HIKMA QUALITY

— HIKMA PHARMACEUTICALS PLC —

FOR LIFE

ANNUAL REPORT 2011

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HOW WE PERFORMED IN 2011

ANOTHER SUCCESSFUL YEAR

HIKMA DELIVERED STRONG REVENUE GROWTH AND MAINTAINED UNDERLYING PROFITABILITY IN A CHALLENGING YEAR

2011
REVENUE
$918.0m

2006–11
REVENUE CAGR
+23.7%

2011
OPERATING MARGIN
12.9%

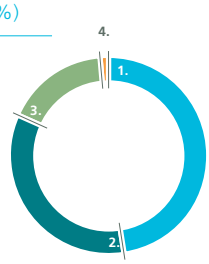
2011
PRODUCTS MARKETED
667

2011
OPERATING CASH FLOW
$126.4m

2011
EMPLOYEES
6,165

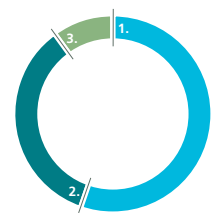
2011
REVENUE BY SEGMENT (%)

1. BRANDED 48.1%
2. INJECTABLES 34.4%
3. GENERICS 16.9%
4. OTHERS 0.6%



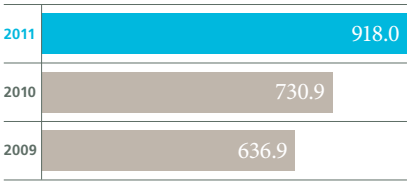
2011
REVENUE BY REGION (%)

1. MENA* 55.4%
2. US 34.6%
3. EUROPE AND THE REST OF THE WORLD 10.0%



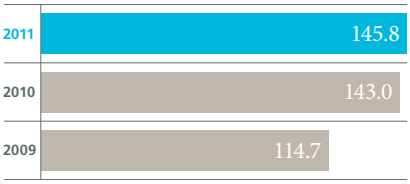
*Middle East and North Africa region ("MENA")

2011 HIGHLIGHTS



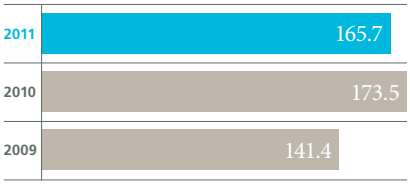
REVENUE
($ MILLION)

+25.6%



ADJUSTED[1] OPERATING PROFIT
($ MILLION)

+2.0%



EBITDA[2]
($ MILLION)

-4.5%

PROFIT ATTRIBUTABLE TO
SHAREHOLDERS
($ MILLION)

-19.0%

DIVIDEND PER SHARE
(CENTS)

ADJUSTED DILUTED
EARNINGS PER SHARE
(CENTS)

-2.6%

[1] Before the amortisation of intangible assets (excluding software) and exceptional items

[2] Reported profit before interest, tax, depreciation and amortisation

CHAIRMAN'S STATEMENT

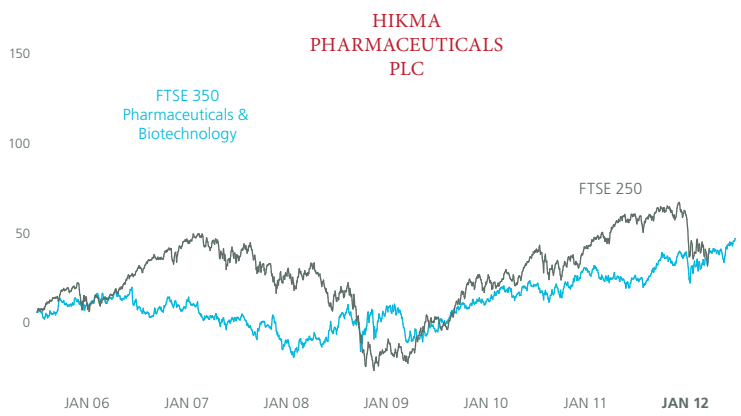
A ROBUST PERFORMANCE

WE DELIVERED A ROBUST PERFORMANCE
IN A CHALLENGING ENVIRONMENT

Samih Darwazah
Non-Executive Chairman

TOTAL SHAREHOLDER RETURN FROM JANUARY 2006 (%)

+63%



Hikma's success continues to be underpinned by its diverse business model, which combines an extensive presence and experience in the Middle East and North Africa ("MENA") markets, a fast growing global Injectables business and an oral generics business in the US.

At the outset of 2011, delivering growth in the MENA region looked challenging, given the significant disruptions we were seeing in some markets – particularly in Egypt, Tunisia and Libya – as a result of the Arab Spring. Yet the resilience of our local operations and the dedication of our employees enabled us to manage these disruptions with minimal impact to our business and we were extremely pleased to deliver double-digit growth in the MENA region for the full year.

During 2011, we remained focused on our goal to be a global leader in generic injectables. We delivered an excellent performance in our organic Injectables business with strong growth across the US, Europe and MENA. In May, we completed the acquisition of Baxter Healthcare's US Multi-Source Injectables business ("MSI"), doubling the size of our existing Injectables business and bringing together a broad product portfolio, strong sales platform, customer relationships and US manufacturing facility with Hikma's growing pipeline and high quality manufacturing facilities in Europe – an extremely powerful combination.

As always, we remain committed to upholding the highest standards of quality and integrity in everything we do. I was extremely proud that these efforts were recognised when we won the Hermes Transparency in Governance Award for Best FTSE 250 Audit Report, which highlighted our commitment to clear and open stakeholder communication. We have continued to develop our approach to reporting during the year in order to increase stakeholder understanding of the way our business is governed.

During the year we also strengthened our Board, welcoming Robert Pickering as an Independent Non-Executive Director. Robert brings extensive experience in advising high growth companies on issues relating to financing, corporate governance, strategy and global operations. Robert spent 23 years at Cazenove & Co. becoming the first Chief Executive of Cazenove Group PLC in 2001 and subsequently of JP Morgan Cazenove, the joint venture partnership, until retiring in 2008.

The Board is recommending a final dividend of 7.5 cents per share (approximately 4.6 pence per share), which will make a dividend for the full year of 13.0 cents per share, in line with 2010. The proposed final dividend will be paid on 24 May 2012 to shareholders on the register on 20 April 2012, subject to approval by shareholders at the Annual General Meeting.

From 1 January 2006 through to the end of 2011, we have delivered a total shareholder return of 63%. We are delighted with this performance, which exceeds that of the FTSE 250 index and the FTSE Pharmaceuticals index, which gave a total shareholder return of 36% and 41% respectively, over the same period.

The strength of our global, diversified business model has enabled us to deliver a robust performance in 2011. We are confident that the business is positioned to deliver continued growth in the short, medium and long-term.

—
Samih Darwazah
Non-Executive Chairman

BUSINESS AND FINANCIAL REVIEW

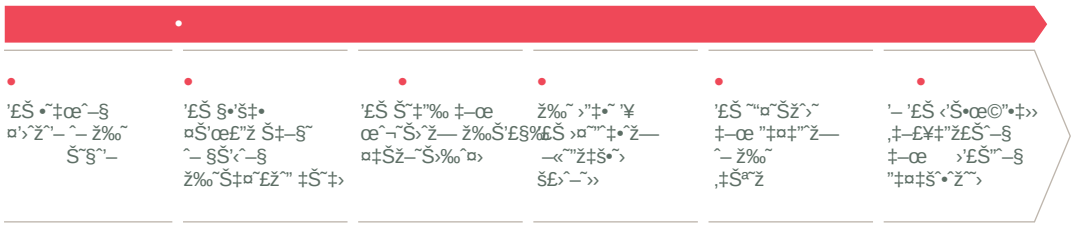
A STRATEGY FOCUSED ON GROWTH

CHIEF EXECUTIVE OFFICER'S REVIEW

HOW ARE WE DELIVERING ON OUR STRATEGY?

WE CONTINUED OUR TRACK RECORD OF DOUBLING SALES EVERY FOUR YEARS WHILE DELIVERING ON OUR STRATEGY FOR GROWTH

Said Darwazah
Chief Executive Officer



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CHIEF EXECUTIVE OFFICER'S REVIEW
Continued

Extending our reach and diversity through partnerships

Developing successful partnerships is key to accessing new products and new technologies that will enhance and expand our business. We are committed to developing our existing relationships and fostering new ones.

Our wide footprint in the MENA region, with our 1,649 strong sales and marketing team, makes us the partner of choice for companies looking to market their products in the MENA region. During 2011, we signed an agreement with Vifor Pharma for their product Ferinject®, an innovative treatment for iron deficiency. We also entered into one of our first partnerships for a product still in development, partnering with Aeterna Zentaris for perifosine, their cancer treatment currently in two Phase 3 programmes in the US and Europe.

Increasingly, we are also working with companies that can help us to develop our product pipeline. Through arrangements like the one with Exela, a North Carolina-based company that develops and manufactures innovative and generic injectable products, we hope to bring more differentiated products to market. A great example of this is our NDA approval for our formulation of argatroban, received in January 2012.

Increasing the scale of our global Injectables business

Over the years we have developed a leading generic injectables business focused on the highest quality standards. Our strategy is to expand this business through the development of our product portfolio, manufacturing capacity, technical capabilities and global footprint.

In May 2011, we completed our acquisition of MSI. The acquisition has already had a transformational impact on our global Injectables business, nearly doubling sales and manufacturing capacity. We are extremely pleased with the progress we have made in integrating the MSI operations with our organic business. We have begun implementing our restructuring programme to reduce headcount, upgrade and expand the facilities, optimise pricing, expand the portfolio and establish a strong senior management team that will be able to deliver the significant growth potential we see for the business. Today, Hikma is the second largest generic injectables supplier by volume in the US, with a market share of more than 17%[1].

Outside the US, we have continued to see strong growth in private sales in Europe and the MENA region. In these markets, we have also generated significant growth in tender sales, as we benefit from increased scale

[1] IMS Health, YTD December 2011

across the global business. This is reflected in the significant underlying sales growth and margin expansion delivered in 2011.

Leveraging our expertise and capacity in the US market

While we lack the scale of many of our oral generics competitors in the US, we have maintained a relatively strong track record in terms of delivering profitable growth – albeit stronger in some years than in others. 2010 was an exceptionally strong year, thanks to the contribution of colchicine, a treatment for gout. In 2011, we managed to deliver double-digit revenue growth excluding colchicine and more normalised margins.

This segment of the market remains extremely competitive, requiring us to maximise the potential of our product portfolio, focus on driving efficiencies and on finding new, differentiated opportunities. In 2011, we were successful in driving volume increases in our core products and increasing our market share in terms of prescriptions written. We also increased the percentage of products produced at our FDA approved facilities in the MENA region to 27% of Generics sales, up from 21%[2] in 2010. Over the longer term, we believe this will help to drive efficiencies and lower operating costs.

We have continued to invest in the development of more differentiated products for this business. We expect this investment to deliver interesting opportunities in 2013 and 2014.

Building on our world class manufacturing and API sourcing capabilities

We are committed to maintaining the highest standards of quality and compliance in manufacturing across our operations. This is an incredibly challenging task, particularly given the continuous drive for higher quality standards across the industry and the range of requirements mandated by the US Food and Drug Administration ("US FDA") and the many other international regulatory authorities who audit our manufacturing facilities on a regular basis.

During 2011, our facilities underwent a number of inspections. Our manufacturing facility in Portugal, including the newly built lyophilisation plant, which produces for the US, European and MENA markets, was inspected by the US FDA and passed successfully. Our facilities in Germany and Italy were inspected by the Brazilian National Health Vigilance Agency, also with successful results. In 2010 our German injectables facility, was inspected by the Gulf Community

[2] Sales figure in 2010 excludes colchicine

CHIEF EXECUTIVE OFFICER'S REVIEW
Continued

Countries and was approved in January 2011. At a time when many injectable pharmaceutical companies were struggling to maintain compliance, these are excellent results.

At our oral solid dosage manufacturing facility in Eatontown, New Jersey, we have had to address observations made by the US FDA during its inspection of the facility in June 2011, which resulted in a warning letter being issued by the FDA in February 2012. We have been taking, and continue to take, the necessary steps to address the issues raised. We are committed to the highest standards of quality and compliance and regard our relationship with the FDA as critical to both our past and future success.

During 2011, we have had success in executing our strategy to build on our active pharmaceutical ingredients ("API") and R&D capabilities through strategic investments in India and China. We acquired a minority stake in Unimark Remedies Limited ("Unimark"), a leading manufacturer of API and API intermediates. We will collaborate with Unimark to develop new strategic APIs and new product formulations, enabling us to bring more products in more therapeutic areas to market globally. We also acquired a minority stake in Hubei Haosun Pharmaceutical Co Ltd ("Haosun"), a Chinese company that develops and manufactures niche, difficult to make APIs. This investment gives us access to a high quality, long-term source of oncology API.

Looking ahead

We are expecting a strong performance in 2012, reflecting the investments that we have made across the Group in 2011 and the excellent growth opportunities we see for our business, particularly in the MENA region and in the global injectables market.

—
Said Darwazah
Chief Executive Officer

QUALITY FOR LIFE

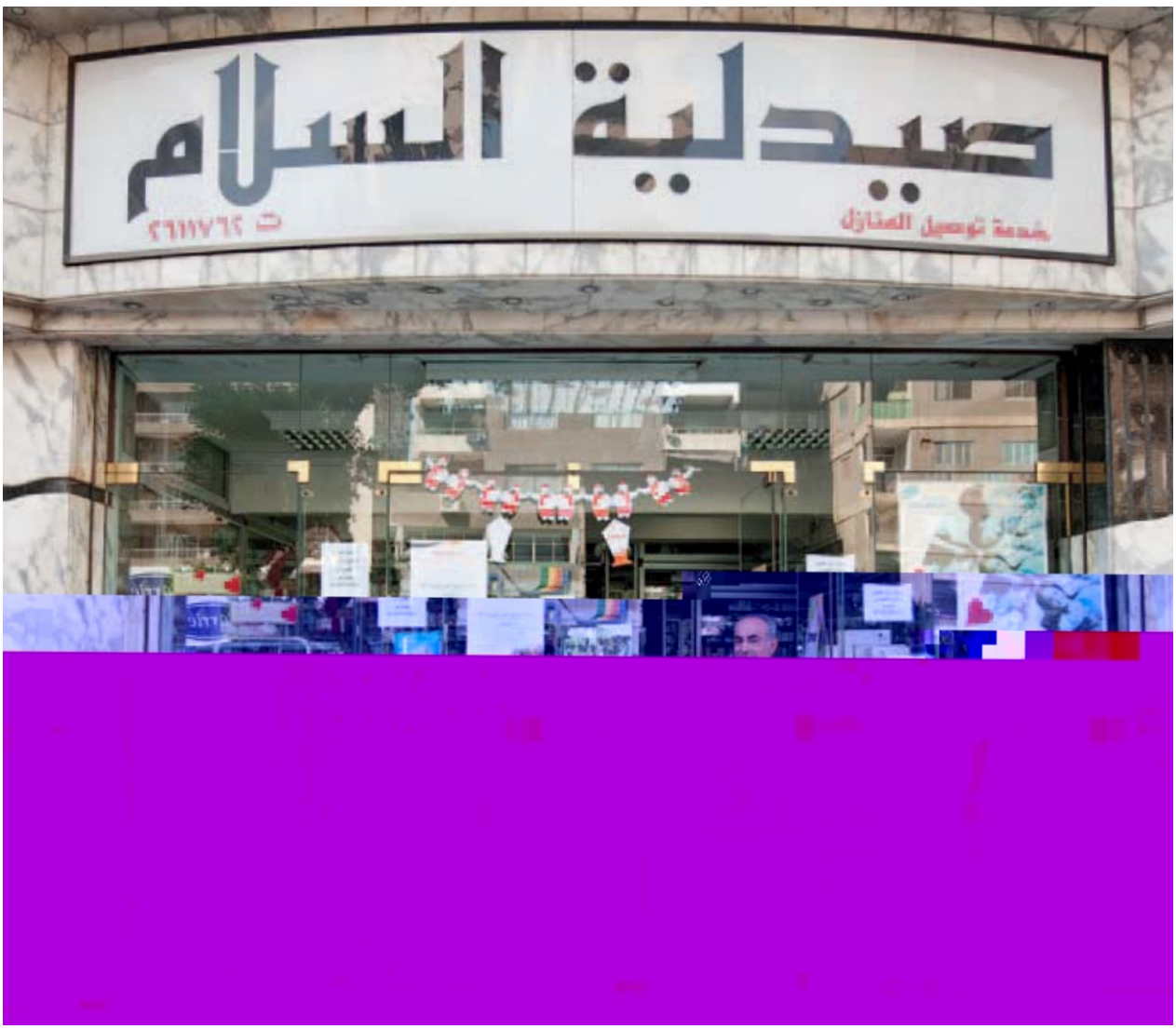
STRENGTHENING OUR LEADING POSITION IN THE MENA REGION

We invested over $215 million in acquisitions and capex in MENA in 2011, establishing a local manufacturing presence in Morocco and Sudan and expanding capacity in Algeria, Egypt and Tunisia.

BUSINESS AND FINANCIAL REVIEW

BRANDED

BETTER THAN EXPECTED MENA PERFORMANCE, WITH ROBUST GROWTH DESPITE THE ARAB SPRING DISRUPTIONS



2011 HIGHLIGHTS

- *Strong second half performance across the MENA region delivered full year revenue growth of 12.1% and organic revenue growth of 9.6%. Adjusted operating profit increased by 9.3%*
- *Entered the Moroccan market through the acquisition of a 94.1% controlling stake in Promopharm*
- *Expanded capacity in Egypt, Tunisia and Algeria and acquired a local manufacturing facility in Sudan, strengthening our presence and capabilities in the MENA region*

QUALITY FOR LIFE

DEVELOPING OUR GLOBAL PRODUCT RANGE IN GROWING THERAPEUTIC AREAS

Sales of our cardiovascular and diabetes products grew by 18% in 2011 and sales of our CNS products grew by 23%.[5]

Overview of the marketplace

Hikma's Branded business manufactures and markets generic and in-licensed originator products across the MENA region. The pharmaceutical markets in MENA tend to be branded markets in which products, both generic and patented, are marketed under specific brand names through large sales and marketing teams.

In spite of the recent political unrest, pharmaceutical sales for the top nine private retail markets in the MENA region grew by 11.2% in 2011, to reach $9.3 billion, according to IMS. This figure does not capture the additional value of sales from Government tenders or from other smaller but fast growing MENA markets such as Iraq, Libya and Sudan.

The growth in the MENA pharmaceutical market continues to be underpinned by the favourable demographics of a young, fast growing population, coupled with a sizeable elderly population. The historically strong demand for anti-infective products in the region still continues. However, economic development in MENA and changes in lifestyle are also driving higher incidences of chronic diseases such as diabetes. Pharmaceutical companies in the region are rapidly developing their portfolios to meet the growing demand for cardiovascular, diabetes, CNS and oncology products.

The fundamental growth drivers remain intact to drive a continued expansion of the MENA pharmaceutical market and we expect the events of the Arab Spring to accelerate Government investment in healthcare across the region.

The MENA[4] pharmaceutical market

	2011 Value $m	Growth
Top 9 MENA markets	9,339	+11.2%
Egypt	2,171	+4.6%
Algeria	1,952	+16.2%
Saudi Arabia	2,109	+14.4%
UAE	743	+14.2%
Morocco	972	+8.7%
Lebanon	510	+5.8%
Tunisia	490	+12.1%
Kuwait	175	+26.0%
Jordan	216	+10.4%

Branded performance

In 2011, Branded revenue increased by 12.1% to $441.9 million, compared to $394.2 million in 2010. Organic revenue growth was 9.6% to $432.1 million. The acquisition of Promopharm contributed a further $9.9 million in the three months to 31 December 2011.

In 2011, the rapid and effective response of our management teams and the commitment of our local employees across the MENA region helped to minimise the impact of the Arab Spring disruptions, particularly in Egypt, Tunisia and Libya. Our Egyptian business rebounded strongly in the second half and delivered 12.1% revenue growth for the full year. In Tunisia, sales in 2011 were maintained broadly in line with the prior year, despite the market disruptions and the lost sales of Actos®, which was withdrawn during the year. In Libya, where the market was closed for more than half the year, we achieved sales of just over $10 million in 2011 and we expect demand to increase as the market recovers.

[4] All market data sourced from IMS Healthcare December 2011. Figures reflect private retail sales only

[5] Sourced from IMS Healthcare YTD December 2011. Figures reflect private retail sales for top nine MENA markets only

BUSINESS AND FINANCIAL REVIEW
Branded continued

Our other key MENA markets performed well in 2011, as we focused on growing our market share through increased sales of our existing portfolio and continued new product launches. We delivered strong growth in Algeria through an increase in local manufacturing, despite lower pricing for locally produced products. In Jordan, we benefited as anticipated from the restructuring of our distribution channels and we achieved strong growth in the Gulf markets, particularly the UAE.

We have been building our presence in Sudan in recent years, where we are the leading pharmaceutical company, with around 17%[6] market share. In the second half of 2011, we acquired the business of Elie Pharmaceuticals in Sudan, including a manufacturing facility and a number of product registrations. This acquisition will reinforce our leading market position and enable us to accelerate the launch of new products. The total consideration was $17.5 million.

For some time, entry into Morocco, the fourth largest MENA pharmaceutical market, has been an important strategic objective. In October 2011, Hikma acquired Promopharm, the ninth largest pharmaceutical company in Morocco with an attractive, well-diversified portfolio of branded generics and in-licensed products. We initially acquired a controlling stake of 63.9% and then increased this stake to 84.3% by 31 December 2011 through the purchase of additional shares in the market. Through a mandatory tender offer that closed on 6 January 2012, we raised our stake in Promopharm to 94.1%. The total consideration paid for the 94.1% stake was $152.4 million, excluding transaction costs.

Promopharm contributed $9.9 million of sales to Hikma's Branded business for the three month period to 31 December 2011 and a further $1.3 million of revenue was consolidated into the Injectables business. We see significant growth opportunities for Promopharm. In the short-term, we will focus on growing sales of Promopharm's existing portfolio and R&D pipeline. Over the medium-term, we are working to register Hikma's strategic products in Morocco, which we expect to drive sales growth and margin expansion.

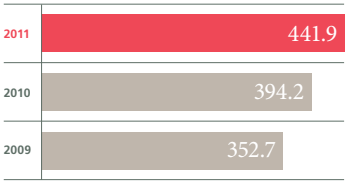
Revenue from in-licensed products grew by 9.8% to $174.8 million, despite one of our leading in-licensed products being withdrawn from some key markets. For the year, in-licensed products represented 39.6% of Branded sales, compared to 40.4% in 2010. We continue to develop our portfolio of in-licensed products, demonstrating our position as the partner of choice in the MENA region.

QUALITY FOR LIFE

ADDRESSING MAJOR HEALTH ISSUES

We provided patients across MENA with access to an extensive range of high quality affordable medicines, with 537 compounds in 1,323 dosage forms and strengths.

More CR information see page 38



BRANDED REVENUES
($ MILLION)

+12.1%

In 2011, the Branded business launched a total of 43 products across all markets, including 6 new compounds and 12 new dosage forms and strengths. The Branded business also received 39 regulatory approvals across the region, including 8 for new compounds.

Gross profit in the Branded business increased by 5.2% to $214.1 million, compared to $203.4 million in 2010. The Branded business gross margin declined to 48.4%, compared to 51.6% in 2010. This reflects increases in salaries and employee benefits due to inflationary pressure across the MENA region, a higher percentage of lower margin products and tender sales and the negative impact of foreign exchange movements on sales and raw material costs. It also results from the increase in local production in Algeria and the lower prices for locally produced products.

Operating profit of the Branded business was $98.5 million, compared to $98.7 million in 2010. Adjusted operating profit was $105.1 million, up 9.3% from $96.2 million in 2010. Adjusted operating margin was 23.8%, compared to 24.4% in the prior year, principally reflecting the decline in gross profit margin.

In a very challenging year, we maintained our position as the largest regional pharmaceutical company and the fifth[7] largest pharmaceutical company overall in the MENA region. We increased our market share to 4.1%, compared to 3.7% in the prior year. At the same time, we invested significantly in our MENA facilities, increasing capacity in Egypt, Tunisia and Algeria and strengthening our sales and marketing operations across the region.

We believe Hikma is very well positioned to continue to grow slightly ahead of the overall MENA market. With the benefit from the Moroccan and Sudanese acquisitions we are expecting overall Branded revenue growth of around 20% in 2012. We expect continued inflationary pressure on MENA operating costs in 2012, which we aim to offset through new product launches and sales and marketing efficiencies. We expect gross margin and adjusted operating margin in 2012 to be broadly in line with 2011.

[6] Advanced Marketing Statistics (AMS) Health, YTD December 2011

[7] IMS Health, YTD December 2011. Private retail sales for top nine MENA markets (Algeria, Jordan, Kuwait, Egypt, Tunisia, Morocco, UAE, Lebanon and Saudi Arabia). Data excludes tender and injectables sales

BUSINESS AND FINANCIAL REVIEW

INJECTABLES

DOUBLED THE SIZE OF OUR GLOBAL INJECTABLES BUSINESS WITH STRONG ORGANIC GROWTH ACROSS ALL REGIONS AND COMPLETION OF THE MSI ACQUISITION

2011 HIGHLIGHTS

- *Organic Injectables revenue up 23.3%, driven by strong demand across our product portfolio and growth in contract manufacturing*
- *Excellent improvement in organic Injectables operating margin to 17.5% from 15.1%*
- *Completion of the MSI acquisition, adding $120.3 million of revenue in the eight months to 31 December 2011*

Overview of the marketplace

Hikma's Injectables business manufactures and markets branded and non-branded generic injectable products in the US, Europe and MENA. Injectable products represent the second largest segment of the global pharmaceutical market in terms of delivery mechanism after oral products. The value of the global generic injectables market is estimated to exceed $11.0 billion.

Injectable products are produced in either liquid, powder or lyophilised (freeze-dried) forms. The manufacture of injectable products requires specialised and sterile manufacturing facilities and techniques, which must meet the strict quality standards imposed by regulatory authorities. These factors have created a market with high barriers to entry and, as a result, a limited number of competitors.

The global injectables market has been experiencing high growth in recent years. Future growth is expected to be driven by an increasing demand for more affordable generic products and the large number of pending patent expiries.

In the US, drug shortages are creating opportunities for companies who can reliably manufacture and supply high quality injectable products.

Injectables performance

In 2011, revenue in our global Injectables business increased by $158.3 million to $315.7 million, compared to $157.4 million in 2010. Organic Injectables revenues grew 23.3% to $194.1 million.

INJECTABLES REVENUE BY REGION

	Proforma[8] 2011	2011	2010
US	58.2%	51.3%	19.0%
Europe	20.7%	24.8%	39.8%
MENA	21.1%	23.9%	41.2%

US Injectables sales, excluding MSI, reached $41.9 million, up 40.1% from $29.9 million in 2010. This excellent performance reflects the strength of our product portfolio, with success from recently launched products, good demand for our existing products and an increased demand for contract manufacturing.

On 2 May 2011, we completed our acquisition of MSI, establishing Hikma as the second largest supplier, by volume, of generic injectables in the US market. The results of MSI have been consolidated for the eight months to 31 December 2011, adding sales of $120.3 million to our Injectables business for 2011. On a proforma basis, MSI revenue in 2011 was $178.3 million. The MSI business contributed adjusted operating profit of $17.8 million at an adjusted operating margin of 14.8%, before the impact of acquisition and integration related costs of $10.0 million, an inventory adjustment of $1.8 million and intangible amortisation $0.5 million. Overall, MSI contributed net income of $2.7 million in 2011, ahead of our expectations.

QUALITY FOR LIFE

EXTENDING OUR REACH AND DIVERSITY AS A PARTNER OF CHOICE IN THE MENA REGION

We signed an agreement with Vifor Pharma to market Ferinject® in MENA, their innovative treatment for iron deficiency.

[8] Reflects the impact on the Injectables business if the MSI and Promopharm businesses had been owned from the beginning of 2011

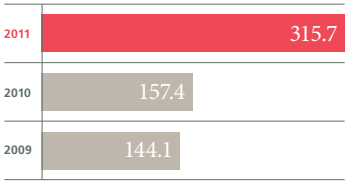
BUSINESS AND FINANCIAL REVIEW
Injectables continued

Since May, we have been rapidly integrating this business and we have made excellent progress with our restructuring programme. Through headcount reductions and reorganisation of the manufacturing operations, we are delivering significant gains in productivity. We are driving greater value from the existing product portfolio and in 2011 we began the process of re-activating MSI's dormant ANDAs. We have also been executing our plan to build the product pipeline through increased R&D. We have begun to implement our plans to upgrade our Cherry Hill, New Jersey facility, with investment in new state-of-the-art manufacturing equipment with higher capacity, better reliability and of a superior quality standard. We expect completion of this investment by early 2013. As guided at the time of the acquisition, we expect to make capital investments of around $25 million, of which around $4 million was incurred in 2011.

European Injectables sales increased by 24.7% to $78.2 million in 2011, compared to $62.7 million in 2010. On a constant currency basis, sales grew by 18.9%. Sales growth was driven by new contract manufacturing opportunities, increased oncology sales and higher sales of existing and recently launched products. We continued to see strong price erosion during the year, which was more than offset by volume growth.

Injectables sales in the MENA region increased by 16.2% to $75.4 million, compared to $64.9 million in 2010. Excluding the acquisition of Promopharm, which added Injectables revenue of $1.3 million for the three months to 31 December 2011, the organic MENA Injectables business grew by 14.2%. In 2011, we saw the strongest growth coming from Algeria, Jordan and Sudan, reflecting our strengthened sales and marketing operations, new product launches, growth in oncology sales and greater success in the tender market as we grow in scale.

In October 2011, we inaugurated a new facility at our Injectables manufacturing site in Portugal. The new facility has the capability to fill and finish both sterile liquid and lyophilised products. The facility has begun producing lyophilised products for



INJECTABLES REVENUES
($ MILLION)

+100.5%

Europe and MENA and liquid products for the US. In February 2012, the US FDA approved the facility for the manufacture of lyophilised products for the US market. In 2011, the Injectables business launched a total of 43 products across all markets, including 7 new compounds and 14 new dosage forms and strengths. The Injectables business also received a total of 61 regulatory approvals across all regions and markets, including 33 in MENA, 22 in Europe and 6 in the US.

Injectables gross profit grew by 79.7% to $127.6 million, compared to $71.0 million in 2010. Gross margin was 40.4% compared to 45.1% in 2010. Excluding MSI, the gross margin was 43.1% in 2011. The reduction in the underlying margin reflects increased overheads related to the new lyophilisation plant, which was only partially utilised during the year, and higher tender sales in MENA. Injectables operating profit increased by 91.5% to $45.4 million, compared to $23.7 million in 2010. Injectables operating margin was 14.4%. Adjusted operating profit was $54.9 million and adjusted operating margin was 17.4%. Excluding MSI and Promopharm, operating margin was 17.5%, compared to 15.1% in 2010. This significant margin improvement reflects our strong performance across all markets, good cost control and the benefits of economies of scale.

