

B S R & Company

Chartered Accountants

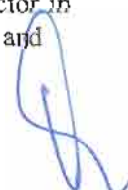
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Auditors' report

To the Members of Actavis Pharma Manufacturing Private Limited

1. We have audited the attached balance sheet of Actavis Pharma Manufacturing Private Limited ("the Company") as at December 31, 2012, statement of profit and loss and also the cash flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account ;
 - c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on December 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2012 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and



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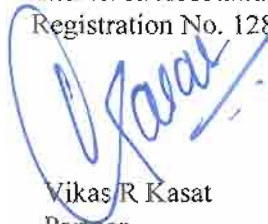
Auditors' report

To the Members of Actavis Pharma Manufacturing Private Limited

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- f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view, in conformity with the accounting principles generally accepted in India:
- i. in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2012;
 - ii. in the case of statement of profit and loss, of the loss for the year ended on that date; and
 - iii. in the case of the cash flow statement, of the cash flows for the year ended as on that date.

for B S R & Company
Chartered Accountants
Registration No. 128032W



Vikas R Kasat
Partner

Membership No. 105317

Place: Chennai

Date : June 6, 2013

Annexure to Auditors' Report

To the Members of Actavis Pharma Manufacturing Private Limited

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The Annexure referred to in the auditors' report to the members of Actavis Pharma Manufacturing Private Limited ("the Company") for the year ended December 31, 2012. We report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption. Also refer note 39 to the financial statements.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. There are no goods in transit or stocks lying with the third parties as at the year end.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has taken loan from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 400,000,000 and the year-end balance of such loans (including interest) was Rs. 414,443,151.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans was taken from the above said party listed in the register maintained under section 301 of the Companies Act, 1956 was not, prima facie, prejudicial to the interest of the company.
- (d) In the case of loan taken from the above party, listed in the register maintained under section 301, the Company has been regular in repaying the principal amounts as stipulated and in the payment of interest.



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To the Members of Actavis Pharma Manufacturing Private Limited

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4. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanation given to us, the transaction made pursuant of contracts and arrangements referred to (a) above and exceeding the value of Rs. five lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchase of certain fixed assets and goods for the specialised requirements of the Company and similarly for sale of certain goods and services rendered for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appears reasonable.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, excise duty, service tax, customs duty and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of wealth tax and investor education and protection fund.



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To the Members of Actavis Pharma Manufacturing Private Limited

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According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, and other material statutory dues were in arrears as at December 31, 2012 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, customs duty and cess which have not been deposited with the appropriate authorities on account of any dispute. However, the following dues of excise duty and service tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty	229,284 *	November 2008 to October 2010	Central Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Service tax	6,837, 913	April 2007 to March 2010	Superintendent of Service Tax, Chennai

* subsequent to the balance sheet date, the Company has paid for such liability

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions. The Company did not have any outstanding dues to banks and debenture holders during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures, and other investments.

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To the Members of Actavis Pharma Manufacturing Private Limited

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15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Company
Chartered Accountants
Registration No. 128032W


Vikas R Kasat
Partner
Membership No. 105317
Place: Chennai
Date : June 6, 2013

Actavis Pharma Manufacturing Private Limited

Balance sheet as at December 31, 2012

(All amounts in Indian Rupees, except share data and unless otherwise stated)

	Note	As at December 31, 2012	As at December 31, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	658,751,890	658,751,890
Reserves and surplus	4	829,348,156	858,161,209
		<u>1,488,100,046</u>	<u>1,516,913,099</u>
Non-current liabilities			
Long-term borrowings	5	400,467,990	103,275,308
Deferred tax liabilities (net)	6	-	38,997,474
Other long-term liabilities	7	14,443,151	-
Long-term provisions	8	84,443,018	15,549,210
		<u>499,354,159</u>	<u>157,821,992</u>
Current liabilities			
Trade payables	9	145,531,043	248,021,507
Other current liabilities	10	18,213,260	215,698,719
Short-term provisions	8	2,599,083	31,840,872
		<u>166,343,386</u>	<u>495,561,098</u>
TOTAL		<u><u>2,153,797,591</u></u>	<u><u>2,170,296,189</u></u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	11	824,856,164	987,707,698
Intangible fixed assets	12	47,986,743	113,963,752
Capital work-in-progress	11	-	56,889,501
Deferred tax assets (net)	6	34,219	-
Long-term loans and advances	13	14,195,094	12,712,175
		<u>887,072,220</u>	<u>1,171,273,126</u>
Current assets			
Inventories	14	181,279,990	427,695,016
Trade receivables	15	919,586,636	415,434,712
Cash and bank balances	16	32,124,814	38,049,078
Short-term loans and advances	17	132,296,236	102,812,948
Other current assets	18	1,437,695	15,031,309
		<u>1,266,725,371</u>	<u>999,023,063</u>
TOTAL		<u><u>2,153,797,591</u></u>	<u><u>2,170,296,189</u></u>

Significant accounting policies 2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for B S R & Company
Chartered Accountants
Firm registration no: 128032W

Vikas H Kasat
Partner

Membership No: 105317

Place: Chennai

Date: 06 JUN 2013

for Actavis Pharma Manufacturing Private Limited

C.S Muralidharan

C.S Muralidharan
Director

Rashmi Ranjan Patra

Rashmi Ranjan Patra
Director

Actavis Pharma Manufacturing Private Limited

Statement of Profit and loss for the year ended December 31, 2012

(All amounts in Indian Rupees, except share data and unless otherwise stated)

	Note	For the year ended December 31, 2012	For the year ended December 31, 2011
REVENUE			
Revenue from operations	19	1,794,694,867	1,518,109,299
Other income	20	26,521,788	11,427,712
		<u>1,821,216,655</u>	<u>1,529,537,011</u>
EXPENSES			
Cost of materials consumed	21	1,136,803,174	782,428,840
Changes in inventories of finished goods and work-in-progress	22	23,719,202	17,315,067
Employee benefits	23	193,421,927	182,357,170
Finance costs	24	39,267,942	30,138,198
Depreciation and amortisation	25	121,905,934	119,949,133
Other expenses	26	293,130,999	167,785,730
Less: Recovery of expenses		(114,464,384)	(35,455,700)
		<u>1,693,784,794</u>	<u>1,264,518,438</u>
Profit before exceptional item and tax		127,431,861	265,018,573
Exceptional item	39	110,453,082	-
Profit before tax		<u>16,978,779</u>	<u>265,018,573</u>
Income tax expense			
Current tax		84,823,525	79,564,832
Deferred tax (benefit) / charge		(39,031,693)	18,458,177
(Loss) / profit for the year		<u>(28,813,053)</u>	<u>166,995,564</u>
Earnings per equity share			
[nominal value of share Rs.10 (December 31, 2011)- Rs.10]			
Basic		(0.44)	2.55
Diluted		(0.44)	2.55
Weighted average number of equity shares		65,875,189	65,423,828

