

**Ranbaxy Australia Pty Limited**

ABN 17 110 871 823

Special purpose financial report

31 December 2010

# Ranbaxy Australia Pty Limited

## Directors' report

For the year ended 31 December 2010

The directors present their report together with the financial report of Ranbaxy Australia Pty Limited (the Company) for the financial year ended 31 December 2010.

### 1 Directors

The directors of the Company at any time during or since the end of the financial year are:

| Director                 | Appointed    | Resigned     |
|--------------------------|--------------|--------------|
| Sanjeev Dani             |              |              |
| Sanjeev Mahna            |              | 7 March 2011 |
| Alexander Nickolas Evans |              |              |
| Maninder Singh           | 7 March 2011 |              |
| Rajeev Sharma            | 7 March 2011 |              |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### 2 Principal activities

The principal activity of the Company during the course of the financial year was the supply of pharmaceutical products.

There were no significant changes in the nature of the activities of the Company during the year.

### 3 Operating and financial review

The loss of the Company for the year ended 31 December 2010 was \$2,772,258 [ IN INR 117,968,426 Loss] (2009: \$3,091,162 loss [ IN INR 131,538,809 Loss]).

### 4 Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

### 5 Environmental regulation

The Company's operations are not regulated by any significant environmental regulations under either Commonwealth or State legislation.

### 6 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

### 7 Likely developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

### 8 Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer of the Company.

This report is made in accordance with a resolution of the directors:

Sd/-

Alexander Evans

Director

Dated at Sydney this 22nd day of March 2011.

## **Independent audit report to the members of Ranbaxy Australia Pty Limited**

### **Report on the financial report**

We have audited the accompanying financial report, being a special purpose financial report, of Ranbaxy Australia Pty Limited (the Company), which comprises the statement of financial position as at 31 December 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Notes 2 and 3 to the financial report is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 2 and 3 to the financial statements so as to present a true and fair view which is consistent with our understanding of the Company's financial position, and of its performance.

## **Independent audit report to the members of Ranbaxy Australia Pty Limited (continued)**

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### *Auditor's opinion*

In our opinion the financial report presents fairly, in all material respects, the financial position of Ranbaxy Australia Pty Limited as of 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Notes 2 and 3 to the financial statements.

### *Material uncertainty regarding continuation as a going concern*

Without qualifying our opinion, we draw attention to Note 2 (e) in the financial report which indicates that the Company incurred losses for the year of \$2,772,258 (In Rs.117,168,426 ) , as at 31 December 2010 the Company has a deficiency of net assets of \$5,576,550 (In Rs.254,636,986 ) and a deficiency in its working capital of \$5,601,044 (In Rs. 255,755,434 ).

The ability of the Company to continue as a going concern is dependent upon the ongoing financial support from a related entity to the level required by the Company to allow it to fulfil all obligations as and when they fall due for a period of no less than twelve months from the date of signing these financial statements. The related entity has also confirmed in writing that it will not call for repayment of outstanding balances unless the Company is able to financially make such repayments without impairing its ability to conduct its normal business operations and pay other liabilities.

### *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Ranbaxy Australia Pty Limited to meet the needs of the members. As a result, the financial report may not be suitable for another purpose.

KPMG

Sd/-  
Tracey Driver

*Partner*

Sydney

Dated at Sydney this 22nd day of March 2011.

