51.

A description of the work of the audit committee is set out in the Audit Committee report on pages 49 to 51 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. STAFF COSTS

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

	For the years ended 31 December	
	2010 Number	2009 Number
Production	3,048	2,689
Selling and marketing	1,625	1,567
Research and development	186	141
General and administrative	537	483
	5,396	4,880

	For the years ended 31 December	
	2010 \$000	2009 \$000
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	121,027	110,779
Social security costs	10,122	9,278
Post employment benefits	2,433	2,187
End of service indemnity	2,756	2,982
Share-based payments	4,473	4,616
Car and housing allowance	12,651	12,075
Other costs and employee benefits	15,495	14,357
	168,957	156,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

8. OTHER OPERATING EXPENSES (NET)

	For the years ended 31 December	
	2010 \$000	2009 \$000
Other operating expense	(23,741)	(18,583)
Other operating income	16,528	3,054
	(7,213)	(15,529)

Other operating expenses consist mainly of provisions against slow moving inventory items, abnormal spoilage, and foreign exchange losses. Other operating income consists mainly of gains on revaluation of previously held equity interests of USD 7,176,000 (see Note 39), gain on sale of intangible assets, other product related income, and other income.

9. FINANCE INCOME

	For the years ended 31 December	
	2010 \$000	2009 \$000
Interest income	346	514

10. FINANCE EXPENSE

	For the years ended 31 December	
	2010 \$000	2009 \$000
Interest on bank overdrafts and loans	5,755	7,367
Interest on obligations under finance leases	206	197
Other bank charges	7,895	5,263
	13,856	12,827

11. TAX

	For the years ended 31 December	
	2010 \$000	2009 \$000
Current tax:		
UK current tax	–	560
Double tax relief	–	(560)
Foreign tax	27,037	19,988
Prior year adjustments	(691)	1,035
Deferred tax (Note 17)	(4,891)	(5,554)
	21,455	15,469

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit made in the UK for the year.

Effective tax rate for the Group is 17.74% (2009: 16.32%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

11. TAX *Continued*

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

	For the years ended 31 December	
	2010 \$000	2009 \$000
Profit before tax:	120,982	94,787
Tax at the UK corporation tax rate of 28% (2009: 28%)	33,875	26,540
Profits taxed at different rates	(15,184)	(15,776)
UK tax on dividend income	–	560
Double tax relief offset	–	(560)
Permanent differences	853	3,643
Temporary differences for which no benefit is recognised	2,602	27
Prior year adjustments	(691)	1,035
Tax expense for the year	21,455	15,469

12. DIVIDENDS

	2010	2009
	\$000	\$000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2009 of 6.5 cents (2008: 4.0 cents) per share	12,473	7,575
Interim dividend for the year ended 31 December 2010 of 5.5 cents (2009: 4.5 cents) per share	10,600	8,543
	23,073	16,118

The proposed final dividend for the year ended 31 December 2010 is 7.5 cents (2009: 6.5 cents) per share, bringing the total dividends for the year to 13.0 cents (2009: 11.0 cents) per share.

13. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to equity holders of the Parent by the weighted average number of Ordinary Shares. The number of Ordinary Shares used for the basic and diluted calculations are shown in the table below. Adjusted basic earnings per share and adjusted diluted earnings per share are intended to highlight the adjusted results of the Group before exceptional items and intangible amortisation. A reconciliation of the basic and adjusted earnings used is also set out below:

	For the years ended 31 December	
	2010 \$000	2009 \$000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	98,849	77,683
Exceptional items (see Note 5)	529	–
Intangible amortisation*	7,401	7,449
Tax effect of adjustments	(3,666)	(1,531)
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the Parent	103,113	83,601

*Intangible amortisation comprises the amortisation of intangible assets other than software.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*13. EARNINGS PER SHARE *Continued*

	For the years ended 31 December	
	2010 Number '000	2009 Number '000
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	192,304	189,757
Effect of dilutive potential Ordinary Shares:		
Share options	4,551	3,968
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	196,855	193,725
	2010 Earnings per share cents	2009 Earnings per share cents
Basic	51.4	40.9
Diluted	50.2	40.1
Adjusted basic	53.6	44.1
Adjusted diluted	52.4	43.2

14. INTANGIBLE ASSETS

	Goodwill \$000	Marketing rights \$000	Customer relationships \$000	Product related intangibles \$000	In process R&D \$000	Trade names \$000	Other acquisition related intangibles \$000	Software \$000	Total \$000
COST									
<i>Balance at 1 January 2009</i>	155,195	6,749	64,431	22,394	4,470	6,283	3,195	10,956	273,673
Additions	–	2,153	–	1,094	–	19	10	1,937	5,213
Disposals	–	(194)	–	–	(200)	–	–	(18)	(412)
Translation adjustments	871	118	373	258	6	99	9	27	1,761
<i>Balance at 1 January 2010</i>	156,066	8,826	64,804	23,746	4,276	6,401	3,214	12,902	280,235
Additions	–	251	–	2,509	–	–	–	1,314	4,074
Acquisition of subsidiaries	26,859	–	–	224	610	1,068	–	246	29,007
Disposals	–	(249)	–	(155)	–	–	–	–	(404)
Translation adjustments	(5,240)	(476)	(2,067)	(722)	(55)	(520)	(232)	(231)	(9,543)
<i>Balance at 31 December 2010</i>	177,685	8,352	62,737	25,602	4,831	6,949	2,982	14,231	303,369
AMORTISATION									
<i>Balance at 1 January 2009</i>	(608)	(1,265)	(5,664)	(2,410)	(303)	(19)	(568)	(4,608)	(15,445)
Charge for the year	–	(1,105)	(4,294)	(1,540)	(297)	(19)	(194)	(1,500)	(8,949)
Translation adjustments	–	(32)	(56)	(27)	(1)	–	(11)	(18)	(145)
<i>Balance at 1 January 2010</i>	(608)	(2,402)	(10,014)	(3,977)	(601)	(38)	(773)	(6,126)	(24,539)
Charge for the year	–	(817)	(4,219)	(1,760)	(332)	(88)	(185)	(1,941)	(9,342)
Acquisition of subsidiaries	–	–	–	(211)	(513)	–	–	(217)	(941)
Translation adjustments	–	125	154	140	21	(1)	39	95	573
<i>Balance at 31 December 2010</i>	(608)	(3,094)	(14,079)	(5,808)	(1,425)	(127)	(919)	(8,189)	(34,249)
CARRYING AMOUNT									
<i>At 31 December 2010</i>	177,077	5,258	48,658	19,794	3,406	6,822	2,063	6,042	269,120
<i>At 31 December 2009</i>	155,458	6,424	54,790	19,769	3,675	6,363	2,441	6,776	255,696

14. 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. The carrying amount of goodwill has been allocated as follows:

	2010 \$000	2009 \$000
BRANDED		
Arab Pharmaceuticals Manufacturing Co.	74,399	74,399
Al Jazeera Pharmaceutical Industries Ltd	6,752	6,752
Hikma Pharma SAE (Egypt)	32,977	34,877
Ibn Al Baytar	11,409	–
Al Dar Al Arabia	14,883	–
	140,420	116,028
INJECTABLES		
German operations	35,075	37,787
Hikma Italia S.p.A	745	806
	35,820	38,593
OTHERS		
Arab Medical Containers	742	742
IPRC and STD	95	95
	837	837
Total	177,077	155,458

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

The recoverable amounts of the CGUs are determined from value in use calculations. The value in use calculations are based on the budget for the following year, grown at 2%–5% in perpetuity. The key assumptions for the value in use calculations are those regarding the discount rates and short-term growth forecast in budgets.

Management estimates discount rates using WACC rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The discount rates used varied between 9% and 15% based on the markets in which the CGU's operate. The short-term growth rates range from no growth to 124% of growth.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill. Whilst there is some uncertainty regarding the short-term impact of the political events in MENA, the Group doesn't consider that the likelihood of impairment losses in the long-term is increased.

Other intangible assets

Amortisation of all intangibles assets with finite useful lives is charged on a straight-line basis.

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-licensed 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 reviewed for impairment at least annually. The carrying value of these assets is USD 5,797,000 (2009: USD 5,837,000), the movement relates to retranslation at year end rates.

b. Under-licence agreements Under-licence agreements have an average estimated useful life of 11 years (2009: 11 years).

c. Product dossiers Product dossiers have an average estimated useful life of 15 years (2009: 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 (2009: 15 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*14. INTANGIBLE ASSETS *Continued***Other intangible assets Continued**

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 Hikma Pharma SAE- Egypt. The In process R&D has an average estimated useful life of 15 years (2009: 15 years).