MSI is now largely integrated into the global Injectables business and we expect the combined business to deliver very strong growth in 2012, building on the excellent performance in 2011. Given that MSI delivered better than expected profitability in 2011, we expect the adjusted operating margin of the overall Injectables business to be in the high teens in 2012, ahead of our previous expectations.

QUALITY FOR LIFE

PRESERVING HIKMA'S STRONG CULTURE AS WE GROW

We successfully managed the integration of over 700 new employees into our US operations.

More CR information see page 38

BUSINESS AND FINANCIAL REVIEW

GENERICS

DOUBLE-DIGIT GENERICS REVENUE GROWTH,
EXCLUDING THE EXCEPTIONAL COLCHICINE SALES IN 2010

2011 HIGHLIGHTS

- *Generics revenue was $154.8 million, in line with guidance*
- *Generics delivered double-digit revenue growth, excluding the exceptional colchicine sales in 2010*
- *Strong volume growth was partially offset by accelerating price erosion*

QUALITY FOR LIFE

BUILDING ON OUR WORLD-CLASS MANUFACTURING & API SOURCING CAPABILITIES

We made strategic minority investments in Unimark in India and Haosun in China, which will supplement our in-house R&D activities for new product development and provide access to high quality, long-term sources of API.

Overview of the marketplace

Hikma's Generics business manufactures non-branded oral generic products for sale in the US market. The US represents the world's largest generics market, and generics now account for around 78% of all retail prescriptions dispensed in the US. According to IMS, the market for oral generic products in the US grew by 5.7% in 2011, reaching a total market value of $30.3 billion and the number of oral generic prescriptions written grew by 20.5%. The growth in the generics market results from the greater availability of molecules in generic form as patents expire, along with patients choosing lower cost options. The US generic pharmaceutical industry is very competitive and has experienced significant pricing pressure in recent years. Going forward, we expect that significant patent expiries and increased demand for cost-effective medicines will drive future generics market growth.

Generics performance

In 2011, Generics revenue was $154.8 million, down 11.3% from $174.5 million in 2010. This decline in revenue reflects the exceptional benefit of colchicine in 2010. Excluding colchicine, the Generics business delivered double-digit revenue growth through a significant increase in volumes, which was partially offset by accelerating price erosion.

The Generics segment gross profit decreased by 36.2% to $52.2 million, compared to $81.8 million in the prior year. Gross margin was 33.7%, compared to 46.9% in 2010, due to the contribution of colchicine in 2010, as well as strong price erosion in the second half of 2011 and an adverse change in product mix. Consequently, the Generics segment achieved an operating profit of $17.1 million, compared to $51.1 million in 2010 and Generics operating margin was 11.0%, compared to 29.3%.

During 2011 we made good progress with our tech transfer programme. Products manufactured in our Jordan and Saudi Arabian facilities for sale in the US represented 26.8% of Generics sales in 2011, compared to 21.2%[9] in 2010. Over the medium-term, we will be focusing on leveraging our MENA production facilities and exploiting synergies in order to be more competitive in the US oral generics market.

At our oral solid dosage manufacturing facility in Eatontown, New Jersey, we have had to address observations made by the US FDA during its inspection of the facility in June 2011, which resulted in a warning letter being issued by the FDA in February 2012. We have been taking, and continue to take, the necessary steps to address the issues raised. We are committed to the highest standards of quality and compliance and regard our relationship with the FDA as critical to both our past and future success.

In 2011, the Generics business launched 2 new compounds and 5 new dosage forms and strengths and received 14 new product approvals.

Generics revenue is expected to decline in 2012, reflecting continued price erosion and limited new product launches. Looking further ahead, we expect growth to be driven by continued investment in the development of more differentiated products for this business. R&D investment will increase in 2012, resulting in an operating margin in the high single digits for the full year in 2012, before rebuilding towards more normalised levels.

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 $5.6 million, compared with aggregate revenue of $4.8 million in 2010.

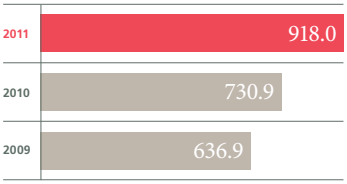
These other businesses delivered an operating loss of $2.4 million in 2011, compared to an operating loss of $2.9 million in 2010.

[9] Sales figure in 2010 excludes colchicine

BUSINESS AND FINANCIAL REVIEW

GROUP PERFORMANCE

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



GROUP REVENUE ($ MILLION)

+25.6%

Revenue for the Group increased by 25.6% to $918.0 million in 2011, compared to $730.9 million in 2010. Excluding the contribution of the MSI and Promopharm acquisitions, organic revenue grew by $55.7 million, or 7.6%, driven by growth in the Branded and Injectables businesses.

The Group's gross profit was $395.3 million, up 10.6% from $357.3 million in 2010. Gross margin was 43.1%, compared to 48.9% in the prior year, reflecting the loss of the contribution from higher margin colchicine sales in 2010, increased employee wages and benefits across the MENA region, the consolidation of the lower margin MSI business and the effect of negative foreign exchange movements on sales and raw material costs.

Group operating expenses grew by 24.5% to $276.7 million, compared to $222.2 million in 2010. As a percentage of revenue, Group operating expenses were 30.1%, in line with 2010. The following paragraphs address the Group's main operating expenses in turn.

Sales and marketing expenses grew more slowly than Group revenue during the year, increasing by 17.5% to $125.3 million, compared to $106.7 million in 2010, and decreased as a percentage of sales to 13.6% in 2011, compared to 14.6% in 2010. This primarily reflects the strong performance of our global Injectables business, with its relatively lower sales and marketing expenses as a percentage of sales and the benefits of increased scale.

SUMMARY P&L

$ million	2011	2010	Change
Revenue	**918.0**	730.9	*+25.6%*
Gross profit	**395.3**	357.3	*+10.6%*
Gross margin	*43.1%*	*48.9%*	*–5.8*
Operating profit	**118.7**	135.1	*–12.1%*
Adjusted[10] operating profit	**145.8**	143.0	*+2.0%*
Adjusted operating margin	*15.9%*	*19.6%*	*–3.7*
Profit attributable to shareholders	**80.1**	98.8	*–19.0%*
Adjusted profit attributable to shareholders	**100.9**	103.1	*–2.2%*
Earnings per share (basic) (cents)	**41.3**	51.4	*–19.7%*
Dividend per share (cents)	**13.0**	13.0	–
Net cash from operating activities	**126.4**	152.5	*–17.1%*

[10] Before the amortisation of intangible assets (excluding software) and exceptional items

General and administrative expenses increased by 26.9% to $107.5 million, compared to $84.8 million in the prior year. As a percentage of sales, general and administrative expenses were 11.7% in 2011, compared to 11.6% in 2010. Excluding the impact of acquisition and integration costs of $16.4 million in 2011 and $7.7 million in 2010, Group general and administrative expenses were $91.2 million in 2011, or 9.9% of sales, compared to 10.5% in 2010. This reflects good control of costs across the Group in 2011.

In line with our strategy to increase investment in R&D across the Group, R&D grew by 32.2% to $31.2 million. Total investment in R&D represented 3.4% of Group revenue, compared to 3.2% in 2010. We expect to significantly increase our R&D investment to around 4.5% of Group sales in 2012, as we work to develop our global portfolio, particularly for our global Injectables products.

During 2011, we have had success in executing our strategy to build our API and R&D capabilities through strategic investments in India and China. We acquired a minority stake in Unimark, a leading manufacturer of API ingredients and API intermediates. We will collaborate with Unimark to develop new strategic APIs and finished products, enabling us to bring more products in more therapeutic areas to market globally. We also acquired a minority stake in Haosun, a Chinese company that develops and manufactures niche, difficult to make APIs. This investment gives us access to a high quality, long-term source of oncology API.

Other net operating expenses increased on a reported basis by $5.4 million to $12.6 million in 2011. However, excluding non-recurring gains of $7.2 million in 2010 arising from the revaluation of the previously held interests in the Tunisian company Ibn Al Baytar and the Algerian company Al Dar Al Arabia, net operating expenses decreased by $1.8 million in 2011 compared to the prior year. Operating profit for the Group was $118.7 million, compared to $135.1 million in 2010. Group operating margin was 12.9%, compared to 18.5% in 2010. Adjusted Group operating profit was $145.8 million compared to $143.0 million in 2010.

Management focuses on adjusted metrics such as adjusted operating profit and adjusted profit attributable to shareholders, which remove the impact of amortisation of intangible assets (excluding software) and exceptional items such as transaction costs, as this provides a clearer understanding of the Group's underlying financial performance.

Net finance expense

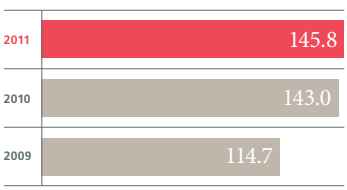
Net finance expense increased to $22.9 million, compared to $13.5 million in 2010. The increase reflects higher borrowings in 2011 as a result of the MSI, Promopharm, Elie Pharmaceuticals, Unimark and Haosun acquisitions. Additionally, it reflects higher bank charges related to trade financing in the MENA region. We expect the net finance expense in 2012 to be around $32 million, reflecting the full year cost of new debt facilities, including higher interest loans in local currencies that will help to provide a natural hedge for foreign currency exposure. It also reflects an increase in bank charges as we continue to grow our MENA business.

Profit before tax

Profit before tax for the Group decreased by 22.4% to $93.9 million, compared to $121.0 million in 2010. Adjusted profit before tax was $121.0 million, compared to $128.9 million in 2010.

Tax

The Group incurred a tax expense of $10.4 million in 2011, compared to $21.5 million in 2010. The effective tax rate was 11.1%, compared to 17.7% in 2010. This reflects the reduced profitability in the US in 2011, as well as the benefit of a European Union tax credit arising in Portugal in 2011. Given the changing



GROUP ADJUSTED OPERATING PROFIT ($ MILLION)

+2.0%

BUSINESS AND FINANCIAL REVIEW
Group performance continued

geographic mix of sales, we expect the Group's effective tax rate to be around 20% in 2012.

Profit for the year

The Group's profit attributable to equity holders of the parent was $80.1 million, compared to $98.8 million in 2010. Adjusted profit attributable to equity holders of the parent decreased by 2.2% to $100.9 million, compared to $103.1 million in 2010.

Earnings per share

Basic earnings per share for the year to 31 December 2011 were 41.3 cents, compared to 51.4 cents in 2010. Adjusted diluted earnings per share were 51.0 cents, compared to 52.4 cents in 2010.

Dividend

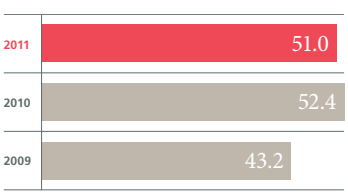
The Board has recommended a final dividend of 7.5 cents per share (approximately 4.6 pence per share), which will make a dividend for the full year of 13.0 cents per share, maintained in line with 2010. The proposed final dividend will be paid on 24 May 2012 to shareholders on the register on 20 April 2012, subject to approval by shareholders at the Annual General Meeting.

Net cash flow, working capital and net debt

Group cash flow from operations was $126.4 million, including the $21.1 million impact of financing MSI's working capital requirements, compared to $152.5 million in 2010. Excluding MSI, Group net cash flow from operating activities decreased by 3.3% to $147.5 million. Strong growth in operating cash flow in MENA helped to offset the exceptional colchicine benefit in 2010. Excluding the MSI acquisition, the Group continued to deliver significant improvements in working capital in 2011, reducing its overall working capital cycle by 15 days to 198 days. This reflects our commitment to improve collections, increase the factoring of receivables and optimise our supply chain. Including acquisitions, the Group working capital cycle improved by 20 days to 193 days, reflecting the shorter payment terms in the US.

Capital expenditure increased to $69.0 million, compared to $49.1 million in 2010. In 2011, investment was focused on the expansion of our manufacturing capabilities in the MENA region, which accounted for $47.3 million of expenditure. This underlines our future growth expectations for MENA and our commitment to the region. Further investment included upgrades to the MSI facility and the completion of our new lyophilisation plant in Portugal as well as maintenance capex. We expect capital expenditure in 2012 to be between $85 and $90 million, as we continue to expand our manufacturing capacity in the MENA region and our Injectables capacity in the US.

Group net debt increased from $101.1 million at 31 December 2010 to $421.9 million at 31 December 2011, reflecting the successful negotiation of new debt facilities of $345.0 million. Net debt to EBITDA was 2.6 times, compared to 0.6 times at 31 December 2010. The increase in borrowing was principally to finance $325.0 million of acquisitions completed during the year.



ADJUSTED DILUTED EPS
($ CENTS)

-2.6%

HIKMA'S PRODUCT PORTFOLIO

	Total marketed products		Products launched in 2011		
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries in 2011[11]
Branded	448	1,168	6	12	43
Injectables	169	308	7	14	43
Generics	50	122	2	5	5
Group	**667**	**1,598**	**15**	**31**	**91**

HIKMA'S PRODUCT PIPELINE

	Products approved in 2011			Products pending approval as at 31 December 2011		
	New compounds	New dosage forms and strengths	Total approvals across all countries in 2011[11]	New compounds	New dosage forms and strengths	Total pending approvals across all countries as of 31 December 2011[11]
Branded	8	14	39	79	149	232
Injectables	7	8	61	72	116	239
Generics	5	14	14	22	22	22
Group	**20**	**36**	**114**	**173**	**287**	**493**

In December 2011, the Group further enhanced its borrowing capacity by signing a new $110 million loan agreement with the International Finance Corporation ("IFC"). The nine-year loan facility will be used to support Hikma's ongoing programme of capital expenditure and expansion in MENA. This facility is currently undrawn.

Balance sheet

During the year, shareholder equity was negatively impacted by unrealised foreign exchanges losses of $15.3 million, reflecting the depreciation of the Euro, the Moroccan Dirham and the Algerian Dinar against the US dollar, resulting from the revaluation of net assets denominated in currencies other than US dollars.

2012 outlook

We expect to deliver Group revenue growth of around 20% in 2012. Overall, we remain confident in Hikma's medium and long term growth prospects and look forward to another strong year in 2012.

Research and development[12]

The Group's product portfolio continues to grow. In 2011 the Group's portfolio expanded to 667 compounds in 1,598 dosage forms and strengths through acquisitions and new product launches. We manufacture and/or sell 207 of these compounds under-license.

Across all businesses and markets, a total of 91 products were launched. In addition, the Group received 114 approvals.

To ensure the continuous development of our product pipeline, we submitted 154 regulatory filings in 2011 across all regions and markets. As of 31 December 2011, we had a total of 493 pending approvals across all regions and markets.

At 31 December 2011, we had a total of 126 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.

[11] Totals include all compounds and formulations that are either launched, approved or pending approval across all markets

[12] 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

BUSINESS AND FINANCIAL REVIEW

PRINCIPAL RISKS AND UNCERTAINTIES

THE GROUP'S BUSINESS FACES 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
Compliance with regulatory requirements Failure to comply with applicable regulatory requirements and manufacturing standards (often referred to as 'Current Good Manufacturing Practices' or cGMP)	Delays in supply or an inability to market or develop the Group's products Delayed or denied approvals for the introduction of new products Product complaints or recalls Bans on product sales or importation Disruptions to operations Potential for litigation	Commitment to maintain the highest levels of quality across all manufacturing facilities Strong global compliance function

OPERATIONAL RISKS (CONTINUED)

RISK	POTENTIAL IMPACT	MITIGATION
Product safety Unforeseen product safety issues for marketed products, particularly in respect of in-licensed products	Interruptions to revenue flow Costs of recall, potential for litigation Reputational damage	Diversification of product portfolio across key markets and therapies Working with stakeholders to understand issues as they arise
Product development Failure to secure new products or compounds for development	Inability to grow sales and increase profitability for the Group Lower return on investment in research and development	Experienced and successful in-house R&D team, with specifically targeted product development pathways Continually developing and multi-faceted approach to new product development Strong business development team Track record of building in-licensed brands Position as licensee of choice for our key MENA geography
Co-operation with Third parties Inability to renew or extend in-licensing or other co-operation agreements with third parties	Loss of products from our portfolio Revenue interruptions Failure to recoup sales and marketing and business development costs	Investment in long-term relationships with existing in-licensing partners Experienced legal team capable of negotiating robust agreements with our partners Continuous development of new partners for licensing and co-operation Diverse revenue model with in-house R&D capabilities
Increased competition New market entrants in key geographies On-going pricing pressure in increasingly commoditised markets	Loss of market share Decreasing revenues on established portfolio	On-going portfolio diversification, differentiation and renewal through internal R&D, in-licensing and product acquisition Continuing focus on expansion of geographies and therapeutic areas
Disruptions in the manufacturing supply chain Inability to procure API from approved sources Inability to procure API on commercially viable terms Inability to procure the quantities of API needed to meet market requirements	Inability to develop and/or commercialise new products Inability to market existing products as planned Lost revenue streams on short notice Reduced service levels and damage to customer relationships Inability to supply finished product to our customers in a timely fashion	Alternate approved suppliers of active ingredients Long-term relationships with reliable raw material suppliers Corporate auditing team continuously monitors regulatory compliance of API suppliers Focus on improving service levels and optimising our supply chain

BUSINESS AND FINANCIAL REVIEW
Operational risks continued

OPERATIONAL RISKS (CONTINUED)

RISK	POTENTIAL IMPACT	MITIGATION
Economic and political and unforeseen events The failure of control, a change in the economic conditions or political environment or sustained civil unrest in any particular market or country Unforeseen events such as fire or flooding could cause disruptions to manufacturing or supply	Disruptions to manufacturing and marketing plans Lost revenue streams Inability to market or supply products	Geographic diversification, with nine manufacturing facilities and sales in more than 40 countries Product diversification, with 667 products and 1,598 dosage strengths and forms
Litigation Commercial, product liability and other claims brought against the Group	Financial impact on Group results from adverse resolution of proceedings Reputational damage	In-house legal counsel with relevant jurisdictional experience

FINANCIAL RISKS

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

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 review or to correct any inaccuracies which may become apparent in such forward-looking statements.


فحص ال
التراك
HIKMA

SUSTAINABILITY

SUSTAINABLE QUALITY

SUSTAINABILITY

CORPORATE RESPONSIBILITY

WE AIM TO IMPROVE LIVES BY PROVIDING PATIENTS WITH BETTER ACCESS TO HIGH-QUALITY, COST-EFFECTIVE MEDICINES IN KEY THERAPEUTIC AREAS

The table below lists some examples of key initiatives in 2011 across our major CR impact areas and links these initiatives to our strategic goals.

2011 HIGHLIGHTS

	Strengthening our leading position in the MENA region	*Developing* our global product range in growing therapeutic areas	*Extending* our reach and diversity through partnerships	*Increasing* the scale of our speciality Injectables business	*Leveraging* our expertise and capacity in the US market	*Building* on our world-class manufacturing and API sourcing capabilities
Patients	Provided patients across MENA with an extensive portfolio of 537 compounds in 1,323 dosage forms	Launched imatinib, a leading treatment for breast cancer, in Jordan	Enhanced our pipeline of innovative cancer treatments through an agreement with Aeterna Zentaris to market perifosine in the MENA region	Expanded our global portfolio of affordable injectable products to 169 compounds in 308 dosage forms and strengths	Increased market share of written oral prescriptions by offering cost-effective, differentiated products like our dye-free amoxicillin suspension	Ensured delivery of quality products through adherence to the highest standards of manufacturing
People	Implemented our continuous education programme, funding 25 employees for Bachelors and Masters degrees	Leveraged our expertise in treating diabetes, heart disease and cancer through employee awareness programmes	Strengthened the capabilities of our 1,700 strong sales and marketing team through training	Successfully managed the integration of more than 700 new employees into our US operations	Transferred skills and expertise from our European operations to the US through the relocation of key operational and quality managers	Developed employees technical skills and expertise through our contract manufacturing partnerships
Community	Donated much needed medicines to Libya including anti-infective, cardiovascular and diabetes products	Raised awareness by sponsoring anti-obesity and breast cancer campaigns	Agreed to bring new treatment for iron deficiency to MENA through partnership with Vifor Pharma for Ferinject®	Addressed critical short supply issues in the US by providing much needed injectable products	Raised money to fund breast cancer treatment and research in the US	Provided funding to develop an industrial pharmaceuticals faculty at Yarmouk University in Jordan
Environment	Renewed environmental management systems (EMS) certification of the (ISO) 14001:2004 in Hikma's units in Jordan and Egypt	Expanded facilities in all regions in order to meet global demand for our products while complying with local and international environmental standards	Continued regular training of employees on sustainability and environmental matters	Inaugurated a new lyophilisation plant in Portugal, completed to a high environmental standard	Committed to increasing recycling of bottles, cans, cardboard and paper at our US operations	Collected GRI data from our manufacturing facilities worldwide to analyse energy usage
Business Ethics	Engaged The Good Corporation to audit our operations in Jordan and Saudi Arabia	Worked with ministries of health in MENA to ensure the dissemination of accurate information regarding the contraindications of Actos®, an important in-licensed diabetes treatment	Won the Hermes Transparency in Governance Award for "Best FTSE 250 Audit Report"	Engaged The Good Corporation to audit our operations in Portugal and the US	Re-educated staff in the US on our Code of Conduct	Utilised Supplier Audit Questionnaire to assess supplier's business practices

SUSTAINABILITY

ADDRESSING MAJOR HEALTH ISSUES

SINCE THE COMPANY WAS FOUNDED, HIKMA HAS BEEN PROVIDING PATIENTS WITH HIGH QUALITY, AFFORDABLE MEDICINES

As a leading manufacturer of generic pharmaceuticals, we are in a position to help address the health issues affecting patients in the markets in which we operate. Given our origins in MENA, and the regions relatively young population, anti-infectives have dominated our product portfolio for many years. As our business has grown, our anti-infective product offering has expanded in range, complexity and market coverage. Hikma is now a key supplier of oral and injectable cephalosporins and oral penicillins across the MENA, Europe and the US markets.

As we have expanded our geographic footprint and sought to meet the changing needs of patients in our local markets, we have also grown our product portfolio in other therapeutic areas. As of the end of 2011, our global product portfolio of 667 molecules in 1,598 dosage strengths and forms included products in the cardiovascular, oncology, CNS, respiratory and pain therapeutic areas, to name a few.

In recent years, we have seen significant changes in patient needs in the MENA region. As life expectancy increases and lifestyles change, patients are increasingly being treated for chronic illnesses. The incidence of heart disease and diabetes has risen dramatically. Through our own in-house development and through partnering with licensors, we are working to address these health issues by bringing new treatments to market. We are also working to raise awareness of many of these illnesses in our local communities. Through internal and external awareness days and targeted marketing campaigns, we are sharing our expertise in order to help prevent, detect and treat these chronic diseases.

Across all our markets, we are working to fight the increasing incidence of cancer. Our manufacturing facility in Germany, which is dedicated to the production of cytotoxic oncology injectables, is now approved for production for the US, Europe and MENA. We are also producing high quality oral oncology products at a dedicated facility in Jordan. Our global oncology product portfolio is growing, we are increasing our penetration of the European oncology market, we have begun launching our first cancer products in the MENA region and have received our first oncology approval in the US.

Through charitable contributions, we are also looking to help prevent and treat some of world's most challenging health issues. Since 2010 we have contributed to the Global Fund to fight AIDS, Tuberculosis and Malaria, which works to fight these diseases.

SUSTAINABILITY

PATIENTS

PATIENTS AROUND THE WORLD SEEK SAFE AND EFFECTIVE MEDICINES AT AFFORDABLE PRICES

Hikma quality

Delivering high quality products to our patients starts with embedding quality in our manufacturing process. Our Corporate Compliance Department works to ensure that all Hikma sites abide by the local regulations of the MENA region, Europe and the US and that we harmonise quality across our businesses through adherence to international GMPs (Good Manufacturing Practices). This commitment to quality extends to our employees, who undertake regular training to ensure they are working to the highest possible standards.

These efforts are supported throughout the year with workshops, such as Managing Deviations in Compliance with the Latest Regulatory Guidelines held in November 2011, in which employees from across Hikma's worldwide operations joined specialists from major pharmaceutical companies and regulatory bodies to share insights on best practice.

Pharmacovigilance

Through our robust commitment to pharmacovigilance, we ensure that we remain focused on patients' safety. Our Medical Affairs department manages a pharmacovigilance system for the collection, collation, and evaluation of adverse drug reactions and the implementation of effective corrective and preventive actions.

In 2011, the Medical Affairs department implemented our pharmacovigilence system in some of our MENA countries and engaged SGD Consulting LTD to assess our pharmacovigilance activities and recommend strategies to improve efficiency and productivity.

Information and patient education

In 2011, our excellence in pharmacovigilence enabled us to manage the impact of concerns that arose with respect to one of our leading in-licensed products, Actos®, a treatment for Type 2 Diabetes. Our pharmacovigilence team worked closely with our licensing partner Takeda, a Japanese research-based pharmaceutical company, and regulatory bodies in the MENA region, doctors, pharmacists and other stakeholders to ensure the dissemination of accurate information regarding the contraindications of this product.

Clinical research

Making sure that doctors and patients are confident in the efficacy of Hikma products is critical to their success in the market. To achieve this, we work with medical institutions, regulatory authorities, and clinical research organisations (CROs), through our Medical Affairs department, to develop and conduct clinical and pharmaco-epidemiology studies. The studies support our marketed products and help in the development of our product pipeline across growing therapeutic areas (i.e. oncology, central nervous system, diabetes, and respiratory system).

Our clinical research related activities during the year included participation in the Jordan FDA-Clinical Investigation Training Program in December 2011. As part of this, Hikma arranged post-marketing surveillance studies in various key therapeutic areas, including oncology, and assisted in the management of medical trials.

Security of supply

Ensuring the availability of our medicines is critical to both fulfilling patients' needs and delivering on our corporate performance objectives. Critical supply shortages hit the US market, particularly for injectable products, in 2011. Our US operation responded by accelerating the production of affected drugs and by working closely with the FDA's drug shortage staff to anticipate and mitigate the effects of drug shortages on patients.

QUALITY FOR LIFE

HIKMA'S DAY AGAINST BREAST CANCER

Events and activities focused on awareness, early detection and health screening

and safety management system. Training sessions on occupational health and safety were regularly conducted during the year, with specialised training for plant operators.

Health awareness

Our commitment to ensuring the health and well being of our employees extends to internally sponsored health awareness campaigns aimed at raising awareness of major health issues among our employees. Through these campaigns, we provide employees with information on different diseases, particularly where we have expertise in specific therapeutic areas. Sessions are also provided on nutrition and healthy lifestyle management. In 2011, these events included Hikma's Day against Breast Cancer, Hikma's World Heart Day and Hikma's Anti-Obesity Campaign.

Learning and development

We are committed to building employees' skills and experiences and to creating employment opportunities that will enhance overall career development. Through programmes such as Hikma's Continuing Education Scheme, we offer full funding for qualified employees to pursue higher education. Through management rotation plans, we offer exposure to different parts of our business and the opportunity to build a diverse range of skills and experience.

Managing change and restructuring

Acquisitions form an important part of Hikma's growth strategy, but can be disruptive to employees. We conscientiously manage any necessary HR changes and consider employees' interests carefully throughout the acquisition process, while establishing clear communication plans to ensure a smooth transition. At the same time, we aim to integrate new employees while preserving Hikma's strong culture. Following the acquisition of Baxter's Multi-Source Injectables business in 2011, our HR teams supported the integration process by implementing new HR systems, augmenting rewards and benefits and encouraging employee engagement.

QUALITY FOR LIFE

"YOU ARE HIKMA" CAMPAIGN

Raising awareness regarding health, safety, and the environment at Hikma and in the broader community

SUSTAINABILITY

COMMUNITY

HIKMA IS COMMITTED TO BENEFITING THE COMMUNITIES IN WHICH IT WORKS. THROUGH COMMUNITY ENGAGEMENT AND HEALTH AWARENESS CAMPAIGNS, WE ADDRESS LOCAL AND GLOBAL HEALTH ISSUES

QUALITY FOR LIFE

HIKMA'S ANTI-OBESITY CAMPAIGN

Awareness campaign and obesity screening

We collaborate with community groups to support public policies that promote economic and social development, within the context of each of the local cultures in which we operate.

Investing in local pharmaceutical markets

Over the years we have built strong local businesses, which directly support and contribute to the local communities in which we operate. We have invested in best-in-class facilities, employed local staff and invested in their training and development.

In 2011, our strong commitment to the MENA region was demonstrated by our investment of around $220 million in local business and facilities, including acquisitions of pharmaceutical businesses in Morocco and Sudan. These investments will enhance and ensure the delivery of high quality affordable medicines to patients in our key MENA markets.

Addressing local health issues

As life expectancy in the region is increasing and lifestyles are changing, we are seeing a shift in demand from anti-infectives to treatments for chronic ailments like heart disease, diabetes and cancer. Across all of our MENA markets, we focus on offering products that reflect the needs of the local patient population. In 2011, for example, we launched Imatinib in Jordan. Imatinib is an important medicine for the treatment of breast cancer and presents a high quality, affordable alternative to the originator. We also signed a commercialisation and licensing agreement with Aeterna Zentaris, an oncology drug development company, for a leading colorectal cancer product in phase III clinical trials. These efforts are part of our continuing focus on developing a significant oncology portfolio for the region.

Hikma's Global Volunteering Day

Every April, employees participate in Hikma's Global Volunteering Day. Employees from the Group's businesses worldwide take part by volunteering in their communities. Activities include donating blood, cleaning and painting hospitals and grounds, spending time with patients, entertaining children and organising awareness campaigns and lectures for Hikma employees.

Development and education

Our commitment to our local communities extends to education. Across our businesses, we provide support to local students and institutions. In 2011, funding was provided for developing an industrial pharmaceuticals faculty at Yarmouk University, and renovation to the department of pharmacy at the University of Jordan. In addition, we cooperated with institutions to exchange scientific and practical know how, conducted joint research projects and attended scientific fora and symposia.

Disaster relief and humanitarian efforts

We aim to support communities in distress through disaster relief and humanitarian efforts. In 2011, in-kind medicinal donations targeted areas of strife, such as the besieged Gaza strip, addressing the shortage in medicinal supplies for hospitals and healthcare centres. This was handled by our operations in Saudi Arabia, which contributed to Prince Talal Bin Abdul Aziz Al Saud Gaza Aid Campaign. Our CR Champion in Saudi Arabia joined the donation team that oversaw the delivery of supplies at Gaza borders. We also collaborated with the Jordanian Hashemite Charity Organization in donating medical products and supplies to alleviate the suffering of people in Gaza.

Our US business donated anti-infectives to Health and Harmony's ASRI clinic in Indonesia, in collaboration with the AmeriCares Medical Outreach Program.

Other contributions during the year included in-kind donations of medicinal products to Somalia and Libya.