# Ranbaxy Australia Pty Limited

## Statement of comprehensive income

For the year ended 31 December 2010

| <i>In AUD</i>                                | <i>Note</i> | <b>2010</b>        |                      | <b>2009</b>        |                      |
|--|-------------|--------------------|----------------------|--------------------|----------------------|
|  |             | <i>In AUD</i>      | <i>In Rs.</i>        | <i>In AUD</i>      | <i>In Rs.</i>        |
| Revenue                                      |             | 3,590,453          | 152,785,234          | 2,673,368          | 113,760,340          |
| Cost of sales                                |             | (2,705,766)        | (115,138,979)        | (2,637,373)        | (112,228,638)        |
| <b>Gross profit</b>                          |             | <u>884,687</u>     | <u>37,646,255</u>    | <u>35,995</u>      | <u>1,531,702</u>     |
| Other income                                 |             | -                  | -                    | 50,185             | 2,135,532            |
| Distribution expenses                        |             | (615,177)          | (26,177,745)         | (378,269)          | (16,096,553)         |
| Personnel expenses                           | 4           | (1,546,350)        | (65,802,128)         | (1,469,032)        | (62,512,000)         |
| Marketing expenses                           |             | (34,456)           | (1,466,213)          | (12,080)           | (514,043)            |
| Pharmaceutical license expenses              |             | (367,076)          | (15,620,255)         | (444,956)          | (18,934,298)         |
| Administration expenses                      |             | (484,776)          | (20,628,766)         | (410,551)          | (17,470,255)         |
| Depreciation expense                         |             | (71,623)           | (3,047,787)          | (51,619)           | (2,196,553)          |
| Legal and professional expenses              |             | (181,598)          | (7,727,574)          | (131,474)          | (5,594,638)          |
| Occupancy expenses                           |             | (100,094)          | (4,259,319)          | (116,967)          | (4,977,319)          |
| Other expense                                |             | (235,192)          | (10,008,170)         | (400,668)          | (17,049,702)         |
| <b>Results from operating activities</b>     |             | <u>(2,751,655)</u> | <u>(117,091,702)</u> | <u>(3,329,436)</u> | <u>(141,678,128)</u> |
| Finance income                               |             | 74,915             | 3,187,872            | 487,200            | 20,731,915           |
| Finance costs                                |             | (95,518)           | (4,064,596)          | (248,926)          | (10,592,596)         |
| <b>Net finance (costs)/income</b>            | 5           | <u>(20,603)</u>    | <u>(876,723)</u>     | <u>238,274</u>     | <u>10,139,319</u>    |
| <b>Loss for the year</b>                     |             | <u>(2,772,258)</u> | <u>(117,968,426)</u> | <u>(3,091,162)</u> | <u>(131,538,809)</u> |
| <b>Other comprehensive income</b>            |             | -                  | -                    | -                  | -                    |
| <b>Total comprehensive loss for the year</b> |             | <u>(2,772,258)</u> | <u>(117,968,426)</u> | <u>(3,091,162)</u> | <u>(131,538,809)</u> |

Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at Average rate rate for items relating to Profit and Loss account. 1 AUD= 0.0235

0.0235

0.0235

# Ranbaxy Australia Pty Limited

## Statement of financial position

As at 31 December 2010

In AUD

|                                      | Note | 2010               |                      | 2009               |                      |
|--------------------------------------|------|--------------------|----------------------|--------------------|----------------------|
|                                      |      | In AUD             | In Rs.               | In AUD             | In Rs.               |
| <b>Assets</b>                        |      |                    |                      |                    |                      |
| Cash and cash equivalents            |      | 1,086,767          | 49,624,064           | -                  | -                    |
| Trade and other receivables          | 6    | 734,083            | 33,519,772           | 384,936            | 17,576,986           |
| Inventories                          | 7    | 1,188,056          | 54,249,132           | 1,337,192          | 61,058,995           |
| Prepayments                          |      | 22,287             | 1,017,671            | 23,833             | 1,088,265            |
| <b>Total current assets</b>          |      | <b>3,031,193</b>   | <b>138,410,639</b>   | <b>1,745,961</b>   | <b>79,724,247</b>    |
| Property, plant and equipment        | 8    | 24,494             | 1,118,447            | 93,288             | 4,259,726            |
| <b>Total non-current assets</b>      |      | <b>24,494</b>      | <b>1,118,447</b>     | <b>93,288</b>      | <b>4,259,726</b>     |
| <b>Total assets</b>                  |      | <b>3,055,687</b>   | <b>139,529,087</b>   | <b>1,839,249</b>   | <b>83,983,973</b>    |
| <b>Liabilities</b>                   |      |                    |                      |                    |                      |
| Trade and other payables             | 9    | 4,250,860          | 194,103,196          | 3,603,243          | 164,531,644          |
| Loans and borrowings                 | 10   | 3,525,000          | 160,958,904          | 6,016,587          | 274,730,000          |
| Provisions                           |      | 831,390            | 37,963,014           | -                  | -                    |
| Employee benefits                    |      | 24,987             | 1,140,959            | 23,711             | 1,082,694            |
| <b>Total current liabilities</b>     |      | <b>8,632,237</b>   | <b>394,166,073</b>   | <b>9,643,541</b>   | <b>440,344,338</b>   |
| <b>Total non-current liabilities</b> |      | <b>-</b>           | <b>-</b>             | <b>-</b>           | <b>-</b>             |
| <b>Total liabilities</b>             |      | <b>8,632,237</b>   | <b>394,166,073</b>   | <b>9,643,541</b>   | <b>440,344,338</b>   |
| <b>Net liabilities</b>               |      | <b>(5,576,550)</b> | <b>(254,636,986)</b> | <b>(7,804,292)</b> | <b>(356,360,365)</b> |
| <b>Equity</b>                        |      |                    |                      |                    |                      |
| Share capital                        | 11   | 9,200,000          | 420,091,324          | 4,200,000          | 191,780,822          |
| Accumulated losses                   |      | (14,776,550)       | (674,728,311)        | (12,004,292)       | (548,141,187)        |
| <b>Total deficiency</b>              |      | <b>(5,576,550)</b> | <b>(254,636,986)</b> | <b>(7,804,292)</b> | <b>(356,360,365)</b> |

Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at CISOing rate for items relating to

Balance Sheet. 1 AUD= 0.0219

0.0219

0.0219

The notes on pages 6 to 15 are an integral part of these financial statements.



# Ranbaxy Australia Pty Limited

## Statement of changes in equity For the year ended 31 December 2010

| <i>In AUD</i>  | Share capital    | Contributed equity | Accumulated losses  | Total              |
|--|------------------|--------------------|---------------------|--------------------|
| Balance at 1 January 2009                                    | 4,200,000        | -                  | (8,913,130)         | (4,713,130)        |
| <b>Total comprehensive loss for the year</b>                 |                  |                    |                     |                    |
| Loss for the year  | -                | -                  | (3,091,162)         | (3,091,162)        |
| Other comprehensive income                                   | -                | -                  | -                   | -                  |
| <b>Total comprehensive loss for the year</b>                 | -                | -                  | (3,091,162)         | (3,091,162)        |
| <b>Balance at 31 December 2009</b>                           | <b>4,200,000</b> | <b>-</b>           | <b>(12,004,292)</b> | <b>(7,804,292)</b> |
| Balance at 1 January 2010                                    | 4,200,000        | -                  | (12,004,292)        | (7,804,292)        |
| <b>Total comprehensive loss for the year</b>                 |                  |                    |                     |                    |
| Loss for the year  |                  |                    | (2,772,258)         | (2,772,258)        |
| Other comprehensive income                                   | -                | -                  | -                   | -                  |
| <b>Total comprehensive loss for the year</b>                 | -                | -                  | (2,772,258)         | (2,772,258)        |
| <b>Transactions with owners, recorded directly in equity</b> |                  |                    |                     |                    |
| <i>Contributions by and distributions to owners</i>          |                  |                    |                     |                    |
| Issue of ordinary shares                                     | 5,000,000        | -                  | -                   | 5,000,000          |
| Total contributions by and distributions to owners           | 5,000,000        | -                  | -                   | 5,000,000          |
| Total transactions with owners                               | 5,000,000        | -                  | -                   | 5,000,000          |
| <b>Balance at 31 December 2010</b>                           | <b>9,200,000</b> | <b>-</b>           | <b>(14,776,550)</b> | <b>(5,576,550)</b> |

The notes on pages 6 to 15 are an integral part of these financial statements.

Ranbaxy Australia Pty Limited

Statement of changes in equity  
For the year ended 31 December 2010

Ranbaxy Australia Pty Limited

Statement of changes in equity  
For the year ended 31 December 2010

Amount in INR

| <i>In Rs.</i>   | Share capital      | Contributed equity | Accumulated losses   | Total                |
|---|--------------------|--------------------|----------------------|----------------------|
| Balance at 1 January 2009   | 191,780,822        | -                  | (406,992,237)        | (215,211,416)        |
| <b>Total comprehensive loss for the year</b>  |                    |                    |                      |                      |
| Loss for the year   | -                  | -                  | (141,148,950)        | (141,148,950)        |
| Other comprehensive income  | -                  | -                  | -                    | -                    |
| <b>Total comprehensive loss for the year</b>  | <u>-</u>           | <u>-</u>           | <u>(141,148,950)</u> | <u>(141,148,950)</u> |
| <b>Balance at 31 December 2009</b>  | <u>191,780,822</u> | <u>-</u>           | <u>(548,141,187)</u> | <u>(356,360,365)</u> |
| Balance at 1 January 2010   | <u>191,780,822</u> | <u>-</u>           | <u>(548,141,187)</u> | <u>(356,360,365)</u> |
| <b>Total comprehensive loss for the year</b>  |                    |                    |                      |                      |
| Loss for the year   |                    |                    | (126,587,123)        | (126,587,123)        |
| Other comprehensive income  | -                  | -                  | -                    | -                    |
| <b>Total comprehensive loss for the year</b>  | <u>-</u>           | <u>-</u>           | <u>(126,587,123)</u> | <u>(126,587,123)</u> |
| <b>Transactions with owners, recorded directly in equity</b>  |                    |                    |                      |                      |
| <i>Contributions by and distributions to owners</i>   |                    |                    |                      |                      |
| Issue of ordinary shares  | 228,310,502        | -                  | -                    | 228,310,502          |
| Total contributions by and distributions to owners  | <u>228,310,502</u> | <u>-</u>           | <u>-</u>             | <u>228,310,502</u>   |
| Total transactions with owners  | <u>228,310,502</u> | <u>-</u>           | <u>-</u>             | <u>228,310,502</u>   |
| <b>Balance at 31 December 2010</b>  | <u>420,091,324</u> | <u>-</u>           | <u>(674,728,311)</u> | <u>(254,636,986)</u> |
| <b>Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at CIsing rate for items relating to Balance Shhet. 1 AUD= 0.0219</b> | 0.0219             | 0.0219             | 0.0219               | 0.0219               |

