

Rexcel Egypt (L.L.C.)

Managers Report **For the financial year ended 31/12/2010**

The sales for year 2010 is 4,667,846 EGP (In Rs.37,522,878) and the cost of goods sold is 1,473,550 EGP (In Rs. 11,845,257) in comparison with year 2009 sales of 5,722,052 EGP (In Rs. 45,997,203) and the cost of goods sold of 2,303,786 EGP (In Rs. 18,519,180)

The Gross profit for 2010 is 3,194,290 EGP (In Rs. 25,677,572) in comparison with year 2009 gross profit of 3,418,266 EGP (In Rs. 27,478,023).

The profit for 2010 is 570,474 EGP (In Rs. 4,585,804) in comparison with year 2009 losses of 743,105 EGP (In Rs. 5,973,513)

The total losses of the company has reached 2185,121 EGP (In Rs.17,565,281) as of 31/12/2010 which exceed the company's capital and as per the Egyptian law, this issue requires a call for an extraordinary general assembly meeting to consider if the business operations is to be continued or not .

SD/-
General Manager

SD/-
Finance Manager

March 17, 2011

Hazem Hassan

Public Accountants & Consultants

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Translation From Arabic

Auditor's Report

To the shareholders of Rexcel Epvnt (L L C)

We have audited the accompanying financial statements of Rexcel Egypt (L.L.C.) which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in shareholders' equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Hazem Hassan

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rexcel Egypt (L.L.C.) company as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Without qualifying our opinion, we draw attention to Note No. (17) of the notes to the financial statements. The Company incurred cumulative losses of L.E. 2 185 121 [In INR 17,565,281] upto 31 December 2010, which exceeded the issued and paid up capital. This factor raises material uncertainty that may cast significant doubt that the Company will be able to continue as a going concern. However, the Company's management are of the opinion that the Company depends on the financial support from the Shareholders for continuing its operations. In accordance with" the Companies Law No. 159 of 1981 and its Executive Regulations and the Company's Articles of incorporation, an extraordinary general meeting should be convened to decide whether the Company should continue its operations.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto. The inventory count was performed by the company's management in accordance with methods in practice.

The financial information included in the Board of Managers report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company' s books of account.

Cairo, March 17, 2011

Sd/-
KPMG Hazem Hassan
Public Accountants and Consultants

Translation from Arabic

Rexcel Egypt (L.L.C.)

Balance Sheet as at 31 December 2010

	Note	31.12.2010		31.12.2009	
	No.	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
<u>Long Term Assets</u>					
Fixed assets	(3-2,4)	-	-	-	-
Total long term assets		-	-	-	-
<u>Current assets</u>					
Inventories	(3-4,5)	700,590	5,393,303	1,133,206	8,723,680
Accounts & notes receivables	(3-5,6)	725,223	5,582,933	675,523	5,200,331
Debtors & other debit balances	(3-5,7)	318,178	2,449,407	284,736	2,191,963
Due to related parties	(11-1)	1,234,672	9,504,788	-	-
Cash and cash equivalents	(3-6,8)	1,023,414	7,878,476	401,509	3,090,908
Total current assets		<u>4,002,077</u>	<u>30,808,907</u>	<u>2,494,974</u>	<u>19,206,882</u>
<u>Current Liabilities</u>					
Provisions	(3-11,9)	847,259	6,522,394	1,375,575	10,589,492
Accounts & notes payables	(3-15)	21,916	168,714	42,733	328,968
Other credit balances	(3-15,10)	377,145	2,903,349	431,939	3,325,166
Due to related parties	(11-2)	4,460,878	34,340,862	2,920,322	22,481,309
Total current liabilities		<u>5,707,198</u>	<u>43,935,319</u>	<u>4,770,569</u>	<u>36,724,935</u>
Excess of current liabilities over current assets		<u>(1,705,121)</u>	<u>(13,126,413)</u>	<u>(2,275,595)</u>	<u>(17,518,052)</u>
Excess of liabilities over assets		<u>(1,705,121)</u>	<u>(13,126,413)</u>	<u>(2,275,595)</u>	<u>(17,518,052)</u>
Financed by:					
<u>Shareholders' Enuity</u>					

Issued and paid-up capital	(1 3)	240,000	1,847,575	240,000	1,847,575
Legal reserve	(3-16)	240,000	1,847,575	240,000	1,847,575
Retained earnings (deficit)		(2,755,595)	(21,213,202)	(2,012,490)	(15,492,610)
Profit/(loss) of the year		570,474	4,391,640	(743,105)	(5,720,593)
Total shareholders' equity (deficit)		<u>(1,705,121)</u>	<u>(13,126,413)</u>	<u>(2,275,595)</u>	<u>(17,518,052)</u>

* The notes on pages (1) to (14) are an integral part of these financial statements and should be read therewith.

