

DIRECTORS REPORT

Your Directors have the pleasure in presenting the Financial Statements for the year ended 31st December 2010

General Balance at December 31, 2010		
	Nuevo Soles.	IN INR
Assets		
Current		
Cash & Bank	2,377,327	37,855,525
Commercial Accounts receivable	8,552,579	136,187,564
Other Accounts receivable	262,711	4,183,296
Inventory	3,491,651	55,599,538
Taxes to recover	384,256	6,118,726
Advances/Expenses paid	23,164	368,854
Total Current Assets	15,091,688	240,313,503
Transportation units, furniture and equipment, net Fixed assets	113,792	1,811,975
Deferred taxes	509,788	8,117,643
Total Assets	15,715,268	250,243,121
Liabilities		
Current		
Commercial Accounts payable	10,952,776	174,407,261
Other accounts payable	1,975,329	31,454,283
Total Current Liabilities	12,928,105	205,861,545
Shareholders funds		
Social Capital	4,342,017	69,140,398
Legal reserve	30,256	481,783
Accumulated results	(1,585,110)	(25,240,605)
Net Shareholders funds	2,787,163	44,381,576
Total Liabilities plus Shareholders funds	15,715,268	250,243,121

Profit and Loss Statement December 31, 2010	Nuevo Soles.	IN INR
Net sales	19,964,582	324,627,350
Cost of Sales	(12,910,813)	(209,931,919)
Gross Margin	7,053,769	114,695,431
Operative Expenses:		
Administrative expenses	(4,790,929)	(77,901,285)
Selling expenses	(2,962,484)	(48,170,472)
Operating (Loss) / Gain	(699,642)	(11,376,293)
Other revenues (expenses):		
Financial expenses, net	(108,660)	(1,766,829)

Ranbaxy - PRP (Perú) S.A.C.

Ex-change rate difference, net	142,690	2,320,163
Other revenues (expenses), net	193,115	3,140,081
(Loss) /Gain before the participation of employees & taxes	(472,499)	(7,682,911)
Deferred tax - Participation of employees	31,643	514,520
Deferred tax	109,171	1,775,138
(Loss)/Gain net	(331,685)	(5,393,252)

Dividend

No Dividend have been declared for the year.

Changes in Capital Structure

There was No Changes to the Capital Structure of the Company in 2010.

Directors

The Board constitutes of -
Mr Alok Kapoor , Area Director, LATAM
Mr Francisco Azevedo, Area Director ROL
Sethuraman Viswanathan, Finance Manager – LATAM

Acknowledgement

The Directors wish to acknowledge with thanks all Employees and other stakeholders for their valuable sustained support and encouragement and look forward to continued support in the years ahead.

Sd/-
Sethuraman Viswanathan
Director

Sd/-
Francisco Jose Silva de Azevedo
Director

Dated : March 18th, 2011



NAVARRETE Y ASOCIADOS
ACCOUNTANTS AND BUSINESS ADVISORS

Navarrete y Asociados
Contadores Públicos S. Civil

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Report of Independent Accountants

Board of Directors and Stockholders
Ranbaxy - PRP (Perú) S.A.C.

We have audited the accompanying financial statements of **Ranbaxy - PRP (Perú) S.A.C.**, (a wholly-owned subsidiary of Ranbaxy (Netherlands) B.V.), which comprise the balance sheet as at December 31, 2010 and 2009, and the related statement of income, statement of stockholders equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Peru. This 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; 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 auditing standards generally accepted in Peru. 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.

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



NAVARRETE Y ASOCIADOS
ACCOUNTANTS AND BUSINESS ADVISORS

Report of Independent Accountants (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Ranbaxy - PRP (Perú) S.A.C.** as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the years then ended, in accordance with accounting principles generally accepted in Peru.

Lima, Peru
February 02, 2011

Sd/-
Mario Navarrete (Partner)
Certified Public Accountant
License No. 31092

BALANCE SHEET

	NOTE	As at December 31,	
		2010 S/.	2009 S/.
ASSETS			
Current			
Cash and banks	4	2,377,327	548,229
Trade receivables	5	8,552,579	9,215,204
Other receivables	6	262,711	69,784
Inventory	7	3,491,651	4,258,375
Advance taxes	8	384,256	466,520
Prepaid expenses		23,164	12,773
Total current assets		15,091,688	14,570,885
Vehicles, furniture and equipments, net	9	113,792	153,980
Other assets, net		-	22,934
Deferred income tax and employee's Share in profits	14	509,788	368,974
Total assets		15,715,268	15,116,773
LIABILITIES			
Current			
Trade payables	10, 20	10,952,776	10,315,351
Other payables	11	1,975,329	1,682,574
Total current liabilities		12,928,105	11,997,925
STOCKHOLDERS' EQUITY			
Common stock	13	4,342,017	4,342,017
Legal reserve	13	30,256	30,256
Accumulated deficit		(1,585,110)	(1,253,425)
Total stockholders' equity		2,787,163	3,118,848
Total liabilities and stockholders' equity		15,715,268	15,116,773