The notes on pages 6 to 15 are an integral part of these financial statements.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements

For the year ended 31 December 2010

### 1 Reporting entity

Ranbaxy Australia Pty Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia.

The Company is primarily involved in the supply of pharmaceutical products.

In the opinion of the directors, the Company is a small propriety company and is not a reporting entity. The financial report of the Company has been drawn up as a special purpose financial report for distribution to the members.

### 2 Basis of preparation

#### (a) Statement of compliance

The special purpose financial report has been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB").

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

- AASB 101 Presentation of Financial Statements
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048 Interpretation and Application of Standards

The financial statements were approved by the Board of Directors on 2011.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 2 Basis of preparation (continued)

#### (e) Going concern

The Company incurred losses for the year of \$2,772,258 [ In INR 117,968,426 {2009: \$3,091,162 (In INR 131,538,809 ) }, as at 31 December 2010 the Company has a deficiency of net assets of \$5,576,550 (In INR 254,636,986) {2009: \$7,804,292 ( In INR 356,360,365) } and a deficiency in its working capital of \$5,601,044 (In Rs.255,755,434) {2009: \$7,897,580 (In Rs. 360,620,091) }.

The ability of the Company to continue as a going concern is dependent upon the ongoing financial support from a related entity to the level required by the Company to allow it to fulfil all obligations as and when they fall due for a period of no less than twelve months from the date of signing these financial statements. The reliance on the parent entity support give rise to a material uncertainty which may affect the company's ability to continue as a going concern. The related entity has confirmed in writing that it will not call for repayment of outstanding balances unless the Company is able to financially make such repayments without impairing its ability to conduct its normal business operations and pay other liabilities.

The directors therefore believe that the Company will continue to fulfil all obligations as and when they fall due for the foreseeable future, being at least twelve months from the date of signing these financial statements, and accordingly consider that the Company's financial statements should be prepared on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts, or to amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) Financial instruments

##### (i) *Non-derivative financial assets*

Financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company has the following non-derivative financial assets: trade and other receivables and cash and cash equivalents.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest method, less any impairment losses (see note 3(d)).

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 3 Significant accounting policies (continued)

#### (a) Financial instruments (continued)

##### (ii) *Non-derivative financial liabilities*

Financial liabilities are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

##### (iii) *Share capital*

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### (b) Property, plant and equipment

##### (i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

##### (ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 3 Significant accounting policies (continued)

#### (b) Property, plant and equipment (continued)

##### (iii) Depreciation (continued)

The depreciation rates used for the current and comparative periods are as follows:

- |                          |     |
|--------------------------|-----|
| • furniture and fittings | 20% |
| • office equipment       | 20% |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### (c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (d) Impairment

##### (i) Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 3 Significant accounting policies (continued)

#### (d) Impairment (continued)

##### (ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, 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.

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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

#### (e) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### (ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (f) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 3 Significant accounting policies (continued)

#### (g) Lease payments

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases, the leased assets are not recognised in the Company's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (h) Finance income and finance costs

Finance income comprises interest income on cash and cash equivalents and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and foreign exchange losses. Interest expense is recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### (i) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 3 Significant accounting policies (continued)

#### (j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (k) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Ranbaxy Australia Pty Limited

Notes to the financial statements (continued)