Sd/-
Financial Manager
Saumitra Bhat

Sd/-
General Manager
Dr. Ibrahim Shalaby

March 17, 2011

* Auditor's Report attac

Translation from Arabic

Rexcel Egypt (L.L.C.)

Income Statement for the year ended 31 December 2010

	<u>Note</u>	2010		2009	
	<u>No.</u>	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Net sales	(3-12,15)	4,667,846	37,522,878	5,722,052	45,997,203
<u>Less:</u>					
Cost of sales	(1 6)	<u>1,473,556</u>	11,845,305	<u>2,303,786</u>	18,519,180
Gross profit		3,194,290	25,677,572	3,418,266	27,478,023
<u>Other Expenses</u>					
Selling & marketing expenses		1,543,381	12,406,600	1,473,919	11,848,223
General & administrative expenses		921,050	7,403,939	1,401,321	11,264,638
Provisions		-		1,175,363	9,448,256
Impairment of debtors and other debit balances		<u>-</u>		<u>13,618</u>	109,469
Total expenses		<u>2,464,431</u>	19,810,539	<u>4,064,221</u>	32,670,587
Operating profit/(loss)		<u>729,859</u>	5,867,034	<u>(645,955)</u>	(5,192,564)
<u>Other income (expenses)</u>					
Financing expenses	(3-8)	(322,588)	(2,593,151)	(150,435)	(1,209,285)
Foreign exchange differences	(3-1)	(107,573)	(864,735)	(8,968)	(72,090)
Other income		201,341	1,618,497	62,253	500,426
Provision no longer required		<u>69,435</u>	558,159	<u>-</u>	
Net profit/ (loss) before income tax		<u>570,474</u>	4,585,804	<u>(743,105)</u>	(5,973,513)
<u>Income tax</u>					
Income tax for the year		-		-	
Deferred income tax		-		-	
Net income tax	(3-13,20)	<u>-</u>		<u>-</u>	

Net profit/(loss) after income tax		<u>570,474</u>	4,585,804	<u>(743,105)</u>	(5,973,513)
Profit/(loss) per quota	(1 4)	<u>237.70</u>	1,910.77	(309.63)	(2,488.99)

* The notes on pages (1) to (14) are an integral part of these financial statements and should be read therewith.

Translation from Arabic

Rexcel Egypt (L.L.C)

Statement of Cash Flows for the Financial year ended 31 December 2010

	<u>Note</u> No.	2010 <u>L.E.</u>	<u>In Rs.</u>	2009 <u>L.E.</u>	<u>In Rs.</u>
<u>Cash flows from operating activities</u>					
Net profit (loss) for the year before income tax		570,474	4,391,640	(743,105)	(5,720,593)
Adjustments to reconcile net income (losses) to net cash provided by operating activities:					
Provisions formed		-		1,175,363	9,048,214
Allowance for inventories		381,484	2,936,751	597,451	4,599,315
Impairment of receivables & other debit balances		-		13,618	104,834
Provision no longer required		<u>(74,255)</u>	<u>(571,632)</u>	<u>-</u>	
Operating profit before the change in working capital		<u>877,703</u>	<u>6,756,759</u>	<u>1,043,327</u>	<u>8,031,771</u>
Provisions used		(868,841)	(6,688,537)	(4,341,163)	(33,419,269)
Decrease in inventory		396,476	3,052,163	1,451,878	11,176,890
(Increase) decrease in accounts and notes receivable		(20,700)	(159,353)	1,104,966	8,506,282
Decrease (increase) in debtors & other debit balances		6,993	53,834	(32,902)	(253,287)
(Decrease) increase in accounts payable & other credit balances		(75,609)	(582,055)	90,288	695,058
Change in affiliated companies		<u>305,884</u>	<u>2,354,765</u>	<u>764,855</u>	<u>5,888,029</u>
Net cash provided by operating activities		<u>621,905</u>	<u>4,787,567</u>	<u>81,249</u>	<u>625,473</u>

Net change in cash & cash equivalents		621,905	4,787,567	81,249	625,473
Cash & cash equivalents at beginning of the year	(3-6,8)	<u>401,509</u>	3,090,908	<u>320,260</u>	2,465,435
Cash & cash equivalents at end of the year		<u>1,023,414</u>	<u>7,878,476</u>	<u>401,509</u>	<u>3,090,908</u>

* The notes on pages (1) to (14) are an integral part of these financial statements and should be read therewith.