Amount INR

BALANCE SHEET

	NOTE	As at December 31,	
		2010 S/.	2009 S/.
ASSETS			
Current			
Cash and banks	4	37,855,525	8,729,761
Trade receivables	5	136,187,564	146,738,917
Other receivables	6	4,183,296	1,111,210
Inventory	7	55,599,538	67,808,519
Advance taxes	8	6,118,726	7,428,662
Prepaid expenses		368,854	203,392
Total current assets		240,313,503	232,020,462
Vehicles, furniture and equipments, net	9	1,811,975	2,451,911
Other assets, net		-	365,191
Deferred income tax and employee's Share in profits	14	8,117,643	5,875,382
Total assets		250,243,121	240,712,946
LIABILITIES			
Current			
Trade payables	10, 20	174,407,261	164,257,182
Other payables	11	31,454,283	26,792,580
Total current liabilities		205,861,545	191,049,761
STOCKHOLDERS' EQUITY			
Common stock	13	69,140,398	69,140,398
Legal reserve	13	481,783	481,783
Accumulated deficit		(25,240,605)	(19,958,997)
Total stockholders' equity		44,381,576	49,663,185
Total liabilities and stockholders' equity		250,243,121	240,712,946

STATEMENT OF INCOME

	NOTE	For the years ended as at December 31,	
		2010 S/.	2009 S/.
Revenue	15	19,964,582	19,121,174
Cost of sales	16	(12,910,813)	(11,946,950)
Gross profit		7,053,769	7,174,224
Operating expenses:			
Administrative expenses	17	(4,671,667)	(5,120,785)
Selling expenses	18	(3,081,744)	(2,365,049)
Operating (loss) / profit		(699,642)	(311,610)
Other income / (expenses):			
Exchange difference, net	3	142,690	517,941
Financial expenses, net		(108,660)	(149,079)
Other expenses, net		193,115	68,384
(Loss) Profit before employees' share in profit and income tax		(472,499)	125,636
Employees' share in profit	14	31,643	(119,460)
Income tax	14	109,171	(412,140)
Net (loss) / profit		(331,685)	(405,964)

Amount INR

STATEMENT OF INCOME

	NOTE	For the years ended as at December 31,	
		2010 S/.	2009 S/.
Revenue	15	324,627,350	310,913,398
Cost of sales	16	<u>(209,931,919)</u>	<u>(194,259,350)</u>
Gross profit		114,695,431	116,654,049
Operating expenses:			
Administrative expenses	17	(75,962,065)	(83,264,797)
Selling expenses	18	<u>(50,109,659)</u>	<u>(38,456,081)</u>
Operating (loss) / profit		(11,376,293)	(5,066,829)
Other income / (expenses):			
Exchange difference, net	3	2,320,163	8,421,805
Financial expenses, net		(1,766,829)	(2,424,049)
Other expenses, net		<u>3,140,081</u>	<u>1,111,935</u>
(Loss) Profit before employees' share in profit and income tax		(7,682,911)	2,042,862
Employees' share in profit	14	514,520	(1,942,439)
Income tax	14	<u>1,775,138</u>	<u>(6,701,463)</u>
Net (loss) / profit		<u>(5,393,252)</u>	<u>(6,601,041)</u>

STATEMENT OF STOCKHOLDERS EQUITY

	For the years ended as at December 31,			
	Common Stock S/.	Legal Reserve S/.	Accumulated Deficit S/.	Total S/.
Balance as at January 01, 2009	4,342,017	30,256	(847,461)	3,524,812
Net profit	<u>-</u>	<u>-</u>	<u>(405,964)</u>	<u>(405,964)</u>
Balance as at December 31, 2009	4,342,017	30,256	(1,253,425)	3,118,848
Net (loss) / profit	<u>-</u>	<u>-</u>	<u>(331,685)</u>	<u>(331,685)</u>
Balance as at December 31, 2010	<u>4,342,017</u>	<u>30,256</u>	<u>(1,585,110)</u>	<u>2,787,163</u>

Amount INR

STATEMENT OF STOCKHOLDERS EQUITY

	For the years ended as at December 31,			
	Common Stock S/.	Legal Reserve S/.	Accumulated Deficit S/.	Total S/.
Balance as at January 01, 2009	69,140,398	481,783	(13,494,602)	56,127,580
Net profit	<u>-</u>	<u>-</u>	<u>(6,464,395)</u>	<u>(6,464,395)</u>
Balance as at December 31, 2009	69,140,398	481,783	(19,958,997)	49,663,185
Net (loss) / profit	<u>-</u>	<u>-</u>	<u>(5,281,608)</u>	<u>(5,281,608)</u>
Balance as at December 31, 2010	<u>69,140,398</u>	<u>481,783</u>	<u>(25,240,605)</u>	<u>44,381,576</u>