For the year ended 31 December 2010

**4 Personnel expenses**

*In AUD*

|   | 2010             |                   | 2009             |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | In AUD           | In Rs.            | In AUD           | In Rs.            |
| Wages and salaries                          | 1,366,558        | 58,151,404        | 1,313,284        | 55,884,426        |
| Other associated personnel expenses         | 75,093           | 3,195,447         | 51,466           | 2,190,043         |
| Contributions to defined contribution plans | 104,699          | 4,455,277         | 104,282          | 4,437,532         |
|   | <u>1,546,350</u> | <u>65,802,128</u> | <u>1,469,032</u> | <u>62,512,000</u> |

**5 Finance income and finance costs**

*In AUD*

|   | 2010            |                  | 2009           |                   |
|---|-----------------|------------------|----------------|-------------------|
|   | In AUD          | In Rs.           | In AUD         | In Rs.            |
| Interest income   | 5,915           | 251,702          | -              | -                 |
| Net foreign exchange gain                               | 69,000          | 2,936,170        | 487,200        | 20,731,915        |
| Finance income  | <u>74,915</u>   | <u>3,187,872</u> | <u>487,200</u> | <u>20,731,915</u> |
|   |                 |                  |                | -                 |
| Interest expense  | (95,518)        | (4,064,596)      | (248,926)      | 10,592,596        |
| Finance costs   | (95,518)        | (4,064,596)      | (248,926)      | 10,592,596        |
| Net finance (costs)/income recognised in profit or loss | <u>(20,603)</u> | <u>(876,723)</u> | <u>238,274</u> | <u>10,139,319</u> |

Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at Average rate rate for items relating to Profit and Loss account. 1 AUD= 0.0235

0.0235

0.0235

**6 Trade and other receivables**

*In AUD*

|                   | 2010           |                   | 2009           |                   |
|-------------------|----------------|-------------------|----------------|-------------------|
|                   | In AUD         | In Rs.            | In AUD         | In Rs.            |
| <b>Current</b>    |                |                   |                |                   |
| Trade receivables | 727,419        | 33,215,479        | 377,972        | 17,258,995        |
| Other receivables | 6,664          | 304,292           | 6,964          | 317,991           |
|                   | <u>734,083</u> | <u>33,519,772</u> | <u>384,936</u> | <u>17,576,986</u> |

**7 Inventories**

*In AUD*

|                                      | 2010             |                   | 2009             |                   |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
|                                      | In AUD           | In Rs.            | In AUD           | In Rs.            |
| Inventory                            | 2,007,614        | 91,671,872        | 2,403,433        | 109,745,799       |
| Allowance for inventory obsolescence | (819,558)        | (37,422,740)      | (1,066,241)      | (48,686,804)      |
|                                      | <u>1,188,056</u> | <u>54,249,132</u> | <u>1,337,192</u> | <u>61,058,995</u> |

**8 Property, plant and equipment**

*In AUD*

|  | 2010          |                  | 2009          |                  |
|--|---------------|------------------|---------------|------------------|
|  | In AUD        | In Rs.           | In AUD        | In Rs.           |
| Furniture and fittings at cost             | 140,979       | 6,437,397        | 140,979       | 6,437,397        |
| Less: Accumulated depreciation             | (125,067)     | (5,710,822)      | (96,871)      | (4,423,333)      |
|  | <u>15,912</u> | <u>726,575</u>   | <u>44,108</u> | <u>2,014,064</u> |
| Office equipment at cost                   | 122,915       | 5,612,557        | 120,085       | 5,483,333        |
| Less: Accumulated depreciation             | (114,333)     | (5,220,685)      | (70,905)      | (3,237,671)      |
|  | <u>8,582</u>  | <u>391,872</u>   | <u>49,180</u> | <u>2,245,662</u> |
| <b>Total property, plant and equipment</b> | <u>24,494</u> | <u>1,118,447</u> | <u>93,288</u> | <u>4,259,726</u> |

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 9 Trade and other payables

*In AUD*

|                                     | 2010             |                    | 2009             |                    |
|-------------------------------------|------------------|--------------------|------------------|--------------------|
|                                     | In AUD           | In Rs.             | In AUD           | In Rs.             |
| <b>Current</b>                      |                  |                    |                  |                    |
| Trade payables                      | 3,944,233        | 180,101,963        | 3,538,717        | 161,585,251        |
| Other payables and accrued expenses | 306,627          | 14,001,233         | 64,526           | 2,946,393          |
|                                     | <u>4,250,860</u> | <u>194,103,196</u> | <u>3,603,243</u> | <u>164,531,644</u> |