Trade name Trade names were recognised on the acquisition of Ribosepharm, Arab Pharmaceutical Manufacturing Company and Ibn Al Baytar. The trade name recognised on the acquisition of Ribosepharm is expected to have an indefinite economic useful life due to its expected longevity. The carrying value of Ribosepharm's trade name is USD 5,550,000 (2009: USD 6,003,000), the movement has arisen due to retranslation. The trade name recognised on the acquisition of Arab Pharmaceutical Manufacturing Company has an estimated useful life of 12 years (2009: 12 years).

Software Software intangibles mainly represent the Enterprise Resource Planning solution that is being implemented in different operations across the Group. The software has an average estimated useful life of five years.

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 10 years to indefinite useful life. The carrying value of assets with indefinite lives is USD 994,000 (2009: USD 1,075,000), the movement relates to retranslation at year end rates.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$000	Vehicles \$000	Machinery and equipment \$000	Fixtures and equipment \$000	Projects under construction \$000	Total \$000
COST						
<i>Balance at 1 January 2009</i>	138,497	10,139	171,985	34,636	44,536	399,793
Additions	2,141	1,392	9,608	3,307	20,507	36,955
Disposals	(122)	(646)	(2,192)	(740)	(611)	(4,311)
Transfers	13,779	192	9,998	1,240	(25,209)	-
Translation adjustment	510	(19)	778	113	427	1,809
<i>Balance at 1 January 2010</i>	154,805	11,058	190,177	38,556	39,650	434,246
Additions	2,138	2,108	14,772	4,774	25,306	49,098
Acquisitions of subsidiaries	11,510	693	7,122	624	10,757	30,706
Disposals	(10)	(594)	(2,640)	(121)	(1,081)	(4,446)
Transfers	12,223	526	13,700	981	(27,430)	-
Translation adjustment	(3,928)	(245)	(4,716)	(851)	(2,076)	(11,816)
<i>Balance at 31 December 2010</i>	176,738	13,546	218,415	43,963	45,126	497,788
ACCUMULATED DEPRECIATION						
<i>Balance at 1 January 2009</i>	23,145	4,542	82,593	17,863	-	128,143
Charge for the year	4,510	1,603	14,712	4,374	-	25,199
Disposals and transfers	(55)	(314)	(2,393)	(274)	-	(3,036)
Translation adjustment	140	(6)	354	81	-	569
<i>Balance at 1 January 2010</i>	27,740	5,825	95,266	22,044	-	150,875

15. PROPERTY, PLANT AND EQUIPMENT *Continued*

	Land and buildings \$000	Vehicles \$000	Machinery and equipment \$000	Fixtures and equipment \$000	Projects under construction \$000	Total \$000
Charge for the year	5,321	1,813	17,102	4,855	–	29,091
Acquisition of subsidiaries	2,321	201	3,128	619	–	6,269
Disposals and transfers	(9)	(410)	(1,975)	(111)	–	(2,505)
Translation adjustment	(823)	(117)	(1,970)	(495)	–	(3,405)
Balance at 31 December 2010	34,550	7,312	111,551	26,912	–	180,325
<i>Carrying amount</i>						
At 31 December 2010	142,188	6,234	106,864	17,051	45,126	317,463
<i>Carrying amount</i>						
At 31 December 2009	127,065	5,233	94,911	16,512	39,650	283,371

The net book value of the Group's machinery and equipment includes an amount of USD 11,862,000 (2009: USD 12,743,000) in respect of assets held under finance lease.

As at 31 December 2010 the Group had pledged property, plant and equipment having a carrying value of USD 80,557,000 (2009: USD 79,557,000) as collateral for various long-term loans. This amount includes both specific items around the Group and the net property, plant and equipment of the Group's businesses in Portugal, Saudi Arabia, US and Tunisia.

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. In 2008, the German Government provided Thymoorgan Pharmazie GmbH a grant of Euro 560,000 being a contribution towards the acquisition of two freeze dryers and additional equipment. The carrying value of the grants as of 31 December 2010 were USD nil (2009: USD 40,000) for Hikma Farmaceutica and USD 336,000 (2009: 454,000) for Thymoorgan Pharmazie GmbH.

During the year 2010, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to USD 373,000 (2009: USD 776,000).

The amount of borrowing costs that have been capitalised in the year within the projects under construction is USD 1,620,000 (2009: USD 422,000). The average capitalisation rate used ranges between 2.9%–10.6%. (2009: 2.9%–12.1%).

16. INTEREST IN JOINT VENTURE

In 2009, the investment in joint venture represented the Group joint venture in Al Dar Al Arabia Pharmaceutical Manufacturing Company. The Group share of the joint venture as at 31 December 2009 was USD 5,451,000.

During 2010 the Group increased its equity interest in Al Dar Al Arabia Pharmaceutical Manufacturing Company to 100% and therefore, the results of this company were consolidated within Hikma Group consolidated financial statements and are no longer considered to be as a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

17. 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 years.

	Tax losses \$000	Deferred R&D costs \$000	Other short-term temporary differences \$000	Amortisable assets \$000	Fixed assets \$000	Stock options \$000	Total \$000
<i>At 1 January 2009</i>	(112)	(295)	(9,295)	7,480	3,857	(2,515)	(880)
(Credit)/charge to income	(616)	–	(6,652)	(39)	2,836	(1,083)	(5,554)
Charge to equity	–	–	–	–	–	(1,233)	(1,233)
Adjustments	(35)	–	–	–	–	509	474
Exchange differences	(19)	(5)	(2)	110	50	–	134
<i>At 1 January 2010</i>	(782)	(300)	(15,949)	7,551	6,743	(4,322)	(7,059)
Charge to income	(229)	(764)	(1,339)	(577)	(1,220)	(762)	(4,891)
Credit to equity	–	–	–	–	–	(1,461)	(1,461)
Acquisition of subsidiaries	–	–	–	307	2,349	–	2,656
Adjustments	–	–	641	–	–	(641)	–
Exchange differences	57	24	10	48	(268)	–	(129)
<i>At 31 December 2010</i>	(954)	(1,040)	(16,637)	7,329	7,604	(7,186)	(10,884)

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:

	2010 \$000	2009 \$000
Deferred tax liabilities	12,404	11,734
Deferred tax assets	(23,288)	(18,793)
	(10,884)	(7,059)

No deferred tax asset has been recognised on temporary differences totalling USD 56,690,000 (2009: USD 3,873,000) due to the unpredictability of the related future profit streams. The significant increase during 2010 relates mainly to the increased eligibility of certain intra-group sales to be recognised as temporary differences. Of these temporary differences, USD 6,194,000 relates to losses which may be carried forward for two years before expiry and USD 3,374,000 relate to losses which may be carried forward for four years before expiry.

No deferred tax liability is recognised on temporary differences of USD 36 million (2009: USD 30 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

18. AVAILABLE FOR SALE INVESTMENTS

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

	2010			2009		
	Listed \$000	Non Listed \$000	Total \$000	Listed \$000	Non Listed* \$000	Total \$000
<i>1 January</i>	245	297	542	250	290	540
Disposals	–	(140)	(140)	–	–	–
Fair value adjustments recognised in equity	3	72	75	(5)	7	2
<i>31 December</i>	248	229	477	245	297	542

* Included in this amount is an investment in a non-listed US company (MENA Innovative Technologies Inc.) of USD 62,000 that represents 32.5% of its common share capital. During 2010 the Group has disposed of its share in this company.

19. FINANCIAL AND OTHER NON-CURRENT ASSETS

	As at 31 December	
	2010 \$000	2009 \$000
Investments recorded at cost	–	485
Amounts due from investments	–	726
Amounts due from related parties recorded at cost	–	491
Other financial assets	1,357	568
Other non-current asset	10,000	–
	11,357	2,270

In 2009, Investments recorded at cost represented the Group's share of 32.125% in Société D'Industries Pharmaceutiques Ibn Al Baytar S.A.–Tunisia.

During 2010 the Group increased its equity interest in Société D'Industries Pharmaceutiques Ibn Al Baytar S.A- Tunisia to a controlling interest and therefore, the results of this company were consolidated within Hikma Group consolidated financial statements and are no longer considered to be investments at cost. For more details please refer to Note 39.