Significant accounting policies 2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for B S R & Company
Chartered Accountants
Firm registration no: 128032W


Vikas R. Kasat
Partner

Membership No: 105317

Place: Chennai

Date: 06 JUN 2013

for Actavis Pharma Manufacturing Private Limited


C.S. Muralidharan
Director


Rashmi Ranjan Patra
Director

Actavis Pharma Manufacturing Private Limited
Cash Flow Statement for the year ended December 31, 2012
(All amounts in Indian Rupees, except share data and unless otherwise stated)

	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash flow from Operating activities		
Profit before tax	16,978,779	265,018,573
Adjustments:		
Depreciation and amortisation	121,905,934	119,949,133
Exceptional item - impairment loss on fixed assets (refer note 39)	110,453,082	-
Loss on sale of fixed assets	2,938,028	129,307
Fixed assets / Capital work in progress written off	112,280,867	18,513,527
Interest expense	36,867,379	26,722,110
Interest income	(227,341)	(215,599)
Provision for doubtful advances written back	-	(1,104,927)
Provision for doubtful advances	1,012,336	-
Unrealised foreign exchange (gain) / loss	(37,967,853)	(3,647,102)
Bad debts written off	1,333,138	-
Operating profit before working capital changes	348,595,570	160,346,449
Operating cash flow before working capital changes		
(Increase) / decrease in inventories	246,415,026	(155,364,304)
(Increase) / decrease in trade receivables	(466,144,929)	(194,416,608)
Decrease / (increase) in other assets	(20,865,709)	108,525,126
(Decrease) / increase in trade payables	(103,862,742)	127,609,240
Increase / (decrease) in other liabilities	(148,724,395)	7,900,068
Increase / (decrease) in provisions	10,328,494	6,804,411
Cash generated from operations	(117,279,906)	326,422,955
Income tax paid	(55,500,000)	(20,320,225)
Net cash provided / (used) by operating activities (A)	(172,779,906)	306,102,730
Cash flow from Investing activities		
Purchase or construction of fixed assets (tangible and intangible fixed assets, capital work-in-progress, intangible assets under development) and capital advances	(67,055,961)	(145,992,507)
Proceeds from sale of fixed assets	1,597,310	7,342,007
Interest received	182,998	442,079
Net cash provided / (used) by investing activities (B)	(65,275,653)	(138,208,421)
Cash flow from Financing activities		
Proceeds from long term borrowings	400,000,000	-
Repayment of term loans	(144,000,000)	(132,500,000)
Repayment of finance lease obligations	(1,444,477)	(793,250)
Proceeds from issue of shares and towards share application	-	29,244,990
Interest expense	(22,424,228)	(26,722,110)
Net cash provided / (used) by financing activities (C)	232,131,295	(130,770,370)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(5,924,264)	37,123,939
Cash and cash equivalents at the beginning of the year	38,049,078	925,139
Cash and cash equivalents at the end of the year	32,124,814	38,049,078

Notes to cash flow statement

I. Components of cash and cash equivalents

	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash on hand	101,064	305,053
Balances with banks		
- On current accounts	32,023,750	37,646,085
Cash and cash equivalents includes balances held under lien	-	97,940
	32,124,814	38,049,078

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSR & Company**
Chartered Accountants
Firm registration no. 128032W

Vikas R. Kasra
Partner
Membership No. 105317
Place: Chennai
Date: 06 JUN 2013

for Actavis Pharma Manufacturing Private Limited

C.S Muralidharan
Director

Rasmi Ranjan Patra
Director

1 Background

Actavis Pharma Manufacturing Private Limited ('Actavis India' / 'Company') was incorporated on November 23, 2006. The Company was a part of Actavis Group of Companies until October 31, 2012, after which Watson Pharmaceuticals Inc. took over the Actavis Group. In respect of the formulation business, the Company is primarily engaged in the manufacturing and sale of solid oral dosage forms (tablets and capsules) for its group companies outside India. In respect of the Active Pharma Ingredients (API) business, the Company is engaged in the manufacturing and sale of API to group companies outside India.

2 Significant Accounting Policies

a Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India and the provisions of Companies Act, 1956.

During the year ended December 31, 2012, the revised schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for preparation and presentation of its financial statements. The revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period, reported balances of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets but exclude taxes and duties that are recoverable subsequently from taxing authorities. Borrowing cost directly attributable to acquisition or construction of those fixed assets which necessarily taken a substantial period of time to get ready for their intended use are capitalized.

Depreciation is provided on the straight line method. The rates of depreciation prescribed in Schedule XIV of the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation is provided as below:

Tangible fixed Assets	Rate of depreciation
Buildings	3.34%
Plant and machinery	4.75% - 10.34%
Furnitures and fixtures	10%
Computer	20%
Vehicle	20%

Fixed assets costing individually Rs 5,000 or less are depreciated fully in the year of purchase.

Depreciation on assets acquired/sold during the year is provided for on a prorata basis from / up to the month such assets have been purchased / sold.

Advances paid towards acquisition of tangible fixed assets and the cost of assets not ready to be put to use before the year-end are disclosed under long-term capital work in progress.

d Intangible fixed assets and amortisation

Intangible fixed assets are recorded at the consideration paid for acquisition. Cost of an internally generated intangible asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use. Intangible assets are amortized over their estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible fixed assets are as follows:

Intangible fixed assets	Amortisation period
Technical know-how	10 years
Goodwill	10 years
Software	5 years

e Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

f Research and development

Research expenditure is charged to the statement of profit and loss in the period in which it is incurred. Development expenditure is expensed until it meets the criteria for recognition as an asset, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

g Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability at the implicit rate of return. Finance charges are charged to the statement of profit and loss.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss.

h Revenue recognition

Revenue from sale of products is recognised on dispatch of goods to customers, which corresponds with the transfer of all significant risks and rewards of ownership to the buyer. The amount recognized as sale is exclusive of trade and quantity discounts but inclusive of excise duty.