Translation from Arabic

Rexcel Egypt (L.L.C.)

Statement of Changes in Shareholders' Equity for the year ended 31 December 2010

	Share Capital	Legal reserve	Net profit/ (loss) for the year	Retained earnings (deficit)	Total
	L.E.	L.E.	L.E.	LE	LE
Balance as at 1/1/2009	240,000	240,000	(1,959,249)	(53,241)	(1,532,490)
Transfer to retained earnings (deficit) (Loss) for the year 2009			1,959,249 (743,105)	(1,959,249)	- (743,105)
Balance as at 31/12/2009	240,000	240,000	(743,105)	(2,012,490)	(2,275,595)
Transfer to retained earnings (deficit)			743,105	(743,105)	
Profit for the year 2010			570,474		570,474
Balance as at 31/12/2010	240,000	240,000	570,474	(2,755,595)	(1,705,121)
	In Rs.	In Rs.	In Rs.	In Rs.	In Rs.
Balance as at 1/1/2009	1,847,575	1,847,575	(15,082,748)	(409,861)	(11,797,460)
Transfer to retained earnings (deficit) (Loss) for the year 2009			15,082,748 (5,720,593)	(15,082,748)	- (5,720,593)
Balance as at 31/12/2009	1,847,575	1,847,575	(5,720,593)	(15,492,610)	(17,518,052)
Transfer to retained earnings (deficit)			5,720,593	(5,720,593)	
Profit for the year 2010			4,391,640		4,391,640
Balance as at 31/12/2010	1,847,575	1,847,575	4,391,640	(21,213,202)	(13,126,413)

* The notes on pages (1) to (14) are an integral part of these financial statements and should be read therewith.

Rexcel Egypt (L.L.C.)

Notes to the financial statements for the year ended 31 December 2010

1. General

1.1 Company background

Rexcel Egypt (L.L.C.) is an Egyptian Limited Liability Company established under the Egyptian Law no. 159 of 1981 and its executive regulations.

The company was registered in commercial register in Giza under no. 1178 in August 6, 1998, the company legal domicile in Giza - Arab Republic of Egypt.

1.2 Purpose of the Company

1. Manufacturing, trading, selling and distribution of all types of pharmaceutical and chemical products, and its related raw materials.
2. Construction and operation of factories for production of all types of pharmaceutical and chemical products.
3. The company has the right to import equipments, machines, tools, and all raw materials concerning pharmaceutical & chemical products that help the company achieve its purposes.
4. Export, import and Commercial agencies

The company undertakes its activities in compliance with applicable regulatory laws and regulations provided that they obtain necessary licenses as applicable.

1.3 The Company's duration

The company's duration is 25 years starting from the date of registration in the Commercial Registry.

1.4 Company's location

The company is located at 3 Ahmed Nessim St., Giza, Egypt.

2. Basis of preparation

The financial statements are prepared in accordance with Egyptian Accounting Standards, and relevant Egyptian laws and regulation according to the historical cost convention.

2-1 Statements of Compliance

The financial statements are prepared in accordance with Egyptian Accounting Standards, and relevant Egyptian laws and regulations.

These financial statements were authorized by the company's management for issue on March 16, 2011.

Rexcel Egypt (L.L.C.)

Notes to the financial statements for the financial year ended 31 December 2010

2-2 Basis of Measurements

The financial statements are prepared on the historical cost convention. 2-3 Functional and

Presentation Currency

These financial statements are presented in the Egyptian Pound .

2-4 Use of estimates and judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects the period under revision and future periods, these differences are recognized only in the period under revision and future periods.