QUALITY FOR LIFE

HIKMA'S WORLD HEART DAY

Raising public awareness about heart diseases and prevention in conjunction with the World Heart Federation's World Heart Day

SUSTAINABILITY

ENVIRONMENT

"WE AIM TO MINIMISE OUR IMPACT ON THE ENVIRONMENT WHERE POSSIBLE THROUGH INTEGRATING OUR ENVIRONMENTAL POLICY INTO ALL AREAS AND ACTIVITIES AT HIKMA"
ENVIRONMENTAL POLICY STATEMENT 2007

We strive to protect the natural environment focusing in particular on minimising waste, analysing carbon emissions, monitoring and reducing energy usage and minimising demands for water consumption.

Energy, waste and water

We streamlined our operations this year by introducing energy saving, waste reduction and water use efficiency systems in some of our manufacturing facilities. Our employees received training for reducing waste and managing resources more effectively. We also introduced the Workplace Hazardous Materials Information System (WHMIS) to better monitor and manage hazardous waste output. We encouraged employees across the Group to recycle paper in line with our commitment to establish an environmentally conscious work force. In addition we focused on minimising water consumption by implementing new manufacturing processes that treat water waste for re-use in irrigation, efficient utilisation of water was implemented in our manufacturing processes through the installation of a new stage for purification in order make the water re-usable for irrigation.

Green buildings

All of Hikma's new buildings will be built in an environmentally friendly manner. Hikma is serious in its commitment to the environment as an integral part of its corporate responsibility strategy.

Our state-of-the-art lyophilised plant in Portugal that was inaugurated in 2011 is officially environmentally friendly, according to international standards.

How we're performing

We successfully renewed certification of the International Organization of Standardization (ISO) 14001:2004 in Hikma's units in Jordan and Egypt. Other equivalent accreditations were renewed at other production facilities worldwide.

We continued to deploy reporting systems that aim to reduce energy consumption, waste, carbon emissions and water consumption. Carbon emissions were scrutinised and analysis of better operational functions was considered within the Carbon Disclosure Project (CDP). We also reported to the Global Reporting Initiative, utilising our CR Champions to collect GRI data from our businesses worldwide and analysing yearly changes in energy usage. We conducted International Finance Corporation (IFC) audits this year that helped identify areas of improvement.

Hikma Pharmaceuticals was invited by the International Organization of Standardization (ISO), the Jordan Standards and Metrology Organization (JSMO) and the Swedish International Development Cooperation Agency (Sida) to take part in a pilot phase of a "project on the uptake and use of ISO 26000 on Social Responsibility within the Middle East and North Africa (MENA) region". After jointly conducting a gap analysis, it was found that Hikma already follows best practice in corporate responsibility and a plan of action was put in place until the end of the joint project in 2014.

SUSTAINABILITY

BUSINESS ETHICS

OUR COMMITMENT TO BUSINESS INTEGRITY HELPS SUSTAIN OUR IMAGE AS A TRUSTED AND RESPONSIBLE ORGANISATION AMONG ALL OUR STAKEHOLDERS

"Upholding the highest standards of ethical conduct is one of our core principles. We are continuously working to ensure all aspects of our global operations are carried out with integrity and reliability we remain committed to our principle of combating corruption."

Human rights

Hikma is a signatory to the United Nations Global Compact, signifying our commitment to aligning operations with the UNGC's ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Hikma's Code of Conduct and supporting policies mirror our commitment to uphold Human Rights and sustain the highest employment standards.

Global initiatives

In December 2011, Hikma submitted its Communication on Progress Report for the third consecutive year, ensuring an active membership in 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. For further reading, the COP can be found at **www.hikma.com** and at **www.unglobalcompact.org**.

Hikma is also one of the founding members of the Partnership Against Corruption Initiative (PACI), an offshoot of the World Economic Forum. PACI is a business driven global initiative that seeks to fight bribery and corruption. PACI participants commit to zero tolerance of bribery and the successful implementation of a program to fight bribery and corruption.

Board oversight

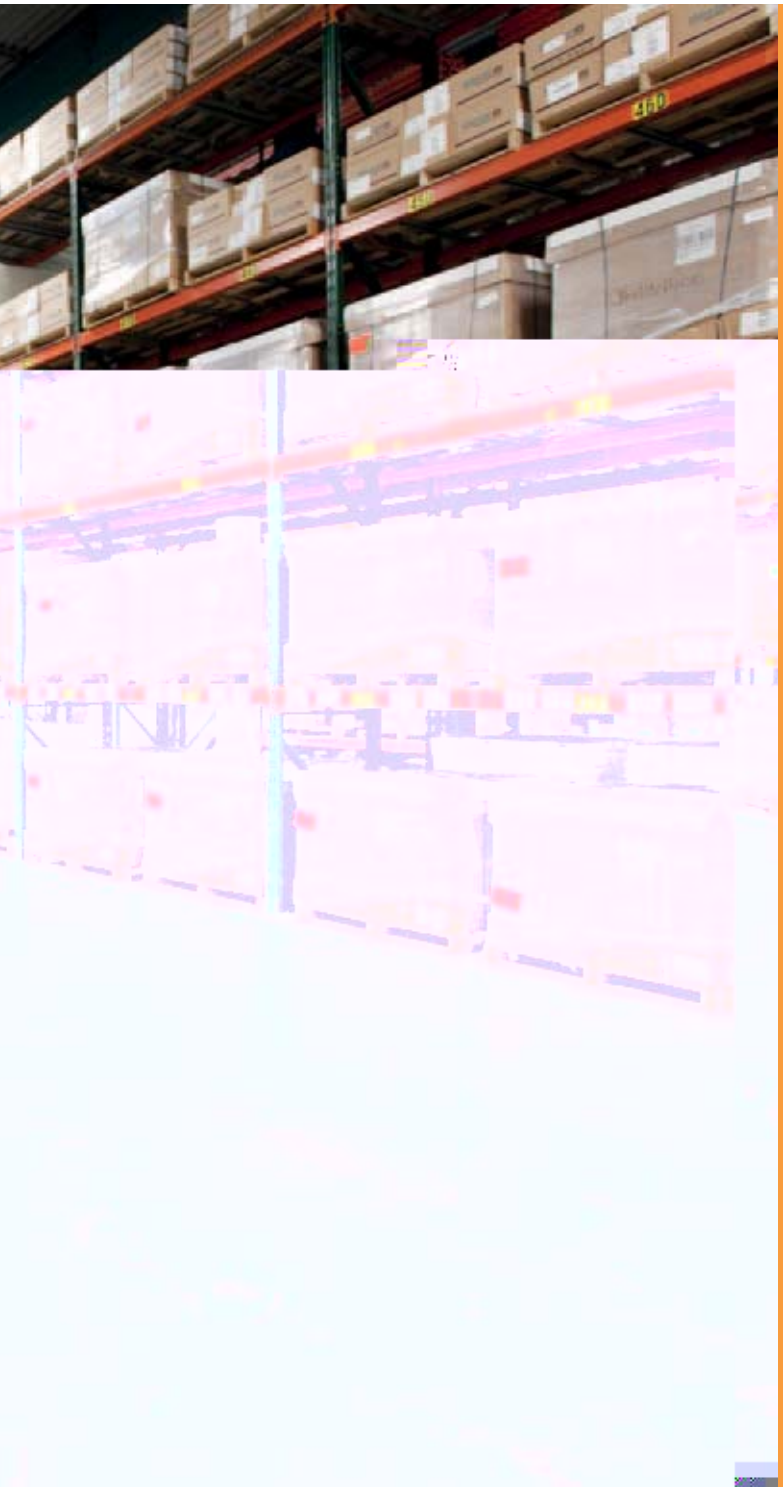
Compliance, Responsibility, and Ethics Committee (CREC)

The year 2011 marked the first full year of operation of Hikma's Compliance, Responsibility and Ethics Committee, which focused on formalising Hikma's strong ethical commitment to business integrity. Full details of the work of the Committee are set out on pages 73 to 75.

Suppliers

Hikma exercises an extensive supplier selection process that ensures that chosen suppliers have the GMP (Good Manufacturing Practices) certificate or its equivalent and our main suppliers are ISO 14001 and OHSAS 18001 certified. We encourage working with local companies in the communities in which we operate. For example, many excipients (materials other than active pharmaceutical ingredients) and consumables are sourced locally in their respective countries.

We also utilise Suppliers Audit Questionnaires that relate to the environment, Human Rights, child labour, anti-bribery measures and other relevant issues to help with assessing the suppliers' practices and increase their awareness of responsible operations and business ethics. In 2011, further efforts were taken during the supplier audit and the number of responding suppliers increased by approximately 16%.



CORPORATE GOVERNANCE

A STRONG APPROACH TO CORPORATE GOVERNANCE

SEE PAGE 50 FOR FULL CONTENTS

ABOUT THIS GOVERNANCE REPORT

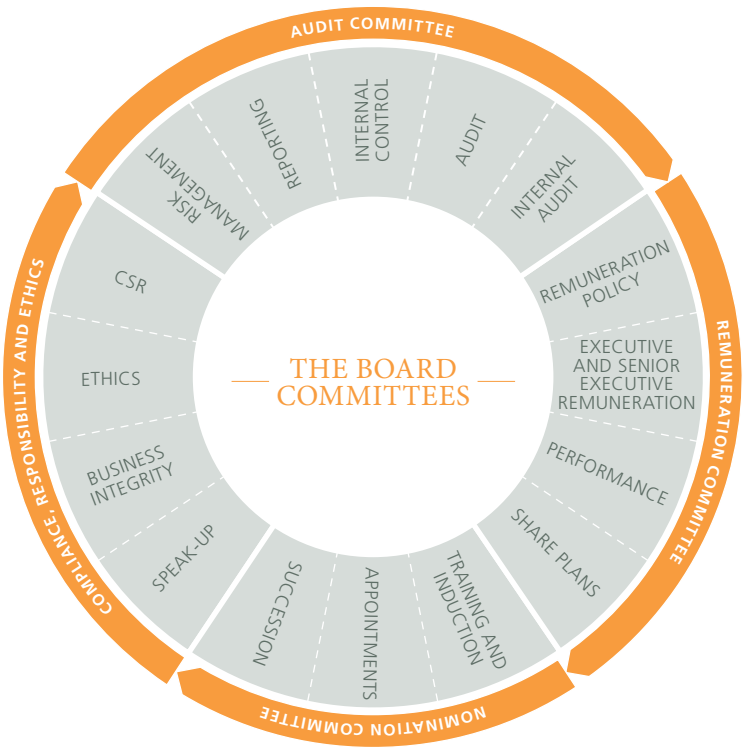
We have continued to develop our approach to reporting during the year in order to increase stakeholder understanding of the way our business is governed. We hope this new governance report helps you understand the way we control and develop our business.

4.1 GOVERNANCE REPORT

4.2 COMMITTEE REPORTS

4.3 REMUNERATION REPORT

4.4 DIRECTORS' REPORT



4.1 GOVERNANCE REPORT

GOVERNANCE IN HIKMA

Samih Darwazah
Non-Executive Chairman

Message from our Chairman

Dear shareholder

When I founded Hikma, I resolved that a key principle for running the business was that Hikma would strive for the highest standards of quality and integrity in everything it does. This principle continues directly to underpin our approach to governance at Hikma – from the Board, to executive management and throughout the Group. We realise the importance of having, projecting and advocating high standards of governance practice. As a Board, we operate with high ethical standards, provide leadership to our businesses and exercise clear controls over the Group's actions.

As Hikma has expanded throughout the MENA region, we have become recognised as a thought leader and best practice operator in governance in the jurisdictions in which we operate. Hikma takes pride in providing this role and also from learning from others in order that we continually improve our performance.

I have set out below some of the key governance achievements of the past year and some of our aims for the coming year. I continue to be impressed with the value the Board adds to the performance of our business and have been pleased with improvements to our effectiveness that were implemented during the year. We believe that it is important not only to comply with the rules of the UK Corporate Governance Code, but also its spirit, and to explain clearly if there are circumstances where Hikma's approach on a specific issue is different. In 2011 we complied fully with the governance requirements applicable to our business.

Samih Darwazah
Non-Executive Chairman

Highlights in 2011

- *We welcomed Robert Pickering to the Board as an Independent Non-Executive Director, who brings us a wealth of experience in financial and investor issues*
- *We enhanced processes for reviewing strategy, with a granular, bottom-up analysis of existing plans*
- *We developed our approach to reporting in order to increase stakeholder understanding of the way our business is governed*
- *We continued to develop our externally facilitated board evaluation, building on areas where the Board can add further value to our business*
- *We won the Hermes Transparency in Governance Award for Best FTSE 250 Audit Report*
- *We updated and consolidated our board and executive level governance arrangements into a Board Governance Manual*
- *We continued our thought leadership in governance with a contribution to the Kingdom of Saudi Arabia's work on pharmaceutical-industry integrity and governance*

Priorities in 2012

- *Align governance at our recently acquired companies with Hikma's practices*
- *Continue to contribute to governance practice and thought leadership throughout the MENA jurisdictions*
- *Further develop our board and senior management succession analysis*
- *Advance our commitment to business integrity through the implementation of relevant procedures, policies and training*
- *Develop further our externally moderated board evaluation processes*

Governance principles

The Board is responsible for, and committed to, meeting the standards of good corporate governance set out in the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (the "**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, Nomination, and Compliance, Responsibility and Ethics ("**CREC**") Committees reports set out on pages 66 to 75 and the Remuneration Committee Report set out on pages 76 to 90 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.

During the year under review, the Company applied the main principles and the supporting principles of the Code, and the overall requirements of the Markets Law. Throughout the year and up until the date of this report the Company was in full compliance with the Corporate Governance Principles.

Dialogue with stakeholders

Hikma is committed to communicating with shareholders and stakeholders in a clear and open manner. If there are matters on which additional explanation is required, we are always happy to discuss them.

The Chairman and Committee Chairmen remain open for discussion on matters under their areas of responsibility, either through contacting Hikma or at the Annual General Meeting ("**AGM**").

Ongoing communication with shareholders is a high priority. The Company undertakes a continuous program of meetings with institutional shareholders in the UK, Europe, the United States and the MENA region. This program includes one-to-one meetings, investor days, conference calls and presentations at investor conferences. The Board receives regular updates on investor relations issues, including feedback from analysts. 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 program 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 AGM. 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 Company maintains a website which is updated regularly. Additionally, the Company continues to communicate with the market in respect of the Group's performance and prospects through the release of appropriate press announcements and other updates.

— OPEN FOR DISCUSSION —

For further information:

Tel: +44 20 7399 2760
E-mail: investors@hikma.uk.com
www.hikma.com

4.1 GOVERNANCE REPORT

BOARD OF DIRECTORS

Samih Darwazah
Non-Executive Chairman

Age: 81

Appointed: 8 September 2005

Joined Hikma: 1977

Nationality: Jordanian

Skills and experience:
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. Samih was Chairman and Chief Executive of Hikma Pharmaceuticals PLC until 2007, when he relinquished his executive responsibilities. As Chief Executive, Samih won Ernst and Young's Middle East Entrepreneur of the Year Award in 2007.

A Fulbright 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.

Samih served as Minister of Energy and Mineral Resources in Jordan between 1995 and 1996. He also founded the Jordan Exporters' Association and served as a member of the Senate of the Hashemite Kingdom of Jordan.

Other appointments:
Samih is a member of the Generics Advisory Board of Pictet, the Swiss Bank's Fund. In January1(e)-4.1-6.2(3.4(ut)-7.4(na).-12(h-7.40.2(n)-.app)-y1(e)-3520(e.2(nu)-a)-4.1-6ut)-7.4Ad ina Jnxp ooe K285bnhe and from which he was awarded an honorar

Sir David Rowe-Ham
Senior Independent Non-Executive Director

Age: 76

Appointed: 14 October 2005

Joined Hikma: 2005

Nationality: British

Skills and experience:
Sir David brings to Hikma wide experience in financial matters, corporate governance, public affairs, and the development of listed companies. Sir David is a former Lord Mayor of London, and has held many senior positions in UK financial institutions including serving as Chairman of Brewin Dolphin Holdings PLC and Arden Partners PLC. He is a past President of The Crown Agents Foundation and a former regional director of Lloyds Bank plc.

Other appointments:
Sir David is Chairman of Olayan Europe Ltd.

Committee membership:
Audit Committee, Nomination Committee (Chairman), Remuneration Committee

Ali Al-Husry
Non-Executive Director

Age: 54

Appointed: 14 October 2005

Joined Hikma: 1981

Nationality: Jordanian

Skills and experience:
Ali joined Hikma as director of Hikma Pharma Limited in 1981 and has held various directorships within the Group. Ali brings great financial experience to the Board as well as an in-depth knowledge of the MENA region and Hikma Pharmaceuticals. Ali was a founder of The Capital Bank of Jordan, which offers commercial and investment banking services, and served as Chief Executive Officer of the Bank until 2007.

Ali has a degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD.

Other appointments:
Ali is Chairman of Endeavour Jordan, a not for profit organisation that assists in the development of entrepreneurs and a director of the Microfund for Women, which provides microfinance to low-income female entrepreneurs. Also, he is a member of the Board of Trustees of the Jordan Museum. Ali is a director of the Capital Bank of Jordan.

Michael Ashton
Independent Non-Executive Director

Age: 66

Appointed: 14 October 2005

Joined Hikma: 2005

Nationality: Australian

Skills and experience:
Michael has over 30 years' experience in the pharmaceutical industry, holding senior executive positions with Pfizer and Merck. Michael was Chief Executive Officer of SkyePharma PLC from November 1998 to March 2006 and prior to that was Chairman, President and Chief Executive Officer of Faulding. He has held a number of non-executive and advisory positions across the pharmaceutical industry.

Michael has a Bachelor of Pharmacy degree from Sydney University, and his MBA degree from Rutgers University, New Jersey.

Other appointments:
Michael is a Non-Executive Director at Transition Therapeutics, a therapeutics biopharmaceutical company, Proximagen Neuroscience plc, a neuroscience research company and PuriCore plc. He is also Chairman of Komix, a children's educational organisation.

Committee membership:
Audit Committee, Nomination Committee, Remuneration Committee (Chairman)

BOARD OF DIRECTORS
continued

Breffni Byrne
Independent Non-Executive Director

Age: 66

Appointed: 14 October 2005

Joined Hikma: 2005

Nationality: Irish

Skills and experience:
Breffni is a chartered accountant with over 30 years of experience in public practice, including significant international responsibilities. Breffni served as the Managing Partner of the Audit and Business Advisory practice of Arthur Andersen in Ireland and as Director of Risk Management of Andersen's audit practice in the Middle East, India, Africa and the Nordic countries. Breffni has extensive experience in financial reporting, international operations, corporate governance and general financial and commercial matters. He is a former Non-Executive Director of Irish Life and Permanent plc. He is considered by the Board to have recent and relevant financial experience.

Breffni holds a Masters degree in Economic Science from the University College, Dublin and is a Chartered Accountant.

Other appointments:
Breffni is Chairman of NCB Stockbrokers, an independent financial securities company and Aviva Insurance Europe SE, which conducts Aviva's general insurance business in Ireland. He is a Non-Executive Director of Tedcastles Holdings, an oil distribution company, Cpl Resources plc, a human resources company, and Coillte Teoranta, the Irish state forestry board.

Committee membership:
Audit Committee (Chairman), Compliance, Responsibility and Ethics Committee, Remuneration Committee

Dr. Ronald Goode
Independent Non-Executive Director

Age: 68

Appointed: 12 December 2006

Joined Hikma: 2006

Nationality: American

Skills and experience:
Ron has spent over 30 years in the international pharmaceutical industry, including roles as President of International Operations at Searle and Vice President of Clinical and Scientific Affairs at Pfizer. His extensive experience includes leading companies as CEO and acting as an adviser to companies in the pharmaceutical industry. He also advises companies involved in nanotechnology and in the information technology business sectors.

Ron was formerly President and Chief Executive Officer of Unimed Pharmaceuticals, Inc. and eXegenics Inc. He is a trustee of Thunderbird School of Global Management, which is ranked by the Financial Times as the premier international business school.

Ron has a PhD from the University of Georgia and a MS and BS from the University of Memphis.

Other appointments:
Ron is the Chairman of The Goode Group, advisers to the pharmaceutical industry and a Board member of Cytonics Inc., a biotechnology company. He is an Advisory Board Member of ART Recherches et Technologies Avancees Inc. a Canadian-based supplier of medical equipment. Ron is a director of Mercy Ships International, a medical services charity. He is a Senior Business Adviser to The Kinsella Group, an investment banking company.

Committee membership:
Audit Committee, Compliance, Responsibility and Ethics Committee (Chairman), Remuneration Committee

Robert Pickering
Independent Non-Executive Director

Age: 52

Appointed: 1 September 2011

Joined Hikma: 2011

Nationality: British

Skills and experience:
Robert spent 23 years at Cazenove & Co., becoming the first Chief Executive of Cazenove Group PLC in 2001. He subsequently served as Chief Executive of JP Morgan Cazenove, until his retirement in 2008. He has extensive experience of capital raising, mergers and acquisitions and of the relationship between quoted companies and investors.

Robert is a qualified solicitor with a law degree from Lincoln College, Oxford.

Other appointments:
Robert is a Non-Executive Director of Neptune Asset Management, a fund management company. He is Chairman of the Trustees of Lincoln College Oxford 2027 Trust.

Committee membership:
Audit Committee, Nomination Committee, Compliance, Responsibility and Ethics Committee

SENIOR MANAGEMENT
continued

Riad Mishlawi
EU Vice President and Global Head of Injectables

Appointed to current role: 2011

Joined Hikma: 1990

Nationality: Lebanese

Skills and experience:
Riad joined Hikma 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 many Hikma sites, was general manager of Hikma Italy and became Head of Injectables Manufacturing Operations before assuming his current role. Riad was an Executive Director at Watson Pharmaceuticals from 1998 to 2005, responsible for Injectables operations.

Riad has a BSc in Engineering and a Masters in Engineering and Management from George Washington University.

Majda Labadi
Corporate Vice President, Human Resources

Appointed to current role: 2009

Joined Hikma: 1985

Nationality: Jordanian

Skills and experience:
Majda 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 Hikma's compensation structure and performance evaluation process.

Majda has completed the Advanced Management Program (AMP) at INSEAD, holds a BA from the American University of Beirut and Masters degree from Hochschule Für Okonomie in Berlin, Germany.

Henry Knowles
General Counsel and Company Secretary

Appointed to current role: 2005

Joined Hikma: 2005

Nationality: British

Skills and experience:
Since joining Hikma, Henry has advised on all aspects of the Group's business, including commercial negotiations, regulatory matters, and corporate governance, as well as contributing to the execution of the Group's acquisition strategy. More recently Henry has been responsible for developing the Group's enhanced strategy and programme for corporate compliance. Before joining Hikma, Henry worked for the international law firm, Ashurst, where he specialised in mergers & acquisitions, equity capital markets and corporate law.

Henry is admitted as a solicitor in England and Wales and holds an MA in Social and Political Science from Trinity College, Cambridge.

Susan Ringdal
Vice President, Corporate Strategy and Investor Relations

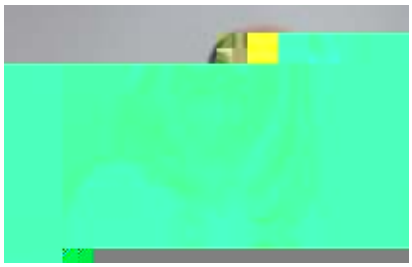
Appointed to current role: 2012

Joined Hikma: 2005

Nationality: American

Skills and experience:
Susan joined the Company as Investor Relations Director, 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. In early 2012, Susan assumed responsibility for corporate strategy.

Susan holds a BA in History from Cornell University and an MBA from the London Business School.



Dr Ibrahim Jalal
Senior Corporate Vice President, Technical Affairs

Appointed to current role: 2000

Joined Hikma: 1979

Nationality: Jordanian

Skills and experience:
Ibrahim joined Hikma 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.

4.1 GOVERNANCE REPORT

Roles and Responsibilities

The Board is responsible for setting the strategic direction and monitoring the financial performance of the Group against its targets. The Board promotes good governance within the Group, and seeks to ensure that Hikma meets its responsibilities to shareholders, employees, suppliers, customers and other stakeholders. There is a formal schedule of matters reserved for the Board, which was reviewed in 2011 as part of the annual corporate governance review conducted by the Audit Committee and approved by the Board. The schedule includes approval of strategic plans, financial statements, budget, material investment decisions, acquisitions and divestments, and responsibility for the effectiveness of the Group's systems of internal control.

The Board delegates its authority to the CEO who is responsible for delivering the Company's strategic objectives. The CEO is assisted in this task by the senior management team who meet with the CEO to set strategy and key objectives for their areas of responsibility. The CEO reports on operational progress and corporate actions to the Board, assisted by members of senior management who present to the Board, as appropriate, to highlight and debate developments in their areas of responsibility.

Board Composition

At the end of the year under review, the Board comprised nine directors:

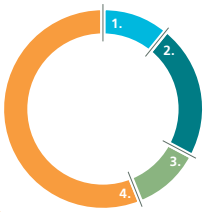
Board

- *the Non-Executive Chairman*
- *two Executive Directors*
- *one Non-Independent Non-Executive Director*
- *five Independent Non-Executive Directors*

2011

BOARD COMPOSITION (%)

1. CHAIRMAN 11%
2. EXECUTIVE DIRECTORS 22%
3. NON-INDEPENDENT NED 11%
4. INDEPENDENT NEDs 56%



During the year the Board appointed Robert Pickering as an Independent Non-Executive Director.

The names of the Directors, their biographical details and dates of appointment are set out on pages 54 to 56.

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 directly with the Chairman. Sir David is also Chairman of the Nomination Committee and is responsible for chairing the meetings of the Non-Executive Directors conducted without the presence of the Chairman or executive management.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive Officer are separate, and the Board has approved statements of their respective responsibilities in writing. These statements were reviewed during 2011 as part of the annual corporate governance review.

The Chairman previously held the role of Chairman and Chief Executive. In 2007, he relinquished his executive responsibilities and continued as Non-Executive Chairman. 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 has an in-depth understanding of the Group"

Independence

The Board reviewed and considered the independence of the Non-Executive Directors during the year as part of the annual corporate governance review. The Board considers that their diverse business backgrounds, skills and experience enable all the Non-Executive Directors to continue to bring independent judgment to bear on issues of strategy, performance, resources, key appointments, standards of conduct and other matters presented to the Board.

For the purposes of the Code, the Board considers Sir David Rowe-Ham, Michael Ashton, Ronald Goode, Breffni Byrne and Robert Pickering to be independent. These individuals provide extensive experience of international pharmaceutical, financial, corporate governance and regulatory matters and were not associated with Hikma prior to the listing of the Company in 2005.

The Board does not classify Ali Al-Husry as an Independent Director for the purposes of the Code because 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 remains significant to the Group's business.

4.1 GOVERNANCE REPORT
continued

EFFECTIVENESS

Skills and Experience

The Board keeps its composition and the skills and experience of its members under constant review. The Directors believe in the necessity for challenge and debate in the boardroom and consider that existing board dynamics and processes 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.

Hikma Knowledge

The Directors maintain an appropriate dialogue amongst themselves and senior management, which ensures that Non-Executive Directors are kept up to date with major developments in the Group's business. Board members are encouraged to visit the business units and to meet management teams in order to facilitate a better understanding of the key issues facing the business. The Non-Executive Directors undertook several operational visits during the year, and maintain an excellent understanding of the way the business operates.

The Chairman, Mr. Ali Al-Husry and the Executive Directors have extensive experience of Hikma from the period prior to its listing. The Executive Directors have regular contact with all senior management and the Chairman regularly visits Hikma's facilities. During the year, the entire Board visited the newly acquired injectable facility at Cherry Hill, USA. The Chairman of the Audit Committee visited the corporate head office in Jordan in order for the internal auditors to report on progress, their findings and plans for 2012. The Chairman of the Remuneration Committee also attended the corporate head office to review the development of the human resources function, including proposals for further development. Robert Pickering also visited the Jordan facilities as part of his induction. Ronald Goode visited West-Ward's facilities in Eatontown, USA as part of his committee chairman level oversight of the compliance risk assessment process.

Training

During 2011, the Secretariat formalised directors' training through regular updates to directors on relevant, externally provided seminars and discussion forums. Several of the Directors attended presentations relating to areas of responsibility. During 2010, the Company organised external training for directors on the legal and regulatory landscape. Further training is scheduled for 2012.

The Company's brokers and financial advisers presented industry and market updates to the Board on several occasions in 2011. These presentations were in addition to the written briefings on regulatory and legislative changes presented at each board meeting in the form of a Corporate Governance Update. This year briefings covered the FRC consultation on going concern, UK Corporate Governance Code, market abuse, share dealing, insurance, and various aspects of the Listing Rules. The Investor Relations department reported to the Board on its activities and issues arising in the market on a regular basis.

Induction

A new Independent Non-Executive Director joined the Board during the year and, under the guidance of the Chairman and with the assistance of the Secretariat, underwent an extensive induction process. This included:

Induction highlights

- *visiting the Jordan facilities and conducting one-on-one meetings with all MENA senior management*
- *presentations on each functional and geographical area of Group business*
- *meetings with the Senior Independent Director and other Non-Executive Directors*
- *receipt of a full induction pack explaining Hikma's governance framework, policies and procedures*
- *a briefing from the General Counsel and Company Secretary on the legal, governance and control framework*
- *a briefing from the US CEO to explain US FDA regulatory and quality issues*

The induction process contained presentations from executive management on:

Induction Presentations

- *Sales and Marketing Processes*
- *Supply chain*
- *Research & Development*
- *Human Resources*
- *Legal*
- *Manufacturing*
- *API*
- *Finance*
- *Information Technology*
- *Investor Relations*

The induction plan developed will be used as the model for future induction exercises.

Evaluation

As required by the Code, a formal evaluation of the performance of the Board was undertaken during the period under review. As in previous years, at the request of the Chairman, the process was co-ordinated by the Senior Independent Director.

In 2010, the Board appointed Lintstock to conduct an independently moderated evaluation of the Board and its committees. Lintstock were re-appointed for 2011 and reviewed the overall processes and areas of focus in light of comments from the 2010 evaluation, particularly in respect of group strategy, approach to risk, board composition and succession.

Lintstock prepared online questionnaires designed to build on these areas and other key governance and management themes. Lintstock managed the process and reported independently to the Chairman and the Senior Independent Director, following which the results and findings were presented to the full Board. The report for each committee was reviewed by the relevant committee Chairman and the full committee. As well as issues specific to Hikma, the evaluation covered general topics including board support, access to senior management, diversity issues and mergers and acquisition processes.
The report to the Board focused on the key

trends emerging from the evaluation. Lintstock presented these results in the context of Hikma's business, and that of its peers in the FTSE and international markets and provided their independent feedback on the results. As a result, 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. The review concluded that the Board had functioned well in 2011, had built on matters raised in 2010, was well supported and had balanced and inclusive processes which promoted effective decision-making.