Service income from product development is recognized in accordance with the arrangement entered with the customers when the related services are performed.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the interest rate.

i Inventories

Inventories are valued at lower of cost and net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to the present location and condition. Cost includes all taxes and duties, but excludes duties and taxes that are subsequently recoverable from tax authorities.

The methods of determining various cost of inventories are as follows:

Description	Method of determining cost
Raw materials	Weighted average
Stores and spares	Weighted average
Work in progress	Weighted average and including an appropriate share of production overheads
Finished goods	Weighted average and including an appropriate share of production overheads (excise duty in respect of closing inventory of finished goods is included as part of inventory)



j Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year are recognised in the statement of profit and loss.

k Employee benefits

Provisions for / contributions to retirement benefits scheme are made as follows:

Defined contribution plan

Provident fund: Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Defined benefit plan

Gratuity: The Company provides for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Plan provides payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company. The Company provides the gratuity benefit through annual contribution to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme the settlement obligation remains with the Company although the LIC administers the scheme and determines the contribution premium required to be paid by the Company. Liabilities related to the gratuity plan are determined by actuarial valuation using projected unit credit method carried out by an independent actuary as at balance sheet date. Actuarial gain or loss is recognized immediately in the statement of profit and loss.

Compensated absences: Provision for compensated absence is made by the Company based on an actuarial valuation using projected unit credit method carried out by an independent actuary as at balance sheet date of the unavailed leave standing to the credit of employees in accordance with the service rules of the Company. Actuarial gain or loss is recognized immediately in the statement of profit and loss.

l Export benefits

Export benefits are recognized on an accrual basis, in the year in which the export is made and when there is no uncertainty in receiving/availing the same.

m Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

ii Taxation

Income-tax expense comprise current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company would be liable to pay normal income tax within the time limit available for set off and accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably. MAT credit entitlement is reviewed at each balance sheet date and written down to the extent there is no convincing evidence to the effect that the Company will pay normal income tax during the specified period.



o Provisions, contingent liabilities and contingent assets

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the Company recognizes that it has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognized in the financial statements.

p Cash flow statements

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company is segregated.

q Recovery of expenses

In accordance with the manufacturing and supply agreement dated January 1, 2008 and January 1, 2009 (both amended on October 1, 2011 and also on April 1, 2012) entered between the Company and Actavis Group PTC ehf (Actavis PTC) and Actavis Elizabeth LLC (Actavis Elizabeth) respectively, the Company has reserved a significant defined portion of its manufacturing capacity to meet the annual capacity estimate of Actavis PTC and Actavis Elizabeth. Actavis PTC and Actavis Elizabeth had undertaken to compensate/reimburse the Company for the Company's un-recovered costs attributable to reservation of such manufacturing capacity.



Actavis Pharma Manufacturing Private Limited
Notes to financial statements for the year ended December 31, 2012 (continued)
 (All amounts in Indian Rupees, except share data and unless otherwise stated)

3 Share capital

	As at December 31, 2012	As at December 31, 2011
Authorised		
70,000,000 (December 31, 2011: 70,000,000) equity shares of Rs. 10 each	700,000,000	700,000,000
	<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid-up		
65,875,189 (December 31, 2011: 65,875,189) equity shares of Rs.10 each, fully paid up	658,751,890	658,751,890
	<u>658,751,890</u>	<u>658,751,890</u>

a. Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	As at December 31, 2012		As at December 31, 2011	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the commencement of the year	65,875,189	658,751,890	64,900,356	649,003,560
Shares issued during the year	-	-	974,833	9,748,330
At the end of the year	<u>65,875,189</u>	<u>658,751,890</u>	<u>65,875,189</u>	<u>658,751,890</u>

b. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with respect to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholders on a poll (not show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which call or other sums presently payable have not been paid.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

c. Equity shares of Rs.10 each, fully paid up held by holding / ultimate holding company and / or their subsidiaries / associates

	As at December 31, 2012		As at December 31, 2011	
	No. of shares	Amount	No. of shares	Amount
Equity shares of Rs.10 each fully paid up				
Actavis Holding Asia BV, Netherlands, the holding company	65,875,188	658,751,880	65,875,188	658,751,880
Actavis Dutch Holding BV Netherlands	1	10	1	10

d. Details of shareholders holding more than 5% of equity shares of Rs.10 each fully paid up in the Company

Name of the shareholder	As at December 31, 2012		As at December 31, 2011	
	No. of shares	% Held	No. of shares	% Held
Equity shares of Rs.10 each fully paid up				
Actavis Holding Asia BV, Netherlands, the holding company	65,875,188	99.99%	65,875,188	99.99%



Actavis Pharma Manufacturing Private Limited
Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

4 Reserves and surplus

	As at December 31, 2012	As at December 31, 2011
Securities premium account		
At the commencement of the year	712,580,220	693,083,560
Premium received on allotment of shares	-	19,496,660
At the end of the year	712,580,220	712,580,220
Surplus in the statement of profit and loss		
At the commencement of the year	145,580,989	(21,414,575)
(Loss) / Profit for the year	(28,813,053)	166,995,564
At the end of the year	116,767,936	145,580,989
	829,348,156	858,161,209

5 Long-term borrowings

	Non-current portion		Current maturities *	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Term loans				
Secured				
Rupee term loan from Tamilnadu Industrial Investment Corporation Limited	-	102,000,000	-	42,000,000
Finance lease obligations (Refer note (a) below and note 28)	467,990	1,275,308	408,521	1,045,680
Unsecured				
Rupee term loan from Lotus Labs Private Limited	400,000,000	-	-	-
	400,467,990	103,275,308	408,521	43,045,680

* Amount disclosed under "Other current liabilities" in note 10

Security particulars and terms of repayment

(a) Finance lease obligations are secured by way of hypothecation of respective vehicles and repayable in equal monthly installments as stipulated in the agreements with the borrowers

(b) The term loan from Tamilnadu Industrial Investment Corporation Limited was availed during the financial year 2010 and carries interest at 15% per annum. It is repayable in 54 equal monthly installments of Rs. 3,500,000 each. The term loan is secured by first charge over current assets and second charge over fixed assets of the Company. During the year, the Company has foreclosed the loan by repaying balance 27 instalments amounting to Rs. 105,500,000 on December 27, 2012 and filed memorandum of satisfaction of charge with the Register of Companies.