Other non-current assets represent advanced payment made to acquire products and product related technologies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

20. INVENTORIES

	2010 \$000	2009 \$000
Finished goods	50,829	41,453
Work-in-progress	29,592	28,074
Raw and packing materials	81,864	79,040
Goods in transit	19,907	11,942
	182,192	160,509

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

	As at 31 December 2009 \$000	Additions \$000	Acquisitions of subsidiaries	Utilisation \$000	Translation adjustments \$000	As at 31 December 2010 \$000
Provision for slow moving inventory	13,992	13,546	11	(10,606)	(98)	16,845

The total expense in the income statement for the write-off of inventory including provision for such write-offs was USD 13,076,000 (2009: USD 12,501,000).

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2010 \$000	2009 \$000
Trade receivables	200,334	203,250
Prepayments	22,305	16,063
Value added tax recoverable	3,883	5,569
Interest receivable	223	49
Employee advances	1,958	1,910
	228,703	226,841

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

	As at 31 December 2009 \$000	Additions \$000	Acquisition of subsidiaries	Utilisation \$000	Translation adjustments \$000	As at 31 December 2010 \$000
Chargebacks and returns	38,102	113,227	–	(113,515)	(64)	37,750
Doubtful debts	19,758	3,666	38	(732)	(405)	22,325
Expired goods	6,690	4,331	40	(3,438)	(40)	7,583
	64,550	121,224	78	(117,685)	(509)	67,658

21. TRADE AND OTHER RECEIVABLES *Continued*

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

	Not past due on the reporting date \$000	less than 90 days \$000	between 91 and 180 days \$000	between 181 and 360 days \$000	Past due		Total \$000
					Over one year \$000	Impaired \$000	
<i>At 31 December 2010</i>							
Total trade receivables as at 31 December 2010	202,820	27,290	11,164	2,914	1,479	22,325	267,992
Related allowance for doubtful debts	–	–	–	–	–	(22,325)	(22,325)
	202,820	27,290	11,164	2,914	1,479	–	245,667
Chargebacks and returns provision							(37,750)
Expired goods provision							(7,583)
Net receivables							200,334

	Not past due on the reporting date \$000	less than 90 days \$000	between 91 and 180 days \$000	between 181 and 360 days \$000	Past due		Total \$000
					Over one year \$000	Impaired \$000	
<i>At 31 December 2009</i>							
Total trade receivables as at 31 December 2009	212,063	23,437	6,181	3,223	3,138	19,758	267,800
Related allowance for doubtful debts	–	–	–	–	–	(19,758)	(19,758)
	212,063	23,437	6,181	3,223	3,138	–	248,042
Chargebacks and returns provision							(38,102)
Expired goods provision							(6,690)
Net receivables							203,250

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

More details on the Group's policy for credit and concentration of risk management are provided in Note 29.

22. COLLATERALISED CASH

Collateralised cash represents mainly an amount equal to 100% of a portion of bank facilities granted to the Group's Sudanese and Algerian operations of USD 3,573,000 (2009: Egyptian and Algerian operations of USD 2,334,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

23. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2010 \$000	2009 \$000
Cash at banks and on hand	50,787	52,107
Time deposits	11,931	13,452
Money market deposits	–	104
	62,718	65,663

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

24. BANK OVERDRAFTS AND LOANS

	As at 31 December	
	2010 \$000	2009 \$000
Bank overdrafts	14,462	15,924
Import and export financing	23,844	10,831
Short-term loans	6,514	2,323
Current portion of long-term loans (Note 27)	36,195	31,239
	81,015	60,317

	2010 %	2009 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	3.45	3.65
Bank loans (including the non-current bank loans)	2.95	3.64
Import and export financing	2.76	2.19

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

25. TRADE AND OTHER PAYABLES

	As at 31 December	
	2010 \$000	2009 \$000
Trade payables	74,936	57,307
Accrued expenses	42,428	35,602
Employees' provident fund*	2,625	4,049
VAT and sales tax payables	452	3,033
Dividends payable**	2,256	2,348
Social security withholdings	1,130	856
Income tax withholdings	2,074	1,456
Other payables	1,654	2,967
	127,555	107,618

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

** Dividends payable includes USD 2,072,000 (2009: USD 2,165,000) due to the previous shareholders of APM.

26. 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), Pharma Ixir Co. Ltd (Sudan), Hikma Pharma Algeria and Ibn Al Baytar. This end of service indemnity comprises one month's salary payable for each year employed for each employee in all the above companies except Hikma Italia.

The provision for end of service indemnity for Hikma Italia 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:

	2010 \$000	2009 \$000
<i>1 January</i>	6,153	5,392
Additions	2,795	2,365
Acquisition of subsidiaries	712	–
Utilisation	(947)	(1,611)
Translation adjustments	(72)	7
<i>31 December</i>	8,641	6,153

27. LONG-TERM FINANCIAL DEBTS

	As at 31 December	
	2010 \$000	2009 \$000
Total loans	114,235	147,358
Less: current portion of loans (Note 24)	(36,195)	(31,239)
Long-term financial loans	78,040	116,119
Breakdown by maturity:		
Within one year	36,195	31,239
In the second year	34,193	49,476
In the third year	26,700	30,587
In the fourth year	6,167	24,701
In the fifth year	3,735	4,623
Thereafter	7,245	6,732
	114,235	147,358
Breakdown by currency:		
USD	67,237	102,864
Euro	30,181	30,240
Jordanian Dinar	–	103
Algerian Dinar	10,951	11,699
Egyptian Pound	1,998	2,452
Tunisian Dinar	3,868	–
	114,235	147,358

The loans are shown on an undiscounted basis.

At 31 December 2010, import and export financing, short-term loans and the current and long-term portion of long-term loans total USD 144,593,000 (2009: USD 160,512,000).

Loans amounting to USD 22,443,000 (2009: USD 45,707,000) are secured on property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<i>Amounts payable under finance leases:</i>				
Within one year	2,403	2,274	2,251	1,826
In the second to fifth years inclusive	6,358	7,473	6,118	6,675
	8,761	9,747	8,369	8,501
Less: Interest lease charges	(392)	(1,246)		
Present value of minimum lease payments payable	8,369	8,501		

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is four years (2009: four years). For the year ended 31 December 2010, the average effective borrowings rate was between 1.8% and 12% (2009: between 1.8% and 7.0%).

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES

Credit and concentration of 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, 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.

In line with local market practice, clients in the MENA region are offered relatively longer payment terms compared to clients in Europe and the US. During the year ended 31 December 2010, the Group's largest three clients in the MENA region represented 18.2% of Group revenue, 13.6% in Saudi Arabia, 2.6% in Tunisia, and 2% in Algeria. The amount of receivables due from customers based in the Algerian market at 31 December 2010 is USD 37,936,000 (2009: USD 32,016,000), Saudi Arabia is USD 59,950,000 (2009: USD 53,373,000), and Tunis is USD 7,706,000 (2009: USD 4,528,000). The Group manages this risk through the implementation of stringent credit policies and procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the credit worthiness of a particular customer. The Group is exposed to a variety of customers ranging from government backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30–60 days, in Europe 30–120 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.

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.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to shareholders through the optimisation of the debt and equity balance. The Capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 27.

The Group is not subject to any externally imposed capital requirements.

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

Foreign exchange risk

The Group uses the USD as its functional currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian Dinar, Sudanese Pound and Egyptian Pound. Consequently, where possible 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. Due to the lack of open currency markets, Algerian Dinars and Sudanese Pounds cannot be hedged. Where possible the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian Dinar and Saudi Riyal have no impact on the statement of comprehensive income as those currencies are pegged against the US Dollar.

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 2010 or the Group's results of operations for the year then ended.

	As at 31 December 2010			As at 31 December 2009		
	Fixed rate \$000	Floating rate \$000	Total \$000	Fixed rate \$000	Floating rate \$000	Total \$000
<i>Financial liabilities</i>						
Interest-bearing loans and borrowings	48,152	119,272	167,424	40,444	144,493	184,937
<i>Financial assets</i>						
Cash and cash equivalents	–	62,718	62,718	–	65,663	65,663

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2010, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2010, a 1% increase/decrease in interest rates would result in an additional USD 1.2 million (2009: USD 1.4 million) in interest expense/income being incurred per year.