The amounts recognized in the financial statements are described in the following notes:-

- Note (3-7,6,7) impairment of receivables, debtors and other debit balances.
- Note (3-11,9) provisions.
- Note (3-13,19) unrecognized deferred tax assets.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented, except for inventories as disclosed in Note No. (3-4).

3.1 Foreign Currency Translation

The company maintains its books of accounts in Egyptian Pounds. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transaction. Balances of monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the prevailing exchange rates. The exchange differences are recorded in the income statement.

Rexcel Egypt (L. L. C.)

Notes to the financial statements for the financial year ended 31 December 2010

3-2 Fixed Assets and Depreciation

Fixed assets are stated at historical cost and presented net of accumulated depreciation and any impairment (note No. 3-7-B). Depreciable assets are depreciated using the straight-line method over the estimated useful life of each type of asset and recognized in the income statement. The estimated remaining useful lives of fixed assets are reviewed periodically. If the remaining useful lives differ significantly from the original estimates then the net book values of the assets are depreciated over the revised remaining useful lives. The estimated useful lives of the assets for depreciation calculation are as follows:-

	<u>Years</u>
Machinery and equipment	3-5

3-3 Work in progress

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3.4 Inventories

Inventories are valued at the lower of cost or net realizable value, also the cost of inventory includes expenditure incurred in acquiring the inventories and bringing it to its existing location and condition on the following basis:

Inventories of raw and packing materials using weighted average method.

At the beginning of year 2010, the company's management has changed the Inventory Valuation Method using weighted average method instead of FIFO method, to be consistent with accounting policies of the Mother Company.

The difference resulted from change of accounting policy amounted to L.E. 5 851 and as the difference is immaterial, the comparative figures has not been restated. Inventories of finished products at manufacturing using the lower of cost or net realizable value method.

Net realizable value is determined based on the expected selling price during the normal course of business less any cost to complete the selling process.

3-5 Accounts receivable and debtors and other debit balances

Receivables, and other debit balances are stated at cost less impairment losses for any amounts expected to be uncollectible (3-7A).

3-6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Rexcel Egypt (L.L.C)

Notes to the financial statements for the financial year ended 31 December 2010

3-7 Impairment of Assets

A- Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized that are debt securities, the reversal is recognized in income statement.

B- Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventory and, deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the profit and loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized

Rexcel Egypt (L.L.C.)

Notes to the financial statements for the financial year ended 31 December 2010

3-8 Borrowing cost

Borrowing cost is expensed as incurred using the effective interest rate method.

3-9 Employees' retirements benefits

The company contributes to the social insurance scheme for the benefits of its employees in pursuance of the Social Insurance Law No. 79 of 1975 as amended. Contributions are charged to expenses as incurred.

3-10 Cash dividends

Dividends are recognized as a liability at the period it is declared.

3-11 Provisions for contingent liabilities

A provision is recognized in the balance sheet when the Company has a present or legal or constructive obligation as a result of past event, and it is probable that an outflow of economic 'benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

The provision is being reviewed and modified if necessary at the balance sheet date to reflect its best estimate.

3-12 Revenue recognition

- Sales revenue is recognized with the delivery of finished goods to customer and invoices are issued. No revenue is recognized if there are uncertainties regarding the recovery of the consideration due or associated costs. Credit interest is recognized on accrual basis.

3-13 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Rexcel Egypt (L.L.C.)

Notes to the financial statements for the financial year ended 31 December 2010

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-14 Loans

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3-15 Account payable and other credit balances

Account payable and Creditors and other credit balances are stated at cost.

3-16 Legal reserves

As per the Company's statutes, 10% of the annual net profit is set aside to form a legal reserve; the transfer to such reserve ceases once it reaches the Company's issued capital. If the reserve falls below, the Company should resume setting aside 10% of its annual net profit. The reserve can be utilized in covering losses or increasing the Company's issued capital.

3-17 Expenses recognition

All operating expenses are realized as incurred on accrual basis where expenses are charged to the income statement in the period it was incurred.

Some administrative, general and marketing are divided between Ranbaxy Egypt Ltd. and Rexcel Egypt by percentages which are 87.9% and 12.1 % respectively.

These expenses serve both companies according to preset agreements.

3-18 Statement of cash flow

Statement of cash flow is prepared according to the indirect method.