In 2012, the Board will consider whether to enhance the externally moderated evaluation with face to face director interviews and a board meeting review, based on the continued added value this could bring 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.

Independent Advice

The Board has approved a formal policy for Directors to obtain independent legal advice at the Company's expense in the performance of their duties as directors. The policy is detailed in the Board Governance Manual.

MEETINGS

Information Flow

The Company Secretary supports the Chairman in setting the Board agenda, ensuring appropriate reports from executive management and advisors are delivered in a timely manner and that directors have the information they need in order to make fully-informed decisions. Board and committee papers are circulated to members in advance of the meetings.

During the year the Board received the following presentations at each meeting:

Regular Board Presentations

- *Financial performance against forecast/budget*
- *Legal update*
- *Corporate governance update*
- *Branded operational performance and business development*
- *Injectables division operational performance and business development*
- *Generic division operational performance and business development*

Additionally, the Board and relevant committees continued to receive reports at appropriate junctures on:

Adhoc board reports

- *Investor relations*
- *Financial markets performance/ broker update*
- *Risk management*
- *Insurance*
- *Human resources*
- *Compliance*
- *Research and development*
- *Tax*

The Board is kept updated on the views of shareholders and the market in general through feedback from the investor program and results presentations. Analysts' reports are circulated to board members together with a monthly investor relations report. The Investor Relations Director presents an annual investor relations review to the Board.

Company Secretary

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, and that sound board procedures are followed. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Non-Executives

The Chairman also holds meetings with Non-Executive Directors without the executive management present to discuss issues affecting the Group. As in previous years, the Independent Non-Executive Directors have met without the Chairman or Executive Directors being present on several occasions during the year.

Attendance

During the year under review the Board held eight scheduled meetings and three unscheduled meetings. The annual cycle of the Board's work is detailed in the Calendar section below. The unscheduled meetings related to corporate transactions which were undertaken during the year.

The Company Secretary and/or the Deputy Company Secretary attended all Board Meetings and Committee Meetings. At the discretion of the Board or relevant committee, senior executives are invited to attend meetings and make presentations on developments and results in their business divisions.

The table below shows attendance at the Board and committee meetings. To the extent directors were unable to attend additional meetings called on short notice, or were prevented from doing so by prior commitments, they received and read the papers for consideration at that meeting, relayed their comments in advance and, where necessary, followed up with the Chairman on the decisions taken.

MEETING ATTENDANCE

Director	Board	Audit	Remuneration	Nomination	CREC
Samih Darwazah	11	–	–	–	–
Said Darwazah	11	–	–	–	–
Mazen Darwazah	11	–	–	5	7
Ali Al-Husry	11	–	–	–	–
Sir David Rowe-Ham	11	10	7	5	–
Breffni Byrne	11	10	7	–	7
Michael Ashton	11	10	7	5	–
Ronald Goode	11	10	7	–	7
Robert Pickering*	4	3	–	0	1
Total Meetings Held	11	10	7	5	7

*appointed on 1 September 2011

Calendar

In addition to the regular standing agenda items detailed under Information Flow, the annual cycle of the Board's work is as follows:

QUARTER 1

- Financial Performance of full prior year
- Annual Report
- AGM Resolutions
- Review of the Audit
- Preliminary announcement
- Reports to shareholders
- Final Dividend

QUARTER 2

- Notice of AGM and Rule 9 circular
- Proxy, dividend forms and ancillary AGM documents
- Shareholder feedback on the AGM Notice and resolutions
- Interim Management Statement 1
- AGM

QUARTER 3

- Update on Corporate Social Responsibility
- Corporate Board Calendar
- Interim Results Announcement
- Interim Dividend

QUARTER 4

- Interim Management Statement 2
- Approval of audit timetable
- Next year's budget
- Investor relations review
- Directors' Training Schedule
- Internal audit reporting
- Corporate governance review
- Board evaluation

DIRECTORS

Terms of Appointment

Details of the Executive Directors' service arrangements and Non-Executive Directors' letters of appointment are contained in the Remuneration Report on page 88. 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.

External Commitments

The Directors' external commitments are detailed in their profiles on pages 54 to 56. Responsibility has been delegated to the Audit Committee to operate, monitor and review the conflicts of interest procedures, which have operated effectively during the year. A register of external commitments is maintained by the Secretariat and is reviewed and, if necessary, updated at each Audit Committee and Board meeting. Where new commitments are proposed, these are reviewed in advance by the Audit Committee and, where appropriate, recommendations on necessary controls are made to the Board.

The Chairman's external commitments have not changed during the year. The Board has continued to keep these commitments under review and considers that they do not negatively affect his ability to perform his role.

Remuneration

Details of the remuneration of the Executive and Non-Executive Directors are contained in the Remuneration Report set out on pages 76 to 90.

Duties and Commitment

The Directors commit an appropriate amount of time to their roles. The letters of appointment require Non-Executive Directors to commit 20 days during each year to the execution of their duties. Time taken for preparation and attendance at Board and committee meetings, including planned overseas visits, utilises a significant portion of this time. In addition, the committee chairmen spend a significant amount of time on their respective areas of responsibility and Non-Executive Directors take time to meet with management and visit operations where there have particular areas of interest. Consequently, the Independent Non-Executive Directors dedicate substantially more time to the Company than their appointment requires.

The Directors' duties are set out in the Board Governance Manual and the Directors receive regular updates in respect of these duties. The Directors' other obligations are detailed in their service contracts and letters of appointment. The duties of the Committee chairmen are contained in the terms of reference for each Committee, which are available on the Hikma website. Each Committee chairman makes an individual report to the Board at each board meeting and reports separately to shareholders in this Annual Report.

Indemnities and Insurance

The Company maintains an appropriate level of Directors' and Officers' insurance. The Directors benefit from qualifying third party indemnities made by the Company 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.

DELEGATION OF AUTHORITY

Matters Reserved to the Board

The Company maintains a formal schedule of matters reserved to the Board, which is contained in the Board Governance Manual. This includes the following items:

Matters reserved

Operational Management
Approval of strategy, operations oversight, performance review

Structure & Capital
Approval of changes to Group structure or changes to capital structure

Financial Reporting & Controls
Approval of financial announcements, accounts, dividends, conducting significant changes to treasury and accountancy practice

Internal Controls
Reviewing the effectiveness of the Group's risk and control processes, including an annual assessment

Contracts
Approval of significant contracts, investments and projects which meet pre-set monetary thresholds

Communication
Approval of certain press releases, and all circulars and prospectuses

Board Membership and Other Appointments
Approval of changes to board structure and composition, succession, auditors, company secretary

Remuneration
Determining remuneration policy for senior management and Directors and officers, amending or introducing share incentive plans

Corporate Governance
Annually reviewing Board, Committees and individual Director performance, and reviewing corporate governance arrangements

Introduction to the Committees

The Board has an extensive workload and, therefore, has delegated the detailed oversight of certain items to four committees the:

The Committees

- *Audit Committee*
- *Nomination Committee*
- *Remuneration Committee*
- *Compliance, Responsibility and Ethics Committee ("**CREC**")*

Each committee has terms of reference which were reviewed during the year. Copies are published on the Group's website and are available for inspection at the registered office at 13 Hanover Square, London.

Reporting to the Board

The Chairman of each Committee reports on that Committee's business at every Board meeting. The minutes of each Committee are made available to the entire Board. Each Committee makes a formal annual report to shareholders in the Annual Report.

For and on behalf of the Board of Directors of Hikma Pharmaceuticals PLC

Henry Knowles
Company Secretary
13 March 2012

4.2 COMMITTEE REPORTS

AUDIT

Breffni Byrne
Chairman of the Audit Committee

AUDIT REPORT

— OPEN FOR DISCUSSION —

For further information:

Tel: +44 20 7399 2760
E-mail: investors@hikma.uk.com
www.hikma.com

Letter from the Chairman

Dear shareholder

The Audit Committee has undertaken an extensive amount of work during this year.

At the beginning of 2011, the Group appointed a new Chief Financial Officer. Following Bassam Kanaan's promotion to the operational role of President and Chief Operating Officer MENA and EU, Khalid Nabilsi became the CFO, having previously held the post of Corporate Vice President for Finance. Khalid has excellent financial acumen and had presented regularly to the Committee prior to his appointment, as well as having had responsibility for the operations of the finance function.

In September, Robert Pickering joined the Committee on his appointment as a Non-Executive Director. We also welcomed Paul Franek as the new lead audit partner from our external auditors, Deloitte LLP.

The Committee has an annual cycle of work relating to reviewing financial performance and forecasting, results announcements, internal control, risk management and internal and external audit. This year, the Committee has also reviewed due diligence and financing options for five transactions: MSI, Promopharm, Unimark Remedies, Elie Pharmaceuticals and Haosun.

The finance department has continued to provide first rate reporting, whilst working on the complex integration of our acquisitions and the development and output of management reporting systems.

We were delighted to win the Hermes Transparency in Governance Award for Best FTSE 250 Audit Report.

As an organisation Hikma is committed to clear and open communication. As I mentioned last year, I remain open to discussion with shareholders should they have any concerns that they wish to raise directly with me.

Breffni Byrne
Chairman of the Audit Committee

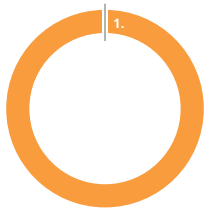
Membership and Attendance

The Audit Committee consists of five Independent Non-Executive Directors – Breffni Byrne (Committee Chairman), Michael Ashton, Sir David Rowe-Ham, Ronald Goode and Robert Pickering. The Committee met ten times during the year.

2011

COMMITTEE COMPOSITION (%)

1. INDEPENDENT NON-EXECUTIVE 100%



The Committee has significant financial experience. The Chairman has over 30 years' experience as a public accountant and is considered by the Board to have recent and relevant financial experience. All members have spent a significant portion of their careers in leading positions at financial or pharmaceutical companies. All members of the Committee have extensive financial experience, including international operations.

The Audit Committee members' biographical details are set out on pages 54 to 56. No members of the Committee have links with the Company's external auditors.

MEMBERSHIP AND ATTENDANCE

Name of director	Number of meetings	Attended
Breffni Byrne (Chairman)	10	10
Michael Ashton	10	10
Sir David Rowe-Ham	10	10
Ronald Goode	10	10
Robert Pickering	3	3

Responsibilities

The Code requires that this Annual Report separately describes the work of the Audit Committee and how it discharges its responsibilities. A summary of the terms of reference is also included below.

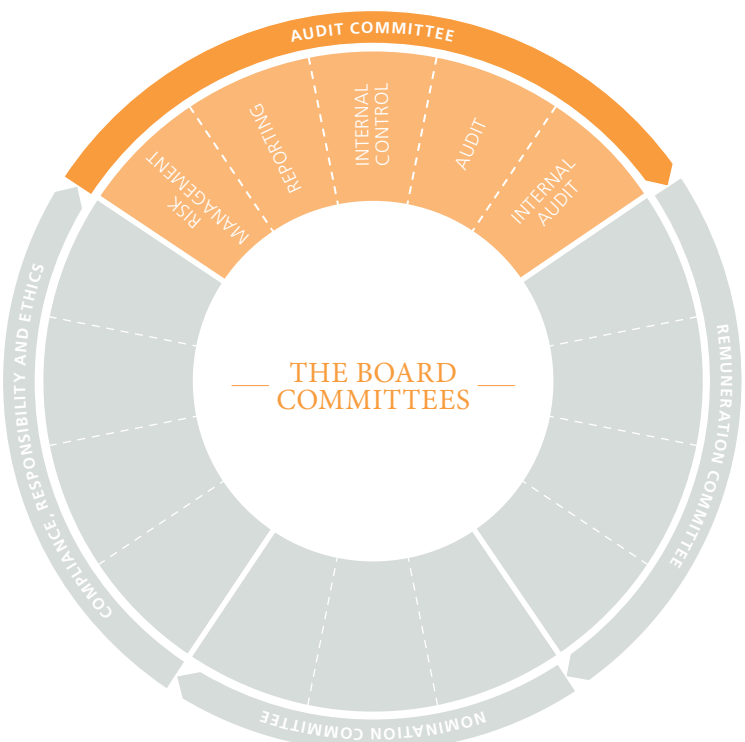
The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audit and internal control. The Committee reviews the Company's annual report, financial statements, interim report, interim management statements and trading updates, monitors any non-audit work undertaken by the external auditors, and monitors the effectiveness and output of the Company's internal audit activities, internal controls and risk management systems.

The Audit Committee advises the Board on the appointment, re-appointment and removal of the external auditors, as well as the effectiveness of the audit process. The ultimate responsibility for review and approval of 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. Details of this process are contained on page 65.

The Audit Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. The terms of reference are approved and reviewed by the Board as part of the annual corporate governance review. The terms of reference are available on the Hikma website and by contacting investors@hikma.uk.com. They are summarised as follows:

Terms of reference

- *monitor the integrity of the financial statements and any other formal announcement relating to the Group's financial performance*
- *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 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 the appointment, re-appointment and removal of the Company's external auditor, and oversee the relationship with the external auditor*
- *review and monitor the quality, independence and objectivity of the external auditor and approve their remuneration and terms of engagement*
- *review and monitor the Directors' potential conflicts of interest and make recommendations to the Board for the management of those interests*
- *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*



4.2 COMMITTEE REPORTS
Audit continued

Highlights of 2011

The Committee has:

- *Reviewed the preliminary statement and Annual Report and financial statements*
- *Reviewed the Interim Financial Statements*
- *Reviewed the Interim Management Statements*
- *Reviewed the corporate governance of the Group and made recommendations to the Board*
- *Implemented the results of the 2010 Audit Committee's evaluation exercise*
- *Monitored the non-audit services provided by the auditor*

Risk

The Committee oversees Hikma's risk management framework in the context of its responsibilities for internal control and annually reviews the strategic risks facing the Group. Part of the work of the Group Internal Audit function is, in consultation with management, to prepare an annual assessment of the risks facing the Group, identified both as a result of their assurance work on the Group's control environment and through discussions with senior management. Their report covers the Group's approach to strategic, operational, compliance and financial risk. This review is presented to the Audit Committee and forms the basis for subsequent corrective actions and informs the work to be undertaken in the subsequent audit year. Additionally, the Audit Committee discusses business and operational risks with the external auditors to the extent that these are identified by the audit work that they perform. Details of the principal risks facing Hikma and action taken to mitigate and control those risks are detailed on pages 32 to 34.

Internal Audit

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. The internal audit process focuses on reviewing areas of business risk, internal controls, and financial reporting across the Group's systems. The internal auditors report directly to the Chairman of the Audit Committee, with regular reports of its findings made to the Audit Committee. The internal audit programme operates as follows:

Internal audit programme

- *The internal auditors, in consultation with management, prepare an annual Risk Assessment, which gives the focus for the Audit Plan and the entities to be targeted. It covers the principal risks and uncertainties facing the Group, details of previous geographical and functional reviews, whether new assets/entities have been acquired, the situation and risks identified arising from previous audits*
- *The Risk Assessment and the resulting Internal Audit Plan are presented to the Audit Committee Chairman for review. Following the Chairman's comments, the final Risk Assessment and Audit Plan are presented for consideration and approved by the Audit Committee*
- *Following completion of each review, the Internal Auditors identify areas for remedial action and action plans are discussed and agreed with management. The findings and actions are used to create an Internal Audit Report for each subsidiary/geography*
- *The Internal Audit Reports and progress on Action Plans are submitted to the Audit Committee, including reporting if management fall behind agreed action plans*
- *The Audit Committee reports to the Board on internal audit matters*

Internal Control

The Board reviewed the effectiveness of the Group's systems of internal controls and risk management during the year and confirms that it accords with the relevant guidance.

The Board has overall responsibility for the Group's systems of internal control and has established a continuous process for identifying, evaluating and managing the risks the Group faces. This draws on the on-going output of the finance department on Group performance, the work of the internal auditors and issues identified by the external auditors to the extent covered by their audit work. The Board is responsible for monitoring the ongoing effectiveness of these systems and for conducting a formal annual 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:

Internal control framework

- *A documented and disseminated 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 results and against budget and forecast, and a review of KPIs, each informed by management commentary*
- *A system of documented reporting controls over our joint ventures and associates together with direct support from the Hikma finance function*
- *A 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 material functional areas with specific responsibility allocated to individual managers*

The Group continues to grow through acquisition. Accordingly, the Board and the Committee place significant importance on the swift integration of acquired businesses in terms of

internal and financial control. This builds on information gathered in the legal, financial, business and regulatory due diligence undertaken in advance of any transaction, and focuses on financial personnel support, imposition of Hikma reporting policies, IT consistency and subsequent internal audit work.

In the year under review, Hikma undertook five corporate transactions. Each offered different challenges to the internal and financial control environment. A substantial IT integration project is underway to migrate the MSI business to the Hikma SAP platform. In Morocco Hikma immediately implemented board level control and supplied full time financial staff to Promopharm's operations in Casablanca to integrate it into the Hikma reporting model. At Haosun in China, Hikma required the recruitment of a new CFO as part of the transaction. At Unimark in India, on the ground support has been given by the finance team, and financial reporting timetables were a key element to transaction discussions. In Sudan, management of operations and finance has been assumed by Hikma's existing personnel and incorporated into Hikma's control model.

External Audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit, which is undertaken by Deloitte LLP and for monitoring the independence and objectivity of the external auditors. The Audit Committee is also the primary point of contact for the auditors with the Board. The Group has adopted a policy on the provision of non-audit services by the external auditors, which is included in the Board Governance Manual, setting out which non-audit services the external auditors may and may not provide to the Group. The Group also maintains a policy requiring prior approval by the Audit Committee for 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 ensure the quality of the audit. The Committee reviewed this during the year and concluded that the existing team continue to conduct an effective audit, that 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 relay them clearly to the Committee. The Committee believes 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.

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. During the period under review the Group used members of the global Deloitte network in certain jurisdictions for non-audit services. As reported previously, non-audit fees were higher than usual in 2010, principally due to engaging Deloitte Consulting LLP in the United States to assist in the development of a post-merger integration plan for West-Ward's acquisition of Baxter's MSI business. These arrangements continued until the close of the MSI acquisition in May 2011 and, therefore, the non-audit fees incurred in 2011 were $2.1m.

As reported last year, the appointment of Deloitte Consulting LLP in the United States was made after a competitive tender process in 2010. 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. The US team recommended Deloitte Consulting LLP because of its strengths and experience 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 established to ensure continued audit independence. These include completely separate teams undertaking audit and non-audit work and regular UK audit partner review of the safeguards work being performed in the United States, together with an independent US partner review of the local audit engagement in the United States. Additionally, in 2011 the Audit Committee Chairman visited the US twice to meet the United States audit partner along with the UK audit partner.

The Committee remains satisfied that, despite the delay in the MSI transaction and the consequent rescheduling of integration work into 2011, meaning that non-audit fees 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 raises 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.

For and on behalf of the Audit Committee

Breffni Byrne
Audit Committee Chairman
13 March 2012

4.2 COMMITTEE REPORTS

NOMINATION

Sir David Rowe-Ham
Chairman of the Nomination Committee

NOMINATION REPORT

— OPEN FOR DISCUSSION —

For further information:

Tel: +44 20 7399 2760
E-mail: investors@hikma.uk.com
www.hikma.com

Letter from the Chairman

Dear shareholder

The Nomination Committee's time has primarily focused on the recruitment of an additional Non-Executive Director to the Board. Consequently, Robert Pickering was appointed to the Board in September 2011, and has joined as a member of this committee. Robert's particular experience is in the management and leadership of UK financial institutions.

The Committee continues to lead on succession planning for the Board, and many qualified candidates were considered for this non-executive position. The Committee's key task was to find a person who would fit with the diverse international culture of Hikma, and we were delighted to recommend Robert to the Board as he very much met the relevant criteria.

On other matters during the year under review, several of our Non-Executive Directors reached six years' service. We carefully considered individual performance, as well as the diverse range of skills, experience and backgrounds required to run an international company. We were pleased to recommend the extension of each of their terms for a further period of three years.

As an organisation, Hikma is committed to clear and open communication, and, as the Senior Independent Director, I am open at any time to discussion with shareholders should they have concerns which they wish to raise.

Sir David Rowe-Ham
Chairman of the Nomination Committee

Membership and Attendance

The Nomination Committee consists of four Directors. The Executive Vice Chairman, Mazen Darwazah, and three Independent Non-Executive Directors – Sir David Rowe-Ham, Michael Ashton and Robert Pickering. Sir David Rowe-Ham is the Chairman of the Committee. Robert Pickering joined the Committee on 1 September 2011.

2011

COMMITTEE COMPOSITION (%)

In accordance with the 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 Committee met five times during the year. Full attendance was achieved, with one exception where Robert Pickering sent his apologies due to a commitment arranged prior to joining the Committee.

MEMBERSHIP AND ATTENDANCE

Name of director	Number of meetings	Attended
Breffni Byrne (Chairman)	5	5
Michael Ashton	5	5
Mazen Darwazah	5	5
Robert Pickering	1	0

Responsibilities

The Nomination Committee is responsible for succession planning, including the progressive refreshing of the Board, 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. It is also charged with reviewing the appropriateness of the size, structure and composition of the Board.

The Committee takes into account the current skills, knowledge and experience of the Board in making its decisions on composition. The Committee may use external search firms or open advertising to compile shortlists of candidates for the Board.

The Nomination Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. The Committee's terms of reference are approved and reviewed by the Board on a regular basis. The terms of reference are available on the Hikma website and by contacting **investors@hikma.uk.com**.

Highlights of 2011

The Committee has:

- *Identified, and recommended for appointment, a new Independent Non-Executive Director*
- *Overseen the development and implementation of an extensive, tailored Director's induction program*
- *Reviewed the skills, performance and terms of service of Non-Executive Directors who reached six years' service*
- *Reviewed diversity within Hikma*
- *Reviewed ongoing governance issues including the move to the annual re-election of directors*

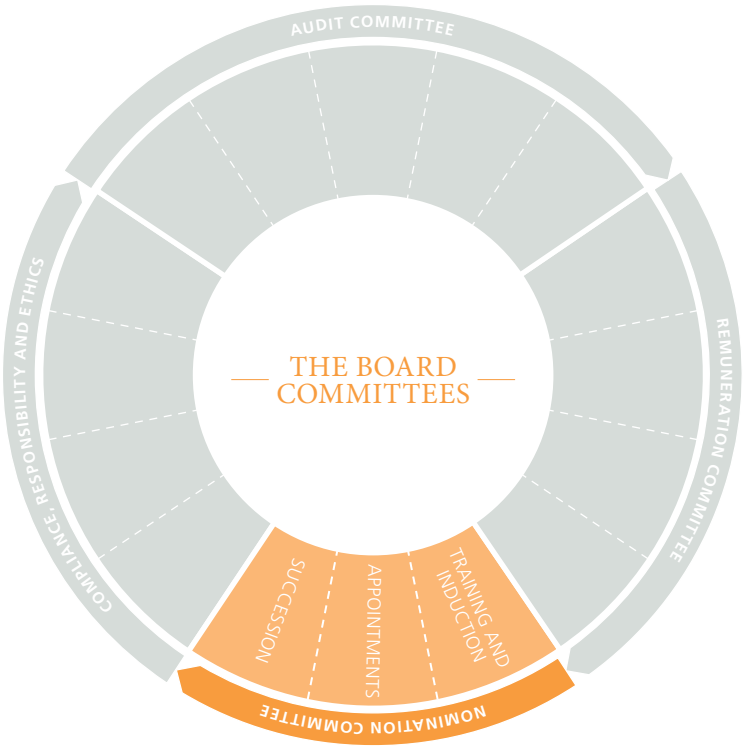
Succession

As in previous years, the Committee continued its work on planning for executive and non-executive succession. The Board decided to look further ahead in relation to non-executive succession, and asked the Nomination Committee to undertake the process to identify a candidate to join the Board as an additional Independent Non-Executive Director. At the request of the Chairman, the Committee undertook a thorough recruitment process, which can be summarised as follows:

Appointment progress

- *The Senior Independent Director, in consultation with the Board Chairman and with the assistance of the Secretariat, established a role and experience profile for the position of Non-Executive Director*
- *A draft profile and the key characteristics and experience required were discussed by the Nomination Committee*
- *Following an assessment of the executive search market, Odgers Berndtson was appointed to identify candidates who met the role profile*
- *An extensive list of candidates was identified by Odgers and a short-list was created through discussions with the Senior Independent Director*
- *The Senior Independent Director and another Committee member met the short-listed candidates, the results of which were discussed by the Nomination Committee and recommendations made*
- *A second round of meetings was undertaken with the Chairman and Chief Executive*

Following this process the Committee recommend the appointment of Robert Pickering to the Board.



4.2 COMMITTEE REPORTS
Nomination continued

Induction
The process of director induction for Robert Pickering was undertaken by the Secretariat, under the direction of the Senior Independent Director and oversight of the Chairman, and is fully described in the Governance Report.

Re-election
In accordance with the requirements of the Code in force in 2012, each member of the Board will put himself up for re-election at the 2012 AGM.

Composition
The Board continues to keep its composition under review. During the year, the Nomination Committee reviewed the skills of its Executive and Non-Executive Directors, and the experience they bring to the Board for setting the strategic direction of the Group, and achieving its objectives. The Committee concluded that the Board has a very broad spread of experience, consistent with the needs of the Group. For further information, see the biographical details of the Directors on pages 54 to 56.

Diversity
The Board has noted the recent focus on Board diversity and the recommendations of the Davies' Report on representation of women at board level. The Board also notes the changes proposed by the Financial Reporting Council to the UK Corporate Governance Code.

From its foundation Hikma has seen excellent value in recruiting people from a diverse range of backgrounds, including gender.

Hikma has always operated a discrimination-free working environment and is committed to gender diversity at all levels and in all areas of its business. Hikma has a high number of female employees across its organisation: senior management includes an international spread of executives, with 25% of senior management being female. Across our business as a whole, 32% of our employees are female. The Group has always been committed to diversity and believes that it has demonstrated this commitment.

Hikma recently appointed a new Independent Non-Executive Director after an independently managed process. The list of potential appointees contained female candidates, and whilst a woman was not appointed, the Board has always operated and will continue to operate a discrimination-free approach to recruitment at every level of its operations, clearly understanding the benefits that such approach has already delivered to the Hikma business.

The value in diversity does not come from setting targets. Hikma is committed to employing and engaging the best people, irrespective of background, gender, orientation, race, age or disability. Our diversity continues to be demonstrated by the broad range of people in our organisation. It would be inappropriate to select for or against an individual on grounds of diversity, which could be required were Hikma to set a target for its Board composition. Our target is to continue to employ the best and, in doing so, we will achieve the diversity of society required to continue to make Hikma a success.

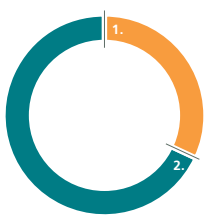
For and on behalf of the Nomination Committee

Sir David Rowe-Ham
Nomination Committee Chairman
13 March 2012

2011

WORLDWIDE EMPLOYEE GENDER (%)

1. FEMALE 32%
2. MALE 68%



4.2 COMMITTEE REPORTS

COMPLIANCE, RESPONSIBILITY AND ETHICS

Dr. Ronald Goode
Chairman of the Compliance, Responsibility and Ethics Committee

COMPLIANCE, RESPONSIBILITY & ETHICS REPORT

— OPEN FOR DISCUSSION —

For further information:

Tel: +44 20 7399 2760
E-mail: investors@hikma.uk.com
www.hikma.com

Letter from the Chairman

Dear shareholder

This has been the first full year of operation for the Compliance, Responsibility and Ethics Committee. I am pleased to report that we have had a very successful year.

In light of the UK Bribery Act, the Committee's main focus has been on formalising Hikma's existing strong commitment to business integrity.

During the year, we established a new compliance function, with a Head of Compliance reporting directly to the Committee on compliance issues. Additionally, our three divisional business heads have taken responsibility for championing anti-bribery and anti-corruption compliance in their businesses.

We undertook a risk assessment at a Group level and at each of our major subsidiary operations to review our anti-bribery and corruption controls. We were pleased to appoint Good Corporation, the independent business ethics experts, to guide us through this process.

In September, we welcomed Robert Pickering as a new member of the Committee. Robert brings first rate experience of the ethical judgments and controls required of significant international businesses.

As an organisation Hikma is committed to clear and open communication. I remain open to discussion with shareholders should there be any concerns that they wish to raise directly.

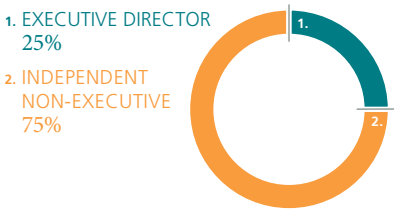
Dr. Ronald Goode
Chairman of the Compliance, Responsibility and Ethics Committee

Membership and Attendance

The Compliance, Responsibility and Ethics Committee ("**CREC**") consists of four members. The Executive Vice Chairman, Mazen Darwazah, and three Independent Non-Executive Directors – Ronald Goode (Committee Chairman), Breffni Byrne, and Robert Pickering.

2011

COMMITTEE COMPOSITION (%)



The CREC met seven times during the year. Full attendance was achieved, with one exception where Robert Pickering sent his apologies due to a commitment arranged prior to his appointment.

As the CREC is not a committee mandated by the Code, its membership is not subject to published requirements. However, the Company believes that the requisite challenge to operational effectiveness is achieved by having an Independent Non-Executive Director membership majority. The Chairmanship of the CREC is held by an Independent Non-Executive Director, Ronald Goode, and the Chairman of the Audit Committee is a standing member. The Vice Chairman champions Hikma's Corporate Responsibility program and leads Hikma's commitment to the highest standards of business integrity from an operational perspective.

4.2 COMMITTEE REPORTS
Compliance, Responsibility & Ethics continued

MEMBERSHIP AND ATTENDANCE

Name of director	Number of meetings	Attended
Dr. Ronald Goode (Chairman)	7	7
Mazen Darwazah	7	7
Breffni Byrne	7	7
Robert Pickering	2	1

Responsibilities

The CREC sets strategy for the Group's compliance function and sets policy in business areas where ethical judgments are important. The CREC oversees the Group's approach to anti-bribery and anti-corruption ("**ABC**"), together with Group policies on ethics, conduct, values and principles. The CREC reviews Group policy in the area of Corporate Responsibility ("**CR**") at a Board level and is supported in this work by the Corporate Responsibility Committee. The CREC is responsible for overseeing the development of the Group's Code of Conduct and furthering its implementation and understanding amongst Hikma's employees. The CREC oversees the "speak-up" process relating to employees' complaints and issues, including their investigation.

The CREC's terms of reference are approved and reviewed by the Board on a regular basis. The terms of reference are available on the Hikma website and by contacting **investors@hikma.uk.com**.