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 considers that the book value of the Group's financial assets and liabilities does not materially differ from their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued***Currency risk**

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is other than the functional currency of the booking entity and being of a monetary nature.

The currencies that have a significant impact on the Group accounts and the exchange rates used are as follows:

	Period end rates		Average rates	
	2010	2009	2010	2009
USD/EUR	0.7545	0.6977	0.7531	0.7170
USD/Sudanese Pound	3.1049	2.2398	2.5209	2.3173
USD/Algerian Dinar	74.0273	72.7309	74.3916	72.6817
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6464	0.6278	0.6467	0.6386
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	5.8224	5.5051	5.6555	5.5776

The Jordanian Dinar and Saudi Riyal have no impact on the statement of comprehensive income as those currencies are pegged against the US Dollar.

2010	Net foreign currency financial assets/(liabilities)					
	US Dollar \$000	Euro \$000	Sterling \$000	Algerian Dinar \$000	Japanese Yen \$000	Others* \$000
Functional currency of entity:						
– Jordanian Dinar	92,608	(10,158)	(2)	(53,673)	(4)	16,310
– Euro	(1,817)	–	–	–	–	–
– Algerian Dinar	(82,113)	(95)	(7)	–	–	–
– Saudi Riyal	5,554	417	8	(1,389)	(2,008)	(25)
– Sudanese Pound	(7,228)	39	–	–	–	653
– Egyptian Pound	(1,669)	47	27	–	–	(16)
	5,335	(9,750)	26	(55,062)	(2,012)	16,992

Sensitivity analysis:

2010	Impact on statement of comprehensive income assuming 1% appreciation of foreign currency against functional currency as at year end					
	US Dollar \$000	Euro \$000	Sterling \$000	Algerian Dinar \$000	Japanese Yen \$000	Others \$000
Functional currency of entity:						
– Jordanian Dinar	926	(102)	–	(537)	–	163
– Euro	(18)	–	–	–	–	–
– Algerian Dinar	(821)	(1)	–	–	–	–
– Saudi Riyal	56	4	–	(14)	(20)	–
– Sudanese Pound	(72)	–	–	–	–	7
– Egyptian Pound	(17)	–	–	–	–	–
	54	(99)	–	(551)	(20)	170

*Others include Saudi Riyals and Jordanian Dinars.

29. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

2009	Net foreign currency financial assets/(liabilities)					
	US Dollar \$000	Euro \$000	Sterling \$000	Algerian Dinar \$000	Japanese Yen \$000	Others \$000
Functional currency of entity:						
– Jordanian Dinar	43,147	(5,612)	100	–	(551)	1,756
– Euro	(1,816)	–	–	–	–	–
– Algerian Dinar	(36,699)	(929)	(2)	–	–	–
– Saudi Riyal	2,092	1,107	(11)	380	(1,783)	–
– Sudanese Pound	(10,527)	–	–	–	–	–
– Egyptian Pound	(1,972)	840	1	–	–	(7)
	(5,775)	(4,594)	88	380	(2,334)	1,749

Sensitivity analysis:

Impact on statement of comprehensive income assuming 1% appreciation of foreign currency against functional currency as at year end

2009	US Dollar \$000	Euro \$000	Sterling \$000	Algerian Dinar \$000	Japanese Yen \$000	Others \$000
Functional currency of entity:						
– Jordanian Dinar	431	(56)	1	–	(6)	18
– Euro	(18)	–	–	–	–	–
– Algerian Dinar	(367)	(9)	–	–	–	–
– Saudi Riyal	21	11	–	4	(18)	–
– Sudanese Pound	(105)	–	–	–	–	–
– Egyptian Pound	(20)	8	–	–	–	–
	(58)	(46)	1	4	(24)	18

Liquidity risk of assets/(liabilities)

2010	Less than one year \$000	More than one year \$000	Total \$000
Cash and cash equivalents	62,718	–	62,718
Trade receivables	200,334	–	200,334
Interest bearing loans and borrowings	(66,553)	(78,040)	(144,593)
Interest bearing overdrafts	(14,462)	–	(14,462)
Interest bearing finance lease	(2,403)	(6,358)	(8,761)
Trade payables	(74,936)	–	(74,936)
	104,698	(84,398)	20,300

2009	Less than one year \$000	More than one year \$000	Total \$000
Cash and cash equivalents	65,663	–	65,663
Trade receivables	203,250	–	203,250
Interest bearing loans and borrowings	(44,393)	(116,119)	(160,512)
Interest bearing overdrafts	(15,924)	–	(15,924)
Interest bearing finance lease	(2,274)	(7,473)	(9,747)
Trade payables	(57,307)	–	(57,307)
	149,015	(123,592)	25,423

At 31 December 2010 the Group had undrawn facilities of USD 264,857,000 (2009: USD 193,152,000). USD 130,752,000 (2009: USD 95,452,000) of these was committed and the remainder was uncommitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

30. 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, the total notional amount of outstanding forward foreign exchange contracts that the Group was committed to, have been translated at 31 December exchange rates as below.

	2010 \$000	2009 \$000
Foreign exchange forward contracts and options (Euro)	4,780	–

These arrangements are designed to address significant exchange exposures.

At 31 December 2010 the fair value of the Group's currency derivatives some of which were designated as effective cash flow hedges was an asset of USD 83,000 (2009 USD nil). The movement in fair value in the year resulted in a gain of USD 83,000 (2009: USD 382,000 net loss) which has been reflected in equity. These amounts were based on market values of equivalent instruments at the balance sheet date.

The fair value of the currency derivatives which were designated as ineffective cash flow hedges was an asset of USD 8,000 (2009 Assets of: nil) held at fair value through profit and loss. The movement in fair value in the year resulted in a gain of USD 8,000 has been recognised in the statement of comprehensive income for the year ended 31 December 2010 (2009: nil) in respect of such derivatives.

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 materially affect the financial position 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 have nominal values of USD 45.4 million (2009: USD 34.4 million) and have fixed interest payments at rates ranging from 1.91% to 4.75% (2009: 1.91% to 4.75) for periods up until 2016 and have floating interest receipts at LIBOR or EURIBOR.

The fair value of swaps entered into by the Group is estimated as a liability of USD 1,287,000 (2009: liability of USD 932,000). 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 movement in fair value totalling a loss of USD 339,000 (2009: USD gain of 180,000) has been reflected in equity. The remaining outstanding interest rate swaps that the Group was committed to at the year end are held at fair value through profit and loss. The movement in fair value in the year resulted in a loss of USD 16,000 which has been recognised in the statement of comprehensive income for the year ended 31 December 2010 (2009: loss of 216,000) in respect of such derivatives.

The Group believes that the effect on the value of interest rate swaps by interest rate fluctuations will not materially affect the financial position of the Group.

31. SHARE CAPITAL

	2010		2009	
	Number '000	\$000	Number '000	\$000
<i>Issued and fully paid – included in shareholders' equity:</i>				
<i>At 1 January</i>	191,628	34,236	189,238	33,857
Issued during the year	1,889	289	2,390	379
<i>At 31 December</i>	193,517	34,525	191,628	34,236

32. NON-CONTROLLING INTERESTS

	2010 \$000	2009 \$000
<i>At 1 January</i>	7,372	5,786
Share of profit	678	1,635
Currency translation loss	(1,701)	(49)
Acquisition of Ibn Al Baytar	29	–
<i>At 31 December</i>	6,378	7,372

33. OWN SHARES

Own shares represent 562,000 (2009: 450,000) Ordinary Shares in the Company held by Sanne Trust Company Limited, an independent trustee.

During the year the Company issued 700,000 Ordinary Shares to the independent trustee to meet short-term commitments in relation to employee share plans. 588,000 shares were utilised during the year.