(c) Rupee term loans from Lotus Labs Private Limited (fellow subsidiary), was taken during the year and is repayable at the end of 5th year including accrued interest. The loan carries an interest of 11% per annum.

6 Deferred tax liabilities / (assets) (net)

	As at December 31, 2012	As at December 31, 2011
Deferred tax liabilities		
Excess of depreciation / amortisation on fixed assets under income-tax law over depreciation / amortisation provided in books of account	9,916,025	42,203,908
	9,916,025	42,203,908
Deferred tax assets		
Provisions for employee related liabilities	3,781,692	3,074,554
Others	6,168,552	131,880
	9,950,244	3,206,434
	(34,219)	38,997,474

7 Other long-term liabilities

	As at December 31, 2012	As at December 31, 2011
Interest accrued and not due	14,443,151	-
	14,443,151	-



Actavis Pharma Manufacturing Private Limited
Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

8 Provisions

	Long-term		Short-term	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits				
Gratuity (refer note 35)	2,862,965	1,876,238	1,184,867	478,481
Compensated absences	4,242,649	5,072,972	1,414,216	1,348,512
Other provisions				
Provision for advance licenses	18,000,000	8,600,000	-	-
Provision for taxation	59,337,404	-	-	30,013,879
	84,443,018	15,549,210	2,599,083	31,840,872

9 Trade payables

	As at December 31, 2012	As at December 31, 2011
Trade payables	145,531,043	248,021,507
	145,531,043	248,021,507

For dues to micro and small enterprises (refer note 36)

10 Other current liabilities

	As at December 31, 2012	As at December 31, 2011
Current maturities of long-term borrowings (secured) (refer note 5)	408,521	43,045,680
Payable for purchase of fixed assets	2,306,375	8,430,280
Advance received from customers	-	159,079,658
Employee benefits payable	11,740,170	851,566
Statutory dues payable	3,758,194	4,291,535
	18,213,260	215,698,719



Actavis Pharma Manufacturing Private Limited

Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

13 Tangible fixed assets

Particulars	Freehold land	Building	Plant and machinery	Furniture and fittings	Computers	Vehicle	Total
Gross block							
Balance as at January 1, 2011	146,048,355	159,495,531	649,534,295	40,431,306	25,380,242	6,954,714	1,027,844,443
Additions	-	37,717,169	153,859,033	26,201,389	200,590	720,000	218,698,181
Disposals / adjustments	-	(2,583,360)	(10,234,272)	(131,664)	-	(1,584,659)	(14,533,955)
Balance as at December 31, 2011	146,048,355	194,629,340	793,159,056	66,501,031	25,580,832	6,090,055	1,232,008,669
Additions	-	2,935,408	31,042,380	686,347	197,444	-	34,861,579
Disposals / adjustments	-	(2,126,108)	(6,284,176)	-	-	(3,018,612)	(11,428,896)
Balance as at December 31, 2012	146,048,355	195,438,640	817,917,260	67,187,378	25,778,276	3,071,443	1,255,441,352
Accumulated depreciation							
Balance as at January 1, 2011	-	10,293,892	114,833,593	10,963,113	14,132,418	2,752,868	152,975,864
Additions	-	6,512,172	76,734,408	6,940,629	5,070,357	1,417,109	96,674,675
Disposals / adjustments	-	(407,782)	(3,756,985)	(43,857)	-	(1,140,944)	(5,349,568)
Balance as at December 31, 2011	-	16,398,282	187,811,016	17,859,885	19,202,775	3,029,013	244,300,971
Additions	-	6,482,950	82,819,585	6,646,103	3,900,654	859,148	100,708,440
Impairment loss during the year (refer note 39)	20,549,323	10,876,290	56,623,159	2,396,403	11,438	-	90,456,613
Disposals / adjustments	-	(113,387)	(2,679,133)	-	-	(2,088,316)	(4,880,836)
Balance as at December 31, 2012	20,549,323	33,644,135	324,574,627	26,902,391	23,114,867	1,799,845	430,585,188
Net block							
Balance as at December 31, 2011	146,048,355	178,231,058	605,348,040	48,641,146	6,378,057	3,061,042	987,707,698
Balance as at December 31, 2012	125,499,032	161,794,505	493,342,633	40,284,987	2,663,409	1,271,598	824,856,164
Capital work-in-progress							
Balance as at January 1, 2011	-	11,357,166	107,120,074	4,180,261	-	-	122,657,501
Additions	-	26,360,003	109,162,555	22,021,128	200,590	720,000	158,464,276
Assets capitalised during the year 2011	-	(37,717,169)	(153,859,033)	(26,201,389)	(200,590)	(720,000)	(218,698,181)
Written off during the year	-	-	(5,534,095)	-	-	-	(5,534,095)
Balance as at December 31, 2011	-	-	56,889,501	-	-	-	56,889,501
Additions	-	2,935,408	59,329,683	686,347	197,444	-	63,148,882
Assets capitalised during the year 2012	-	(2,935,408)	(31,042,380)	(686,347)	(197,444)	-	(34,861,579)
Written off during the year	-	-	(85,176,804)	-	-	-	(85,176,804)
Balance as at December 31, 2012	-	-	-	-	-	-	-

Note:

1 Disposals / adjustments includes assets written off Rs. 2,012,721 (Gross block Rs.2,126,108 ; Accumulated depreciation Rs. 113,387) for the year ended December 31, 2012 and Rs. 7,366,755(Gross block Rs. 10,685,461, Accumulated depreciation Rs. 3,318,706) for the year ended December 31, 2011. Also refer note 38.