Highlights of 2011

The Committee has:

- *Established a new Group compliance function*
- *Enhanced Hikma's business integrity communications programme, including presentations to senior and divisional management*
- *Mandated and reviewed a full ABC risk assessment*
- *Mandated implementation of an updated business integrity training programme*

Compliance Architecture

The Group has a Compliance Function responsible for assessing, formalising and enhancing Hikma's ABC programme. The Head of Compliance reports directly to the CREC on compliance matters and his leadership on ABC issues is overseen by the CREC Chairman and the Executive Vice Chairman. The Head of Compliance is supported by a Group Compliance Manager and a Working Group which comprises representatives of major functional responsibilities.

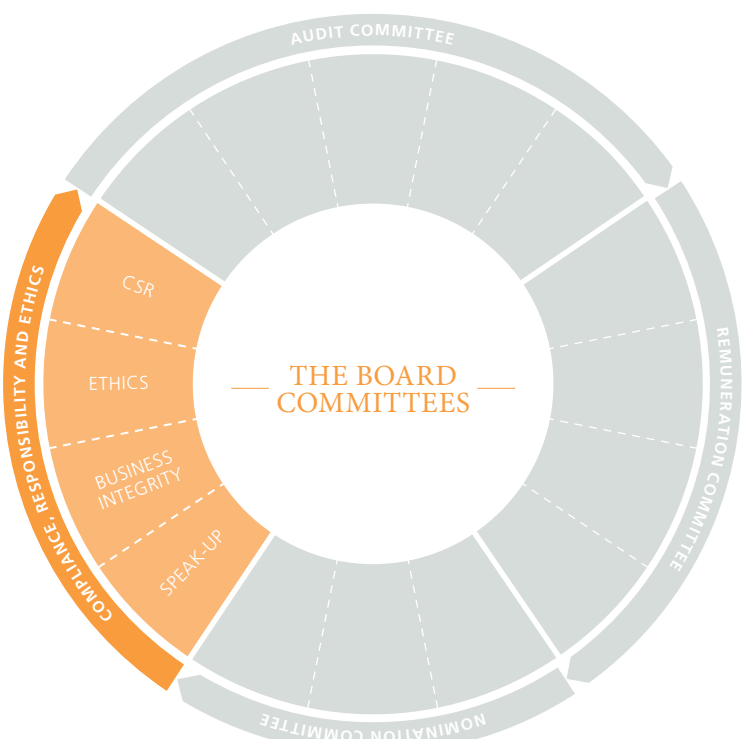
The heads of each business division have taken responsibility to be the compliance champion for their division. They are responsible for setting the tone for business integrity in their operations and are assisted by designated project managers, who are senior members of their executive team. Our Compliance Champions are:

Compliance champions

- *Bassam Kanaan (Branded)*
- *Riad Mishlawi (Injectables)*
- *Michael Raya (Generics)*

Anti-Bribery and Anti-Corruption

Quality and excellence have been the heart of Hikma since its foundation, and Hikma has always been committed to the highest standards of integrity and ethics in the conduct of its business. Nothing, including meeting sales targets or receiving direct instructions from a superior, will compromise this commitment to business integrity. Hikma is willing to lose business and will discipline staff in order to maintain its high standards of integrity.



Over the course of the year, Hikma has developed its approach to ABC issues. The formation of this board-level Committee, appointment of the Champions and development of the Compliance Function embodies the physical part of our ABC top-level commitment. Consequently, we continue to communicate our commitment to the highest standards of business integrity to all our employees right from the top.

Risk Assessment

Early in 2011, we instructed Good Corporation to undertake an ABC risk assessment. **Good Corporation are an independent body who have specialised in business ethics and integrity for over a decade.** We chose them not only because of their excellent approach and knowledge, but also because of their independence and high standards of integrity.

Good Corporation assessed Hikma's framework of ABC controls and procedures at a Group-level in London and at our corporate office in Jordan. They also undertook subsidiary level assessments of our operations in Jordan, the Kingdom of Saudi Arabia, Portugal and the United States. The Head of Compliance led the corporate assessment with the relevant Compliance Champion taking responsibility for the delivery of the subsidiary assessments. The assessments involved meetings with senior management across all functional areas and a series of interviews with randomly selected employees, third party suppliers and customers. All relevant policies and procedures were provided to Good Corporation.

Prior to the assessment, a full ABC business integrity presentation was made to the Compliance Champions, the designated senior manager responsible for delivering the ABC risk assessment and divisional management. At the end of each assessment, Good Corporation presented their findings to the senior management team, the Compliance Champion and a representative of the CREC, including recommendations for enhancement. The Head of Compliance attended every assessment.

Good Corporation presented a composite analysis to the Committee Chairman and compliance function over a one day session. The full results were also provided to each CREC member and the Compliance Champions for their review and feedback. Good Corporation also presented an executive summary of the results to the Committee.

The conclusion from the exercise was that Hikma has a very strong ethical culture that is deeply embedded within the operations of Hikma. Over the course of 2012, we will be enhancing our ABC procedures to address the issues identified by the assessment.

Speak-up

The Board is cognisant of the need to ensure employees can raise concerns on issues of integrity without retribution and that appropriate methods of raising such concerns are available. The Group Speak-Up policy contains arrangements for the CREC Chairman, 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.

During the year, we enhanced our approach in this area with the implementation of dedicated and, if requested, anonymous telephone reporting in the US. During 2012, we will be rolling out further enhancements across Europe and the MENA. We continue to encourage all our employees to improve our business by taking advantage of our desire for open and constructive dialogue with management.

Corporate Responsibility

The Executive Vice Chairman champions Hikma's Corporate Responsibility programme and is Chairman of the Group's Corporate Responsibility Committee, which itself reports to the CREC. Please see pages 38 to 47 for the Group's Corporate Responsibility report.

For and on behalf of the Compliance, Responsibility and Ethics Committee

Dr Ronald Goode
Committee Chairman
13 March 2012

"…very strong ethical culture that is deeply imbedded within the operations of Hikma"

4.3 REMUNERATION REPORTS

REMUNERATION

Michael Ashton
Chairman of the Remuneration Committee

REMUNERATION REPORT

— OPEN FOR DISCUSSION —

For further information:

Tel: +44 20 7399 2760
E-mail: investors@hikma.uk.com
www.hikma.com

Letter from the Chairman

Dear shareholder

During the year, the Remuneration Committee has focused on ensuring that Executive Directors continue to be incentivised by remuneration structures that align with delivering shareholder value, promote a strategy for growth within a responsible organisation and that their overall compensation is in proportion to the performance of the business as a whole and conditions elsewhere in the Group.

Shareholders will recall that we froze salaries for Executive Directors and senior management in 2009, 2010 and 2011. At the same time we have continued to review salaries for operational employees to remain competitive and reflect the pressure that exists in a number of our markets.

The Committee has spent a significant amount of time reviewing potential adjustments to the operation of the existing cash bonus and share scheme structures. Whilst we are not proposing to change the basis of the schemes, we aim to develop our process for linking awards and performance. This builds on last year's implementation of additional financial performance targets for our long-term incentive plan.

There have been several significant worldwide events during the year under review, including the Arab Spring and the Eurozone crisis. With Hikma's focus in the MENA region and significant operations in the EU, the Committee has been impressed with management's ability to perform in a turbulent time.

As an organisation Hikma is committed to clear and open communication. I have always been available to shareholders to raise matters directly and I remain open to discussion with shareholders should there be any concerns that they wish to raise.

Michael Ashton
Chairman of the Remuneration Committee

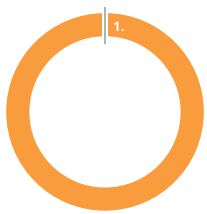
MEMBERSHIP AND ATTENDANCE

The Remuneration Committee consists of four Independent Non-Executive Directors, with an Independent Non-Executive Director holding the chairmanship of the Committee.

2011

COMMITTEE COMPOSITION (%)

1. INDEPENDENT NON-EXECUTIVE 100%



This report has been prepared on behalf of the Board in accordance with Regulation 11 and Schedule 8 of the Large and 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 Corporate Governance Code and Markets law relating to Directors' remuneration. As required by the Regulations, an advisory resolution to approve this report will be proposed at the Company's Annual General Meeting on 17 May 2012. The Auditors are required to report on certain "auditable" sections of this report and to state whether, in their opinion, that these sections of the report have been properly prepared in accordance with the Companies Act 2006 and the Regulations. The auditable sections have been identified in this report.

All members of the Committee have held positions at the highest levels in multi-national organisations and hence have experienced working life at all levels. They have spent a significant proportion of their careers leading teams and in executive management. They understand the need to incentivise top management appropriately, whilst ensuring that rewards are fair throughout all levels of Hikma's business.

MEMBERSHIP AND ATTENDANCE

Name of director	Number of meetings	Attended
Michael Ashton (Chairman)	7	7
Sir David Rowe-Ham	7	7
Breffni Byrne	7	7
Ronald Goode	7	7

Responsibilities

The Committee is responsible for setting Group remuneration policy and overseeing its application. It takes responsibility for setting the remuneration of the Executive Directors and Chairman and makes recommendations on reward policy for the senior management team. The Committee reviews performance and strives to ensure Hikma's remuneration structures mean that the interests of management and shareholders are aligned.

The Committee sought external assistance of various consultants (see table below) during the period under review. The Chairman, Chief Executive Officer, Executive Vice Chairman and General Counsel may also attend meetings of the Remuneration Committee by invitation, except when their individual remuneration arrangements are discussed.

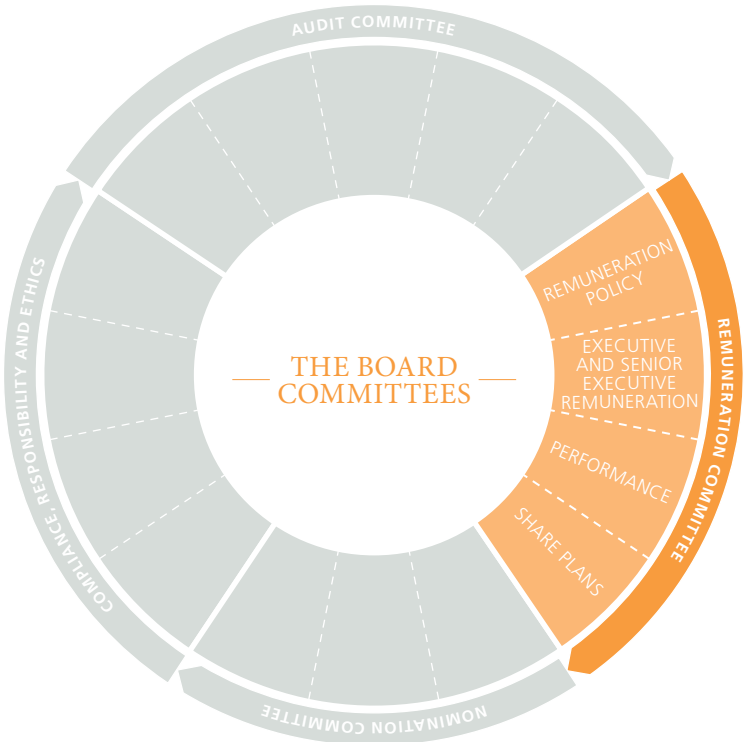
The Remuneration Committee terms of reference include all matters indicated by the Corporate Governance Principles and clearly set out its authority and duties. The Committee's terms of reference are approved and reviewed by the Board on a regular basis. The terms of reference are available on the Hikma website and by contacting **investors@hikma.uk.com**.

Advice and support

External
PricewaterhouseCoopers LLP
Addleshaw Goddard

Internal
Chief Executive Officer
Executive Vice Chairman
General Counsel & Company Secretary
Corporate Vice President, Human Resources

As in previous years, the Remuneration Committee received independent advice on executive compensation from PricewaterhouseCoopers LLP, who support the Committee and Corporate HR in the delivery and development of our reward and human resources strategy. With the exception of certain taxation advice, only services relating to human resource practices were provided to the Company by PricewaterhouseCoopers LLP during the year. In addition, Addleshaw Goddard provided legal and regulatory advice to the Committee. Addleshaw Goddard has provided other legal advisory services to the Company during the year, chiefly relating to financing.



4.3 REMUNERATION REPORTS
continued

As in previous years, the Committee sought the assistance of senior management on matters relating to policy performance and remuneration in respect of the period under review and maintained a strong contact with management to ensure that its deliberations were fully informed. The Committee ensures that no director, executive or employee takes part in discussions or advice relating to his own remuneration or benefits.

Highlights of 2011

The Committee has led or overseen the following achievements during the year:

- *Review of the cash bonus plans and share scheme usage across the Group*
- *Development of the linkage between incentive compensation and performance of Group*
- *Benchmarking of Executive Director, Non-Executive and senior management compensation*
- *Responding to the Department for Business Innovation and Skills consultation on Executive Remuneration*
- *Acting as a sounding board for significant projects undertaken by the Human Resources department*

POLICY PRINCIPLES

Core Principles

The Remuneration Committee reviews Group remuneration policy on an annual basis to ensure it remains appropriate. The Committee aims to ensure that remuneration for the Executive Directors and senior management:

Policy goals

- *Enhances the achievement of Hikma's **strategic aims***
- *Takes account of **employment conditions** both inside and outside Hikma*
- *Aligns the interests of all employees, management and directors **with those of shareholders***
- *Takes account of the Company's **Corporate Social Responsibility** programme, including environmental, social and governance issues*
- *Is aligned with Hikma's founding principle of **Business Integrity***

Factors taken into account by the Remuneration Committee include:

Policy consideration

- *Market Conditions Affecting the Company*
- *Recruitment Market in the Company's Sector*
- *Changing Market Practice*
- *Current Economic Climate*
- *Changing Views of Institutional Shareholders and their Representative Bodies*

The Remuneration Committee has oversight of the main compensation 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 encourage a long-term sustainable view to be taken by participants. The Company has always focused on increasing share ownership throughout the Group, using its share incentive plans.

The Committee has been particularly sensitive to the external factors set out above affecting a number of the countries in which it has operations and has ensured that throughout the Group any short-term risks have been appropriately reflected in the remuneration structures.

Executive

The Committee reviewed Hikma's compensation policy during the year and concluded that the policy continues to be appropriate. The Committee believes that

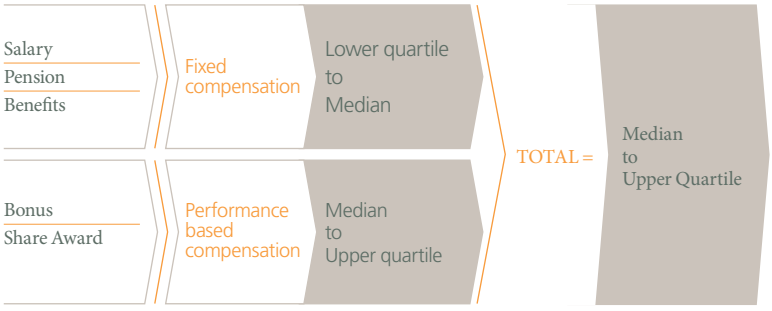
Fixed Compensation
(salary, pension and benefits) must be sufficient to attract individuals of the right calibre and ensure that they are not significantly under remunerated when compared to their peers. Compensation that is too low can be a distraction and retention disadvantage. However, fixed compensation is not the prime driver of performance

Performance Based Compensation
(bonus and share plans) provides executives with the potential to be compensated in line with their peers, but subject to strong performance metrics. Such compensation is discretionary and not pensionable

The Committee views that by putting a strong bias on performance based compensation, executives are encouraged to perform to the highest of their abilities.

The Committee's target compensation policy, in relation to our Comparator Group, is summarised in the table on the left.

Executive compensation policy overview



This supports the performance based culture of the Company. The policy in respect of long-term incentives and potential compensation value is an extension of the policy on total short-term compensation. Executives will receive a market competitive package only if performance is achieved.

"Executives will receive a market competitive package only if performance is achieved"

In formulating the application of its policy for 2011 and future years, the Remuneration Committee has been cognisant of the evolving landscape in compensation. The Remuneration Committee also believes that many of the principles proposed by the Department of Business, Innovation and Skills, UK Corporate Governance Code and by institutional shareholders and their representative bodies are already in operation or embedded within the Company's compensation framework.

Comparator Group

The Committee seeks to benchmark executive compensation against companies of a similar status, sector, and performance. The Committee is cognisant of the fact that a too slavish devotion to comparators can lead to executive compensation continually rising above those of wider employee compensation. Therefore, the Comparator Group is used as a guide to set parameters for compensation and ensure executives are incentivised to perform to the best of their abilities for the long-term. In this context, it is only one of a number of factors taken into account by the Committee when determining the level and elements of the Company's compensation policy.

Compensation practices in the Comparator Group are used to:

Rank Hikma Compensation
against the Comparator Group. This enables the Committee to determine Hikma's position in relation to other companies and, hence, assess the compensation of Hikma executives to ensure that the Policy is being met (e.g. lower quartile to median salary)

Assess TSR Performance.
The Total Shareholder Return ("**TSR**") of Hikma compared to its Comparator Group is used as the performance target in respect of the Long-Term Incentive Plan ("**LTIP**"). Only upper quartile performance results in 100% vesting of the TSR component of the LTIP awards.

During 2011, the Committee 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 increasing internationalisation of the business. The constituents of the Company's Comparator Group for 2011 were as follows:

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

*Companies acquired by other companies during the period under review and, therefore, being removed from the comparator group for 2012.

Criteria taken into account by the Remuneration Committee when selecting the current Comparator Group included the:

Comparator group criteria
Type of pharmaceutical specialism
International nature of Hikma
International nature of the executive team
Market capitalisation and turnover
Number of employees
Consolidation in the pharmaceutical industry affecting the number of comparable companies
UK listing environment

Throughout this report, references to quartiles are to quartiles in the Comparator Group. The Committee has resolved that, having taken account of those companies that have been acquired during the period, the Comparator Group remains appropriate for the Group as the benchmark for 2012.

Non-Executive

The policy for non-executive fees is set by the Board taking into account recommendations from the Chief Executive Officer and Executive Vice Chairman and 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 US, 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 level.

4.3 REMUNERATION REPORTS
continued

Non-Executive Directors' fees are structured into three elements:

Fee elements

- *Directorship: a base fee for undertaking the duties of a Director of Hikma, chiefly relating to Board, strategy and shareholder meetings.*
- *Committee membership: a one-off fee for taking additional responsibilities in relation to Committee membership. Usually non-executives are members of three committees.*
- *Committee Chairmanship: committee chairmen undertake additional responsibilities in leading a committee and are expected to act as a sounding board for the executive that reports to the relevant committee. The chairmanship fee is paid in addition to the membership fee with a higher fee paid to the Audit Committee chairman to reflect the significant demands of this position.*

Senior Management

The policy for senior management compensation is set in line with policy for the Executive Directors, with a degree of discretion for the Committee to take into account particular issues identified by the Chief Executive, such as the performance of a specific individual or business unit.

Policy for 2012

2011 was a turbulent year in global markets and in particular in the MENA region where a significant amount of Hikma's business is conducted. Political upheaval brought pressure on employment conditions across the region. Notwithstanding those significant pressures, Hikma is a global business and the Remuneration Committee remains of the view that its existing remuneration policy and Comparator Group remain appropriate for the Group. Therefore, no change to the Remuneration Policy or Comparator Group will be made in 2012.

APPLICATION

Salary

The Committee's salary **Policy** position is **Lower Quartile** to **Median**.

With the assistance of PricewaterhouseCoopers LLP, the Committee undertook a benchmarking of Executive Director salaries during 2011.e2ayer
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When determining the base salary of the executives, the main points the Committee takes into consideration are:

Salary reference points

- *salary levels of the Comparator Group*
- *the performance of the Executive Director and the Group*
- *the Director's experience and responsibilities*
- *pay and conditions throughout the Group*

The Remuneration Committee has access to information on the pay and conditions of other employees in the Group and takes this into consideration when determining the compensation 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 compensation packages for Executive Directors. The aim is to ensure it can be sufficiently robust in its determinations in light of the position of the Company as a whole.

In relation to 2011, the Committee has taken into consideration the following important factors in determining that the Executive Directors' salaries should be increased by up to 20%:

Salary increase factors

- *Being positioned significantly below our policy position from a comparison perspective*
- *There being no change to Executive Director salaries during 2009, 2010 and 2011*
- *Despite the high level of political and economical turbulence across the world in 2011, particularly in the Middle East, the very strong year for the Company*
- *The addition of valuable acquisitions and joint ventures during the year, leading to a 22% increase in personnel and significant increase in operational responsibilities*

2012 SALARY

	2009 –2011	2012	Increase	Policy Value
Said Darwazah (Chief Executive)	$630k	$750k	19%	$791k to $1,066k
Mazen Darwazah (Executive Vice Chairman)	$420k	$504k	20%	$624k to $751k

4.3 REMUNERATION REPORTS
continued

Bonus

The Committee's bonus **Policy** position is **Median** to **Upper Quartile**.

Bonus
Share Award

Performance based compensation

Median to Upper quartile

On Target:
The maximum bonus potential is **100%** of salary

Exceptional:
The maximum bonus potential is **200%** of salary

The Committee maintained the same bonus policy for 2011 as in previous years. The Committee's policy position is for bonuses to be in the Median to Upper Quartile range and be subject to performance:

The Target and Exceptional bonus potential detailed above is within the range in the Comparator Group and detailed in the table below:

BONUS

	Policy Position	Policy Value (% of salary)	Actual bonus 2011	Adherence to Policy
Said Darwazah (Chief Executive)	Median to upper quartile	180%–250%	160%	Below Policy Range
Mazen Darwazah (Executive Vice Chairman)	Median to upper quartile	120%–204%	160%	Within Policy Range

The performance metrics 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 that they continue to remain challenging. The performance metrics applied in 2011 were:

BONUS PERFORMANCE METRICS 2011

	Profit After Tax	Operational Milestones	Personal Business Targets	Total
THRESHOLD WEIGHTING BETWEEN TARGETS	50%	30%	20%	100%
SAID DARWAZAH	50%	30%	20%	100%
MAZEN DARWAZAH	50%	30%	20%	100%

In relation to 2011, the Committee has assessed performance against the bonus criteria and determined that the thresholds have been met in respect of on target performance. The Committee has considered the achievement of the following important strategic goals by the executive team and determined that the Operational Milestones and Personal Business targets were exceeded leading to a total bonus of 160% of salary:

Bonus strategic achievements

- *Successful management of the impact of the Arab Spring on the MENA business and enhancing Hikma's reputation throughout the region*
- *Acquisition of Promopharm in Morocco, completing the North African geography*
- *Enhancement of our API supply chain and product development capabilities through the Unimark (India) and Haosun (China) joint ventures*
- *Completing the acquisition of the Multi-Source Injectables ("MSI") business in the USA, following compliance with regulatory requirements*
- *Integration of the MSI business into Hikma's Global Injectables division*
- *The development and enhancement of strong relationships with our lenders, including with the International Financing Corporation, a division of the World Bank*
- *Advancing the Group's business integrity agenda with executive management, including Anti-Bribery and Anti-Corruption policies*

The Remuneration Committee, as stated earlier in the report, will be using the same maximum bonus potential and type of performance conditions for 2012.

Share Awards

The Committee's share award **Policy** position is **Median** to **Upper Quartile**.

The Company has three share-based incentive arrangements:

Share plans

2004 Stock Option Plan:
This plan has been closed to new participants since the last grant in 2008. None of the Directors have outstanding share options under this plan

2005 Long-Term Incentive Plan:
("LTIP"): Described below

2009 Management Incentive Plan:
("MIP"): Described below

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

Grant

The Remuneration Committee proposes to grant the following awards to Executive Directors in 2012.

Name	LTIP Granted	Face Value % of salary	Fair Value at Grant	Policy Value	Adherence to Policy
Said Darwazah	97,000	150%	110%	329-406%	Below Policy Range
Mazen Darwazah	65,000	150%	110%	265-467%	Below Policy Range

The information in the above table has been audited by Deloitte LLP, our auditors.

As in previous years, these awards are made subject to a vote of independent shareholders to be taken at the AGM of the Company to be held on 17 May 2012.

Exercised

The following LTIP awards were exercised by the Executive Directors during the year:

Director	Date of Grant	LTIP Exercised	Date of Exercise	Market price	Notional Gain
Said Darwazah	24 April 2008	90,000	18 October 2011	£6.22p	£559,800
Mazen Darwazah	10 September 2007	50,000	9 May 2011	£7.92p	£396,000
	24 April 2008	54,000	9 May 2011	£7.92p	£427,680

The information in the above table has been audited by Deloitte LLP, our auditors.

It should be noted that the actual value of the shares granted to the Executive Directors will depend on the following:

- The level of vesting of shares based on the satisfaction of the performance conditions at the end of the three year period from the date of grant
- The share price of the Company on the date of vesting

The Remuneration Committee, as stated earlier in the report, is proposing to make the 2012 award subject to the same performance conditions as 2011.

Outstanding at the Year End

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

Director	No. of LTIP Shares	Price paid for award	Exercise price	Date of award	Initial date of vesting	Date of expiry
Said Darwazah	125,000	–	Nil	19 May 2009	19 May 2012	19 May 2019
	105,000	–	Nil	2 November 2010	2 November 2013	2 November 2020
	108,000	–	Nil	13 May 2011	13 May 2014	13 May 2021
Total	**338,000**					**(2010: 320,000)**
Mazen Darwazah	75,000	–	Nil	19 May 2009	19 May 2012	19 May 2019
	70,000	–	Nil	2 November 2010	2 November 2013	2 November 2020
	72,000	–	Nil	13 May 2011	13 May 2014	13 May 2021
Total	**217,000**					**(2010: 249,000)**

The information in the above table has been audited by Deloitte LLP, our auditors..

4.3 REMUNERATION REPORTS
continued

Long-Term Incentive Plan

The 2005 Long-term Incentive Plan ("**LTIP**") was approved by shareholders at the 2006 Annual General Meeting. The LTIP is used to incentivise Executive Directors and senior management through the grant of nil-cost options with performance conditions that are measured over a period of three years. Those who participate in the LTIP are excluded from participating in the 2009 Management Incentive Plan.

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. The Performance Conditions are detailed separately on this page. The Remuneration Committee's policy is to provide annual share awards to Executive Directors and senior management at a maximum of the upper quartile level compared to the Comparator Group.

During 2010, the Committee reviewed the performance criteria for the LTIP resolving that the performance criteria should be expanded to include financial metrics for 50% of each LTIP award. The Committee consulted major shareholders and the main shareholder representative bodies on the proposed changes before they were implemented. The Committee was grateful for the time taken by the shareholders on the consultation and welcomed the confirmation received that the majority were supportive of the approach.

The Committee considers that the financial metrics chosen ensure that absolute performance is taken into account and more closely align the LTIP with the Group's strategy. The advantages of Total Shareholder Return ("**TSR**") were retained in respect of 50% of the award.

The Awards under the LTIP for 2011 and those that will be made in 2012, are subject to the following performance conditions which are measured over a three year period from the date of grant:

LTIP Performance criteria

- *Comparative* **TSR performance** *against the Comparator Group*
- *Financial metrics*
  - **Sales growth**
  - **EPS growth**
  - **Return on invested capital**

Basis of Performance Condition Selection & Measurement

Comparative TSR was selected as a performance condition for the proposed awards by the Remuneration Committee as it ensures that irrespective of general market conditions the executives have outperformed their peers over the measurement period in delivering shareholder value before being entitled to receive any of their awards. 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 2009 award the Remuneration Committee will provide a full explanation and justification at the time of the release of the 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.

In terms of performance and the vesting of awards in three years time:

Threshold and maximum vesting

- **0%** *of Awards will be released for achieving* **below threshold performance**
- **20%** *of Awards will be released for achieving* **threshold performance**
- **100%** *of Awards will be released for achieving* **maximum performance**
- *Between threshold performance and maximum performance awards will vest on a straight-line basis*

The **threshold** and **maximum performance** requirements for each of the performance conditions is detailed in the table below. Each criterion is independent of the other criteria.

THRESHOLD AND MAXIMUM TARGETS

Performance Criteria	Element of Award	Threshold 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%

PERFORMANCE CONDITIONS SUMMARY

Where the threshold 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. Therefore, the performance conditions ensure that:

Goal of the Performance conditions

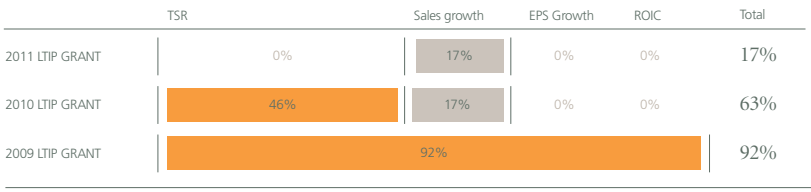
- *The Company's comparative TSR performance against the Comparator Group is at least at the upper quartile before executives receive the full benefit of this element of their share incentives*
- *The underlying financial performance of the Group supports the comparative performance before executives receive their full award*

This structure demonstrates the Remuneration Committee's desire to correlate incentive arrangements with the achievement of substantial performance and align incentives with the objectives of shareholders.

The following chart sets out the level of release of existing LTIP awards if the Company's performance measured as at 31 December 2011 continued until the end of the relevant performance period.

It should be noted that the real value received by Executive Directors under the share incentive arrangements is dependent upon satisfaction of performance conditions and the share price of the Company at that time.

LTIP CURRENT PERFORMANCE



Notes
The 2007 and 2008 LTIP grants vested at 100% and have been released in full. *The 2009 LTIP grant occurred before the new financial metrics were implemented in 2010. Therefore, it is solely based on TSR performance.

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 compared to 31 January 2012. The FTSE 250 and 350 Indices have been selected to provide a broader comparator of the Company's performance.

Share prices

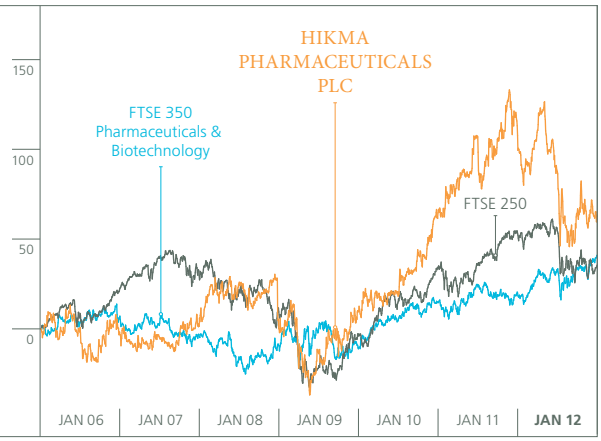
The applicable share prices for Hikma during the period under review were:

	Market Price (closing price)
1 January 2011	811.5p
31 December 2011	620.0p
2011 Range (low to high)	555.5p to 900.0p
13 March 2012	772.0p

The information in the above table has been audited by Deloitte LLP, our auditors.