The market value for the own shares at 31 December 2010 is USD 7,056,000 (2009: USD 3,551,000). In 2010, no shares were acquired. The book value of the retained own shares at 31 December 2010 is USD 2,220,00. The trust holds these shares to meet long-term commitments in relation to employee share plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

34. NET CASH FROM OPERATING ACTIVITIES

	2010 \$000	2009 \$000
<i>Profit before tax</i>	120,982	94,787
Adjustments for:		
Depreciation and amortisation of:		
Property, plant and equipment	29,091	25,199
Intangible assets	9,342	8,949
Gain on revaluation of previously held equity interest	(7,176)	–
Loss on disposal of property, plant and equipment	376	236
Gain on disposal of intangible assets	(162)	(903)
Movement on provisions	2,488	761
Movement on deferred income	(159)	(201)
Cost of equity settled employee share scheme	4,473	4,616
Finance income	(346)	(514)
Interest and bank charges	13,856	12,827
<i>Cash flow before working capital</i>	172,765	145,757
Change in trade and other receivables	10,689	(29,949)
Change in other current assets	322	(190)
Change in inventories	(19,295)	(8,278)
Change in trade and other payables	16,102	24,262
Change in other current liabilities	(3,091)	3,164
<i>Cash generated by operations</i>	177,492	134,766
Income tax paid	(32,657)	(15,787)
<i>Net cash generated from operating activities</i>	144,835	118,979

35. CONTINGENT LIABILITIES

The Group was contingently liable for letters of guarantee and letters of credit totalling USD 119.7 million (2009: USD 62.4 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, has the potential to produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories.

In common with many other companies in the pharmaceutical industry the Group is involved in various legal proceedings considered typical to its business, including litigation relating to employment, product liability and other commercial disputes.

As reported in 2009, West-Ward Pharmaceutical Corp. was a co-defendant, with four other generic pharmaceutical manufacturers, in litigation brought by Mutual Pharmaceutical Company, Inc. regarding the continued sale by West-Ward Pharmaceutical Corp. and the others of generic oral colchicine in the United States, following the approval by the FDA of Mutual's "Colcrys™" colchicine product (the "Claim"). On 18 October 2010 the Group announced that the dispute between West-Ward Pharmaceutical Corp. and Mutual Pharmaceutical Company, Inc. relating to the sale of oral colchicine tablets had been resolved to the parties' mutual satisfaction.

36. SHARE-BASED PAYMENTS

Equity settled share option scheme

During the year ended 31 December 2010 and 2009, the Company had one stock option compensation scheme settled by equity instruments, with four separate grant dates. The options over these instruments are settled in equity once exercised.

Details of the grants under the scheme are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted USD	The share price at grant date USD	Exercise price USD	Expected volatility	Expected dividend yield	Expected average contractual life	Risk-free interest rate
4 November 2008	85,000	1.14	5.45	5.45	34.90%	1.21%	4.0 years	4.11%
29 April 2008	1,041,500	2.61	9.19	9.19	31.50%	0.08%	3.8 years	4.54%
13 October 2005	1,600,000	0.74	4.50	4.50	26.20%	6.67%	7.5 years	4.54%
12 October 2004	9,520,000	0.35	0.91	0.91	44.80%	3.85%	7.5 years	4.22%

All the general employees share option plans have a 10 year contractual life and vesting conditions of 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 plans was calculated by applying a binomial option pricing model.

It was assumed that each option tranche will be exercised the options immediately after vesting date.

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

	2010		2009	
	Number of shares option	Weighted average exercise price (in \$)	Number of shares option	Weighted average exercise price (in \$)
Outstanding at 1 January	3,645,700	3.42	6,201,800	2.73
Granted during the year	–	–	85,000	5.45
Exercised during the year	(1,189,382)	3.25	(2,390,000)	1.34
Expired during the year	(73,700)	9.18	(251,100)	6.83
Outstanding at 31 December	2,382,618	3.33	3,645,700	3.42
Exercisable at 31 December	1,900,218	1.96	2,682,900	1.85

The cost of the equity settled share option scheme of USD 403,000 (2009: USD 1,245,000) has been recorded in the consolidated statement of comprehensive income as part of general and administrative expenses.

The weighted average share price at the date of exercise for share options exercised during the year was USD 9.97. The options outstanding at 31 December 2010 had a weighted average remaining contractual life of less than one year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*36. SHARE-BASED PAYMENTS *Continued***Long-term incentive plan**

During the year ended 31 December 2010 the Company had one long-term incentive plan ("LTIP") settled by equity instruments, with eight separate grant dates. Under the LTIP, conditional awards and nil cost 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.

For awards made in 2010 the TSR conditions applies in respect of 50% of the award and financial metrics apply in respect of the remaining 50%. For further details see the Remuneration Report.

Details of the grants under the plan are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted USD	The share price at grant date USD	Expected volatility	Expected dividend yield	Risk-free interest rate
2 November 2010	175,000	6.71	7.8	39.60%	0.99%	0.97%
22 March 2010	555,253	4.64	9.0	37.18%	1.20%	1.88%
19 May 2009	200,000	3.89	6.67	38.98%	1.22%	1.92%
19 March 2009	920,000	2.94	5.11	38.98%	1.47%	1.88%
28 April 2008	700,000	5.46	9.22	31.47%	0.08%	4.50%
10 September 2007	150,000	4.70	8.28	34.64%	0.08%	5.00%
23 April 2007	466,000	4.47	7.69	34.64%	0.08%	5.45%
2 April 2007	160,000	4.33	7.46	34.64%	0.08%	5.40%

All long-term incentive plans have 10 years contractual life and vest after 3 years subject to TSR performance condition except for awards made in 2010 where the TSR performance condition applies in respect of 50% of the award and financial metrics apply in respect of the remaining 50%. For further details see the Remuneration Report.

The estimated fair value of each share option granted in the LTIP was calculated by applying the Monte Carlo Simulation methodology. The exercise price of the share award is nil.

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

Year 2010	2010 grant		2009 grants		2008 grants	2007 grants			Total Number
	2 November Number	22 March Number	19 March Number	19 May Number	29 April Number	2 April Number	23 April Number	10 September Number	
Outstanding at 1 January	-	-	920,000	200,000	650,000	160,000	364,000	150,000	2,444,000
Granted during the year	175,000	555,253	-	-	-	-	-	-	730,253
Exercised during the year	-	-	-	-	-	(135,000)	(343,000)	(100,000)	(578,000)
Expired during the year	-	-	(50,000)	-	-	-	-	-	(50,000)
Outstanding at 31 December	175,000	555,253	870,000	200,000	650,000	25,000	21,000	50,000	2,546,253

Year 2009	2009 grant		2008 grant	2007 grants			Total Number
	19 March Number	19 May Number	29 April Number	2 April Number	23 April Number	10 September Number	
Outstanding at 1 January	-	-	685,000	160,000	409,000	150,000	1,404,000
Granted during the year	920,000	200,000	-	-	-	-	1,120,000
Expired during the year	-	-	(35,000)	-	(45,000)	-	(80,000)
Outstanding at 31 December	920,000	200,000	650,000	160,000	364,000	150,000	2,444,000

36. SHARE-BASED PAYMENTS *Continued*

Long-term incentive plan *Continued*

The cost of the long-term incentive plan of USD 3,455,000 (2009: USD 2,608,000) has been recorded in the consolidated statement of comprehensive income as part of general and administrative expenses.

Management incentive plan

In 2009 the Company notified certain employees of their awards under the Hikma Management Incentive Plan ("MIP"). Under the MIP, conditional awards of nil cost options are made which give the opportunity for an employee to receive an award of shares subject to achievement of the employee Key Performance Indicators (KPIs). This condition measures the employee achievement against set KPIs. In this case, the number of shares awarded is based on percentage of achievements. No awards vest for achievements below 50%.

Once made, the award is subject to a two year holding period during which the employee must remain employed in the Group; at the end of the holding period the award is released and becomes exercisable.

Details of the grants under the plan are shown below:

19 March 2009

Type of arrangement	Management Incentive Plan
Date of grant	19 March 2009
Maximum number granted	484,829
Actual number granted	468,249
Contractual life	10 years
Vesting conditions	After three years subject to achievement of KPIs

The cost of the management incentive plan of USD 615,000 (2009: USD 763,000) has been recorded in the consolidated statement of comprehensive income as part of general and administrative expenses.

37. OPERATING LEASE ARRANGEMENTS

	2010 \$000	2009 \$000
Minimum lease payments under operating leases recognised in the statement of comprehensive income for the year	3,514	3,012

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:

	2010 \$000	2009 \$000
Within one year	1,766	1,961
In the second to fifth years inclusive	4,159	4,044
After five years	–	959
	5,925	6,964

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term of 1 to 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

38. 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 29.5% at the end of 2010 (2009: 29.8%). Further details on the relationship between Mr. Samih Darwazah, Mr. Said Darwazah, Mr. Mazen Darwazah and Mr. Ali Al-Husry, and Darhold Limited are given in the Directors' Report.

Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited in the year.