STATEMENT OF CASH FLOWS

	For the years ended as at December 31,	
	2010 S/.	2009 S/.
OPERATING ACTIVITIES		
Collecting from customers	20,627,207	22,559,906
Other incomes	17,361	22,223
Payments to suppliers	(15,968,516)	(19,959,449)
Payments of wages and severance	(3,989,028)	(4,563,613)
Payments of taxes	(383,647)	(76,456)
Other payments	(7,904)	(6,611)
Net cash provided by operating activities	295,473	(2,024,000)
INVESTING ACTIVITIES		
Purchases of vehicles, furniture and equipments	(13,565)	(60,360)
Net cash used in investing activities	(13,565)	(60,360)
FINANCING ACTIVITIES		
Borrowing from shareholder	1,404,500	-
Net cash used in financing activities	1,404,500	-
Exchange difference, net	142,690	517,941
Net (decrease) increase in cash	1,829,098	(1,566,419)
Cash at the beginning of the year	548,229	2,114,648
Cash at the end of the year (Note 4)	2,377,327	548,229
Reconciliation of net profit to net cash used in operating activities		
Net profit	(331,685)	(405,964)
Adjustments		
Depreciation and amortization	76,687	59,442
Allowance for doubtful accounts	356,630	352,029
Allowance for write down on merchandise	479,885	101,589
Exchange difference, net	(142,690)	(517,941)
Deferred income tax and employees´ share in profit	(140,814)	(85,710)
Net changes in current assets and liabilities		
Decrease in trade receivables	305,995	2,995,013
Increase in other receivables	(192,927)	(35,808)
Decrease (increase) in inventories	286,839	(947,834)
Decrease in recoverable taxes	82,264	173,155
(Increase) decrease in prepaid expenses	(10,391)	247,131
Increase (decrease) in trade payables	637,425	(3,940,987)
Decrease in other payables	(1,111,745)	(18,115)
Net cash provided by operating activities	295,473	(2,024,000)

Amount INR

STATEMENT OF CASH FLOWS

	For the years ended as at December 31,	
	2010 S/.	2009 S/.
OPERATING ACTIVITIES		
Collecting from customers	328,458,710	359,234,172
Other incomes	276,449	353,869
Payments to suppliers	(254,275,732)	(317,825,621)
Payments of wages and severance	(63,519,554)	(72,668,997)
Payments of taxes	(6,109,029)	(1,217,452)
Other payments	(125,860)	(105,271)
Net cash provided by operating activities	4,704,984	(32,229,299)
INVESTING ACTIVITIES		
Purchases of vehicles, furniture and equipments	(216,003)	(961,146)
Net cash used in investing activities	(216,003)	(961,146)
FINANCING ACTIVITIES		
Borrowing from shareholder	22,364,650	-
Net cash used in financing activities	22,364,650	-
Exchange difference, net	2,272,134	8,247,468
Net (decrease) increase in cash	29,125,764	(24,942,978)
Cash at the beginning of the year	8,729,761	33,672,739
Cash at the end of the year (Note 4)	37,855,525	8,729,761
Reconciliation of net profit to net cash used in operating activities		
Net profit	(5,281,608)	(6,464,395)
Adjustments		
Depreciation and amortization	1,221,131	946,529
Allowance for doubtful accounts	5,678,822	5,605,557
Allowance for write down on merchandise	7,641,481	1,617,659
Exchange difference, net	(2,272,134)	(8,247,468)
Deferred income tax and employees' share in profit	(2,242,261)	(1,364,809)
Net changes in current assets and liabilities		
Decrease in trade receivables	4,872,532	47,691,290
Increase in other receivables	(3,072,086)	(570,191)
Decrease (increase) in inventories	4,567,500	(15,092,898)
Decrease in recoverable taxes	1,309,936	2,757,245
(Increase) decrease in prepaid expenses	(165,462)	3,935,207
Increase (decrease) in trade payables	10,150,080	(62,754,570)
Decrease in other payables	(17,702,946)	(288,455)
Net cash provided by operating activities	4,704,984	(32,229,299)

RANBAXY – PRP (PERU) S.A.C.
Report of Independent Accountants
and financial statements at December 31, 2010

1. NATURE OF OPERATIONS

Ranbaxy – PRP (Perú) S.A.C. (hereinafter, Company), was incorporated in Lima, Perú, on December 17, 1999 and it is wholly-owned subsidiary of Ranbaxy (Netherlands) B.V. de Holanda, (owner of 99.9999 percent of the Company's shares). Currently, the Company performs significant operations with an affiliate (Note 20).

The address of its registered office and main place of business is Av. Juan de Arona N° 765, San Isidro, Lima, Peru.

According to the deed of incorporation, the Company is authorized to perform activities such as manufacturing, preparing, packing, purchasing, selling, distributing, import, export and trading consumer healthcare products, medical instruments, hospital supplies, and animal healthcare products. Currently, the Company imports and trades several human consumer healthcare products in local markets, mainly.

Management has designed plans in order to place its business inside local market. Currently, macroeconomics and market conditions permit that Company increase its activities.

Financial statements as at December 31, 2010 and for the year then ended were authorized for issue by management on January 24, 2011, and will be presented to the Board of Directors and Stockholders for approval in the terms established according to law. In management's opinion the financial statements mentioned above will be approved with no exceptions. Financial statements for the year ended on December 31, 2009 were approved by the Stockholders on March 26th, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below:

Basis of preparation and presentation

Financial statements have been prepared, based on legal dispositions and accounting principles generally accepted in Peru. Accounting principles generally accepted comprises the international financial reporting statements (IFRS), including the international accounting statements (IAS) and current interpretations (SIC and IFRIC), issued by International Accounting Standard Board (IASB).

The Peruvian Accounting Board (Consejo Normativo de Contabilidad) is in-charged to approval to apply the international financial reporting standards (IFRS) in Peru, through resolutions.