### 10 Loans and borrowings

*In AUD*

|  | 2010             |                    | 2009             |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | In AUD           | In Rs.             | In AUD           | In Rs.             |
| <b>Current</b>                           |                  |                    |                  |                    |
| Bank overdrafts used for cash management | -                | -                  | 2,991,587        | 136,602,146        |
| Intra-group loans                        | 3,525,000        | 160,958,904        | 3,025,000        | 138,127,854        |
|  | <u>3,525,000</u> | <u>160,958,904</u> | <u>6,016,587</u> | <u>274,730,000</u> |

The total overdraft facility is \$nil (2009: \$3,000,000) with \$nil unutilised at 31 December 2010 (2009: \$8,413).

### 11 Capital and reserves

#### Share capital

*In number of shares*

|                         | Ordinary shares  |                    |                  |                    |
|-------------------------|------------------|--------------------|------------------|--------------------|
|                         | 2010             |                    | 2009             |                    |
|                         | In AUD           | In Rs.             | In AUD           | In Rs.             |
| On issue at 1 January   | 4,200,000        | 191,780,822        | 4,200,000        | 191,780,822        |
| Issued for cash         | 5,000,000        | 228,310,502        | -                | -                  |
| On issue at 31 December | <u>9,200,000</u> | <u>420,091,324</u> | <u>4,200,000</u> | <u>191,780,822</u> |

**Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at Closing rate for items relating to Balance Sheet. 1 AUD= 0.0219**

0.0219

0.0219

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

# Ranbaxy Australia Pty Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2010

### 12 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| <i>In AUD</i>              | <b>2010</b>   |                  | <b>2009</b>    |                  |
|----------------------------|---------------|------------------|----------------|------------------|
|                            | In AUD        | In Rs.           | In AUD         | In Rs.           |
| Less than one year         | 54,993        | 2,511,096        | 88,408         | 4,036,895        |
| Between one and five years | -             | -                | 44,204         | 2,018,447        |
|                            | <u>54,993</u> | <u>2,511,096</u> | <u>132,612</u> | <u>6,055,342</u> |

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. During 2009, Ranbaxy Australia Limited has exercised an option to renew the lease at the end of the three-year term for an additional term of two years ending 30 June 2011.

### 13 Contingencies

Contingencies being held by the bank as a guarantee at 31 December 2010 are \$51,480 (In Rs.2,350,685 ) {2009: \$51,400(In Rs.2,347,032) } for the rental property.

### 14 Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Company's financial statements at 31 December 2010.

### 15 Auditors' remuneration

| <i>In AUD</i>              | <b>2010</b>   |                  | <b>2009</b>   |                  |
|----------------------------|---------------|------------------|---------------|------------------|
|                            | In AUD        | In Rs.           | In AUD        | In Rs.           |
| <b>Audit services</b>      |               |                  |               |                  |
| Auditor of the Company     |               |                  |               |                  |
| <i>KPMG Australia:</i>     |               |                  |               |                  |
| Audit of financial reports | <u>35,000</u> | <u>1,598,174</u> | <u>32,500</u> | <u>1,484,018</u> |

### 16 Economic dependency

Ranbaxy Australia Pty Limited is economically dependent on its ultimate parent entity, Ranbaxy Laboratories Limited, to provide funds to continue its operations.

### 17 Company details

The principal place of business is:  
Suite 402, Building D  
12-14 Talavera Road  
NORTH RYDE NSW 2113

**Conversion rate against Indian Rupee for the year 2010 and 2009 have been used at CISOING rate for items relating to Balance Sheet. 1 AUD= 0.0219**

0.0219

0.0219

# Ranbaxy Australia Pty Limited

## Directors' declaration

In the opinion of the directors of Ranbaxy Australia Pty Limited (the Company):

- (a) the Company is not a reporting entity;
- (b) the financial statements and notes, set out on pages 3 to 15, are drawn up, in accordance with the basis of accounting described in Notes 2 and 3, so as to present fairly the financial position of the Company as at 31 December 2010 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 In respect of the year ended 31 December 2010 the Company has:

- (a) kept such accounting records as correctly record and explain its transactions and financial position;
- (b) kept its accounting records so that a true and fair financial report of the Company can be prepared from time to time; and
- (c) kept its accounting records so that the financial report of the Company can be conveniently and properly audited or reviewed in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of directors.

SD/-  
Alexander Evans  
*Director*

Dated at Sydney this 22nd day of March 2011.