Capital Bank – Jordan is a related party of the Group because during the year, three board members of the Bank are also Board members at Hikma Pharmaceuticals PLC. Total cash balances at Capital Bank – Jordan were USD 2,169,000 (2009: USD 3,294,000). Loans and overdrafts granted by Capital Bank to the Group amounted to USD 48,000 (2009: USD 77,000) with interest rates ranging between 8.75% and 3MLIBOR + 1. Total interest expense incurred against Group facilities was USD 18,000 (2009: USD 28,000). Total interest income received was 8,000 (2009: USD 37,000) and total commission paid in the year was USD 76,000 (2009: USD 17,000).

Jordan International Insurance Company 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 Company during the year were USD 2,166,000 (2009: USD 1,686,000). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2010 was USD 2,481,000 (2009: USD 2,006,000). The amounts due to Jordan International Insurance Company at the year end were USD 66,000 (2009: USD 129,000).

Tunisian companies were related parties to the Group because the Group used to hold a minority interest in Société D'Industries Pharmaceutiques Ibn Al Baytar S.A. – Tunisia. This company owns another Tunisian company Société Hikma Medicef Limited – Tunisia, which was therefore a related party as well. During March 2010, the Company increased its equity interest in Société D'Industries Pharmaceutiques Ibn Al Baytar S.A – Tunisia to a controlling interest. As a result, the results of those companies were consolidated within Hikma Group consolidated financial statements and are therefore no longer considered to be related parties.

In previous periods, amounts due from the two Tunisian companies, net of provisions were 31 December 2009: USD 491,000 and 31 December 2009: USD 1,052,000 from Société Hikma Medicef Limited – Tunisia and Société D'Industries Pharmaceutiques Ibn Al Baytar S.A. – Tunisia, respectively. The corresponding Group's provision for doubtful debts related to balances above was 31 December 2009: USD 327,000.

Mr. Yousef Abd Ali Mr. Yousef Abd Ali is a related party of the Group because he holds a non-controlling interest in Hikma Lebanon of 33%, the amount owed to Mr. Yousef by the Group as at 31 December 2010 was USD 161,000 (2009: USD 161,000).

Labatec Pharma S.A. is a related party of the Group because it is owned by Mr. Samih Darwazah. During 2010 the Group total sales to Labatec Pharma amounted to USD 414,000 (2009: USD 42,000) and the Group total purchases from Labatec amounted to USD 1,373,000 (2009: USD 393,000). At 31 December 2010 the amount owed to the Group from Labatec Pharma was USD 193,000 (2009: USD 149,000).

King and Spalding is a related party of the Group because the partner of the firm is a board member and the company secretary of West-Ward. King and Spalding is an outside legal counsel firm that handles general legal matters for West-ward. During 2010 fees of USD 927,000 (2009: USD 55,000) were paid for legal services provided.

38. RELATED PARTY BALANCES *Continued*

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the executive and non-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 66 to 68.

	2010 \$000	2009 \$000
Short-term employee benefits	7,305	5,918
Share-based payments	1,408	2,002
Post employment benefits	17	31
	8,730	7,951

39. ACQUISITION OF SUBSIDIARIES

On 29 October 2010, Hikma announced that it has also signed an agreement to acquire the assets of Baxter Healthcare Corporation's US generic injectables business for a cash consideration of USD 112 million. The deal is expected to be completed during April 2011.

During the year, Hikma acquired additional shareholdings in two businesses: Société D'Industries Pharmaceutiques Ibn Al Baytar ("Ibn Al Baytar") in Tunisia and Al Dar Al Arabia in Algeria.

Details of the provisional goodwill and gain on the previously held equity interests arising on both acquisitions are as below:

Subsidiary	Goodwill \$000	Gain on the previously held equity interests \$000
Ibn Al Baytar	11,873	2,679
Al Dar Al Arabia	14,986	4,497
	26,859	7,176

Details are as follows:

Ibn Al Baytar

On 26 March 2010 the Group increased its voting equity interest in Ibn Al Baytar from 32.125% to 66% to obtain control and thereby develop its activity in the North Africa region. In addition 29.05% of the non-controlling interests in the company have waived the voting rights attached to these shares. A call option over this 29.05% shareholding was held by the other 4.95% non-controlling interest until 24 September 2010. During this period, the non-controlling shareholder informed the Group that it intended to exercise the option to increase their shareholding to 14.95%. This is expected to take place during 2011.

The total fair value of the consideration is deemed to be USD 9,295,000, 50% of which is deferred. USD 5,000,000 is cash consideration and the balance of USD 4,295,000 has been treated as a financial liability and deemed consideration in accordance with IAS 32 Financial Instruments: Presentation and IFRS 3 revised (2008): Business Combinations.

As a consequence of the transaction, the previously held equity interest was re-valued to USD 3,164,000. The resulting gain of USD 2,679,000 has been recognised in other operating income in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*39. ACQUISITION OF SUBSIDIARIES *Continued***Ibn Al Baytar Continued**

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

Ibn Al Baytar	Book value \$000	Fair value adjustments \$000	Fair value \$000
<i>Net assets acquired:</i>			
Trade name	144	1,063 a	1,207
Cash and cash equivalent	263	–	263
Accounts receivable, gross	6,075	–	6,075
Provision for doubtful debts and expired goods	(78)	–	(78)
Other current assets	2,721	–	2,721
Inventories	3,066	–	3,066
Financial assets	2	–	2
Deferred tax assets	33	–	33
Property, plant and equipment	6,030	2,173 b	8,203
Financial debts	(7,267)	–	(7,267)
Trade accounts payable	(3,844)	–	(3,844)
Other current liabilities	(1,317)	–	(1,317)
Income tax provision	–	(591) c	(591)
Provisions	(2,853)	(1,405) d	(4,258)
Long-term financial debts	(2,535)	–	(2,535)
Deferred tax liabilities	(92)	(971) e	(1,063)
Identifiable net assets	348	269	617
Consideration			9,295
Fair value of previously held equity interest (32.125%)			3,164
Non-controlling (4.95%)*			31
			12,490
Less: identifiable net assets			(617)
Goodwill			11,873
<i>Consideration is satisfied by:</i>			
Cash			4,648
Deferred consideration			4,647
			9,295
Cash consideration			4,648
Cash and cash equivalents acquired			(263)
Net cash outflow arising on acquisition			4,385

*The non-controlling interest has been valued at 4.95% of the fair value of identifiable net assets.

39. ACQUISITION OF SUBSIDIARIES *Continued*

Ibn Al Baytar *Continued*

Gain on revaluation of previously held equity interest was calculated as follows:

Ibn Al Baytar	\$000
Fair value of previously held equity interest (32.125%)	3,164
Book value of previously held equity interest (32.125%)	(485)
Gain on revaluation of previously held interest	2,679

- Seven trade names relating to generic products and an under licence contract have been valued using the relief from royalty method.
- The property, plant and equipment acquired have been re-valued upwards to their fair value.
- Certain tax exposures have been identified as a result of open tax positions with the tax authorities.
- This mainly comprises of retrospective compensation for employees as a result of review by the local authorities with relation to compliance with certain labour laws. In addition to certain employees related business commitment adhered to before the acquisition date.
- Taxable temporary differences have been identified by reference to IAS 12 "income tax".

The revenue and net profit of Ibn Al Baytar from the date of the acquisition that is included in the Groups' income statement for the year amounted to USD 11,379,000 and USD 370,000 respectively.

Al Dar Al Arabia

On 20 April 2010, the Group completed the acquisition of 100% of the issued share capital of Al Dar Al Arabia for cash consideration of USD 18,740,000 and deferred consideration of USD 1,153,000. The deferred consideration relates to the estimated currency exchange movement payable to the vendor on conversion of the consideration from Algerian Dinars into US Dollars six months after completion. Actual exchange movement paid amounted to USD 204,000. The difference of USD 949,000 has been recognised as a gain in the income statement.

The Al Dar Al Arabia plant will double Hikma's manufacturing capacity in Algeria and will provide significant scope for further expansion both in Algeria and in the MENA region. As a consequence of the transaction, the previously held equity interest was re-valued to USD 9,947,000. The resulting gain of USD 4,497,000 has been recognised in other operating income in the year.