4. Fixed assets

	Machinery & Equipment	
	Total <u>L.E.</u>	Total <u>In Rs.</u>
<u>Cost</u>		
At 1/1/2010	209,518	1,612,918
At 31/12/2010	209,518	1,612,918
<u>Accumulated Depreciation</u>		
At 1/1/2010	209,518	1,612,918
At 31/12/2010	209,518	1,612,918
<u>N.B.V.</u>		
At 31/12/2010	-	
At 31/12/2009	-	

Translation from Arabic

Rexcel Egypt (L.L.C)

Notes to the financial statements for the financial year ended 31 December 2010

5. Inventories

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Raw and packing materials	556,130	4,281,216	551,040	4,242,032
Goods in transit	-		57,519	442,794
Finished products	459,420	3,536,721	829,623	6,386,628
Expired inventory	<u>115,310</u>	<u>887,683</u>	<u>89,154</u>	<u>686,328</u>
	<u>1,130,860</u>	<u>8,705,620</u>	<u>1,527,336</u>	<u>11,757,783</u>
<u>Less:</u>				
Allowance for slow moving inventory	(314,960)	(2,424,634)	(304,976)	(2,347,775)
Allowance for expired inventory	<u>(115,310)</u>	<u>(887,683)</u>	<u>(89,154)</u>	<u>(686,328)</u>
	<u>700,590</u>	<u>5,393,303</u>	<u>1,133,206</u>	<u>8,723,680</u>

6. Accounts & notes receivable

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Accounts receivables	470,217	3,619,838	384,049	2,956,497
Notes receivable	<u>255,005</u>	1,963,087	<u>320,474</u>	2,467,082
	<u>725,223</u>	<u>5,582,933</u>	<u>704,523</u>	<u>5,423,580</u>
<u>Less:</u>				
Impairment	<u>-</u>		<u>(29,000)</u>	(223,249)
	<u>725,223</u>	<u>5,582,933</u>	<u>675,523</u>	<u>5,200,331</u>

7. Debtors & other debit balances

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Employees advances	3,253	25,042	13,538	104,219
Prepaid expenses	3,119	24,011	3,215	24,750
Advances to suppliers	27,168	209,145	109,099	839,869
Tax authority - withholding taxes	<u>284,638</u>	2,191,209	<u>199,319</u>	1,534,403
	<u>318,178</u>	<u>2,449,407</u>	<u>325,171</u>	<u>2,503,241</u>
<u>Less:</u>				
Impairment	<u>-</u>		<u>(40,435)</u>	(311,278)
	<u>318,178</u>	<u>2,449,407</u>	<u>284,736</u>	<u>2,191,963</u>

Translation from Arabic

Rexcel Egypt (L.L. C.)

Notes to the financial statements for the financial year ended 31 December 2010

8. Cash and cash equivalents

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Cash at bank - local currency	11,022,888	84,856,721	401,519	3,090,985
Cash at bank - foreign currency	<u>526</u>	<u>4,049</u>	<u>(10)</u>	<u>(77)</u>
	<u>1,023,414</u>	<u>7,878,476</u>	<u>401,509</u>	<u>3,090,908</u>

9. Provisions

Balance at 31.12.2009 the year <u>L.E.</u>	Formed during Year <u>L.E.</u>	Used during the <u>L.E.</u>	Balance at 31.12.2010 <u>L.E.</u>
1,375,575		528,316	847,259
1,375,575		528,316	847,259
<u>In Rs.</u>	<u>In Rs.</u>	<u>In Rs.</u>	<u>In Rs.</u>
10,589,492		4,067,098	6,522,394
10,589,492		4,067,098	6,522,394

10. Other credit balances

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Accrued expenses	330,768,768	2,546,333,857	383,134	2,949,453
Tax authority - withholding tax	2,917	22,456	4,699	36,174
Tax authority - salaries tax	670	5,158	1,968	15,150
Tax authority - sales tax	17,324	133,364	18,247	140,470
Social insurance	582	4,480	-	-
Medical stamp	17,210	132,487	14,747	113,526
Other credit balances	7,674	59,076	9,144	70,393
	<u>377,145</u>	2,903,349	<u>431,939</u>	3,325,166

11. Related parties

11-1 Due to related parties

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Ranbaxy Egypt	1234672	9,504,788	-	-
	1234677	9,504,827	-	-

Translation from Arabic

Rexcel Egypt (L.L.C.)