TOTAL SHAREHOLDER RETURN FROM JANUARY 2006 (%)

+63%



4.3 REMUNERATION REPORTS
continued

Management Incentive Plan

The 2009 Management Incentive Plan ("**MIP**") was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to the Company satisfying awards under the MIP from newly issued shares. Under the MIP, the Company makes grants of conditional awards to management below senior management level. Awards are subject to the satisfaction of individual and Group performance targets.

In 2011 the Remuneration Committee refocused the qualification requirements for the MIP, to ensure that meaningful awards could be made to a more targeted group of management, where the benefits of incentivisation would be clearly understood. The key features of the MIP are as follows:

MIP key features

- *It is open to management level employees across the Group below senior executive level*
- *Participation in the LTIP will preclude participation in the MIP*
- *Awards are dependent on the achievement of Individual and Group KPIs over one year. Individual KPIs were selected in order to incentivise the achievement of personal objectives, which are set by the direct manager and designed to ensure the achievement of departmental and Group objectives. Group KPIs were selected to ensure that the underlying performance of the Group is taken into consideration before an award is made*
- *The maximum award level is 50% of salary per annum in normal circumstances and 100% in exceptional circumstances, as determined by the Compensation policy*

From the perspective of a participant, the life cycle of a MIP award is:

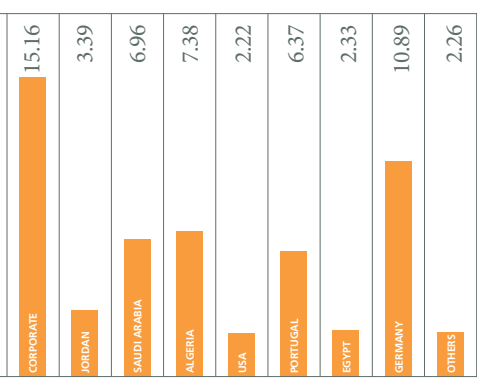
MIP life cycle

- *Participants are notified of a maximum monetary entitlement, being a percentage of their fixed salary, the value of which will be awarded as a conditional award over shares, based on annual performance against Individual and Group KPIs*
- *Achievement against KPIs is measured at the end of the performance year: Group KPIs being measured by Finance and Human Resources; and Individual KPIs being measured by the participant's direct manager. The percentage of monetary value awarded is directly proportional to the percentage achievement of KPIs*
- *The monetary value is converted into an award of shares using the current market price*
- *The conditional award vests 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*

The MIP is used to promote share ownership and align management's interests with those of shareholders. In 2011, approximately 300 employees were eligible to participate in the plan from all the Group's geographical areas of operation, as the graph on the previous page demonstrates.

MANAGEMENT INCENTIVE PLAN: PERCENTAGE OF EMPLOYEES ELIGIBLE

+5.8%



Dilution

In accordance with the guidelines set out by the Association of British Insurers ("**ABI**") the Company can issue a maximum of 10% of its issued share capital in a rolling ten year period to employees under all of its share plans and a maximum of 5% for discretionary share plans. The following table summarises the current level of dilution resulting from Company share plans following the IPO based on the issued share capital as at 31 December 2011:

Type of Plan	Granted in a rolling 10 year period	Granted during the year
Discretionary Share Plans (5% Limit)	2.59%	0.51%

The Company has not implemented any all-employee share incentive arrangements. It is the Company's current intention that LTIP awards and MIP awards granted in 2012 will be satisfied by newly issued shares.

Non-Executive Fees

The Board's non-executive fee **Policy** is **Upper Quartile**.

The individual basic and committee fees, which are paid in pounds Sterling, are detailed in the table adjacent on this page.

The Board has resolved that from 1 January 2012, the basic fees of Non-Executive Directors should be increased to the amounts set out in the table. 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. The Non-Executive Directors are not eligible to participate in the Group pension arrangements and do not receive personal pension contributions by the Group. There has been no change in the fees paid to the Non-Executive Chairman since 2009.

INDIVIDUAL BASIC AND COMMITTEE FEES

	2011				2012
Name	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	82.0	71.0	7.5	7.5	86.0
Ali Al-Husry	67.0	71.0	–	–	71.0
Breffni Byrne	89.5	71.0	15.0	7.5	93.5
Ronald Goode	82.0	71.0	7.5	7.5	86.0
Robert Pickering*	74.5	71.0	–	7.5	78.5
Sir David Rowe-Ham	82.0	71.0	7.5	7.5	86.0

*The fee detailed for 2011 is the annual fee. Robert Pickering joined the Board on 1 September 2011 and, therefore, the actual 2011 fees paid to him are proportional to the period served.

Share Ownership

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.

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.

Each of Samih Darwazah, Said Darwazah, Mazen Darwazah and Ali Al-Husry are directors of Darhold Limited, which is treated as 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.

DIRECTORS' SHARE HOLDING

	Ordinary Shares of 10 pence		
Director	1 January 2011	31 December 2011	13 March 2012
Samih Darwazah	2,331,746	2,331,746	2,331,746
Said Darwazah	213,445	303,445	303,445
Mazen Darwazah	695,225	799,225	799,225
Sir David Rowe-Ham	10,000	10,000	10,000
Breffni Byrne	10,000	10,000	10,000
Michael Ashton	18,566	18,566	18,566
Ronald Goode	12,700	22,700	22,700
Ali Al Husry	1,109,748	1,109,748	1,109,748
Robert Pickering	–	7,500	7,500
Total shares:	**4,401,430**	**4,612,930**	**4,612,930**

The information in the above table has been audited by Deloitte LLP, our auditors.

Service 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, see the table below.

The Executive Directors' contracts are on a rolling basis, unless terminated by 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 are 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.

Letters of appointment

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 Articles of Association, the Companies Act and shareholder approval. This period can be renewed and extended for not more than two further three-year terms, unless exceptional circumstances exist. See the table at the bottom of this page.

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 Executive Directors are allowed to retain any fees paid under such appointments. During the year under review, Said Darwazah and Mazen Darwazah received fees of $10,000 (2010: $10,000) and $10,000 (2010: $10,000) respectively, in respect of such appointments. External appointments are kept under review by the Audit Committee and the process for controlling these appointments is described in the Governance Statement on page 65.

SERVICE CONTRACTS

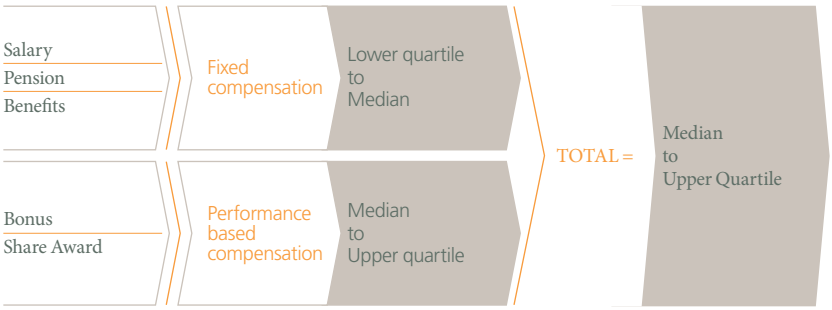
Name	Company notice period	Contract date	Unexpired term of contract	Potential termination payment
Said Darwazah	12 months	1 July 2007	Rolling contract	12 months' salary and benefits
Mazen Darwazah	12 months	25 May 2006	Rolling contract	12 months' salary and benefits

LETTERS OF APPOINTMENT

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
Robert Pickering	1 September 2011	1 month

TOTAL COMPENSATION

The Committee's total compensation **Policy** position is **Median** to **Upper Quartile**.



The total amounts for Directors' compensation were as follows:

	2010 US$	2011 US$
Emoluments	4,083,095	3,758,529
Compensation for loss of office	–	–
Gains on exercise of share options	1,248,654	2,241,534
Amounts receivable under long-term incentive schemes	–	–
Money purchase pension contributions	–	–
Total	**5,331,749**	**6,000,063**

The information in the above table has been audited by Deloitte LLP, our auditors.

This can be broken down amongst the Directors as follows:

4.4 COMMITTEE REPORTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors submit their Report together with the audited financial statements for the 52 weeks ended 31 December 2011. This report forms the management report for the purposes of the Disclosure and Transparency Rules. Readers are asked to cross refer to the Governance Report, Remuneration Report and sections of other relevant reports which are included in this report to the extent necessary to meet the Company's reporting obligations.

OPERATIONAL

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:

Review highlights

- *A review of the business and strategy and expected future developments is set out in the Chairman's statement on pages 6 and 7, the Chief Executive's Review on pages 12 to 17 and the Financial Review on pages 18 to 31;*
- *The principal risks and uncertainties are set out on pages 32 to 35 and financial risks are described on pages 129 to 133;*
- *Key financial performance indicators are described on page 17;*
- *Information on environmental, social and community issues is set out in our Corporate Responsibility report on pages 36 to 47, which also provides key performance indicators in this area;*
- *The principal operating subsidiaries are set out on page 144.*

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 pharmaceutical operations are conducted through three business segments: Branded, Injectables, and Generics. 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. The Company has not capitalised any interest payments.

FINANCIAL

Results

The Group's **profit** for the year in 2011 was **$83.5 million** (2010: $99.5 million).

Dividend

The Board is recommending a final dividend of 7.5 cents per share (approximately 4.58 pence) (2010: 7.5 cents). The proposed final dividend will be paid on 24 May 2012 to shareholders on the register on 20 April 2012, subject to approval at the Annual General Meeting on 17 May 2012.

An interim dividend of 5.5 cents per share was paid on 13 October 2011 (approximately 3.6 pence per ordinary share) (2010: 5.5 cents) which together with the final dividend, will make a total of 13.0 cents per share for the period (2010: 13.0 cents).

4.2 COMMITTEE REPORTS
Directors continued

Creditor payment policy

The Company's policy, which is also applied by the Group and will continue in respect of the 2012 financial year, is to settle terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of and abide by the terms of payment. Trade creditors of the Company at 31 December 2011 were equivalent to 105 days' purchases (2010: 73 days), based on the average daily amount invoiced by suppliers during the year.

Donations

Group policy prohibits the payment of political donations. During the year the Group made charitable donations of approximately $3.2 million (2010: $2.5 million):

Type of donation	Amount donated in 2010 ($)	Amount donated in 2011 ($)
Local charities serving communities in which the Group operates	838,000	1,504,000
Medical (donations in kind)	1,662,000	1,694,000
Political	Nil	Nil
Total:	**2,500,000**	**3,199,000**

Research and Development

The Group's investment in Research & Development ("**R&D**") during 2011 represented 3.4% of Group revenue (2010: 3.2%). Further details on the Group's R&D activities can be found on pages 13 and 31.

Related party transactions

Details of related party transactions are included in Note 38 of the Financial Statements on pages 138 and 139.

Going concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. 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 increased its year end net debt position to $421.9 million (2010: $101.1 million) following significant investment in acquisitions. Operating cash flow in 2011 was $126.4 million (2010: $152.5 million). The Group has $396.4 million (2010: $264.8 million) of undrawn banking facilities. 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.

Significant 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.

Auditors

Each person who was a Director of the Company at the date when this report was approved confirms that:

Director confirmations

- *so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware*
- *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 has expressed its willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

DIRECTORS

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 54 to 56. Details of the independence of Non-Executive Directors are set out in the report on corporate governance on page 61. Other than Robert Pickering, who was appointed on 1 September 2011, the Executive and Non-Executive Directors served the Company throughout the year.

Robert Pickering was appointed to the Board on 1 September 2011 and will retire and seek election at the Annual General Meeting on 17 May 2012. In accordance with the UK Corporate Governance Code, it is the Board's policy that all directors should retire and seek re-election on an annual basis. Accordingly, Samih Darwazah, Said Darwazah, Mazen Darwazah, Sir David Rowe-Ham, Ali Al-Husry, Breffni Byrne, Michael Ashton and Ronald Goode will retire and seek re-election at the Annual General Meeting. Shareholders are referred to the Nomination Committee report on pages 70 to 72 and the profiles of each of the Directors on pages 54 to 56.

Indemnities

The Directors benefit from qualifying third party indemnities made by the Company 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.

EQUITY

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 2011:

Type	Nominal value	In issue	Issued during the year
Ordinary	10 pence	195,851,307	2,334,318

During 2011, the Company issued Ordinary Shares solely 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 (the "**Articles**") 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. The Company has not placed any shares into treasury during the period under review.

Share buy back

At the Annual General Meeting on 12 May 2011, shareholders gave the Directors authority to purchase shares from the market up to an amount equal to 10% of the Company's issued share capital at that time. This authority expires at the earlier of 30 June 2012 or the 2012 Annual General Meeting, which is scheduled for 17 May 2012. The Directors are proposing to renew this authority at the 2012 Annual General Meeting.

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.

Share issuance

At the Annual General Meeting on 12 May 2011, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £6,452,900, and to be empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £967,935, at any time up to the earlier of the date of the 2012 Annual General Meeting or 30 June 2012. The Directors propose to renew these authorities at the 2012 Annual General Meeting 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.

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.

Annual General Meeting

The Annual General Meeting of the Company will be held at The Westbury, Bond Street, Mayfair, London W1S 2YF on Thursday, 17 May 2012, 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.

The powers of the Directors are determined by the Articles, the Code and other relevant UK legislation. The Directors powers are detailed in the Corporate Governance Report starting on page 65. 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.

Directors' interests

Details of directors' share-based incentives and interests in the ordinary shares of the Company are provided in the Directors' Remuneration Report on pages 83 and 87.

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	29.20%
Sectoral Asset Management Inc	6,222,574	3.18%
Norges Bank	7,971,034	4.07%

*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.

Pre-emptive issue of 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.

Takeover Panel – Rule 9

At the Annual General Meeting held on 12 May 2011, a vote of the independent shareholders of the Company approved the award of up to an aggregate of 180,000 ordinary shares pursuant to the Company's 2005 Long-term Incentive Plan to Said Darwazah and Mazen Darwazah (the "**LTIP Holders**") and 10,000 ordinary shares pursuant to the Management Incentive Plan to Hana Ramadan and May Darwazah (the "**MIP Holders**"). Because of the relationship of the LTIP Holders and the MIP Holders with Darhold Limited, who at the time of the Annual General Meeting held 57,183,028 ordinary shares (at 6 April 2011 representing 29.54 per cent. of the issued share capital of the Company, and as at 13 March 2012 being the latest practicable date prior to the publication of this document, holding 57,183,028 ordinary shares, representing 29.20 per cent. of the issued share capital of the Company), each of the LTIP Holders and the MIP Holders (together with certain other identified individuals at that date) was treated as acting in concert with Darhold Limited for the purposes of the Takeover Code (the "**Concert Party**"). As at 6 April 2011, the Concert Party held, in aggregate, interests in 64,463,907 ordinary shares in the capital of the Company (then representing 33.30 per cent. of the then issued share capital of the Company).

CONCERT PARTY HOLDINGS

	Holding, 6 April 2011		Holding, 13 March 2012		Holding if all existing SOP, MIP, LTIP are exercised		Holding if maximum award granted in 2012 exercised	
	No of Ordinary Shares	Percentage of Issued Share Capital	No of Ordinary Shares	Percentage of Issued Share Capital	No of Ordinary Shares	Percentage of Issued Share Capital	No of Ordinary Shares	Percentage of Issued Share Capital
Darhold Limited	57,183,028	29.54%	57,183,028	29.20%	–	–	–	–
Concert Party	64,463,907	33.30%	64,687,408	33.03%	65,264,725	32.73%	65,413,725	32.78%

As at 13 March 2012 being the latest practicable date prior to the publication of this document, the Concert Party held, in aggregate, interests in 64,687,408 ordinary shares in the capital of the Company (representing 33.03 per cent. 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 65,264,725 shares in the capital of the Company (representing 32.73 per cent. 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 2011 to 13 March 2012, 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 (each an "**Option Holder**") exercised, in aggregate, options over 196,500 ordinary shares in the capital of the Company, all of which ordinary shares were retained by the Option Holder.

DIRECTORS' RESPONSIBILITY STATEMENT

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 European Union ("**IFRS**") and have also elected to prepare financial statements for the Company in accordance with the IFRS under EU law. 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 conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable 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*
- *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*
- *Make an assessment of the company's ability to continue as a going concern*

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, 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:

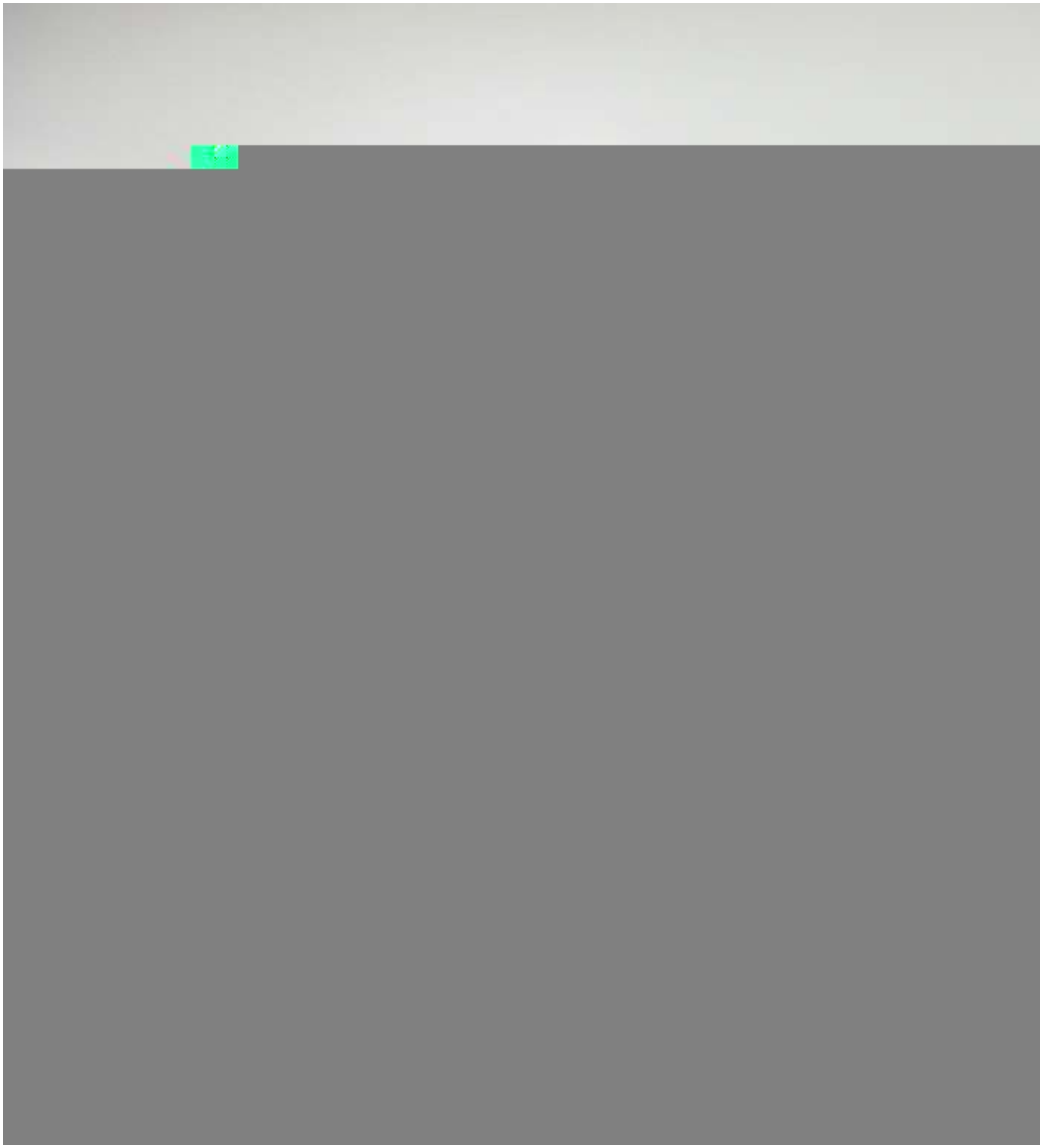
- *The financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole*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

13 March 2012



FINANCIAL STATEMENTS

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 2011, which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statements of changes in equity, the consolidated and Company cash flow statements, and the related Notes 1 to 57. 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 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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 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 Company's affairs as at 31 December 2011 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or

the 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 UK Corporate Governance Code specified for our review; and

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

Paul Franek
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

13 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $000	2010 $000
Continuing operations			
Revenue	4	918,025	730,936
Cost of sales	4	(522,676)	(373,592)
Gross profit	4	395,349	357,344
Sales and marketing costs		(125,295)	(106,673)
General and administrative expenses		(107,540)	(84,755)
Research and development costs		(31,218)	(23,608)
Other operating expenses (net)	8	(12,608)	(7,213)
Total operating expenses		(276,661)	(222,249)
Adjusted operating profit		145,824	143,025
Exceptional items:			
– Acquisition and integration related expenses	5	(16,368)	(7,705)
– Gains on revaluation of previously held equity interests	5	–	7,176
– Inventory related adjustment	5	(1,770)	–
Intangible amortisation*	5	(8,998)	(7,401)
Operating profit	4	118,688	135,095
Loss from associated companies	16	(1,164)	–
Finance income	9	468	346
Finance expense	10	(23,368)	(13,856)
Other expense (net)		(732)	(603)
Profit before tax		93,892	120,982
Tax	11	(10,423)	(21,455)
Profit for the year	6	83,469	99,527
Attributable to:			
Non-controlling interests	32	3,362	678
Equity holders of the parent		80,107	98,849
		83,469	99,527
Cumulative effect of change in fair value of available for sale investments		(42)	75
Cumulative effect of change in fair value of financial derivatives		(692)	(256)
Exchange difference on translation of foreign operations		(15,294)	(19,532)
Total comprehensive income for the year		67,441	79,814
Attributable to:			
Non-controlling interests		3,557	(1,023)
Equity holders of the parent		63,884	80,837
		67,441	79,814
Earnings per share (cents)			
Basic	13	41.3	51.4
Diluted	13	40.5	50.2
Adjusted basic	13	52.0	53.6
Adjusted diluted	13	51.0	52.4

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2011

	Note	2011 $000	2010 $000
NON-CURRENT ASSETS			
Intangible assets	14	408,804	269,120
Property, plant and equipment	15	421,357	317,463
Interests in associated companies	16	37,445	–
Deferred tax assets	17	36,072	23,288
Available for sale investments	18	435	477
Financial and other non-current assets	19	11,644	11,357
		915,757	621,705
CURRENT ASSETS			
Inventories	20	239,260	182,192
Income tax asset		1,486	7,518
Trade and other receivables	21	315,856	237,185
Collateralised and restricted cash	22	2,595	3,573
Cash and cash equivalents	23	94,715	62,718
Other current assets		5,973	929
		659,885	494,115
Total assets		1,575,642	1,115,820
CURRENT LIABILITIES			
Bank overdrafts and loans	24	152,853	81,015
Obligations under finance leases	28	3,300	2,251
Trade and other payables	25	171,098	127,555
Income tax provision		14,561	12,621
Other provisions	26	9,398	8,641
Other current liabilities		39,373	36,540
		390,583	268,623
Net current assets		269,302	225,492
NON-CURRENT LIABILITIES			
Long-term financial debts	27	344,895	78,040
Deferred income		249	335
Obligations under finance leases	28	18,134	6,118
Deferred tax liabilities	17	23,147	12,404
		386,425	96,897
Total liabilities		777,008	365,520
Net assets		798,634	750,300
EQUITY			
Share capital	31	34,904	34,525
Share premium		278,094	275,968
Own shares	33	(2,222)	(2,220)
Other reserves		465,799	435,649
Equity attributable to equity holders of the parent		776,575	743,922
Non-controlling interests	32	22,059	6,378
Total equity		798,634	750,300

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

13 March 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2011

	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 the parent $000	Non-controlling interests $000	Total equity $000
Balance at 1 January 2010	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)	–	(265)
Realisation of revaluation reserve	–	(181)	–	181	–	–	–	–	–	–	–
Currency translation loss	–	–	(17,831)	–	(17,831)	–	–	–	(17,831)	(1,701)	(19,532)
Total comprehensive income for the year	–	(181)	(17,831)	98,849	80,837	–	–	–	80,837	(1,023)	79,814
Issue of equity shares	–	–	–	–	–	289	3,183	–	3,472	–	3,472
Purchase 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	–	–	–
Deferred tax arising on share-based payments	–	–	–	1,461	1,461	–	–	–	1,461	–	1,461
Current tax arising on share-based payments	–	–	–	974	974	–	–	–	974	–	974
Dividends on ordinary shares (Note 12)	–	–	–	(23,073)	(23,073)	–	–	–	(23,073)	–	(23,073)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	29	29
Balance at 31 December 2010 and 1 January 2011	33,920	4,085	(12,080)	409,724	435,649	34,525	275,968	(2,220)	743,922	6,378	750,300
Profit for the year	–	–	–	80,107	80,107	–	–	–	80,107	3,362	83,469
Cumulative effect of change in fair value of available for sale investments	–	–	–	(42)	(42)	–	–	–	(42)	–	(42)
Cumulative effect of change in fair value of financial derivatives	–	–	–	(692)	(692)	–	–	–	(692)	–	(692)
Realisation of revaluation reserve	–	(181)	–	181	–	–	–	–	–	–	–
Currency translation (loss)/gain	–	–	(15,489)	–	(15,489)	–	–	–	(15,489)	195	(15,294)
Total comprehensive income for the year	–	(181)	(15,489)	79,554	63,884	–	–	–	63,884	3,557	67,441
Issue of equity shares	–	–	–	–	–	379	2,126	–	2,505	–	2,505
Purchase of own shares	–	–	–	–	–	–	–	(115)	(115)	–	(115)
Cost of equity settled employee share scheme	–	–	–	7,507	7,507	–	–	–	7,507	–	7,507
Exercise of employees Long-term Incentive Plan	–	–	–	(113)	(113)	–	–	113	–	–	–
Deferred tax arising on share-based payments	–	–	–	(5,644)	(5,644)	–	–	–	(5,644)	–	(5,644)
Current tax arising on share-based payments	–	–	–	3,750	3,750	–	–	–	3,750	–	3,750
Dividends on ordinary shares (Note 12)	–	–	–	(25,201)	(25,201)	–	–	–	(25,201)	(100)	(25,301)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	26,650	26,650
Adjustment arising from change in non-controlling interests	–	–	–	(14,033)	(14,033)	–	–	–	(14,033)	(14,914)	(28,947)
Issue of equity shares of subsidiary	–	–	–	–	–	–	–	–	–	488	488
Balance at 31 December 2011	33,920	3,904	(27,569)	455,544	465,799	34,904	278,094	(2,222)	776,575	22,059	798,634

CONSOLIDATED CASH FLOW STATEMENT

AT 31 DECEMBER 2011

	Note	2011 $000	2010 $000
Net cash from operating activities	34	126,397	152,540
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(69,032)	(49,121)
Proceeds from disposal of property, plant and equipment		696	1,556
Purchase of intangible assets		(8,967)	(4,074)
Proceeds from disposal of intangible assets		191	566
Acquisition of interest in associated companies		(38,610)	–
Investment in financial and other non-current assets		(287)	(10,800)
Proceeds from disposal of available for sale investments		–	140
Acquisition of subsidiary undertakings net of cash acquired		(217,779)	(23,000)
Payments of costs directly attributable to acquisitions	5	(10,147)	(7,705)
Finance income		468	346
Net cash used in investing activities		(343,467)	(92,092)
FINANCING ACTIVITIES			
Decrease/(increase) in collateralised and restricted cash		978	(1,140)
Increase in long-term financial debts		335,353	19,045
Repayment of long-term financial debts		(68,364)	(59,177)
Increase in short-term borrowings		59,095	14,147
Decrease in obligations under finance leases		(2,028)	(616)
Dividends paid		(25,201)	(23,073)
Dividends paid to non-controlling shareholders		(100)	–
Interest paid		(23,758)	(13,754)
Proceeds from issue of new shares		2,390	3,365
Proceeds from non-controlling interest for capital increase in subsidiary		488	–
Acquisition of non-controlling interest in subsidiary		(29,196)	–
Net cash generated by/(used) in financing activities		249,657	(61,203)
Net increase/(decrease) in cash and cash equivalents		32,587	(755)
Cash and cash equivalents at beginning of year		62,718	65,663
Foreign exchange translation movements		(590)	(2,190)
Cash and cash equivalents at end of year		94,715	62,718

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. Their adoption has not had any significant impact on the amounts reported in these financial statements but, with the exception of the amendment to IFRS 1, may impact the accounting for future transactions and arrangements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	The Interpretation provides guidance on the accounting for "debt for equity swaps" from the perspective of the borrower.
Amendment to IFRS 3 *Business Combinations*	IFRS 3 has been amended such that only those non-controlling interests which are current ownership interests and which entitle their holders to a proportionate share of net assets upon liquidation can be measured at fair value or the proportionate share of net identifiable assets. Other non-controlling interests are measured at fair value, unless another measurement basis is required by IFRSs.
Amendment to IFRS 7 *Financial Instruments: Disclosures*	The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets. The impact of this amendment has been to reduce the level of disclosure provided on collateral that the entity holds as security on financial assets that are past due or impaired.
Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	The amendment provides a limited exemption for first-time adopters from providing comparative fair-value hierarchy disclosures under IFRS 7.
IAS 24 (2009) *Related Party Disclosures*	The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.
Amendment to IAS 32 *Classification of Rights Issues*	Under the amendment, rights issues of instruments issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions.
Improvements to IFRSs 2010	Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact on the Group.

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 1 (amended)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 (amended)	*Disclosures – Transfers of Financial Assets*
IFRS 7 (amended)	*Disclosures – Offsetting of Financial Assets and Financial Liabilities*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 1 (amended)	*Presentation of Items of Other Comprehensive Income*
IAS 12 (amended)	*Deferred Tax: Recovery of Underlying Assets*
IAS 19 (revised)	*Employee Benefits*
IAS 27 (revised)	*Separate Financial Statements*
IAS 28 (revised)	*Investments in Associates and Joint Ventures*
IAS 32 (amended)	*Offsetting Financial Assets and Financial Liabilities*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*

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

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
Continued

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 153.

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 prepa

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the statement of comprehensive income.

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 aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. 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 consideration, the excess is recognised immediately in the statement of comprehensive income.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.
The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Intangible assets

An intangible asset is recognised if:

- it is identifiable;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.
Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

(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 the liabilities assumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 the statement of comprehensive income 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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

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

(d) Product related intangibles:

(i) product files and under-licenced products are assigned indefinite useful lives which are reviewed for impairment at least annually; and
(ii) Under-licence agreements and product dossiers are amortised over their useful lives from the date 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 from the date 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.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). 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.

Exchange differences arising on retranslation of monetary assets and liabilities are recognised in profit or loss in the period in which they arise.

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 have passed.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, 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.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Chargebacks
The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the USA the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as "indirect customers". The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to 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
In certain countries the Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised in the period in which the underlying sales are recognised, as a reduction of sales revenue.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. 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 makes adjustments when it believes that actual product returns may differ from established reserves.

Rebates
In certain countries, rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as 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 rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of sales revenue.