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

Al Dar Al Arabia	Book value \$000	Fair value adjustments \$000	Fair value \$000
Net assets acquired:			
Cash and cash equivalent	329	–	329
Property, plant and equipment	9,730	6,504 a	16,234
Other current liabilities	(83)	–	(83)
Deferred tax liability	–	(1,626) b	(1,626)
Identifiable net assets	9,976	4,878	14,854
Consideration			19,893
Fair value of previously held equity interest (50%)			9,947
			29,840
Less: identifiable net assets			(14,854)
Goodwill			14,986
Consideration is satisfied by:			
Cash			18,740
Deferred consideration			1,153
			19,893
Cash consideration			18,740
Cash and cash equivalents acquired			(329)
Deferred consideration paid			204
Net cash outflow arising on acquisition			18,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*39. ACQUISITION OF SUBSIDIARIES *Continued***Al Dar Al Arabia Continued**

Gain on revaluation of previously held equity interest was calculated as follows:

Al Dar Al Arabia	\$000
Fair value of previously held equity interest (50%)	9,947
Book value of previously held equity interest (50%)	(5,450)
Gain on revaluation of previously held interest	4,497

- The property, plant and equipment acquired have been re-valued upwards to this fair value.
- Taxable temporary differences have been identified by reference to IAS 12 "income tax".

Full year impact of acquisitions:

If the acquisition of Ibn Al Baytar and Al Dar Al Arabia had been completed on the first day of the financial year, the Group's revenues for the year would have been approximately USD 733,398,000 and the Group's profit attributable to equity holders of the Parent would have been approximately USD 98,498,000. 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	Effect on Group's profit \$000
Ibn Al Baytar	2,462	(292)
Al Dar Al Arabia	–	(59)
	2,462	(351)

40. HIKMA PHARMACEUTICALS PLC MAIN SUBSIDIARIES

The main subsidiaries of Hikma Pharmaceuticals PLC are as follows:

Company's name	Established in	Ownership % Ordinary Shares 2010	Ownership % Ordinary Shares 2009
Hikma Pharmaceuticals Limited	Jordan	100	100
Arab Pharmaceutical Manufacturing Co. ("APM")	Jordan	100	100
Hikma Pharma Algeria SARL	Algeria	100	100
Hikma Farmaceutica S.A.	Portugal	100	100
West-Ward Pharmaceuticals Corp.	U.S.A.	100	100
Pharma Ixir Co. Ltd	Sudan	51	51
Hikma Pharma SAE	Egypt	100	100
Thymoorgan Pharmazie GmbH	Germany	100	100
Hikma Pharma GmbH	Germany	100	100
Hikma Italia S.p.A.	Italy	100	100
Al Jazeera Pharmaceuticals Industries Ltd ("JPI")	K.S.A.	100	100
Société D'Industries Pharmaceutiques Ibn Al Baytar S.A.	Tunisia	66	32.125
SPA Société Al Dar Al Arabia	Algeria	100	50

41. HIKMA PHARMACEUTICALS PLC DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN

Hikma Pharmaceuticals PLC has defined contribution retirement plans in three of its subsidiaries: West-Ward Pharmaceuticals Corp, Hikma Pharmaceuticals Limited Jordan and Arab Pharmaceutical Manufacturing Co. ("APM"). 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 employees' 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 10 years of employment. The Group's contributions for the year ended 31 December 2010 were USD 746,211 (2009: USD 673,000).

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 USD 16,500 for 2010 and 2009, 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 do not vest for up to two years 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 2010 were USD 588,000 (2009: USD 493,000).

Arab Pharmaceutical Manufacturing Company – Jordan:

The Group currently has an employee saving plan wherein the employees' contribute at 10%, and the company at 15% of basic salary. Employees are entitled to 100% of the company contributions after three years of employment with the company. The Group's contributions for the year ended 31 December 2010 were USD 570,000 (2009: USD 494,000).

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.

COMPANY BALANCE SHEET

AT 31 DECEMBER 2010

	Note	2010 \$000	2009 \$000
NON-CURRENT ASSETS			
Investment in subsidiaries	44	1,523,127	1,523,127
Due from subsidiaries	45	22,795	26,678
Intangible assets		147	196
Property, plant and equipment		143	165
		1,546,212	1,550,166
CURRENT ASSETS			
Other current assets		191	481
Cash and cash equivalents	46	3,063	6,428
Due from subsidiaries	45	103,473	104,316
Accounts receivable		93	154
		106,820	111,379
<i>Total assets</i>		1,653,032	1,661,545
CURRENT LIABILITIES			
Other payables	47	255	292
Other current liabilities		2,197	1,649
Due to subsidiaries	48	594,145	592,923
		596,597	594,864
<i>Net current liabilities</i>		489,777	483,485
<i>Total liabilities</i>		596,597	594,864
<i>Net assets</i>		1,056,435	1,066,681
EQUITY			
Share capital	53	34,525	34,236
Share premium	54	983,337	980,154
Own shares		(2,220)	(2,203)
Retained earnings	55	40,793	54,494
<i>Equity attributable to equity holders to the Parent</i>		1,056,435	1,066,681

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557954, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah
Director

Mazen Darwazah
Director

15 March 2011

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Paid up capital \$000	Share premium \$000	Retained earnings \$000	Own shares \$000	Total \$000
<i>At 1 January 2009</i>	33,857	977,342	70,949	(1,124)	1,081,024
Issue of share capital	379	2,812	–	–	3,191
Own shares	–	–	–	(1,079)	(1,079)
Cost of equity settled employee share scheme	–	–	4,616	–	4,616
Net loss for the year	–	–	(4,953)	–	(4,953)
Dividends paid	–	–	(16,118)	–	(16,118)
<i>At 31 December 2009/1 January 2010</i>	34,236	980,154	54,494	(2,203)	1,066,681
Issue of share capital	289	3,183	–	–	3,472
Own shares	–	–	–	(107)	(107)
Cost of equity settled employee share scheme	–	–	4,473	–	4,473
Exercise of employees long-term incentive plan	–	–	(90)	90	–
Net profit for the year	–	–	4,989	–	4,989
Dividends paid	–	–	(23,073)	–	(23,073)
<i>At 31 December 2010</i>	34,525	983,337	40,793	(2,220)	1,056,435

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts.

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$000	2009 \$000
<i>Profit/(loss) before tax</i>	4,989	(4,953)
Cost of equity settled employee share scheme	899	998
Finance income	(836)	(3,056)
Interest and bank charges	268	958
Change in other current assets	290	(320)
Change in other payables	(37)	91
Depreciation of property, plant and equipment	128	158
Amortisation of intangible assets	49	51
Change in accounts receivable	61	(112)
Change in amounts due from/to subsidiaries	5,639	7,807
Change in other current liabilities	604	(213)
<i>Net cash from operating activities</i>	12,054	1,409
INVESTING ACTIVITIES		
Change in amounts due from subsidiaries	3,883	43,480
Purchase of property, plant and equipment	(106)	(3)
Interest income	836	3,056
<i>Net cash from investing activities</i>	4,613	46,533
FINANCING ACTIVITIES		
Proceeds from issue of new shares	3,365	3,191
Decrease in short-term debts	–	(40,000)
Interest paid	(324)	(684)
Purchase of own shares	–	(1,079)
Dividends paid	(23,073)	(16,118)
<i>Net cash used in financing activities</i>	(20,032)	(54,690)
<i>Net decrease in cash and cash equivalents</i>	(3,365)	(6,748)
<i>Cash and cash equivalents at beginning of the year</i>	6,428	13,176
<i>Cash and cash equivalents at end of the year</i>	3,063	6,428

NOTES TO THE COMPANY FINANCIAL STATEMENTS

42. ADOPTION OF NEW AND REVISED STANDARDS

The impact on the Company of new and revised standards is the same as for the Group. Details are given in Note 1 to the consolidated financial statements.

43. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards and UK company 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.

44. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries represents the following:

Company's name	Established in	Ownership % Ordinary Shares 2010	Ownership % Ordinary Shares 2009
Hikma Limited	UK	100	100
Hikma Pharma Limited	Jersey	100	100
Hikma Holdings (UK) Limited	UK	100	100
Al Jazeera Pharmaceutical Industries Ltd ("JPI")	K.S.A.	52.5*	52.5*
Hikma Pharmaceuticals Limited	Jordan	22.8*	22.8*

The investments in subsidiaries are all stated at cost.

*The remaining shares are held by other Group companies.