2 The gross and net carrying amount of assets acquired under finance leases and included in above is as follows

Particulars	As at December 31, 2012			As at December 31, 2011		
	Gross block	Accumulated depreciation	Net block	Gross block	Accumulated depreciation	Net block
Vehicles	3,071,443	1,799,845	1,271,600	6,081,545	2,993,558	3,047,995



Actavis Pharma Manufacturing Private Limited

Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

12 Intangible fixed assets

Particulars	Technical know-how	Goodwill	Software	Total
Gross block				
Balance as at January 1, 2011	58,269,245	128,395,129	15,822,992	202,487,366
Additions	20,870,106	-	151,312	21,021,418
Disposals / adjustments	(25,572,101)	-	-	(25,572,101)
Balance as at December 31, 2011	53,567,250	128,395,129	15,974,304	197,936,683
Additions	-	-	308,297	308,297
Disposals / adjustments	(43,036,838)	-	-	(43,036,838)
Balance as at December 31, 2012	10,530,412	128,395,129	16,282,601	155,208,142
Accumulated amortisation				
Balance as at January 1, 2011	16,256,599	50,078,310	3,135,212	69,470,121
Additions	7,344,548	12,750,180	3,179,730	23,274,458
Disposals / adjustments	(8,771,648)	-	-	(8,771,648)
Balance as at December 31, 2011	14,829,499	62,828,490	6,314,942	83,972,931
Additions	5,134,323	12,839,513	3,223,658	21,197,494
Impairment loss during the year (refer note 39)	-	19,978,149	18,320	19,996,469
Disposals / adjustments	(17,945,495)	-	-	(17,945,495)
Balance as at December 31, 2012	2,018,327	95,646,152	9,556,920	107,221,399
Net block				
Balance as at December 31, 2011	38,737,751	65,566,639	9,659,362	113,963,752
Balance as at December 31, 2012	8,512,085	32,748,977	6,725,681	47,986,743
Intangible assets under development				
Balance as at January 1, 2011	20,870,106	-	-	20,870,106
Additions	-	-	151,312	151,312
Assets capitalised during the year 2011	(20,870,106)	-	(151,312)	(21,021,418)
Written off during the year	-	-	-	-
Balance as at December 31, 2011	-	-	-	-
Additions	-	-	308,297	308,297
Assets capitalised during the year 2012	-	-	(308,297)	(308,297)
Written off during the year	-	-	-	-
Balance as at December 31, 2012	-	-	-	-

Note:

1. Disposals / adjustments includes assets written off Rs. 25,091,344 (Gross block Rs.43,036,838, Accumulated depreciation Rs. 17,945,494) for the year ended December 31, 2012 and Rs. 11,146,772 (Gross block Rs. 18,577,857; Accumulated amortisation Rs. 7,431,085) for the year ended December 31, 2011. Also refer note 38.



Actavis Pharma Manufacturing Private Limited
Notes to financial statements for the year ended December 31, 2012 (continued)
 (All amounts in Indian Rupees, except share data and unless otherwise stated)

13 Long-term loans and advances

	Non-current portion		Current portion*	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Unsecured and considered good				
To parties other than related parties				
Capital advances	-	2,525,123	-	-
Security deposits	163,500	163,500	-	-
Electricity and other deposits	3,818,546	4,429,500	-	-
Other loans and advances				
Statutory claims receivable	10,213,048	3,953,847	56,589,748	49,297,085
Duty drawback receivable	-	-	3,390,788	1,865,647
Central credit receivable	-	-	927,704	29,121,293
VAT credit receivable	-	1,640,205	5,957,028	5,699,354
Service tax credit receivable	-	-	412,275	6,790,052
	14,195,094	12,712,175	67,277,543	92,773,431
Unsecured and considered doubtful				
Statutory claims receivable	5,764,520	5,764,520	-	-
Capital advances	634,620	-	-	-
Less: Provision for doubtful advances	(6,399,140)	(5,764,520)	-	-
	14,195,094	12,712,175	67,277,543	92,773,431

* Amount disclosed under "short-term loans and advances" in note 17

14 Inventories

	As at December 31, 2012	As at December 31, 2011
Raw materials	82,862,253	291,133,748
Work-in-progress	84,536,765	98,676,711
Finished goods	3,635,911	13,215,167
Stores, spares and packing material	10,245,061	24,669,390
	181,279,990	427,695,016

15 Trade receivables

	As at December 31, 2012	As at December 31, 2011
Unsecured and considered good		
Outstanding for a period exceeding six months from the date they became due for payment	25,635,394	226,833
Others	893,951,242	415,207,879
	919,586,636	415,434,712



Actavis Pharma Manufacturing Private Limited

Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

16 Cash and bank balances

	As at December 31, 2012	As at December 31, 2011
Cash and cash equivalents		
Cash on hand	101,064	305,053
Balances with banks		
- on current accounts	32,023,750	37,646,085
	<u>32,124,814</u>	<u>37,951,138</u>
Other bank balances*	-	97,940
	<u><u>32,124,814</u></u>	<u><u>38,049,078</u></u>

*represents deposits held under lien

Details of bank balances / deposits

Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'

-

97,940

17 Short-term loans and advances

	As at December 31, 2012	As at December 31, 2011
To parties other than related parties		
Unsecured and considered good		
Current portion of long-term loans and advances (refer note 13)	67,277,543	92,773,431
Other short term-loans and advances		
To parties other than related parties		
Loans to employees	81,000	264,716
Advance for supply of goods	2,382,955	7,385,293
Prepaid expenses	3,240,895	2,271,872
Others	523,880	117,636
	<u>73,506,273</u>	<u>102,812,948</u>
Unsecured and considered doubtful		
Advance for supply of goods	377,716	406,473
Less: Provision for doubtful advances	<u>(377,716)</u>	<u>(406,473)</u>
	-	-
To related parties		
Interest accrued on overdue trade receivables	24,143,516	-
Advance recoverable in cash or in kind	34,646,447	-
	<u>58,789,963</u>	<u>-</u>
	<u><u>132,296,236</u></u>	<u><u>102,812,948</u></u>

Interest accrued on overdue trade receivables - Rs. 24,143,516 (December 31, 2011: Nil) and advance recoverable in cash or in kind - Rs. 34,646,447 (December 31, 2011: Nil) pertains to amounts receivable from fellow subsidiaries.