At December 31, 2009, the Company has complied with applicable requirements contained in the standards and interpretations approved by Peruvian Accounting Board, in the preparation and presentation of financial statements.

Use of estimates

In preparing of financial statements in conformity with accounting principles generally accepted in Peru, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods; actual results could differ from those estimates. Management's estimates for allowances for doubtful accounts, allowances for write down on merchandise, the useful life of tangible assets and the realization of deferred tax assets represent particularly sensitive estimates.

Financial instruments

A financial instrument is a contract that results in a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the Company, financial instruments are primary instruments, such as: cash and banks, receivables, and payables, which are approximate the estimate fair market value. Accounting policies for recognition and valuation of these items are disclosed in this note.

Cash

Cash presented in statement of cash flows is composed by cash on hand and funds in banking accounts, and they are presented in balance sheet.

Trade receivables and allowances for doubtful accounts

Trade receivables are recognized at originally invoiced amount, and they are presented net of allowances for doubtful accounts. Sales are billing with maturities from 30 to 120 days.

Allowances for doubtful accounts are recognized in profit and loss when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of allowances is determined on specific cases based on management's judgment and applicable laws.

Inventories

Inventories comprise purchased goods and their costs are stated at the lower of cost and net realizable value. Cost is based on weighted average method except for inventories in transit, which are recorded at specific purchase cost. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Allowance for write down is made on the basis of management's analysis of inventory levels, expiration dates and prevailing market conditions, and it is recognized in profit and loss.

Vehicles, furniture and equipment, net

Vehicles, furniture and equipment are recognized at cost less accumulated depreciation.

When assets are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to profit or loss.

Depreciation is calculated on the straight-line method over the estimated useful life of the respective assets.

Vehicles	5 years
Furniture	10 years
Computer equipments	5 years
Other equipments	10 years

Expenditure for maintenance and repairs are expensed as incurred.

Impairment of long-term assets

At each balance sheet date or when there is any indication of an impairment loss, Company reviews the carrying amounts of long-term assets.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income tax and employees' share in profit

Income tax presented in statement of income represents current and deferred income tax. Employees' share in profit presented in statement of income represents current and deferred employees' share in profit.

The income tax and employees' share in profit currently payable is based on taxable net profit. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The income tax and employees' share in profit payables are calculated using tax and share in profit rates in force by the balance sheet date.

Deferred income tax and employees' share in profit are recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable net profit, and are accounted for using the balance sheet liability method. Deferred income tax and employees' share in profit assets are generally recognized to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred income tax and employees' share in profit are calculated at the rates that are expected to apply in the period when the asset is realized. Deferred income tax and employees' share in profit are charged or credited to profit or loss.

Provision for employees' severance indemnities

It is related to the total indemnity rights and has been calculated based on current enacted regulation.

Revenues

Revenues are recognized according to:

- a) Sales of goods are recognized when goods are delivered and title and risk of loss of products are transferred to the customer.
- b) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Contingencies

Contingent liabilities are disclosed in notes to financial statements.

Contingent assets are not recognized in the financial statements, but they are disclosed if necessary.

Profit per share

Profit or loss per share is calculated based on net profit or loss divided between weighted average numbers of shares at balance sheet date.

Foreign currency transactions

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing when incurred and at the end of each month they are expressed in Peruvian currency applying the exchange rate prevailing at that date (Note 3). Exchange rate differences between the date of transactions and the date of settlement or the date of the financial statements (if it they are unsettled) are charged or credited, depending on circumstances, to profit or loss.

3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the exchange rate prevailing when incurred and at the end of each month they are expressed in Peruvian currency applying the exchange rate prevailing at that date. As at December 31, 2010 exchange rates are S/. 2.808 (purchase) and S/. 2.809 (sale) per US\$ 1 (S/. 2.888 and S/. 2.891 per US\$ 1 as at December 31, 2009).

In INR exchange rate for Peruvian Soles the rates used 0.0615 and for USD the rate used are Rs. 45.7661 and for balance sheet items for Peruvian Soles, the rates used for 0.0628 and for Balance sheet items Rs. 44.71

As at December 31, 2010 and 2009, Company has the following balances in foreign currency.

	2010 US\$	2009 US\$
ASSETS		
Current assets	1,173,304	642,303
Current liabilities	<u>(4,315,098)</u>	<u>(3,544,797)</u>
Net position (liabilities)	<u>3,141,794</u>	<u>(2,902,494)</u>
	2010 INR	2009 INR
ASSETS		
Current assets	52,458,422	28,717,367
Current liabilities	<u>(192,928,032)</u>	<u>(158,487,874)</u>
Net position (liabilities)	<u>(140,469,961)</u>	<u>(129,770,507)</u>

Gains per exchange differences of S/. 142,690 [IN INR 2,320,163] (gain per exchange differences of S/. 517,941 in 2009 [IN INR 10,057,107]) were recorded in financial records. The economic indicators about Peruvian economy such as devaluation (revaluation) and inflation have been the following:

	Devaluation (Revaluation) %	Inflation %
2010	2.84	2.08
2009	(7.99)	0.25
2008	5.72	6.35

4. CASH AND BANKS

Comprises:

	2010 S/.	2009 S/.
Petty Cash	500	500
Bank accounts	1,343,111	547,729
Time deposit – Collateral	<u>1,033,716</u>	<u>-</u>
	<u>2,377,327</u>	<u>548,229</u>
	2010 IN INR	2009 IN INR
Petty Cash	7,962	7,962
Bank accounts	21,387,118	8,721,799

Time deposit – Collateral	16,460,446	-
	37,855,525	8,729,761

Funds are held at local financial institutions in both local and foreign currency, which are of free disposition and bear interest at market value.