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

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

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

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

All other borrowing costs are recognised in the statement of comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Leasing

The Group as lessee

Leases are classified as finance 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 finance 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 charged to the statement of comprehensive income, except only when the criteria for recognising an intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable. Intangible assets are 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.

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").

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

Share-based payments

IFRS 2 "Share-based Payments" requires an expense to be recognised when the Group buys goods or services in exchange for shares 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 management incentive plan is determined based on the share price as at the date of grant discounted by dividend yield. 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.

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 reflects 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 and assets are considered ready for use.

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, including all additional attributable 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 any 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

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

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

Derivative financial instruments are initially recognised in the balance sheet at cost and then remeasured at subsequent reporting dates to fair value. 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 designed 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.

Investments
Available for sale investments with quoted market prices are initially recognised at cost on acquisition and remeasured to their fair values at year end. Gains or losses on remeasurement to fair value are recognised in shareholders' equity until the investments are sold, disposed of, or determined to be impaired, at which time the cumulative gain 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.

2. SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 at least 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 cash-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 to the extent that it does not exceed previous revaluation surplus, and any excess is recognised in profit or loss.

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.

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

Revenue recognition

The Group's revenue recognition policies require Directors to make a number of estimates, with the most significant relating to chargebacks, "as described above" 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 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 incurred 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

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 segmental information.

The Group discloses underlying operating profit as the measure of segmental 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 2011:

Year ended 31 December 2011	Branded $000	Injectables $000	Generics $000	Others $000	Group $000
Revenue	441,907	315,728	154,813	5,577	918,025
Cost of sales	(227,830)	(188,151)	(102,609)	(4,086)	(522,676)
Gross profit	214,077	127,577	52,204	1,491	395,349
Adjusted segment result	105,143	54,938	17,124	(2,369)	174,836
Exceptional items:					
– Integration related expenses	(921)	(4,551)	–	–	(5,472)
– Inventory related adjustments	–	(1,770)	–	–	(1,770)
Intangible amortisation*	(5,763)	(3,186)	(39)	(10)	(8,998)
Segment result	98,459	45,431	17,085	(2,379)	158,596
Adjusted unallocated corporate expenses					

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

Segment assets and liabilities 2010	Branded $000	Injectables $000	Generics $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	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
Balance sheet					
Total assets	755,936	184,039	150,015	25,830	1,115,820
Total liabilities	240,438	77,217	26,967	20,898	365,520

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

	2011 $000	2010 $000
Middle East and North Africa	508,776	446,524
United States	317,334	204,389
Europe and Rest of the World	87,622	79,133
United Kingdom	4,293	890
	918,025	730,936

The top selling markets in 2011 were the USA, Saudi Arabia and Algeria with total sales of USD 317.3 million (2010: USD 204.4 million), USD 121.4 million (2010: USD 118.5 million) and USD 102.5 million (2010: USD 88.8 million), respectively.

Included in revenues arising from the Branded and Injectables segments are revenues of approximately USD 101.9 million (2010: USD 99.4 million) which arose from sales to the Group's largest customer which is located in Saudi Arabia.

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

	Total non-current assets excluding deferred tax and financial instruments as at 31 December		Total assets as at 31 December	
	2011 $000	2010 $000	2011 $000	2010 $000
Middle East and North Africa	567,935	417,076	1,019,288	774,402
Europe	141,481	146,844	197,128	185,945
United States	131,589	33,589	349,705	150,018
United Kingdom	800	431	9,521	5,455
	841,805	597,940	1,575,642	1,115,820

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.

	2011 $000	2010 $000
Acquisition related expenses	(10,896)	(7,705)
Integration related expenses	(5,472)	–
	(16,368)	(7,705)
Gains on revaluation of previously held equity interests	–	7,176
Inventory related adjustments	(1,770)	–
Exceptional items	(18,138)	(529)
Intangible amortisation*	(8,998)	(7,401)
Exceptional items and intangible amortisation	(27,136)	(7,930)
Tax effect	6,374	3,666
Impact on profit for the year	(20,762)	(4,264)

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

Acquisition and integration-related expenses are costs incurred in acquiring the Baxter Healthcare Multi-Source Injectables business ("MSI"), Société de Promotion Pharmaceutique du Maghreb S.A. ("Promopharm") S.A, and Elie Pharmaceuticals business, now called ("Savanna"). Acquisition-related expenses are included in the unallocated corporate expenses while integration-related expenses are included in segment results. Further details are set out in Note 39 "Acquisition of subsidiaries".

Acquisition-related expenses mainly comprised third party consulting services, legal and professional fees.

USD 10.1 million (31 December 2010: USD 7.7 million) of costs have been classified as investing activities in the cash flow statement relating to the cash outflow in respect of acquisition and integration costs in the period.

The inventory-related adjustments reflect the fair value uplift of the inventory acquired as part of the MSI acquisition (refer to Note 39).

In the prior year, acquisition-related expenses related to transaction costs incurred in acquiring Ibn Al Baytar, Al Dar Al Arabia and MSI, for which the process of completion commenced in the second half of 2010. These were included in the unallocated corporate expenses.

Gains on revaluation of previously held equity interests related to gains arising from the remeasurement to fair value of the previously held equity interests in Ibn Al Baytar and Al Dar Al Arabia. These were included within other operating expenses (net).

6. PROFIT FOR THE YEAR

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

	2011 $000	2010 $000
Net foreign exchange losses	111	6,309
Research and development costs	31,218	23,608
Loss on disposal of property, plant and equipment	22	376
Gain on disposals of intangible assets	(91)	(162)
Depreciation of property, plant and equipment	35,660	29,091
Amortisation of intangible assets (including software)	11,343	9,342
Inventories:		
Cost of inventories recognised as an expense	330,537	247,774
Write-down of inventories	12,271	13,076
Staff costs (see Note 7)	237,839	168,957
Auditor's remuneration (see below)	3,734	5,014
Gains on revaluation of previously held equity interests	–	(7,176)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. PROFIT FOR THE YEAR *Continued*

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

	2011 $000	2010 $000
Audit of the Company's annual accounts	324	367
Audit of the Company's subsidiaries pursuant to legislation	825	619
Total audit fees	1,149	986
Audit related services*	463	115
Total audit and audit related fees	1,612	1,101
– Tax compliance services	135	128
– Tax advisory services	239	281
– Other services**	1,748	3,159
– Transaction due diligence services	–	345
Total non-audit fees	2,122	3,913
Total fees	3,734	5,014

*These fees predominantly relate to review procedures in respect of the interim financial information and the opening balance sheet audit of the MSI business, recently acquired from Baxter Healthcare and Promopharm. This also includes prospectus work relating to the Promopharm acquisition.

**Other services relate to integration planning performed in the US in respect of the MSI acquisition. Further details in respect of this service are set out on page 69.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 66 to 69 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. STAFF COSTS

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

	2011 Number	2010 Number
Production	3,625	3,048
Sales and marketing	1,699	1,625
Research and development	239	186
General and administrative	602	537
	6,165	5,396

	2011 $000	2010 $000
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	175,627	121,027
Social security costs	15,051	10,122
Post-employment benefits	3,559	2,433
End of service indemnity	2,934	2,756
Share-based payments	7,507	4,473
Car and housing allowance	13,483	12,651
Other costs and employee benefits	19,678	15,495
	237,839	168,957

8. OTHER OPERATING EXPENSES (NET)

	2011 $000	2010 $000
Other operating expense	(20,579)	(23,741)
Other operating income	7,971	16,528
	(12,608)	(7,213)

Other operating expenses consist mainly of provisions against slow moving inventory items, abnormal spoilage, and foreign exchange losses. Other operating income consists mainly of foreign exchange gain, gain on sale of intangible assets, other product related income, and other income.

9. FINANCE INCOME

	2011 $000	2010 $000
Interest income	468	346

10. FINANCE EXPENSE

	2011 $000	2010 $000
Interest on bank overdrafts and loans	12,884	5,755
Interest on obligations under finance leases	869	206
Other bank charges	9,615	7,895
	23,368	13,856

11. TAX

	2011 $000	2010 $000
Current tax:		
Foreign tax	15,541	27,037
Prior year adjustments	(1,358)	(691)
Deferred tax (Note 17)	(3,760)	(4,891)
	10,423	21,455

UK corporation tax is calculated at 26.5% (2010: 28%) of the estimated assessable profit made in the UK for the year.

Effective tax rate for the Group is 11.10% (2010: 17.74%).

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

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

	2011 $000	2010 $000
Profit before tax:	93,892	120,982
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	24,881	33,875
Profits taxed at different rates	(10,796)	(15,184)
Permanent differences	(5,158)	853
Temporary differences for which no benefit is recognised	2,854	2,602
Prior year adjustments	(1,358)	(691)
Tax expense for the year	10,423	21,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

12. DIVIDENDS

	2011 $000	2010 $000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2010 of 7.5 cents (2009: 6.5 cents) per share	14,497	12,473
Interim dividend for the year ended 31 December 2011 of 5.5 cents (2010: 5.5 cents) per share	10,704	10,600
	25,201	23,073

The proposed final dividend for the year ended 31 December 2011 is 7.5 cents (2010: 7.5 cents) per share, bringing the total dividends for the year to 13.0 cents (2010: 13.0 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:

	2011 $000	2010 $000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	80,107	98,849
Exceptional items (see Note 5)	18,138	529
Intangible amortisation*	8,998	7,401
Tax effect of adjustments	(6,374)	(3,666)
Adjusted earnings for the purposes of adjusted basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	100,869	103,113

Number of shares	Number '000	Number '000
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	194,135	192,304
Effect of dilutive potential Ordinary Shares:		
Share-based awards	3,633	4,551
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	197,768	196,855

	2011 Earnings per share Cents	2010 Earnings per share Cents
Basic	41.3	51.4
Diluted	40.5	50.2
Adjusted basic	52.0	53.6
Adjusted diluted	51.0	52.4

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

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									
Balance at 1 January 2010	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	–	–	13	97	1,068	–	29	28,066
Disposals	–	(249)	–	(155)	–	–	–	–	(404)
Translation adjustments	(5,240)	(476)	(2,067)	(722)	(55)	(520)	(232)	(231)	(9,543)
Balance at 1 January 2011	177,685	8,352	62,737	25,391	4,318	6,949	2,982	14,014	302,428
Additions	–	1,155	–	6,831	–	–	–	981	8,967
Acquisition of subsidiaries	99,311	–	17,216	30,275	–	4,286	73	63	151,224
Disposals	–	–	–	(100)	–	–	–	–	(100)
Translation adjustments	(6,983)	(197)	(1,259)	(715)	(51)	(268)	(65)	(179)	(9,717)
Balance at 31 December 2011	270,013	9,310	78,694	61,682	4,267	10,967	2,990	14,879	452,802
AMORTISATION									
Balance at 1 January 2010	(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)
Translation adjustments	–	125	154	140	21	(1)	39	95	573
Balance at 1 January 2011	(608)	(3,094)	(14,079)	(5,597)	(912)	(127)	(919)	(7,972)	(33,308)
Charge for the year	–	(1,033)	(4,488)	(2,768)	(279)	(228)	(202)	(2,345)	(11,343)
Translation adjustments	–	100	226	139	30	12	29	117	653
Balance at 31 December 2011	(608)	(4,027)	(18,341)	(8,226)	(1,161)	(343)	(1,092)	(10,200)	(43,998)
CARRYING AMOUNT									
At 31 December 2011	269,405	5,283	60,353	53,456	3,106	10,624	1,898	4,679	408,804
At 31 December 2010	177,077	5,258	48,658	19,794	3,406	6,822	2,063	6,042	269,120

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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:

	2011 $000	2010 $000
BRANDED		
Arab Pharmaceuticals Manufacturing Co.	74,399	74,399
Al Jazeera Pharmaceutical Industries Ltd	6,752	6,752
Hikma Pharma SAE (Egypt)	31,745	32,977
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A.	10,943	11,409
SPA Societe Al Dar Al Arabia	14,495	14,883
Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm)	59,934	–
Savanna Pharmaceuticals Industries Co. Ltd.	3,411	–
	201,679	140,420
INJECTABLES		
German operations	34,273	35,075
Multi-Source Injectables	31,888	–
Hikma Italia S.p.A	728	745
	66,889	35,820
OTHERS		
Arab Medical Containers	742	742
IPRC and STD	95	95
	837	837
Total	269,405	177,077

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 cash flows over a range of one to five years grown at 2% 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 9.2% and 16.5% based on the markets in which the CGU's operate. The short-term growth rates range from no growth to 49% 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 does not consider that the likelihood of impairment losses in the long-term has 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.

The estimated useful life of marketing rights vary from five to ten years.

Product related intangibles Product related intangibles include three types:

a. Product files and under-licenced products: USD 5,739,000 (2010: USD 5,797,000) of the product files and under-licence products intangibles are assessed as having indefinite useful life due to the expected longetivity of the products, the movement relates to retranslation at year end rates. These assets are reviewed for impairment at least annually.

The product files recognised on the acquisition of MSI have an average estimated useful life of ten years.

The carrying value of these files is USD 5,162,663.

b. Under-licence agreements: The estimated useful life of Under-licence agreements vary from five to eleven years (2010: eleven years).

c. Product dossiers: Product dossiers have an average estimated useful life of fifteen years (2010: fifteen years).

14. INTANGIBLE ASSETS *Continued*

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 fifteen years (2010: fifteen years).

In-process R&D In-process R&D represents mainly the pipeline of products under development that were recognised on the acquisition of Arab Pharmaceutical Manufacturing Company and Hikma Pharma SAE-Egypt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. PROPERTY, PLANT AND EQUIPMENT *Continued*

The net book value of the Group's property, plant and equipment includes an amount of USD 18,229,000 (2010: USD 11,862,000) in respect of assets held under finance lease.

As at 31 December 2011 the Group had pledged property, plant and equipment having a carrying value of USD 150,268,000 (2010: USD 80,557,000) 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, Egypt, Saudi Arabia, US and Tunisia.

In 2008, the German government provided Thymoorgan Pharmazie GmbH with a grant of Euro 560,000, being a contribution towards the purchase of two freeze dryers and additional equipment. The carrying value of the grant as of 31 December 2011 was USD 249,000 (2010: 336,000).

During the year 2011, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to USD 166,000 (2010: USD 373,000).

The amount of borrowing costs that have been capitalised in the year within the projects under construction is USD 781,000 (2010: USD 1,620,000). The average capitalisation rate used ranges between 3.12%–10.5% (2010: 2.9%–10.6%).

16. INTEREST IN ASSOCIATED COMPANIES

On 15 April 2011 the Group acquired a non controlling interest of 23.1% in the Indian company Unimark Remedies Limited ("Unimark") through the subscription of new equity, for a cash consideration of USD 33,609,000. Through this strategic partnership, Hikma and Unimark will collaborate on the development of strategic APIs and new product formulations. Unimark's strong technical and R&D capabilities will complement Hikma's in-house R&D efforts and are expected to enable Hikma to bring more products in more therapeutic categories to market globally.

On 28 June 2011, the Group acquired a non controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co.Ltd ("Haosun") through the subscription of new equity, for a cash consideration of USD 5,000,000.

Through this partnership Hikma gains access to a high quality, long-term source of API, particularly in the strategically important area of oncology.

Losses of USD 1,164,000 representing the Group's share of the results of associates are included in the Group's statement of comprehensive income.

The movement in 2011 was as follows:

Balance at 1 January 2011	–
Additions	38,609
Share of loss of associates	(1,164)
Balance at 31 December 2011	37,445

Summarised financial information in respect of the Group's interests in associated companies is set out below:

	For the year ended 31 December 2011 $000
Total assets	192,645
Total liabilities	93,424
Net assets	99,221
Group's share of net assets of associates	23,775
Total revenues	89,659
Net loss	(6,017)
Group's share of loss of associates	(1,164)

Above information is adjusted for fair value adjustments arising on acquisition and to comply with the Goup's accounting policies.

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 year.

	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
At 1 January 2010	(782)	(300)	(15,949)	7,551	6,743	(4,322)	(7,059)
Credit 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)
At 1 January 2011	(954)	(1,040)	(16,637)	7,329	7,604	(7,186)	(10,884)
Charge/(credit) to income	665	(297)	(6,963)	1,411	1,132	292	(3,760)
Charge to equity	–	–	–	–	–	5,644	5,644
Acquisition of subsidiaries	–	–	(15,989)	11,918	–	–	(4,071)
Adjustments	–	571	–	–	–	–	571
Exchange differences	(19)	45	238	(547)	(142)	–	(425)
At 31 December 2011	(308)	(721)	(39,351)	20,111	8,594	(1,250)	(12,925)

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:

	2011 $000	2010 $000
Deferred tax liabilities	23,147	12,404
Deferred tax assets	(36,072)	(23,288)
	(12,925)	(10,884)

No deferred tax asset has been recognised on temporary differences totalling USD 64,514, 000 (2010: USD 56,690,000) due to the unpredictability of the related future profit streams.

Of these temporary differences, USD 41,925,000 relate to unrecognised deferred tax on unrealised intra-group profits and USD 5,945,000 in respect of deferred tax not recognised on UK share-based payments. The remaining temporary differences of USD 16,644,000 relate to losses on which no deferred tax is recognised. Of these losses USD 909,000 relate to losses which may be carried forward for one year before expiry and USD 822,000 relate to losses which may be carried forward for four years before expiry.

No deferred tax liability is recognised on temporary differences of USD 39,201,000 (2010: USD 35,682,000 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.

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18. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments represent 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.

	2011			2010		
	Listed $000	Non-listed $000	Total $000	Listed $000	Non-listed* $000	Total $000
1 January	248	229	477	245	297	542
Disposals	–	–	–	–	(140)	(140)
Fair value adjustments recognised in equity	(42)	–	(42)	3	72	75
31 December	206	229	435	248	229	477

*Disposals during 2010 are mainly of an investment in a non-listed US company (MENA Innovative Technologies Inc.)

19. FINANCIAL AND OTHER NON-CURRENT ASSETS

	As at 31 December	
	2011 $000	2010 $000
Other financial assets	1,644	1,357
Other non-current asset	10,000	10,000
	11,644	11,357

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

20. INVENTORIES

	2011 $000	2010 $000
Finished goods	77,862	50,829
Work-in-progress	28,039	29,592
Raw and packing materials	114,449	81,864
Goods in transit	18,910	19,907
	239,260	182,192

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

	As at 31 December 2010 $000	Additions $000	Acquisition of subsidiaries $000	Utilisation $000	Translation adjustments $000	As at 31 December 2011 $000
Provisions against inventory	16,845	13,933	8,051	(14,599)	(152)	24,078

The total expense in the income statement for the write-off of inventory including provisions for such write offs was USD 12,271,000 (2010: USD 13,076,000).

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2011 $000	2010* $000
Trade receivables	292,100	216,334
Prepayments	16,015	12,451
Value added tax recoverable	5,188	6,219
Interest receivable	490	223
Employee advances	2,063	1,958
	315,856	237,185

*See Note 2.

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

	As at 31 December 2010 $000	Additions $000	Write back/ Recovery $000	Acquisition of subsidiaries $000	Utilisation $000	Translation adjustments $000	As at 31 December 2011 $000
Chargebacks and other allowances	37,750	162,407	–	–	(142,454)	(87)	57,616
Doubtful debts	22,325	1,468	(3,136)	1,218	(3,569)	123	18,429
	60,075	163,875	(3,136)	1,218	(146,023)	36	76,045

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

		Past due					
	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	over one year $000	Impaired $000	Total $000
At 31 December 2011							
Total trade receivables as at 31 December 2011	274,862	56,367	9,422	5,479	3,586	18,429	368,145
Related allowance for doubtful debts	–	–	–	–	–	(18,429)	(18,429)
	274,862	56,367	9,422	5,479	3,586	–	349,716
Chargebacks and other allowances							(57,616)
Net receivables							292,100

		Past due					
	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	over one year $000	Impaired $000	Total $000
*At 31 December 2010**							
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 other allowances							(29,333)
Net receivables							216,334

*See Note 2.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. COLLATERALISED AND RESTRICTED CASH

Collateralised and restricted cash primarily represents an amount retained against short-term bank transactions granted to the Group's Sudanese, Egyptian, Jordanian and Algerian operations of USD 2,595,000. (2010: Sudanese and Algerian operations of USD 3,573,000).

23. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2011 $000	2010 $000
Cash at banks and on hand	64,944	50,787
Time deposits	29,623	11,931
Money market deposits	148	–
	94,715	62,718

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

24. BANK OVERDRAFTS AND LOANS

	As at 31 December	
	2011 $000	2010 $000
Bank overdrafts	18,286	14,462
Import and export financing	53,196	23,844
Short-term loans	4,284	6,514
Deferred consideration	11,785	–
Current portion of long-term loans (Note 27)	65,302	36,195
	152,853	81,015

	2011 %	2010 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	4.80	3.45
Bank loans (including the non-current bank loans)	2.94	2.95
Import and export financing	2.42	2.76

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

The deferred consideration is in relation to the acquisition of MSI (see Note 39).

25. TRADE AND OTHER PAYABLES

	As at 31 December	
	2011 $000	2010 $000
Trade payables	97,756	74,936
Accrued expenses	60,276	42,428
Employees' provident fund*	4,181	2,625
VAT and sales tax payables	535	452
Dividends payable**	2,207	2,256
Social security withholdings	1,107	1,130
Income tax withholdings	2,482	2,074
Other payables	2,554	1,654
	171,098	127,555

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

**Dividends payable includes USD 2,022,000 (2010: USD 2,072,000) due to the previous shareholders of APM.

26. OTHER PROVISIONS

Other provisions represent the end of service indemnity provisions of certain Hikma Group's subsidiaries. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies.

Movements on the provision for end of service indemnity:

	2011 $000	2010 $000
1 January	8,641	6,153
Additions	1,865	2,795
Acquisition of subsidiaries	–	712
Utilisation	(1,069)	(947)
Translation adjustments	(39)	(72)
31 December	9,398	8,641

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27. LONG-TERM FINANCIAL DEBTS

	As at 31 December	
	2011 $000	2010 $000
Total loans	410,197	114,235
Less: current portion of loans (Note 24)	(65,302)	(36,195)
Long-term financial loans	344,895	78,040
Breakdown by maturity:		
Within one year	65,302	36,195
In the second year	84,488	34,193
In the third year	63,732	26,700
In the fourth year	65,490	6,167
In the fifth year	58,069	3,735
Thereafter	73,116	7,245
	410,197	114,235
Breakdown by currency:		
USD	346,405	67,237
Euro	18,394	30,181
Algerian Dinar	37,400	10,951
Egyptian Pound	4,343	1,998
Tunisian Dinar	3,655	3,868
	410,197	114,235

The loans are held at amortised cost.

At 31 December 2011, import and export financing, short-term loans and the current and long-term portion of long-term loans totalled USD 467,677,000 (2010: USD 144,593,000).

Long-term loans amounting to USD 105,338,000 (2010: USD 22,443,000) are secured.

Included in the table above are the following major arrangements entered by the Group during the year:

a) A five year USD 100,000,000 syndicated term loan and a four year USD 45,000,000 revolver was entered into on 2 May 2011. The term loan was partially repaid by USD 25,000,000 on 15 December 2011. There is an outstanding balance at year end of USD 81,000,000 and an unused revolver balance of USD 39,000,000. Quarterly repayments for the term loan should commence on 30 June 2012 and will continue until 2 May 2016. The revolver maturity date is 2 May 2015. This financing has been used to fund the acquisition of the MSI business in the US.

b) A seven year syndicated loan of up to USD 180,000,000 was entered into on 27 September 2011. The loan has an outstanding balance at year end of USD 140,000,000 and a zero unused available limit. The syndicated loan has been underwritten by USD 140,000,000. As of the balance sheet date the syndicate was not closed. Quarterly repayments for the term loan should commence 18 months after the date of the agreement and will continue until the 84th month after the date of the agreement. Payment will be made with equal instalments representing 3.182% from the loan balance and a bullet payment of 30% at the maturity of the loan. The loan has been used to finance the Promopharm acquisition and the Group's general capital expenditure.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011 $000	2010 $000	2011 $000	2010 $000
Amounts payable under finance leases:				
Within one year	3,490	2,403	3,300	2,251
In two to five years inclusive	19,315	6,358	18,134	6,118
	22,805	8,761	21,434	8,369
Less: Interest lease charges	(1,371)	(392)		
Present value of minimum lease payments payable	21,434	8,369		

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is five years (2010: four years). For the year ended 31 December 2011, the average effective borrowings rate was between 1.7% and 8.8% (2010: between 1.8% and 12%).

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, without recourse discounts, and other allowances. 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, customers in the MENA region are offered relatively longer payment terms compared to customers in Europe and the US. During the year ended 31 December 2011, the Group's largest three customers in the MENA region represented 15.7% of Group revenue, 11.1% in Saudi Arabia, 2.7% in Algeria and 1.9% in Tunisia. At 31 December 2011, the amount of receivables due from customers based in Saudi Arabia was USD 53,351,000 (2010: USD 59,950,000), in Algeria was USD 31,139,000 (2010: USD 37,936,000), and in Tunisia was USD 3,382,000 (2010: USD 7,706,000).

During the year ended 31 December 2011 and due to revenue growth in the US through the acquisition of MSI, three key US wholesalers represented 18.8% of group revenues (2010: 12.1%). The amount of receivables due from US customers at 31 December 2011 is USD 86,476,000 (2010: USD 31,326,000).

The Group manages this risk through the implementation of stringent credit policies, 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 30–90 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 and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives whilst reducing its cost of capital and maximising the returns to shareholders throu

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

The following methods and assumptions were used to estimate the fair value:

Cash and cash equivalents – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts not significantly different from their fair market values;

Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;

Long-term loans – the majority of the loans are variable rate and re-price in response to any changes in market rates and so management considers the carrying amount not significantly different from their fair market value. For fixed-rate loan exposures, fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, of such loans;

Over the counter (OTC) derivative contracts may include forward, swap, and option contracts relating to interest rates or foreign currencies and are valued based on Level 2 market prices and prevailing exchange rates at the balance sheet date;

Receivables and payables – due to the short-term maturities of these financial instruments, the fair values of receivables and payables are estimated to be equal to the respective carrying amounts; and

Lease obligations – valued at present value of the minimum lease payments.

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	
	2011	2010	2011	2010
USD/EUR	0.7722	0.7545	0.7180	0.7531
USD/Sudanese Pound	2.8918	3.1049	2.9869	2.5209
USD/Algerian Dinar	76.0061	74.0273	72.8147	74.3916
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6470	0.6464	0.6233	0.6467
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	6.0481	5.8224	5.9648	5.6555
USD/Japanese Yen	77.4136	81.5533	79.7414	87.8289
USD/Moroccan Dirham	8.6133	8.4104	8.3682	8.4898

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

	Net foreign currency financial assets/(liabilities)					
2011	US Dollar $000	Euro $000	British Pound $000	Algerian Dinar $000	Japanese Yen $000	Others* $000
Functional currency of entity:						
– Jordanian Dinar	55,945	1,070	(279)	(99,710)	316	12,095
– Euro	(2,736)	–	–	–	–	–
– Algerian Dinar	(65,510)	(834)	(25)	–	–	(1)
– Saudi Riyal	14,926	944	15	(1,798)	(4,318)	(2)
– Sudanese Pound	(18,874)	405	–	–	–	–
– Egyptian Pound	(3,981)	(485)	(3)	–	(312)	(30)
– Tunisian Dinar	(4,062)	790	(228)	–	–	–
– Moroccan Dirham	(423)	(5,383)	–	–	–	(501)
– Lebanese Pound	(1,729)	–	–	–	–	(8,795)
– US Dollar	–	1,992	(1,378)	–	–	579
	(26,444)	(1,501)	(1,898)	(101,508)	(4,314)	3,345

*Others include Saudi Riyals and Jordanian Dinars.

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

Sensitivity analysis:

	Impact on statement of comprehensive income assuming 1% appreciation of foreign currency against functional currency as at year end					
2011	US Dollar $000	Euro $000	British Pound $000	Algerian Dinar $000	Japanese Yen $000	Others $000
Functional currency of entity:						
– Jordanian Dinar	559	11	(3)	(997)	3	121
– Euro	(27)	–	–	–	–	–
– Algerian Dinar	(655)	(8)	–	–	–	–
– Saudi Riyal	149	9	–	(18)	(43)	–
– Sudanese Pound	(189)	4	–	–	–	–
– Egyptian Pound	(40)	(5)	–	–	(3)	–
– Tunisian Dinar	(41)	8	(2)	–	–	–
– Moroccan Dirham	(4)	(54)	–	–	–	(5)
– Lebanese Pound	(17)	–	–	–	–	(88)
– US Dollar	–	20	(14)	–	–	6
	(265)	(15)	(19)	(1,015)	(43)	34

	Net foreign currency financial assets/(liabilities)					
2010	US Dollar $000	Euro $000	British Pound $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)	16,922

Sensitivity analysis:

	Impact on statement of comprehensive income assuming 1% appreciation of foreign currency against functional currency as at year end					
2010	US Dollar $000	Euro $000	British Pound $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

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

Liquidity risk of assets/(liabilities)

2011	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	94,715	–	–	94,715
Trade receivables	292,100	–	–	292,100
Interest-bearing loans and borrowings	(149,240)	(298,954)	(74,957)	(523,151)
Interest-bearing overdrafts	(18,563)	–	–	(18,563)
Interest-bearing finance lease	(3,490)	(19,315)	–	(22,805)
Trade payables	(97,756)	–	–	(97,756)
	117,766	(318,269)	(74,957)	(275,460)

2010*	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	62,718	–	–	62,718
Trade receivables	200,334	–	–	200,334
Interest-bearing loans and borrowings	(69,678)	(76,073)	(4,569)	(150,320)
Interest-bearing overdrafts	(14,699)	–	–	(14,699)
Interest-bearing finance lease	(2,403)	(6,358)	–	(8,761)
Trade payables	(74,936)	–	–	(74,936)
	101,336	(82,431)	(4,569)	14,336

*See Note 2.

At 31 December 2011 the Group had undrawn facilities of USD 396,459,000 (2010: USD 264,857,000). Of these facilities, USD 258,615,000 (2010: USD 130,752,000) was committed and the remainder was uncommitted.

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.

	2011 $000	2010 $000
Foreign exchange forward contracts and options (Euro)	4,031	4,780
Foreign exchange forward contracts and options (JPY)	6,000	–

These arrangements are designed to address significant exchange exposures.

At 31 December 2011, the fair value of the Group's currency derivatives, some of which were designated as effective cash flow hedges, was a liability of USD 187,000 (2010: an asset of USD 83,000). The movement in fair value in the year resulted in a loss of USD 270,000 (2010: gain of USD 83,000), which has been reflected in equity. These amounts are based on market values of equivalent instruments at the balance sheet date.

The fair value of currency derivatives designated as ineffective cash flow hedges was Nil (2010 Assets of: 8,000) held at fair value through profit and loss. The movement in fair value in the year resulted in a loss of USD 8,000 which has been recognised in the statement of comprehensive income for the year ended 31 December 2011 (2010: gain of 8,000) in respect of such derivatives.