18 Other current assets

	As at December 31, 2012	As at December 31, 2011
Unsecured and considered good		
DEPB License on hand	-	13,139,451
SFIS Scrip on hand	1,194,924	1,693,430
Interest accrued on deposits	242,771	198,428
	<u>1,437,695</u>	<u>15,031,309</u>



Actavis Pharma Manufacturing Private Limited

Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

19 Revenue from operations

	For the year ended December 31, 2012	For the year ended December 31, 2011
Sale of products		
Export sales	1,733,015,734	1,396,300,447
Domestic sales	-	1,946,411
Sale of products (gross)	<u>1,733,015,734</u>	<u>1,398,246,858</u>
Less: Excise duty	(71,504,966)	(70,803,677)
Sale of products (net)	<u>1,661,510,768</u>	<u>1,327,443,181</u>
Sales of services		
Income from product development services	117,950,330	144,253,384
Job work revenue	-	13,907,520
	<u>117,950,330</u>	<u>158,160,904</u>
Other operating revenue		
Scrap sales	7,441,124	5,010,884
Export benefits	7,792,645	27,494,330
	<u>15,233,769</u>	<u>32,505,214</u>
Revenue from operations (net)	<u><u>1,794,694,867</u></u>	<u><u>1,518,109,299</u></u>

Break-up of revenue from sale of products

	For the year ended December 31, 2012	For the year ended December 31, 2011
Manufactured goods		
Gabapentin	649,130,596	442,272,018
Losartan	297,378,265	307,925,947
Valacyclovir	284,953,252	218,752,375
Others	430,048,655	358,492,841
	<u>1,661,510,768</u>	<u>1,327,443,181</u>

20 Other income

	For the year ended December 31, 2012	For the year ended December 31, 2011
Interest income on fixed deposits	227,341	215,599
Interest on overdue trade receivables	24,143,516	-
Net gain on account of foreign exchange fluctuations	-	9,207,830
Other income	2,150,931	2,004,283
	<u>26,521,788</u>	<u>11,427,712</u>



Actavis Pharma Manufacturing Private Limited

Notes to financial statements for the year ended December 31, 2012 (continued)

(All amounts in Indian Rupees, except share data and unless otherwise stated)

21 Cost of materials consumed

	For the year ended December 31, 2012	For the year ended December 31, 2011
Raw materials and packing materials		
Inventory of materials at the beginning of the year	291,133,748	125,593,086
Purchases	892,627,084	916,047,085
Inventory of materials at the end of the year	82,862,253	291,133,748
	<u>1,100,898,579</u>	<u>750,506,423</u>
Stores, spares and consumables		
Inventory of materials at the beginning of the year	24,669,390	17,530,681
Purchases	21,480,266	39,061,126
Inventory of materials at the end of the year	10,245,061	24,669,390
	<u>35,904,595</u>	<u>31,922,417</u>
	<u>1,136,803,174</u>	<u>782,428,840</u>

i. Break-up of cost of materials consumed

Gabapentin USP	306,011,067	180,900,655
Valacyclovir hydrochloride	180,046,375	174,172,803
Others	650,745,732	427,355,382
	<u>1,136,803,174</u>	<u>782,428,840</u>

ii. Break-up of inventory- materials

Gabapentin USP	15,200,545	13,742,069
Quetiapine hemifumarate	26,737,436	65,677,070
Valacyclovir hydrochloride	2,838,715	93,952,592
Others	38,085,557	117,762,017
	<u>82,862,253</u>	<u>291,133,748</u>

22 Changes in inventories of finished goods and work-in-progress

	For the year ended December 31, 2012	For the year ended December 31, 2011
Opening stock		
- Finished goods	13,215,167	-
- Work-in-progress	98,676,711	129,206,945
	<u>111,891,878</u>	<u>129,206,945</u>
Closing stock		
- Finished goods	3,635,911	13,215,167
- Work-in-progress	84,536,765	98,676,711
	<u>88,172,676</u>	<u>111,891,878</u>
	<u>23,719,202</u>	<u>17,315,067</u>

i. Details of finished goods

Losartan tablets	3,635,911	13,215,167
	<u>3,635,911</u>	<u>13,215,167</u>

ii. Details of work-in-progress

Gabapentin capsules	15,467,480	3,330,576
Losartan tablets	14,773,348	15,251,139
Valacyclovir tablets	5,595,272	-
Lorazepam	2,933,851	8,203,110
Others	45,766,814	71,891,886
	<u>84,536,765</u>	<u>98,676,711</u>



Actavis Pharma Manufacturing Private Limited
Notes to financial statements for the year ended December 31, 2012 (continued)
(All amounts in Indian Rupees, except share data and unless otherwise stated)

23 Employee benefits

	For the year ended December 31, 2012	For the year ended December 31, 2011
Salaries, wages and bonus	167,020,827	154,320,159
Contribution to provident and other funds	8,996,360	12,974,022
Staff welfare expenses	17,404,740	15,062,989
	<u>193,421,927</u>	<u>182,357,170</u>

24 Finance costs

	For the year ended December 31, 2012	For the year ended December 31, 2011
Interest on term loan	36,713,136	26,429,534
Finance charges	2,554,786	3,708,664
	<u>39,267,942</u>	<u>30,138,198</u>

25 Depreciation and amortisation

	For the year ended December 31, 2012	For the year ended December 31, 2011
Depreciation of tangible fixed assets (refer note 11)	100,708,440	96,674,675
Amortisation of intangible fixed assets (refer note 12)	21,197,494	23,274,458
	<u>121,905,934</u>	<u>119,949,133</u>

26 Other expenses

	For the year ended December 31, 2012	For the year ended December 31, 2011
Rent	-	100,000
Rates and taxes	2,791,679	2,892,410
Power and fuel	89,790,461	68,415,020
Contract labour charges	4,193,960	3,733,511
Repairs and maintenance		
- Buildings	3,778,301	2,661,947
- Plant and machinery	18,975,236	12,305,617
- Others	14,232,884	14,887,367
Insurance	5,308,921	5,055,229
Professional and consultancy charges (refer note below)	8,852,675	12,976,950
Travelling and conveyance	8,675,279	8,673,495
Communication expenses	1,955,284	2,082,391
Capital work in progress write off (refer note 11)	85,176,802	-
Fixed assets written off (refer note 38)	27,104,065	18,513,527
Loss on sale of fixed assets (net)	2,938,028	129,307
Provision for doubtful advances	1,012,336	-
Bad debts written off	1,333,138	-
Miscellaneous expenses	17,011,950	15,358,959
	<u>293,130,999</u>	<u>167,785,730</u>

Note:

Payment to auditors included in professional and consultancy charges (excluding service tax)

	For the year ended December 31, 2012	For the year ended December 31, 2011
As auditor		
Statutory audit	700,000	600,000
Tax audit	400,000	400,000
Other services	550,000	400,000
Reimbursement of expenses	38,440	30,190
	<u>1,688,440</u>	<u>1,430,190</u>




27 Contingent liabilities and commitments (to the extent not provided for)

Particulars	As at December 31, 2012	As at December 31, 2011
(i) Contingent liabilities		
(a) Claims against the Company not acknowledged as debts		
Excise related matters	9,884,045	9,727,024
Sales tax related matters	36,272,124	243,023
Labor law related matters	2,132,424	-
(b) Guarantees outstanding	-	1,025,000
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	-	26,777,857

In respect of capital goods imported at zero or concessional rate of duty under the Export Promotion Capital Goods (EPCG) Scheme, as at the balance sheet date, the Company has outstanding export obligation of Rs. 6,854,312 (As at December 31, 2011 - Rs. 8,296,143). In respect of raw materials imported at zero or concessional rate of duty under the Advance license scheme, as at the balance sheet date, the Company has outstanding export obligation of Rs. 481,065,554 (As at December 31, 2011 - Rs. 830,199,109). The Company is confident of meeting its revenue commitments / obtaining extensions, if necessary.