Notes to the financial statements for the financial year ended 31 December 2010

11-2 Due from related parties

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Ranbaxy India	1,232,342	9,486,851	99,297	764,411
Ranbaxy Egypt	1,036,824	7,981,709	1,169,649	9,004,226
* Ranbaxy Egypt (Loan)	2,191,712	16,872,302	1,651,376	12,712,671
	<u>4,460,878</u>	<u>34,340,862</u>	<u>2,920,322</u>	<u>22,481,309</u>

* This amount represent the loan granted from Ranbaxy Egypt with an amount of L.E. 1 650 000 (In Rs.12,702,079) as per the contract dated December 28, 2009, with an annual fixed interest rate of 10%, which will be settled within two years, and another loan with an amount of L.E. 523 000 (In Rs. 4,026,174) as per the contract dated June 2010, with an annual fixed interest rate of 10% which will be settled within two years.

12. Related parties transaction

	Transaction volume			
	<u>2010</u>		<u>2009</u>	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Ranbaxy India- (Purchase of raw materials).	306,094	2,460,563	241,879	1,944,365
Ranbaxy Egypt- (Commission for importing raw and packing matileras).	185,173	1,488,529	51,949	417,596
Ranbaxy Egypt- purchase	1,962,823	15,778,320	1,120,079	9,003,850
Ranbaxy Egypt- (Loan)	2,173,000	17,467,846	1,650,000	13,263,666
Ranbaxy Egypt- (Loan interest)	195,040	1,567,846	1,375	11,053
Ranbaxy Egypt - (Shared expenses)	1,337,564	10,752,122	1,712,963	13,769,799

13. Capital

a. Authorized capital of the companies L.E. 240 000 (In Rs. 1,847,575)

b. Issued and paid up capital of the company is amounted to L.E 240 000 (In Rs.1,847,575) represented in 2 400 quotas at par value L.E 100 each[IN INR 12.99].

14. Profit/(Loss) per quota

	<u>2010</u>		<u>2009</u>	
	<u>LE</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Net profit/(loss) for the year	570,474	4,585,804	<u>(743,105)</u>	(5,973,513)
Average number of quotas	2,400	2,400	2,400	2,400
Profit/(loss) per quota	238	1,911	(310)	(2,489)

Translation from Arabic

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Notes to the financial statements for the financial year ended 31 December 2010

15. Net sales

	<u>2010</u>		<u>2009</u>	
	<u>LE</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Sales	6,307,668	50,704,727	7,798,542	62,689,244
<u>Less:</u> allowable discounts	(1,639,821)	(13,181,841)	(2,076,490)	(16,692,042)
Net sales	4,667,846	37,522,878	5,722,052	45,997,203

16. Cost of sales

	<u>2010</u>		<u>2009</u>	
	<u>LE</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Cost of goods sold	1,034,097	8,312,677	1,626,260	13,072,830
Inventory losses	391,647	3,148,288	355,897	2,860,908
Expired & slow moving inventory	26,595	213,786	305,643	2,456,937
Product registration charges	21,217	170,555	15,986	128,505
	<u>1,473,556</u>	<u>11,845,305</u>	<u>2,303,786</u>	<u>18,519,180</u>

17. Going concern

The company incurred cumulative losses amounting to L.E. 2 185 121 [IN INR 16,821,562] till the year ended 31 December 2010 which exceed the paid up capital. The company's current liabilities exceed its current assets by L.E. 1 705 121 (In Rs.13,126,413). Most of the company's liabilities is the due to related parties, which amounted to L.E. 4 460 878 (In Rs. 34,340,862), at the balance sheet date. The company depends on the financial support from the shareholders in continuing its operations. In accordance with the Companies Law No. 159 of 1981 and its Executive Regulation and the Company's Articles of incorporation, an Extraordinary General Meeting will be convened to decide whether the company should continue its operations.

The financial statements are prepared on the assumption that the company will continue as a going concern in the foreseeable future.

18. Taxes

From 1/1/2005, the company is subject to the provisions of the Income Tax Law No. 91 of 2005 instead of Law No. 157 of 1981 which has been superseded.

18.1 Corporate taxes

From start of operation till year 2004

The company received (form19) which the company objected on it, the company's books were inspected by the Tax Authority and that issue was transmitted to an Internal Committee which the company appealed on it again. The company's file was transmitted to dispute the resolving committee in which some items have been agreed on and others has been transmitted to an internal committee.