Time deposits – collateral is a short-term bank deposit with an original maturity of one month, renewable, and bear interest at 2.125%. It is as guarantee to support commercial operations with governmental health institutions.

5. TRADE RECEIVABLES

Comprises:

	2010 S/.	2009 S/.
Invoices	8,852,621	9,085,389
Notes	840,911	914,137
	9,693,532	9,999,526
Allowances for doubtful accounts	(1,140,953)	(784,322)
	8,552,579	9,215,204

Amount INR

	2010 IN INR	2009 IN INR
Invoices	140,965,303	144,671,799
Notes	13,390,303	14,556,322
	154,355,605	159,228,121
Allowances for doubtful accounts	(18,168,041)	(12,489,204)
	136,187,564	146,738,917

Invoices are current maturity and no bearing interest. Maturity in notes is from 30 to 120 days and no bearing interests.

In management's opinion the allowances for doubtful accounts has been accounted for in amounts sufficient to cover any potential losses arising from uncollectible trade receivables. Movement for allowances for doubtful accounts is as follows:

	2010 S/.	2009 S/.
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Beginning balance	784,322	494,680
Provisions of the year	470,417	352,029
Recovery	(113,786)	(62,387)
	<u>1,140,953</u>	<u>784,322</u>

	2010 IN INR	2009 IN INR
Beginning balance	12,489,204	7,877,070
Provisions of the year	7,490,717	5,605,557
Recovery	(1,811,879)	(993,424)
	<u>18,168,041</u>	<u>12,489,204</u>

6. OTHER RECEIVABLES

Comprises:

	2010 S/.	2009 S/.
Advances received	247,101	-
Guaranty deposits	4,773	4,910
Claims to third parties	-	28,140
Others	10,837	36,734
	<u>262,711</u>	<u>69,784</u>

	2010 IN INR	2009 IN INR
Advances received	3,934,729	-
Guaranty deposits	76,003	78,185
Claims to third parties	-	448,089
Others	172,564	584,936
	<u>4,183,296</u>	<u>1,111,210</u>

7. INVENTORY

Comprises:

	2010 S/.	2009 S/.
Merchandise	2,740,037	3,952,743
Merchandise in transit	1,209,839	944,529
	3,949,876	4,897,272
Allowance for write down merchandise	(458,225)	(638,897)
	3,491,651	4,258,375

	2010 IN INR	2009 IN INR
Merchandise	43631162	62,941,768
Merchandise in transit	19,264,952	15,040,271
	62,896,115	77,982,038
Allowance for write down merchandise	(7296,576)	(10,173,519)
	55,995,538	67,808,519

Based on opinion of management, it has estimated allowances for write down merchandise, which consider is adequately and covers risks about merchandise as at December 31, 2010.

At December 31, 2010, no mortgage, guarantees or covenant has been stated on merchandise by the Company.

8. ADVANCE TAXES

Comprises:

	2010 S/.	2009 S/.
Credit tax from value added tax	609	466,520
Income Tax - Credit	330,898	-
Net assests tax	52,749	-
	384,256	466,520

	2010 IN INR	2009 IN INR
Credit tax from value added tax	9,697	7,428,662
Income Tax – Credit	5,269,076	-
Net assests tax	839,952	-
	839,952	-

6,118,726	7,428,662
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9. VEHICLES, FURNITURE AND EQUIPMENTS, NET

Comprises:

	Opening Balances S/.	Additions S/.	Disposals / Retirements S/.	Closing Balances S/.
2010				
Cost:				
Vehicles	278,353	-	(165,988)	112,365
Furniture	62,843	3,178	-	66,021
Computer equipments	195,367	7,256	(5,021)	197,602
Other equipments	103,097	3,131	-	106,228
	639,660	13,565	(171,009)	482,216
Accumulated depreciation:				
Vehicles	(227,790)	(22,473)	165,988	(84,275)
Furniture	(50,142)	(8,154)	5,021	(53,275)
Computer equipments	(139,608)	(14,503)	-	(154,111)
Other equipments	(68,140)	(8,623)	-	(76,763)
	(485,680)	(53,753)	171,009	(368,424)
Net value	153,980			113,792

	Opening Balances S/.	Additions S/.	Disposals / Retirements S/.	Closing Balances S/.
2009				
Cost:				
Vehicles	278,353	-	-	278,353
Furniture	65,110	4,218	(6,485)	62,843
Computer equipments	158,993	36,374	-	195,367
Other equipments	100,662	19,768	(17,333)	103,097
	603,118	60,360	(23,818)	639,660

	Opening Balances S/.	Additions S/.	Disposals / Retirements S/.	Closing Balances S/.
2009				
Accumulated depreciation:				
Vehicles	(201,374)	(26,416)	-	(227,790)
Furniture	(48,944)	(6,388)	5,190	(50,142)
Computer equipments	(122,343)	(17,265)	-	(139,608)
Other equipments	(60,824)	(11,684)	4,368	(68,140)