The Group believes that the effect on the value of cash flow hedges of currency fluctuations is not significant and will not materially affect the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30. DERIVATIVE FINANCIAL INSTRUMENTS *Continued*

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 173,164,000 (2010: USD 45,404,000) and have fixed interest payments at rates ranging from 1.41% to 4.34% (2010: 1.91% to 4.75%) for periods up until 2018 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 1,699,000 (2010: liability of USD 1,287,000). 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 422,000 (2010: USD loss of 339,000) 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 gain of USD 10,000 which has been recognised in the statement of comprehensive income for the year ended 31 December 2011 (2010: loss of 16,000) 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

	2011		2010	
	Number '000	$000	Number '000	$000
Issued and fully paid – included in shareholders' equity:				
At 1 January	193,517	34,525	191,628	34,236
Issued during the year	2,334	379	1,889	289
At 31 December	195,851	34,904	193,517	34,525

32. NON-CONTROLLING INTERESTS

	2011 $000	2010 $000
At 1 January	6,378	7,372
Share of profit	3,362	678
Dividends paid	(100)	–
Issue of equity shares of subsidiaries	488	–
Currency translation gain/(loss)	195	(1,701)
Acquisition of subsidiaries	26,650	29
Adjustment arising from change in non-controlling interests	(14,914)	–
At 31 December	22,059	6,378

33. OWN SHARES

Own shares represent 571,000 (2010: 562,000) 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. 691,000 shares were utilised during the year.

The market value for the own shares at 31 December 2011 was USD 5,472,000 (2010: 7,056,000). In 2011, no shares were acquired. The book value of the retained own shares at 31 December 2011 is USD 2,222,000 (2010: USD 2,220,000). The trustee holds these shares to meet long-term commitments in relation to employee share plans.

34. NET CASH FROM OPERATING ACTIVITIES

	Note	2011 $000	2010 $000
Profit before tax		93,892	120,982
Adjustments for:			
Depreciation and amortisation of:			
Property, plant and equipment		35,660	29,091
Intangible assets		11,343	9,342
Gain on revaluation of previously held equity interest		–	(7,176)
Loss on disposal of property, plant and equipment		22	376
Gain on disposal of intangible assets		(91)	(162)
Movement on provisions		757	2,488
Movement on deferred income		(87)	(159)
Cost of equity-settled employee share scheme		7,507	4,473
Payments of costs directly attributable to acquisitions	5	10,147	7,705
Finance income		(468)	(346)
Interest and bank charges		23,368	13,856
Results from associates		1,164	–
Cash flow before working capital		183,214	180,470
Change in trade and other receivables		(59,898)	10,689
Change in other current assets		(4,570)	322
Change in inventories		(8,199)	(19,295)
Change in trade and other payables		15,987	16,102
Change in other current liabilities		1,958	(3,091)
Cash generated by operations		128,492	185,197
Income tax paid		(2,095)	(32,657)
Net cash generated from operating activities		126,397	152,540

35. CONTINGENT LIABILITIES

A contingent liability existed at the balance sheet date in respect of the guarantees and letters of credit totalling USD 82,494,000 (2010: USD 119,660,000).

The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacturing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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36. SHARE-BASED PAYMENTS

Equity-settled share option scheme

During the year ended 31 December 2011, 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 ten 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 immediately after the vesting date.

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

	2011		2010	
	Number of shares option	Weighted average exercise price (in USD)	Number of shares option	Weighted average exercise price (in USD)
Outstanding at 1 January	2,382,618	3.33	3,645,700	3.42
Exercised during the year	(1,634,318)	1.55	(1,189,382)	3.25
Expired during the year	(5,100)	5.45	(73,700)	9.18
Outstanding at 31 December	743,200	7.24	2,382,618	3.33
Exercisable at 31 December	433,000	6.06	1,900,218	1.96

The cost of the equity-settled share option scheme of USD 296,000 (2010: USD 403,000) 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 11.90. The options outstanding at 31 December 2011 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.

Long-term incentive plan

During the year ended 31 December 2011 the Company had two long-term incentive plans ("LTIP") settled by equity instruments, with eight separate grant dates. Under the LTIP, conditional awards and nil cost options are granted 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 from 2010 the TSR 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 Committee Report.

36. SHARE-BASED PAYMENTS *Continued*

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
18 March 2011	646,054	9.00	11.74	37.04%	1.11%	1.65%
22 March 2010	730,253	6.97	9.00	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%
29 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 ten years contractual life and vest after three years subject to performance conditions as mentioned above. For further details see the Remuneration Committee 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:

	2011 grant	2010 grant		2009 grants	2008 grant			2007 grants	
Year 2011	18 March Number	22 March Number	19 March Number	19 May Number	29 April Number	2 April Number	23 April Number	10 September Number	Total Number
Outstanding at 1 January	–	730,253	870,000	200,000	650,000	25,000	21,000	50,000	2,546,253
Granted during the year	646,054	–	–	–	–	–	–	–	646,054
Exercised during the year	–	–	–	–	(608,000)	(25,000)	(8,000)	(50,000)	(691,000)
Expired during the year	–	(36,621)	(50,000)	–	–	–	–	–	(86,621)
Outstanding at 31 December	646,054	693,632	820,000	200,000	42,000	–	13,000	–	2,414,686
Exercisable at 31 December	–	–	–	–	–	–	13,000	–	13,000

	2010 grant		2009 grants	2008 grant			2007 grants	
Year 2010	22 March Number	19 March Number	19 May Number	29 April Number	2 April Number	23 April Number	10 September Number	Total Number
Outstanding at 1 January	–	920,000	200,000	650,000	160,000	364,000	150,000	2,444,000
Granted during the year	730,253	–	–	–	–	–	–	730,253
Expired during the year	–	–	–	–	(135,000)	(343,000)	(100,000)	(578,000)
Outstanding at 31 December	–	(50,000)	–	–	–	–	–	(50,000)
	730,253	870,000	200,000	650,000	25,000	21,000	50,000	2,546,253
Exercisable at 31 December	–	–	–	–	25,000	21,000	50,000	96,000

The cost of the long-term incentive plan of USD 4,796,000 (2010: USD 3,455,000) has been recorded in the consolidated statement of comprehensive income as part of general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

36. SHARE-BASED PAYMENTS *Continued*

Management incentive plan

The 2009 Management Incentive Plan ("MIP") was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to the Company satisfying awards under the MIP from newly issued shares. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two year holding period. The 2009 MIP awards were made at the start of the KPI performance period, whereas the 2011 awards and future awards will be made at the end of the KPI performance period.

Details of the grants under the plan are shown below:

Year 2011	2011 grant 11 May Number	2009 grant 19 March Number	Total Number
Outstanding at 1 January	–	487,561	487,561
Granted during the year	356,894	–	356,894
Expired during the year	(17,760)	(26,752)	(44,512)
Outstanding at 31 December	339,134	460,809	799,943

The cost of the management incentive plan of USD 2,415,000 (2010: USD 615,000) has been recorded in the consolidated statement of comprehensive income as part of general and administrative expenses.

37. OPERATING LEASE ARRANGEMENTS

	2011 $000	2010 $000
Minimum lease payments under operating leases recognised in the statement of comprehensive income for the year	4,368	3,514

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:

	2011 $000	2010 $000
Within one year	2,163	1,766
In the two to five years inclusive	3,345	4,159
	5,508	5,925

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

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 29.2% at the end of 2011 (2010: 29.5%). 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.

38. RELATED PARTY BALANCES *Continued*

Capital Bank – Jordan: is a related party of the Group because during the year two board members of the Bank were also Board members at Hikma Pharmaceuticals PLC. Total cash balances at Capital Bank – Jordan were USD 610,000 (2010: USD 2,169,000). Loans and overdrafts granted by Capital Bank to the Group amounted to USD 3,841,000 (2010: USD 48,000) with interest rates ranging between 8.25% and 3MLIBOR + 1. Total interest expense incurred against Group facilities was USD 7,000 (2010: USD 18,000). Total interest income received was Nil (2010: USD 8,000) and total commission paid in the year was USD 8,000 (2010: USD 76,000).

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 3,035,000 (2010: USD 2,166,000). The Group's insurance expense for Jordan International Insurance Company contracts in the year 2011 was USD 2,902,000 (2010: USD 2,481,000). The amounts due from Jordan International Insurance Company at the year end were USD 109,000 (2010: Due to USD 66,000).

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 2011 was USD 150,000 (2010: USD 161,000).

Labatec Pharma: is a related party of the Group because it is owned by Mr. Samih Darwazah. During 2011 the Group total sales to Labatec Pharma amounted to USD 338,000 (2010: USD 414,000) and the Group total purchases from Labatec amounted to USD 3,805,000 (2010: USD 1,373,000). At 31 December 2011 the amount owed to Labatec Pharma from the Group was USD 753,000 (2010: USD 193,000).

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 2011 fees of USD 1,216,000 (2010: USD 927,000) were paid for legal services provided.

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 76 to 90.

	2011 $000	2010* $000
Short-term employee benefits	8,474	9,749
Share-based payments	3,196	2,074
Post-employment benefits	102	79
Other benefits	428	230
	12,200	12,132

* See Note 2.

39. ACQUISITION OF SUBSIDIARIES

During the year, Hikma acquired three businesses: Baxter Healthcare Corporation's Multi-Source Injectables (MSI) business, Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm), Savanna Pharmaceuticals Industries Co.Ltd (Savanna).

MSI

On 2 May 2011, the Group completed the acquisition of MSI for a cash consideration of USD103,839,000 and deferred consideration of USD 12,684,000 of which USD 11,542,000 is the discounted value of a non-interest-bearing note and due in two payments, in February 2012 and November 2012. This deferred consideration has been treated as a financial liability in accordance with IAS 32 Financial Instruments: Presentation and IFRS 3 revised (2008): Business Combinations.

The purpose of the acquisition was to significantly enhance the scale and scope of Hikma's global injectables platform.

The acquisition was a trade and asset based transaction. It is considered a business combination in accordance with IFRS 3 revised (2008): Business Combinations as Hikma's wholly-owned subsidiary West-Ward Pharmaceuticals acquired an integrated set of activities and assets that can be managed for the purpose of providing a return to the shareholders.

Due to the timing of the acquisition, the fair value and goodwill arising on acquisition stated below are considered to be provisional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

39. ACQUISITION OF SUBSIDIARIES *Continued*

The goodwill arising represents the synergies that will be obtained by integrating MSI into the existing business and increasing the scale of Hikma's Injectables business.

The Group consolidated statement of comprehensive income for the year includes pre-tax acquisition and integration-related costs amounting to USD 9,983,000 and amortisation of a fair value inventory adjustment of USD 1,770,000.

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

Multi-source injectables

	Book value $000	Fair value adjustment $000	Fair value $000
Product rights	–	8,435 a	8,435
Property, plant and equipment	125,263	(75,192) b	50,071
Inventories	48,312	(12,059) c	36,253
Prepaid expenses	7,906	–	7,906
Deferred tax assets	–	14,937 d	14,937
Liabilities	(11,264)	(21,704) e	(32,968)
Identifiable net assets	170,217	(85,583)	84,634
Consideration			116,523
Less: identifiable net assets			(84,634)
Goodwill			31,889
Consideration is satisfied by:			
Cash			103,839
Deferred consideration			12,684
			116,523
Cash consideration			103,839
Cash and cash equivalents acquired			–
Net cash outflow arising on acquisition			103,839

a. Product rights relating to thirty six product licenses and approvals have been valued based on the type of rights acquired. A discounted cash flow approach has been taken based on excess earnings by product group, applying a discount rate applicable for any market participant.

Useful lives of 9–14 years have been determined.

b. The property, plant and equipment acquired have been valued by a third party expert at current market values.

c. Inventories have been valued as follows:

i. Raw materials at the current replacement cost.

ii. Finished goods and work in process at the estimated selling prices less a cost to dispose of and complete less a reasonable profit attributable to selling effort.

Following a rigorous internal review of inventory acquired as part of the acquisition, it has been determined that certain inventory items are not marketable. Consequently, the value of this inventory has been reduced to nil.

d. Taxable temporary differences have been identified by reference to IAS 12 "income tax".

e. Liabilities include finance lease obligations acquired which have been revalued using a discounted future cash flow method and applying the Company's incremental borrowing rate as the discount rate, in addition to other fair value adjustments.

Certain measurement period adjustments have been recorded following the discovery of quality issues relating to certain products.

Goodwill recognised is expected to be deductible for income tax purposes.

39. ACQUISITION OF SUBSIDIARIES *Continued*

The revenue and net gain, excluding pre-tax acquisition and integration related costs amounting to USD 9,983,000 and the amortisation of a fair value inventory adjustment of USD 1,770,000 of MSI from the date of the acquisition, that is included in the Group's consolidated statement of comprehensive income for the year amounted to USD 120,300,000 and USD 11,636,000, respectively.

Promopharm

On 3 October 2011, the Group completed the acquisition of 63.9% of Société de Promotion Pharmaceutique du Maghreb S.A. (Promopharm) for a cash consideration of USD 111,195,000. The Group consolidated statement of comprehensive income for the year includes pre-tax acquisition related costs amounting to USD 4,696,000. By 31 December 2011, the Group acquired an additional stake of 20.42% for a cash consideration of USD 29,196,000 through the purchase of additional shares in the market. The additional 20.42% stake has been treated as a separate transaction and was therefore accounted for as an acquisition of non-controlling interest in accordance with IAS 27 Consolidated and Separate Financial Statements. The difference between the consideration paid, including related expenses of USD 1,174,000 and a reduction in non-controlling interest has been adjusted against retained earnings attributable to the equity holders of the parent in accordance with IAS 32 Financial Instruments: Presentation.

Subsequent to 31 December 2011, the Group acquired an additional 9.8% stake for a cash consideration of USD 12,009,000, bringing the total ownership to 94.1%. This was completed as part of a mandatory tender offer, which closed on 6 January 2012.

This acquisition will deliver a substantial local manufacturing presence in Morocco, the fourth largest pharmaceutical market in MENA, completes Hikma's footprint in the region and provides an excellent distribution platform for launching Hikma's leading strategic products in the Moroccan market. This acquisition will create opportunities to export Promopharm's product portfolio to Hikma's existing markets, leveraging Hikma's extensive sales and marketing operations across MENA, and to develop Hikma's presence in West African markets.

Due to the timing of the acquisition closing on 3 October 2011, the fair value and goodwill arising on acquisition stated below are considered to be provisional.

The goodwill arising represents the synergies that will be obtained by integrating Promopharm into the existing business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

39. ACQUISITION OF SUBSIDIARIES *Continued*

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

Promopharm	Book value $000	Fair value adjustment $000		Fair value $000
Trade names	–	4,213	a	4,213
Customer relationships/base	–	15,914	b	15,914
Product-related intangibles	–	19,100	c	19,100
Software	63	–		63
Cash and cash equivalent	16,982	–		16,982
Accounts receivable, net	9,179	–		9,179
Inventories	12,377	–		12,377
Deferred tax assets	1,052	–		1,052
Property, plant and equipment	15,732	500	d	16,232
Financial debts	(1,248)	–		(1,248)
Trade accounts payable	(7,628)	–		(7,628)
Income tax provision	(342)	–		(342)
Provisions	(159)	–		(159)
Deferred tax liabilities	–	(11,918)	e	(11,918)
Net assets acquired	46,008	27,809		73,817
Total consideration				111,195
Less: identifiable net assets				(73,817)
Less: non-controlling interest of 36.1%				26,649
Goodwill				64,027
Consideration is satisfied by:				
Cash				111,195
				111,195
Cash consideration				111,195
Cash and cash equivalents acquired				(16,982)
Net cash outflow arising on acquisition				94,213

a. Trade names relate to twenty six generic drugs included in Promopharm's portfolio as well as eighteen others in the pipeline which have been valued under the relief from royalty method. Useful lives of ten years have been determined.

b. Customer relationships represent established customer relationships with individuals or other businesses that repeatedly order from the company. Customer relationships were valued using the multi excess earnings method. Useful lives of fifteen years have been determined.

c. Product-related intangibles represent molecule rights, sales and distribution agreements and manufacturing and licensing agreements.

d. The property, plant and equipment acquired have been valued by a third party expert at current market values.

e. Taxable temporary differences have been identified by reference to IAS 12 "income tax".

39. ACQUISITION OF SUBSIDIARIES *Continued*

Goodwill recognised is expected to be non deductable for income tax purposes.

The revenue and net gain, excluding pre-tax acquisition related costs amounting to USD 4,696,000 of Promopharm from the date of the acquisition, that is included in the Groups' consolidated statement of comprehensive income for the year amounted to USD 11,187,000 and USD 1,203,000, respectively.

Savanna

On 14 July 2011, the Group incorporated a subsidiary in Sudan under the name Savanna Pharmaceuticals Industries Co. Ltd. This newly established subsidiary completed the acquisition of the business of Elie Pharmaceuticals in Sudan on 15 December 2011. The intangible assets, that include mainly product related intangibles and customer relationships, were purchased by Hikma Pharmaceuticals LLC,(Jordan). The overall cash consideration for the tangible and intangible assets amounted to USD 16,600,000 and a deferred consideration of USD 850,000.

Savanna develops, manufactures, and markets generic pharmaceuticals in both solid and liquid form for the Sudanese market.

Sudan is one of the leading markets for Hikma and the purpose of this acquisition is to establish a local manufacturing presence in the Sudanese market that is expected to enhance Hikma's competitive edge in Sudan.

The fair value of assets acquired included: property plant and equipment of USD 7,894,000, inventory of USD 1,972,000, intangible assets of USD 4,186,000 and goodwill of USD 3,398,000.

The goodwill arising represents the synergies that will be obtained by integrating Savanna into the existing business.

The Group's consolidated statement of comprehensive income for the year includes related integration costs amounting to USD 921,000.

Goodwill recognised is expected to be non-deductable for income tax purposes.

The impact of this acquisition on the Group's revenues and profits is immaterial.

Full year impact of acquisitions:

If the acquisition of MSI and Promopharm had been completed on the first day of the financial year, the Group's revenues for the year would have been approximately USD 1,012,914,000 and the Group's profit attributable to equity holders of the parent would have been approximately USD 82,451,000. 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:

	Effect on Group's revenues $000	Effect on Group's profit $000
MSI	57,971	2,597
Promopharm	36,918	(253)
	94,889	2,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

40. SUBSIDIARIES

The main subsidiaries of Hikma Pharmaceuticals PLC are as follows:

Company's name	Established in	Ownership% Ordinary Shares At 31 December 2011	Ownership% Ordinary Shares At 31 December 2010
Hikma Pharmaceuticals Limited	Jordan	100	100
Arab Pharmaceutical Manufacturing Co.	Jordan	100	100
Hikma Pharma Algeria SARL	Algeria	100	100
Hikma Farmaceutica S.A.	Portugal	100	100
West-Ward Pharmaceutical 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 Pharmaceutical Industries Ltd	K.S.A	100	100
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A.	Tunisia	66	66
SPA Societe Al Dar Al Arabia	Algeria	100	100
Société de Promotion Pharmaceutique du Maghreb S.A.	Morocco	84.3	–
Savanna Pharmaceuticals Industries Co. Ltd	Sudan	100	–

41. 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. 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 ten years of employment. The Group's contributions for the year ended 31 December 2011 were USD 885,000 (2010: USD 746,211).

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

Prior to 2001, West-Ward Pharmaceutical 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 and USD 16,500 for 2011 and 2010, 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 2011 were USD 1,357,000 (2010: USD 588,000).

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 2011 were USD 600,000 (2010: USD 570,000).

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 2011

	Notes	2011 $000	2010 $000
Non-current assets			
Investment in subsidiaries	44	1,664,637	1,523,127
Due from subsidiaries	45	57,324	22,795
Intangible assets		87	147
Property, plant and equipment		571	143
		1,722,619	1,546,212
Current assets			
Other current assets		589	191
Cash and cash equivalents	46	6,091	3,063
Due from subsidiaries	45	111,666	103,473
Accounts receivable		92	93
		118,438	106,820
Total assets		1,841,057	1,653,032
Current liabilities			
Other payables	47	412	255
Other current liabilities		2,237	2,197
Due to subsidiaries	48	592,000	594,145
		594,649	596,597
Net current liabilities		476,211	489,777
Non-current liabilities			
Long-term financial debts	49	137,410	–
Total liabilities		732,059	596,597
Net assets		1,108,998	1,056,435
Equity			
Share capital	54	34,904	34,525
Share premium	55	278,094	275,968
Own shares		(2,222)	(2,220)
Other reserves	56	798,222	748,162
Equity attributable to equity holders of the Parent		1,108,998	1,056,435

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

13 March 2012

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Paid up capital $000	Share premium (Restated)* $000	Own shares $000	Merger reserve (Restated)* $000	Retained earnings $000	Total $000
Balance at 1 January 2010	34,236	272,785	(2,203)	707,369	54,494	1,066,681
Issue of equity shares	289	3,183	–	–	–	3,472
Purchase of 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)
Balance at 31 December 2010 and 1 January 2011	34,525	275,968	(2,220)	707,369	40,793	1,056,435
Issue of equity shares	379	2,126	–	–	–	2,505
Purchase of own shares	–	–	(115)	–	–	(115)
Cost of equity-settled employee share scheme	–	–	–	–	7,507	7,507
Exercise of employees long-term incentive plan	–	–	113	–	(113)	–
Net profit for the year	–	–	–	–	67,867	67,867
Dividends paid	–	–	–	–	(25,201)	(25,201)
Balance at 31 December 2011	34,904	278,094	(2,222)	707,369	90,853	1,108,998

*Share premium and merger reserve have been restated in both years presented; USD 707,396,000 pertaining to the Group reorganisation in 2005 was reclassified from share premium to merger reserve.

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.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 $000	2010 $000
Profit before tax	67,867	4,989
Cost of equity-settled employee share scheme	1,818	899
Finance income	(2,753)	(836)
Interest and bank charges	1,334	268
Change in other current assets	(398)	290
Change in other payables	157	(37)
Depreciation of property, plant and equipment	60	128
Amortisation of intangible assets	60	49
Change in accounts receivable	1	61
Change in amounts due from/to subsidiaries	(4,648)	5,639
Change in other current liabilities	(1,224)	604
Net cash from operating activities	62,274	12,054
INVESTING ACTIVITIES		
Change in amounts due (from)/to subsidiaries	(34,529)	3,883
Purchase of property, plant and equipment	(489)	(106)
Investment in subsidiary	(141,510)	–
Interest income	2,753	836
Net cash (used in)/generated from investing activities	(173,775)	4,613
FINANCING ACTIVITIES		
Proceeds from issue of new shares	2,390	3,365
Increase in long-term financial debts	137,410	–
Interest paid	(70)	(324)
Dividends paid	(25,201)	(23,073)
Net cash generated from/(used in) financing activities	114,529	(20,032)
Net increase/(decrease) in cash and cash equivalents	3,028	(3,365)
Cash and cash equivalents at beginning of year	3,063	6,428
Cash and cash equivalents at end of year	6,091	3,063

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 policies noted below.

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

Equity-settled employee share schemes are accounted for in accordance with IFRIC 11 Group and Treasury Share Transactions, whereby current charge expenses relating to the subsidiaries' employees are recharged to subsidiary companies.

44. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent the following:

Company's name	Established in	Ownership % Ordinary Shares 2011	Ownership % Ordinary Shares 2010
Hikma Limited	UK	100	100
Hikma Pharma Limited	Jersey	100	100
Hikma Holdings (UK) Limited	UK	100	100
Al Jazeera Pharmaceutical Industries Ltd ("JPI")	KSA	52.5*	52.5*
Hikma Pharmaceuticals Limited	Jordan	22.8*	22.8*
Hikma MENA Holdings	UAE	100	–

The investments in subsidiaries are all stated at cost.

*The remaining shares are held by other Group companies.

The movement in the carrying value of the investments in the year represents an investment in MENA Holdings of USD 141,510,000. The total investment in subsidiaries is USD 1,664,637,000 (2010: USD 1,523,127,000).

45. DUE FROM SUBSIDIARIES

Non-current assets	2011 $000	2010 $000
Hikma Investment	8,384	8,269
West-Ward Pharmaceuticals Corp	37,952	8,801
Hikma Italia S.p.A	3,782	3,606
Hikma Pharma Limited – Jersey	7,206	2,119
	57,324	22,795

These balances represent loans that carry interest of 1.5% to 4.8% (2010: 1.3% to 4.8%) per annum charged on the outstanding loan balances.

45. DUE FROM SUBSIDIARIES *Continued*

Current assets	2011 $000	2010 $000
Due from Hikma Pharma Limited – Jersey	7,222	7,221
Due from Hikma Farmaceutica – Portugal	487	165
Due from Hikma Pharma – Germany	78	86
Due from Hikma UK Limited	93,446	94,723
Due from Hikma Limited	580	307
Due from Hikma MENA Holdings Limited	7,151	–
Due from West-Ward Pharmaceutical Corp.	1,196	–
Others	1,506	971
	111,666	103,473

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. LONG-TERM FINANCIAL DEBTS

The Company has entered into a seven year syndicated term loan of up to USD 180,000,000 which was entered into on 27 September 2011. The loan has an outstanding balance at year end of USD 140,000,000 (with a fair value of USD 137,400,000) and a zero unused available limit. The syndicated loan has been underwritten by USD 140,000,000. As of the balance sheet date the syndicate was not closed. Quarterly repayments for the term loan should commence 18 months after the date of the agreement and will continue until the 84th month after the date of the agreement. Payment will be made with equal installments representing 3.182% from the loan balance and a bullet payment of 30% at the maturity of the loan. The loan has been used to finance the Promopharm acquisition and general Group capital expenditures.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Continued

50. 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	
	2011 $000	2010 $000	2011 $000	2010 $000
Euro	–	–	1,992	125
British Pound	1,537	1,191	159	580
Jordanian Dinar	–	–	31	21

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 2011, with all other variables held constant. Based on the composition of the Company debt portfolio as at 31 December 2011, a 1% increase/decrease in interest rates would result in an additional interest expense/income of USD 1.4 million being incurred per year (2010: USD nil).

Liquidity risk

2011	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	6,091	–	–	6,091
Accounts receivables	92	–	–	92
Interest-bearing loans and borrowings	(4,341)	(83,053)	(70,495)	(157,889)
Other payables	(412)	–	–	(412)
	1,430	(83,053)	(70,495)	(152,118)

2010	Less than one year $000	Two to five years $000	More than five years $000	Total $000
Cash and cash equivalents	3,063	–	–	3,063
Accounts receivables	93	–	–	93
Other payables	(255)	–	–	(255)
	2,901	–	–	2,901

The Company believes that, given the Group's forecast operating cash flow during 2012, it has the ability to satisfy its liability commitments.

51. STAFF COSTS

Hikma Pharmaceuticals PLC currently has ten employees (2010: eight) (excluding Executive Directors); total compensation paid to them amounted to USD 1,890,000 (2010: USD 1,660,000) of which salaries and wages compromise an amount of USD 1,291,000 (2010: USD 1,192,000) the remaining balance of USD 599,000 (2010: USD 468,000) represent national insurance contributions, the cost of share-based payments and other benefits.

52. STOCK OPTIONS

The details of the stock compensation scheme are provided in Note 36 to the Group accounts. As at 31 December 2011, the total number of options granted to employees of the Company under the stock compensation scheme during the life of the scheme was 2,560,000 (2010: 2,560,000) and the total amount of the compensation expenses charged to the statement of comprehensive income is USD Nil (2010: USD 24,719).

53. LONG-TERM INCENTIVE PLANS (LTIPS)

The details of the LTIP scheme are provided in Note 36 to the Group accounts. As at 31 December 2011, the total number of awards granted to employees of the Company under the LTIPs during the life of the plans was 1,123,000 shares (2010: 896,000) and the total amount of the compensation expenses charged to the statement of comprehensive income is USD 1,818,000 (2010: USD 874,000).

54. SHARE CAPITAL

Issued and fully paid – included in shareholders' equity:	2011 $000	2010 $000
195,851,307 (2010: 193,516,989) Ordinary Shares of 10 pence each	34,904	34,525

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

55. SHARE PREMIUM

	Share premium $000
*Balance at 1 January 2011 (Restated)**	275,968
Premium arising on exercise of stock options	2,126
Balance at 31 December 2011	278,094

*USD 707,369,000 pertaining to the Group reorganisation in 2005 was reclassified from share premium to merger reserve.

56. 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. The net income in the Company for the year is USD 67,867,000 (2010: USD 4,989,000).

Included in the net income for the year is an amount of USD 75,557,000 (2010: USD 12,282,000) representing dividends received and USD 1,818,000 (2010: USD 899,000) representing the current year charge of LTIPs expenses relating to the Company's employees. The remaining USD 5,689,000 (2010: USD 3,574,000) of the Group's stock option, LTIPs and MIPs charge is recharged to subsidiary companies.

57. RELATED PARTY

Darhold Limited: is a related party of the Company because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with ownership percentage of 29.2% at the end of 2011 (2010: 29.5%). 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.

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, equity settled employee share scheme costs relating to the subsidiary companies and transactions with key management personnel. Compensation paid to key management personnel is disclosed in Note 38. Details of Directors remuneration are disclosed in the Remuneration Committee Report on pages 76 to 90.

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

SHAREHOLDER INFORMATION

2012 financial calendar

18 April	2011 final dividend ex-dividend date
20 April	2011 final dividend record date
17 May	Annual General Meeting
24 May	2011 final dividend paid to shareholders
16 August*	2012 interim results and interim dividend announced
29 August*	2012 interim dividend ex-dividend date
31 August*	2012 interim dividend record date
8 October*	2012 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 – B0LCW08 GB and ISIN – GB00B0LCW083.

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

Hikma Pharmaceuticals PLC
Registered in England and Wales number 5557934

Registered office:
13 Hanover Square
London W1S 1HW
UK

Telephone: +44 (0)20 7399 2760
Facsimile: +44 (0)20 7399 2761
E-mail: investors@hikma.uk.com

Hikma Pharmaceuticals Limited
P.O. Box 182400
11118 Amman
Jordan

Telephone: +962 6 5802900
Facsimile: +962 6 5827102

West-Ward Pharmaceutical Corporation
465 Industrial Way West
Eatontown
New Jersey 07724
USA

Telephone: +1 732 542 1191
Facsimile: +1 732 542 6150

Hikma Farmacêutica S.A.
Estrada Rio Da Mo no. 8
8A, 8B – Fervença
2705 – 906 Terrugem SNT
Portugal

Telephone: +351 21 9608410
Facsimile: +351 21 9615102

ADVISERS

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ
UK

Brokers
Citigroup Global Markets Limited
Canada Square
London E14 5LB
UK

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ
UK

Legal Advisers
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA
UK

Public Relations
FTI Consulting
Holborn Gate
26 Southampton Buildings
London WC2A 1PB
UK

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HIKMA PHARMACEUTICALS PLC
13 HANOVER SQUARE, LONDON W1S 1HW, UK

WWW.HIKMA.COM