Rexcel Egypt (L.L.C.)

Notes to the financial statements for the financial year ended 31 December 2010

Years 2005-2009

The tax Authority didn't inspect these years & no claims were received till now.

18.2 Salaries Tax

From start of operation till 2004

- The company settled all tax disputes with the Tax Authority till year 2004.

From 2005-2009

- The tax authority didn't inspect these years and no claims were received till now.

18.3 Sales Tax

From start of operation till 2009

- The company settled all tax disputes with the Tax Authority till year 2009.

18.4 Stamp Duty

From start of operation till now

- The tax authority did not inspect company's books till now.

The company has maintained adequate provisions to meet any claims.

19. Deferred tax assets /(liabilities)

Unrecognized deferred tax assets

	<u>2010</u>		<u>2009</u>	
	<u>LE</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Inventory	86,054	662,463	78,826	606,821
Accounts receivables	-		5,800	44,650
Carry forward tax losses	<u>213,034</u>	1,639,985	<u>369,669</u>	2,845,797
Total unrecognized deferred tax assets	<u>299,088</u>	2,302,448	<u>454,295</u>	3,497,267

Deferred tax assets have not been recognized in respect of the above items because there is no sufficient comfort that the company can utilize the benefits there from.

Translation from Arabic

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Notes to the financial statements for the financial year ended 31 December 2010

20.Reconciliation of effective tax rate

	<u>2010</u>			<u>2009</u>		
	<u>LE</u>	<u>In Rs.</u>		<u>L.E.</u>	<u>In Rs.</u>	
- Net profit/(losses) before tax	<u>570,474</u>	<u>4,585,804</u>		<u>(743,105)</u>	<u>(5,973,513)</u>	
- Income tax using the domestic corporate tax rate	114,095	<u>917,162</u>	-20%	(148,621)	<u>(1,194,703)</u>	-20%
- None deductible expenses	122,177	<u>982,130</u>	21%	364,118	<u>2,926,994</u>	49%
- Tax differences resulting from previous years	-			(1,029)	<u>(8,272)</u>	-0.14%
- Use of tax losses for which no deferred tax asset was recognized	(156,635)	<u>(1,259,124)</u>	-27%	(33,114)	<u>(266,190)</u>	4.46%
- Others	<u>(181,354)</u>	<u>(1,457,830)</u>	(13.54%)	<u>(181,354)</u>	<u>(1,457,830)</u>	-24%

21. Financial instruments fair value

The financial instruments are represented in balances of cash on hands, at banks, debtors, creditors, banks-overdraft, loans, and related parties. The carrying amounts for these financial instruments represent a reasonable estimate of their fair value. Note No (3) of the notes to the financial statements includes the major accounting policies used in recording and measurement of the significant financial instruments and the related revenues and expenses.

22. Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments. * Credit risk

* Liquidity risk

* Market risk

* Capital Management

This note presents information about the Company's exposure to each of the above risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

a) Credit risk:

Is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from Trade receivables and other related undertakings. This risk considered limited as a majority of the receivables are represented in a limited number of well reputable distributors.

b) Liquidity risk:

Is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Foreign currency risk

The foreign currency exchange risk represents the risk of fluctuation in exchange rates, which in turn effects the company's cash inflows and outflows as well as the value of its foreign currency assets and liabilities. As of the date of the balance sheet the company has foreign currency assets and liabilities equivalent to L.E. 1 232 343 (In Rs. 9,486,859)and L.E. 526 (In Rs. 4,049) respectively. The company's net exposure in foreign currencies are as follows:-

Foreign Currency	(Short) [IN INR
U.S.Dollars	(212 163) (9.485,808]

As disclosed in note (3-1) the company has used the prevailing rate to translate monetary assets and

liabilities at the balance sheet date.

(2) Interest rate risk

This risk is represented in interest rate changes which may have an impact on the results of operations. There are no considerable risks as there is no outstanding balances due to bank facilities.

d) Capital management

The managers' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company is not subject to externally imposed capital requirements.

Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at Average rate for items relating to Profit and Loss account. 1 Egyptian Pond = 0.1244

Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at Closing rate for items relating to Balance Sheet account. 1 Egyptian Pond = 0.1299