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	(433,485)	(61,753)	9,558	(485,680)
Net value	169,633			153,980

IN INR

	Opening Balances In inr	Additions In inr	Disposals / Retirements In inr	Closing Balances In inr
2010				
Cost:				
Vehicles	4,432,373	-	(2,643,121)	1,789,252
Furniture	1,000,685	50,605	-	1,051,290
Computer equipments	3,110,939	115,541	(79,952)	3,146,529
Other equipments	1,641,672	49,857	-	1,691,529
		(216,003)	(2,723,073)	(7,678,599)
	10,185,669			

Accumulated
depreciation:
Vehicles

Furniture

Computer
equipments

Other equipments

	(3,627,229)	-	(357,850)	-	2,643,121	(3,627,229)	(1,341,959)
	(798,439)	-	(129,841)	-	79,952	(798,439)	(848,328)
	(2,223,057)	-	(230,939)	-	-	(2,223,057)	(2,453,997)
	(1,085,032)	-	(137,309)	-	-	(1,085,032)	(1,222,340)
	-	-	-	-	-	-	-
	(7,733,758)	-	(855,939)	-	2,723,073	(7,733,758)	(5,866,624)

Net value

2,451,910

1,811,974

2009

Cost:

Vehicles

Furniture

Computer equipments

Other equipments

	Opening Balances IN INR	Additions IN INR	Disposals / Retirements IN INR	Closing Balances IN INR
Vehicles	4,432,373	-	-	4,432,373
Furniture	1,036,783	67,166	(103,264)	1,000,685
Computer equipments	2,531,736	579,204	-	3,110,939
Other equipments	1,602,898	314,777	(276,003)	1,641,672
	9,603,790	961,146	(379,268)	10,185,669

	Opening Balances IN INR	Additions IN INR	Disposals / Retirements IN INR	Closing Balances IN INR
2009				
Accumulated depreciation:				
Vehicles	(3,206,592)	(420,637)	-	(3,627,229)
Furniture	(779,363)	(101,720)	82,643	(798,439)
Computer equipments	(1,948,137)	(274,920)	-	(2,223,057)
Other equipments	(968,535)	(186,051)	69,554	(1,085,032)
	<u>(6,902,627)</u>	<u>(983,328)</u>	<u>152,197</u>	<u>(7,733,758)</u>
Net value	<u>2,701,162</u>			<u>2,451,911</u>

As at December 31, 2010 no fixed asset has been give in guarantee. As at December 31, 2010, no conditions exist that evidence any situation about impairment loss in vehicles, furniture and equipment.

10. TRADE PAYABLES

Comprises:

	2010 S/.	2009 S/.
Invoices		
Third parties	370,737	983,727
Related party (Note 20)	10,582,039	9,331,624
	<u>10,952,776</u>	<u>10,315,351</u>
	2010 IN INR	2009 IN INR
Invoices		
Third parties	5,903,455	15,664,443
Related party (Note 20)	168,503,806	148,592,739
	<u>174,407,261</u>	<u>164,257,182</u>

Balance to related party corresponds to billing from Ranbaxy Laboratories Limited due to imports of goods (pharmaceutical products), not bearing interest and uncollateralized.

	2010 S/.	2009 S/.
Invoices		
Third parties	5,903,455	15,664,443
Related party (Note 20)	168,503,806	148,592,739
	<u>174,407,261</u>	<u>164,257,182</u>

11. OTHER PAYABLES

Comprises:

	2010	2009
	S/.	S/.
Borrowing from shareholder	1,404,500	-
Vacations and employees´ share in profit	239,789	417,100
Taxes and social contributions	74,665	282,923
Employees´ severance indemnities	35,779	29,598
Provision for expenses	50,406	22,549
Advances provided by customers	170,190	930,404
	1,975,329	1,682,574

Amount INR

	2010	2009
	IN INR	IN INR
Borrowing from shareholder	22,364,650	-
Vacations and employees´ share in profit	3,818,296	6,641,720
Taxes and social contributions	1,188,933	4,505,143
Employees´ severance indemnities	569,729	471,306
Provision for expenses	802,643	359,061
Advances provided by customers	2,710,032	14,815,350
	31,454,283	26,792,580

12. RESPONSIBILITY

As at December 31, 2010, Company has given guarantee letters in favor of third parties for about S/. 1,194,090 [Amount INR 19,014,172] (S/. 1,917,789 in 2009 [Amount INR 30,538,041]), issued by financial institutions in order to support delivery of pharmaceutical products according to contracts signed.

13. STOCKHOLDERS EQUITY

Common stock

As at December 31, 2010 and 2009, the share capital consists of 4,129,977 ordinary shares with a par value of S/. 1 [IN INR 15.92].

Shares will be issued by S/. 212,040 [IN INR 3,376,433], tax-free, with previous approval of stockholders, correspond to accumulated adjustment of monetary correction of common stock at December 31, 2004.

As at December 31, 2010 and 2009, shareholders and share in capital are as follows:

<u>Percentage of individual Shareholding</u>	<u>Stockholders</u>	<u>% share</u>
Up to 1.00	1	0.0001
From 90.01 to 100.00	1	99.9999
	<u>2</u>	<u>100.0000</u>

In conformity with current laws, foreign investors are allowed to transfer abroad (in freely convertible foreign currency) the total amount of their common stock, dividends, and royalties. These transfers apply whenever investors have paid the related taxes.