45. DUE FROM SUBSIDIARIES

Non-current assets	As at 31 December	
	2010 \$000	2009 \$000
Hikma Investment	8,269	8,160
West-Ward Pharmaceuticals Corp	8,801	8,424
Hikma Italia S.p.A	3,606	4,420
Hikma Pharma Limited – Jersey	2,119	5,674
	22,795	26,678

These balances represent loans that carry interest of 1.3% to 4.8% (2009: 2.2% to 4.8%) per annum charged on the outstanding loan balances.

Current assets	As at 31 December	
	2010 \$000	2009 \$000
Due from Hikma Pharma Limited – Jersey	7,221	4,431
Due from Hikma Farmaceutica – Portugal	165	445
Due from Hikma Pharma – Germany	86	883
Due from Hikma UK Limited	94,723	96,707
Due from Hikma Limited	307	306
Others	971	1,544
	103,473	104,316

NOTES TO THE COMPANY FINANCIAL STATEMENTS *Continued*

46. 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 to their fair value.

47. FINANCIAL LIABILITIES

Other payables

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

48. DUE TO SUBSIDIARIES

Due to subsidiaries mainly represents an amount due to Hikma Holdings (UK) Ltd which is a non interest bearing loan repayable on demand.

49. 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Euro	–	87	125	(30)
GBP	1,191	788	580	183

A sensitivity analysis based on a 1% movement in foreign exchange rates has no material impact on the Company results and Company statement of changes in equity.

Further details on how the Company manages the currency risk are given in Note 29 to the Group accounts.

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 2010, with all other variables held constant. Based on the composition of the Company debt portfolio as at 31 December 2010, a 1% increase in interest rates would result in no additional interest expense being incurred per year (2009: USD nil).

Liquidity risk:

2010	Less than one year \$000
Cash and cash equivalents	3,063
Accounts receivables	93
Other payables	(255)
	2,901

49. FINANCIAL POLICIES FOR RISK MANAGEMENT AND THEIR OBJECTIVES *Continued*

Liquidity risk: continued

2009	Less than one year \$000
Cash and cash equivalents	6,428
Accounts receivables	154
Other payables	(292)
	6,290

The Company believes that given the Group's forecast operating cash flow during 2011, it has the ability to satisfy its liability commitments.

50. STAFF COSTS

Hikma Pharmaceuticals PLC currently has eight employees (2009: six) (excluding Executive Directors); total compensation paid to them amounted to USD 1,660,000 (2009: USD 1,334,000) of which salaries and wages comprise an amount of USD 1,192,000 (2009: USD 1,007,000) the remaining balance of USD 468,000 (2009: USD 327,000) represent national insurance contributions, the cost of share-based payments and other benefits.

51. STOCK OPTIONS

The details of the stock compensation scheme are provided in Note 36 to the Group accounts. The number of options granted to the employees of the Company (including Directors) was 2,560,000 (2009: 2,560,000) and the total amount of the compensation expenses charged to income statement is USD 24,719 (2009: USD 194,600).

52. LONG-TERM INCENTIVE PLANS (LTIPs)

The details of the LTIP scheme are provided in Note 36 to the Group accounts. The number of awards granted to the employees of the Company (including Directors) was 721,324 shares (2009: 656,000) and the total amount of the compensation expenses charged to income statement is USD 874,022 (2009: USD 803,680).

53. SHARE CAPITAL

	2010 \$000	2009 \$000
Issued and fully paid – included in shareholder's equity		
193,516,989 (2009: 191,627,607) Ordinary Shares of 10 pence each	34,525	34,236

The details of the issue of the share capital in the year are given in Note 31 to the Group accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *Continued*

54. SHARE PREMIUM

	Share premium \$000
<i>Balance at 1 January 2010</i>	980,154
Premium arising on exercise of stock options	3,183
<i>Balance at 31 December 2010</i>	983,337

55. NET INCOME FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts.

Included in the net income for the year is an amount of USD 12,282,000 (2009: USD nil) representing dividends received and USD 899,000 (2009: USD 998,000) representing the current year charge of stock option and LTIPs expenses relating to the company's employees. The remaining USD 3,574,000 (2009: USD 3,618,000) of the Group's stock option and LTIPs charge is recharged to subsidiary companies.

56. RELATED PARTY

Transactions between the Company and its subsidiaries and associates are disclosed in Note 38.

Amounts repayable to and from subsidiaries are disclosed in Notes 45 and 48.

Other transactions with related parties include management charges for services provided to the subsidiary companies and transactions with key management personnel. Compensation paid to key management personnel is disclosed at Note 38. Details of Directors remuneration are disclosed in the Remuneration Committee Report on pages 66 to 68.

More details on the general information of the ultimate Parent of the Group are disclosed in Note 2.

SHAREHOLDER INFORMATION

2011 financial calendar

13 April	2010 final dividend ex-dividend date
15 April	2010 final dividend record date
12 May	Annual General Meeting
26 May	2010 final dividend paid to shareholders
25 August*	2011 interim results and interim dividend announced
7 September*	2011 interim dividend ex-dividend date
9 September*	2011 interim dividend record date
13 October*	2011 interim dividend paid to shareholders

* Provisional dates.

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.

Dividend payments – Currency

The Company declares dividends in US Dollars. Unless you have elected otherwise, you will receive your dividend in US Dollars. Shareholders can opt to receive the dividend in Pounds Sterling or Jordanian Dinar.

The Registrar retains records of the dividend currency for each shareholder and only changes them at the shareholder's request.

If you wish to change the currency in which you receive your dividend please contact the Registrars.

Dividend payments – Bank Transfer

Shareholders who currently receive their dividend by cheque can request a dividend mandate form from the Registrar and have their dividend paid direct into their bank account on the same day as the dividend is paid. The tax voucher is sent direct to the shareholders' registered address.

Dividend payments – International Payment System

If you are an overseas shareholder the Registrar is now able to pay dividends in several foreign currencies for an administrative charge of £5.00, which is deducted from the payment. Contact the Registrar for further information.

Website

Press releases, the share price and other information on the Group are available on the Company's website www.hikma.com.

Share listings

London Stock Exchange

The Company's Ordinary Shares are admitted to the Official List of the London Stock Exchange. They are listed under EPIC – HIK, SEDOL – BOLCW08 GB and ISIN – GB00BOLCW083.

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.

Global Depository Receipts

The Company also has listed Global Depository Receipts ("GDRs") on the Nasdaq Dubai. They are listed under EPIC – HIK and ISIN – US4312882081. Further information on the Nasdaq Dubai, its trading systems and current trading in Hikma Pharmaceuticals PLC GDRs can be found on the website www.nasdaqdubai.com.

American Depository Receipt (ADRs)

Hikma Pharmaceuticals plc has an ADR programme for which BNY Mellon acts as Depositary. One ADR equates to 2 Hikma Ordinary Shares. ADRs are traded as a level 1 Over-the-Counter (OTC) programme under the symbol HKMPY. Enquiries should be made to:

BNY Mellon Shareowner Services

PO Box 358516

Pittsburgh, PA 15252-8516

Tel: +1 201 680 6825

Tel: +1 888 BNY ADRS (toll-free within the US)

E-mail: shrrelations@bnymellon.com

Shareholder fraud

The Financial Services Authority has issued a number of warnings to shareholders regarding boiler room scams. Over the last year many companies have become aware that shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as boiler rooms. These brokers can be very persistent and extremely persuasive. Shareholders are advised to be very cautious of unsolicited advice, offers to buy shares at a discount or offers of free Company reports. If you receive any unsolicited investment advice:

obtain the correct name of the person and organisations;

check they are authorised by the FSA by looking the firm up on www.fsa.gov.uk/register;

report the matter to the FSA either by calling 0845 606 1234 or visit www.moneymadeclear.fsa.gov.uk;

if the caller persists, hang up.

Details of the share dealing facilities sponsored by the Company are included in Company mailings and are on the Company website. The Company's website is www.hikma.com and the registered office is 13 Hanover Square, London W1S 1HW. Telephone number + 44 207 399 2760.

PRINCIPAL GROUP COMPANIES

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2010 HIKMA PHOTOSTORY

BY GEORGE BROOKS



Portugal



Portugal



Egypt



Tunisia



Jordan



Tunisia



Jordan



Jordan



US



Egypt



Portugal



Egypt



Portugal



Jordan



Egypt



Jordan



Egypt



Portugal



Portugal

In 2010, George Brooks visited our operations in Egypt, Tunisia, Jordan and Portugal.
We thank all who took part in those photographs.

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