The Company carries out a process of establishing the manufacturing processes involving the production of trial batches, optimization batches and exhibit batches (known as 'transfers') so as to obtain approvals from regulatory authorities, before a product can be commercially manufactured at the plant. For carrying out such process, the Company procures excisable goods from domestic/international suppliers. Since the company invoices the Group for carrying out these transfer activities, the same is treated as a service provided to the group and hence the Company avails input credit of such duty paid which is recorded as recoverable from excise authorities. The excise department has not disputed the availment of input credit by the company. The Company has also obtained a legal opinion in this regard.

28 Outstanding lease obligations

Finance lease obligations

Particulars	As at December 31, 2012	As at December 31, 2011
<i>Future minimum lease payments</i>		
Not later than one year	489,068	1,256,757
Later than one year and not later than five years	525,094	1,446,308
Total	1,014,162	2,703,065
Less: Amounts representing future interest	137,651	382,077
Present value of minimum lease payments	876,511	2,320,988
Less: Amounts due not later than one year	408,521	1,045,680
Amounts due later than one year and not later than five years	467,990	1,275,308

29 C.I.F value of imports (on accrual basis)

Particulars	For the year ended December 31, 2012	For the year ended December 31, 2011
Raw material	340,081,661	288,216,605
Packing material	16,805,664	9,832,509
Capital goods	7,510,073	45,336,094
Total	364,397,398	343,385,208

30 Earnings in foreign currency (on accrual basis)

Particulars	For the year ended December 31, 2012	For the year ended December 31, 2011
FOB value of exports	1,732,817,974	1,396,106,269
Income from product development activities	117,950,330	144,253,384
Recovery of expenses	114,464,384	35,455,700
Total	1,965,232,688	1,575,815,353



31 Details of consumption of indigenous and imported raw materials, packing materials and stores, spares and consumables

Particulars	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Value	% of total consumption	Value	% of total consumption
Raw materials and packing materials				
Imported	372,898,550	34%	306,522,381	41%
Indigenous	728,000,029	66%	443,984,042	59%
	1,100,898,579	100%	750,506,423	100%
Stores, spares and consumables				
Imported	-	-	-	-
Indigenous	35,904,595	100%	31,922,417	100%
	35,904,595	100%	31,922,417	100%
Total	1,136,803,174		782,428,840	

32 Derivate instruments

The Company has not entered into any foreign currency forward contract to hedge its risk associated with foreign currency fluctuations. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Description	Amount receivable in foreign currency		Amount payable in foreign currency	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
EUR equivalent	8,456,538	1,656,693	280	645,404
USD equivalent	6,242,800	5,866,579	1,338,698	6,738,094
GBP equivalent	-	920	-	-
CHF equivalent	-	21,000	-	-
INR equivalent	954,233,083	426,025,733	73,327,374	401,462,227

33 Related party transactions

a) Names of related parties and nature of relationship are as follows:

Nature of relationship	Name of the related party
Ultimate holding company	Actavis hf, Iceland (up to October 31, 2012) Watson Pharmaceuticals Inc, USA (from November 1, 2012)
Holding Company	Actavis Holdings Asia BV, Netherlands
Fellow subsidiaries	Actavis Group PTC ehf Actavis Elizabeth LLC Actavis Malta Limited Actavis Group hf Medis Ehf Actavis Pharma Development Centre Private Limited Lotus Labs Private Limited



b) Details of related party transactions
Transactions during the year

Nature of transaction	For the year ended December 31, 2012	For the year ended December 31, 2011
Issue of shares (including share premium)		
Actavis Holdings Asia BV, Netherlands	-	29,244,990
Loan taken		
Lotus Labs Private Limited	400,000,000	-
Loan repaid		
Lotus Labs Private Limited	-	58,586,103
Purchase of SFIS scrip		
Lotus Labs Private Limited	1,312,500	3,937,500
Sale of goods		
Actavis Elizabeth LLC	791,189,754	582,975,802
Actavis Group PTC ehf	805,993,102	671,367,212
Medis Ehf	64,327,912	71,153,753
Income from product development charges		
Actavis Group PTC ehf	90,407,082	142,420,661
Actavis Elizabeth LLC	27,543,248	1,832,723
Interest on overdue trade receivables		
Actavis Group PTC ehf	22,137,791	-
Actavis Elizabeth LLC	2,005,725	-
Reimbursement of expenses from		
Actavis Group PTC ehf	90,329,881	33,121,618
Actavis Elizabeth LLC	24,134,503	2,334,082
Actavis Pharma Private Limited	-	217,865
Reimbursement of expenses to		
Actavis Group PTC ehf	2,686,138	-
Actavis Elizabeth LLC	4,817,560	-
Actavis Malta	-	819,600
Interest on loan		
Lotus Labs Pvt. Limited (including tax deducted source)	16,047,947	1,323,288

Balance as at the year-end date:

Nature of balances	As at December 31, 2012	As at December 31, 2011
Balances receivable		
Actavis Group PTC ehf	587,572,081	287,971,307
Actavis Elizabeth LLC	341,992,444	104,353,098
Medis ehf	24,668,558	21,688,143
Balances payable		
Actavis Elizabeth LLC	3,421,239	210,319,341
Actavis Group PTC ehf	-	36,679,270
Actavis Group hf	-	58,263
Lotus Laboratory Pvt. Ltd. (including interest and after deducting tax deducted source)	414,443,151	-
Actavis Malta Ltd.	-	819,600



34 Segment reporting

The Company's operations predominantly relate to manufacture and sale of formulation and API's. Accordingly, business segment comprise the primary basis of segmental information set out in these financial statements. Secondary segment reporting is performed on the basis of the geographical location of customers.