Dividends and similar, received by non-residents are taxable of 4.1 percent.

Legal reserve

According to Companies Act, at least 10 per cent of annual net profits shall be transferred to legal reserve, up to this reserve reaches 20 percent of paid capital. This reserve can be capitalized or used to offset or reduce tax losses, in which case, this reserve shall be refunded with future profits.

14. DEFERRED INCOME TAX AND EMPLOYEES' SHARE IN PROFIT

a. Deferred income tax and employees' share in profit are composed by:

	At January 01, 2010 S/.	(Expenses) / income S/.	At December 31, 2010 S/.
Deferred asset			
Doubtful accounts	125,323	113,388	238,711
Write down on merchandise	185,315	(72,401)	112,914
Vacations	58,336	26,118	84,454
Others	-	73,709	73,709
	<u>368,974</u>	<u>140,814</u>	<u>509,788</u>

	At January 01, 2010 IN INR	(Expenses) / income IN INR	At December 31, 2010 IN INR
Deferred asset			
Doubtful accounts	1,995,589	1,805,541	3,801,131
Write down on merchandise	2,950,876	(1,152,882)	1,797,994
Vacations	928,917	415,892	1,344,809
Others	-	1,173,710	1,173,710
	<u>5,875,382</u>	<u>2,242,261</u>	<u>8,117,643</u>

b. Detail of income tax:

	2010	2009
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	S/.	S/.
Income tax – current	-	(478,588)
Income tax – deferred	109,171	66,448
	<u>109,171</u>	<u>66,448</u>
	109,171	(412,140)
		IN INR
c. Detail of income tax:	2010	2009
	IN INR	IN INR
Income tax – current	-	(7,781,919)
Income tax – deferred	1,775,138	1,080,455
	<u>1,775,138</u>	<u>1,080,455</u>
	1,775,138	(6,701,463)
d. Detail of employees´ share in profit:	2010	2009
	S/.	S/.
Employees´ share in profit – current	-	(138,722)
Employees´ share in profit – deferred	31,643	19,262
	<u>31,643</u>	<u>19,262</u>
	31,643	(119,460)
		IN INR
	2010	2009
	IN INR	IN INR
Employees´ share in profit – current	-	(2,208,949)
Employees´ share in profit – deferred	503,869	306,720
	<u>503,869</u>	<u>306,720</u>
	503,869	(1,902,229)
e. Reconciliation from net profit (financial purposes) before employees´ share in profit and income tax to net profit for tax purposes:	2010	2009
	S/.	S/.
Net profit before employees´ share in profit and income tax	(472,499)	125,636
Additions (deductions):		
Permanent differences		
Exceptional charges	52,752	715,144
Non deductible expenses	125,603	163,797
Temporary differences		
Allowances for doubtful accounts	238,242	352,029
Allowances for write down on merchandise	317,175	101,589
Provision for vacations	206,411	275,819
Less:		
Vacations paid in the period	(245,000)	-
Destruction of products	(497,847)	-

	(275,163)	1,734,014
Carried loss/ taxable profit		
Employees´ share in profit (8%)	-	(138,722)
Taxable profit for income ax	(275,163)	1,595,292
Income tax (30%)	-	478,588
	2010	2009
	IN INR	IN INR
Net profit before employees´ share in profit and income tax	(7,523,869)	2,000,573
Additions (deductions):		
Permanent differences		
Exceptional charges	840,000	11,387,643
Non deductible expenses	2,000,048	2,608,232
Temporary differences		
Allowances for doubtful accounts	3,793,662	5,605,557
Allowances for write down on merchandise	5,050,557	1,617,659
Provision for vacations	3,286,799	4,392,022
Less:		
Vacations paid in the period	(3,901,274)	-
Destruction of products	(7,927,500)	-
Carried loss/ taxable profit	(4,381,576)	27,611,688
Employees´ share in profit (8%)	-	(2,208,949)
Taxable profit for income ax	(4,381,576)	25,402,739
Income tax (30%)	-	7,620,828

15. NET SALES

Comprises:

	2010	2009
	S/.	S/.
Sales	20,021,697	19,124,614
Discounts	-	(3,440)
Provision for sales return	(57,115)	-
	19,964,582	19,121,174
		Amount INR
	2010	2009
	IN INR	IN INr

Sales	325,556,049	310,969,333
Discounts	-	(55,935)
Provision for sales return	(928,699)	-
	<u>324,627,350</u>	<u>310,913,398</u>

16. COST OF SALES

Comprises:

	2010 S/.	2009 S/.
Balance of merchandise at the beginning of year	4,897,272	3,949,438
Add (less):		
Purchase of merchandise	12,481,621	13,140,127
Write down of merchandise	(518,204)	(245,343)
Balance of merchandise at the end of year	<u>(3,949,876)</u>	<u>(4,897,272)</u>
	<u>12,910,813</u>	<u>11,946,950</u>

Amount INR

	2010 IN INR	2009 IN INR
Balance of merchandise at the beginning of year	79,630,439	64,218,504
Add (less):		
Purchase of merchandise	202,953,187	213,660,602
Write down of merchandise	(8,426,081)	(3,989,317)
Balance of merchandise at the end of year	<u>(64,225,626)</u>	<u>(79,630,439)</u>
	<u>209,931,919</u>	<u>194,259,350</u>

17. ADMINISTRATIVE EXPENSES

Comprises:

	2010 S/.	2009 S/.
Personnel expenses	1,443,422	1,358,089
Services provided from third parties	1,642,735	1,899,013
Taxes	30,857	76,456
Insurance, subscriptions and other expenses	669,201	613,140
Depreciation	48,937	59,442
Allowance for doubtful accounts	356,630	352,029
Allowance for write down on merchandise	<u>479,885</u>	<u>762,616</u>
	<u>4,671,667</u>	<u>5,120,785</u>

	2010	2009
	IN INr	IN INr
Personnel expenses	23,470,276	22,082,748
Services provided from third parties	26,711,138	30,878,260
Taxes	501,740	1,243,187
Insurance, subscriptions and other expenses	10,881,317	9,969,756
Depreciation	795,724	966,537
Allowance for doubtful accounts	5,798,862	5,724,049
Allowance for write down on merchandise	7,803,008	12,400,260
	<u>75,962,065</u>	<u>83,264,797</u>

18. SELLING EXPENSES

Comprises:

	2010	2009
	S/.	S/.
Personnel expenses	2,200,605	1,672,218
Services provided from third parties	<u>881,139</u>	<u>692,631</u>
	<u>3,081,744</u>	<u>2,365,049</u>

	2010	2009
	IN INr	IN INr
Personnel expenses	35,782,195	27,190,537
Services provided from third parties	<u>14,327,463</u>	<u>11,262,293</u>
	<u>50,109,659</u>	<u>38,456,081</u>

19. TAX SITUATION

Company is subject to Peruvian general regimen of income tax. As at December 31, 2010 and 2009, income tax rate is 30 percent and employees' share in profit is 8 percent on taxable profit.

Income tax returns and monthly sales tax returns for the years 2005 through 2010 are pending examination by Tax Administration, which has attributes to determine any tax

debt, enforce the payment thereof and impose any sanctions lapses after four years. This four-year period commences on January 1st of the year following the date of presentation of the corresponding annual tax return. Tax withholding and social security contributions on salaries for the years 2005 to 2009 are also open to inspection by Tax Administration. In the opinion of management no significant liabilities will arise as a result of any inspections by the Tax Administration.

For income tax and general sales tax purposes, transfer pricing rules must be follows for related party transactions under the same terms as non related party transactions were done. Transfer pricing rules requires that companies support properly operations (related parties). Tax Administration is empowered to use the most appropriate method (transfer pricing rules) to reflect the economic reality of operations. If assigned values differ from market values, values will be adjusted for both the buyer and the transferrer.

20. TRANSACTIONS BETWEEN RELATED PARTIES

Comprises:

	Opening Balances S/.	Additions S/.	Deductions S/.	Closing Balances S/.
2010				
Other payables				
Ranbaxy (Netherlands) B.V. - Holanda	-	1,404,500	-	1,404,500
Trade payables commercial				
Ranbaxy Laboratories Limited - India	9,331,624	11,221,256	(9,970,841)	10,582,039

	Opening Balances S/.	Additions S/.	Deductions S/.	Closing Balances S/.
2009				
Trade payables commercial				
Ranbaxy Laboratories Limited - India	13,790,393	11,950,696	(16,409,465)	9,331,624

Amount INR

	Opening Balances S/.	Additions S/.	Deductions S/.	Closing Balances S/.
2010				
Other payables				
Ranbaxy (Netherlands) B.V.	-	22,364,650	-	22,364,650

- Holanda	-		-	
Trade payables commercial				
Ranbaxy Laboratories Limited	148,592,739	178,682,420		168,503,806
- India			(158,771,354)	
	Opening Balances S/.	Additions S/.	Deductions S/.	Closing Balances S/.
2009				
Trade payables commercial				
Ranbaxy Laboratories Limited	219,592,245	190,297,707	(261,297,213)	148,592,739
- India				

21. FINANCIAL RISK MANAGEMENT

Company is exposed to variety of financial risks as result of operations. The most significant financial risks to which the Company is exposed to are described below.

Foreign currency risk – Main transactions are made in foreign currency and represent amounts of receivables and payables. Management believes that foreign exchange risk is reasonable and low.

Interest rate risk – Revenue and cash provided by operating activities are substantially independent of changes in market interest rate. Company has no significant interest bearing assets and liabilities.

Credit risk – Company's principal financial assets are bank balances, trade and other receivables. The credit risk on liquid funds is limited because the counterparties are local banks with high credit-ratings assigned by international credit-ratings agencies. Credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Company has no significant concentration of credit risk.

Liquidity risk – Company keeps appropriate amounts of cash and sources of funds to support operations.

In opinion of management, carrying amounts of assets and liabilities approximate fair values as at December 31, 2010 and 2009.

Note: Closing rate used against Indian Rupee for the year 2010 and 2009 are:

- i) In respect of items relating to Profit and Loss Account at Average Rate: 1 Peruvian Soles = 0.0615
- ii) In respect of Items relating to Balance Sheet at Closing Rate : 1 Peruvia Soles = 0.628

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