Disclosure under Geographical segment

The Company operates mainly in two geographical areas, Domestic and Export. Management has reviewed these geographical areas vis-à-vis the risks and returns that encompass them. While arriving at this, management has reviewed the similarity of the economic and political conditions, relationships between operations in these geographical areas, proximity of operations, and special risks if any associated with operations in these areas.

For the year ended December 31, 2012

	Domestic	Exports	Total
Sales- External Revenue	-	1,850,966,064	1,850,966,064
Carrying amount of segment assets by location of assets	1,175,420,992	978,376,599	2,153,797,591
Cost to acquire tangible and intangible assets by location of customers	67,055,961	-	67,055,961

For the year ended December 31, 2011

	Domestic	Exports	Total
Sales- External Revenue	15,853,931	1,540,553,831	1,556,407,762
Carrying amount of segment assets by location of assets	1,754,861,477	415,434,712	2,170,296,189
Cost to acquire tangible and intangible assets by location of customers	145,992,507	-	145,992,507

35 Employee benefits

Disclosure relating to gratuity

The following table sets out the status of the gratuity plan as required under AS 15 (Revised 2005). Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

Particulars	For the year ended December 31, 2012	For the year ended December 31, 2011
A. Change in present value of obligation		
Projected benefit obligations as at the beginning of the year	4,543,879	2,603,459
Interest cost	316,330	186,137
Current service cost	1,423,067	1,171,688
Benefits paid	(987,117)	(440,279)
Actuarial (gain) / loss on obligation	1,563,711	1,022,874
Projected benefit obligations as at the end of the year	6,859,870	4,543,879
B. Change in plan assets		
Fair value of plan assets as at the beginning of the year	2,189,160	2,233,806
Expected return on plan assets	220,430	190,970
Contributions	1,507,242	216,434
Benefits paid	(987,117)	(440,279)
Actuarial gain / (loss) on plan assets	(117,677)	(11,771)
Fair value of plan assets as at the end of the year	2,812,038	2,189,160
C. Reconciliation of present value of obligation and the fair value of plan assets		
Projected benefit obligation as at the end of the year	6,859,870	4,543,879
Fair value of plan assets at the end of the year	2,812,038	2,189,160
Liability recognized in the balance sheet	4,047,832	2,354,719
D. Components of net gratuity cost		
Service cost	1,423,067	1,171,688
Interest cost	316,330	186,137
Expected returns on plan assets	(220,430)	(190,970)
Recognized net actuarial (gain) / loss	1,681,388	1,034,644
Past service cost – vested benefits	-	-
Net gratuity costs	3,200,355	2,201,499



Particulars	For the year ended December 31, 2012	For the year ended December 31, 2011
E. Classification into current / non-current		
Classified as long-term provision	2,862,965	1,876,238
Classified as short-term provision	1,184,867	478,481
F. Assumptions at balance sheet date		
Discount rate	8.00%	7.81%
Long term rate of compensation increase	10.00%	10.00%
Estimated rate of return on plan assets	9%	9%
Attrition rate	25.00%	21.00%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Note:

- (i) Plan assets comprise of contribution to Group Gratuity Scheme of Life Insurance Corporation of India.
(ii) The gratuity expenses have been recognised in 'Contribution to provident and other funds' under note 23.

36 Due to micro and small suppliers

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amount payable to such enterprises as at December 31, 2012 has been made in the financial statements based on information received and available with the Company, to the extent identified by the management and relied upon by the auditors. The details of overdue amount and interest payable are set out below:

Description	As at December 31, 2012	As at December 31, 2011
i) The amounts remaining unpaid to micro and small suppliers as at the end of the year:		
- Principal	255,954	364,393
- Interest	4,497	11,197
ii) Amount of interest paid in terms of Section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year.	-	-
iii) Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act.	-	-
iv) Amount of interest accrued and remaining unpaid at the end of the year.	-	-

37 Research and development expenditure

Particulars	For the year ended December 31, 2012	For the year ended December 31, 2011
Material, stores, spares and consumables cost	68,566,356	56,392,478
Employee cost	1,107,238	60,485
Manufacturing, administrative and other expenses	33,008,481	29,622,737
Total	102,682,075	86,075,700

38 Fixed assets write off

The Company has written off assets as under:

Particulars	Gross block as at December 31, 2012	WDV as at December 31, 2012	Gross block as at December 31, 2011	WDV as at December 31, 2011
Tangible fixed assets				
Building	2,126,108	2,012,721	2,583,360	2,175,578
Plant and machinery	-	-	8,102,101	5,191,177
Intangible fixed assets				
Technical know-how*	43,036,838	25,091,344	18,577,857	11,146,772
Total	45,162,946	27,104,065	29,263,318	18,513,527

* Technical know-how for which there are no future orders and the group intends to discontinue these products have also been written off.



39 During the year, Watson Pharmaceuticals Inc. ('Watson') had taken over Actavis Group hf. and has become the ultimate parent of the Company. The group has decided not to pursue the Company's activities being carried out at API plant in Chennai. As at December 31, 2012, the management was exploring various alternatives including the sale of the plant to interested parties etc. No detailed announcements were made to the employees or other parties as of the year end. The management subsequent to the balance sheet date, on May 6, 2013, sold the API plant by way of slump sale through a Business Transfer Agreement ('BTA'). Whilst the above event as of December 31, 2012 did not qualify to be the initial disclosure event under Accounting Standard – 24 on Discontinuing Operations and hence no related disclosures have been made in these financial statements, the Company has carried out an impairment analysis in respect of its assets pertaining to the API plant. Such impairment test was carried out considering the business plan to sell the plant and other future projections and found that the recoverable amount i.e. the net selling price of the cash generating unit to which the assets belong is lower than its carrying amount and accordingly, the Company has provided for impairment loss of Rs. 110,453,082 in the statement of profit and loss.

40 Transfer pricing

The Company has international and domestic transactions with related parties. For the financial year 2011-12, the Company has obtained the accountant's report from a chartered accountant as required by the relevant provisions of the Income-tax Act, 1961 ('the Act') and has filed the same with the tax authorities. For the financial year 2012-13, the Company has maintained documents as prescribed by the Act to prove that these transactions are at arm's length and the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

for B S R & Company
Chartered Accountants
Firm registration no: 128032W


Vikas R. Kasat
Partner
Membership No. 105317

Place: Chennai

Date: 06 JUN 2013

for Actavis Pharma Manufacturing Private Limited


C.S. Muralidharan
Director




Rashmi Ranjan Patra
Director