

Ranbaxy (Hong Kong) Limited

*Ranbaxy (Hong Kong) Limited
Year ended 31 December 2010*

Report of the directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2010.

Principal place of business

Ranbaxy (Hong Kong) Limited ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 328, Peninsula Centre, 67 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.

Principal activities

The principal activity of the company is trading of pharmaceutical products.

Financial statements

The profit of the company for the year ended 31 December 2010 and the state of the company's affairs as at that date are set out in the financial statements on pages 5 to 23.

Transfer to reserves

Profit attributable to shareholders, before dividends, of US\$305,282 (In Rs.13,649,158) [2009: US\$2,555,413(In Rs.114,252,515)] has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2010 (2009: Nil).

Fixed assets

Details of movements in fixed assets during the year are set out in note 8 to the financial statements.

Share capital

Details of the share capital of the company are set out in note 15 (a) to the financial statements. There were no movements during the year.

Directors

The directors during the financial year and up to the date of this report were:

Maninder Singh

Sanjeev Mahna

Raghavan Ganesh (appointed on 21 July 2010)

Ornesh Kumar Sethi (resigned on 21 July 2010)

There being no provision in the company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

Directors' interests

At no time during the year was the company, its holding company, subsidiary or any of its fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

No contract of significance to which the company, its holding company, subsidiary or any of its fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Sd/-

(Maninder Singh)

Hong Kong,

February 17, 2011

Independent auditor's report to the shareholders of Ranbaxy (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Ranbaxy (Hong Kong) Limited ("the company") set out on pages 5 to 23, which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial statements that give 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 statements.

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

**Independent auditor's report to the shareholders of
Ranbaxy (Hong Kong) Limited (continued)**

(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2010 and of the company's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 FEB 2011

Statement of comprehensive income for the year ended 31 December 2010

(Expressed in United States dollars)

	<i>Note</i>	2010		2009	
		USD	In Rs.	USD	In Rs.
Turnover	3	2,325,945	106,449,431	13,287,733	608,127,717
Cost of sales		(1,950,445)	(89,264,261)	<u>(10,367,452)</u>	(474,477,845)
Gross profit		375,500	17,185,171	2,920,281	133,649,872
Other revenue	4	-		59,568	2,726,195
Administrative expenses		(70,218)	(3,213,604)	(411,532)	(18,834,215)
Profit from operations		305,282	13,971,567	2,568,317	117,541,853
Finance costs	5 (a)			(6,874)	(314,596)
Profit before taxation	5	305,282	13,971,567	2,561,443	117,227,256
Income tax	6(a)				
Profit for the year		305,282	13,971,567	2,561,443	117,227,256
Other comprehensive income				(6,030)	(275,970)
Total comprehensive income for the year		305,282	13,971,567	2,555,413	116,951,287

The notes on pages 9 to 23 form part of these financial statements

Statement of financial position at 31 December 2010

(Expressed in United States dollars)

	<i>Note</i>	2010		2009	
Non-current asset		USD	In Rs.	USD	In Rs.
Investment in a subsidiary	9				
 Current assets					
Trade receivables	10	292,850	13,093,324	2,601,789	116,325,986
Amount due from a fellow subsidiary	11	-		2,626,321	117,422,812
Current tax recoverable	14(a)	-		3,229	144,369
Cash and cash equivalents	12(a)	2,842,595	127,092,422	299,426	13,387,336
		3,135,445	140,185,746	5,530,765	247,280,503
 Current liabilities					
Trade and other payables	13	177,528	7,937,277	698,561	31,232,662
Amount due to ultimate holding company	11	-		2,179,569	97,448,530
		177,528	7,937,277	2,878,130	128,681,192
Net current assets		2,957,917	132,248,469	2,652,635	118,599,311
NET ASSETS		2,957,917	132,248,469	2,652,635	118,599,311
 CAPITAL AND RESERVES					
	15				
Share capital		307,811	13,762,230	307,811	13,762,230
Reserves		2,650,106	118,486,239	2,364,824	105,731,281
TOTAL EQUITY		2,957,917	132,248,469	2,652,635	118,599,931

Approved and authorised for issue by the board of directors on February 17, 2011

Sd/-
(Maninder Singh)
Directors

Sd/-
(Raghvan Ganesh)
Directors

The notes on pages 9 to 23 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2010
(Expressed in United States dollars)

			<i>(Accumulated)</i>	USD
	<i>Share</i>	<i>Exchange</i>	<i>losses/</i>	
	<i>capital</i>	<i>reserve</i>	<i>retained</i>	<i>Total ecjuily</i>
	USD	USD	USD	USD
Balance at 1 January 2009	307,811	6,030	-216,619	97,222
Profit for the year	-		2,561,443	2,561,443
Other comprehensive income	-	-6,030	-	-6,030
Total comprehensive income		-6,030	2,561,443	2,555,413
Balance at 31 December 2009	307,811	-	2,344,824	2,652,635
Balance at 1 January 2010	307,811		2,344,824	2,652,635
Profit for the year			305,282	305,282
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	305,282	305,282
Balance at 31 December 2010	307,811	-	2,650,106	2,957,917

			(Accumulated)	In Rs.
	Share	Exchange	losses)/	
	capital	reserve	retained	Total equity
	In Rs.	In Rs.	profits	In Rs.
Balance at 1 January 2009	13,762,230	269,601	(9,685,035)	4,346,796
Profit for the year	-		114,522,117	114,522,117
Other comprehensive income	-	-269,601	-	-269,601
Total comprehensive income		-269,601	114,522,117	114,252,515
Balance at 31 December 2009	13,762,230	-	104,837,081	118,599,311
Balance at 1 January 2010	13,762,230	-	104,837,081	118,599,311
Profit for the year			13,649,158	13,649,158
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	13,649,158	13,649,158
Balance at 31 December 2010	13,762,230	-	118,486,239	132,248,469

The notes on pages 9 to 23 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2010
(Expressed in United States dollars)

	<i>Note</i>	<i>2010</i>		<i>2009</i>	
		<i>USD</i>	<i>In Rs.</i>	<i>USD</i>	<i>In Rs.</i>
Operating activities					
Cash generated from operations	12(b)	2,539,940	113,560,717	252,749	11,300,408
Tax paid:					
- Hong Kong profits tax refunded		3,229	144,369	27,154	1,214,055
Net cash generated from operating activities		2,543,169	113,705,086	279,903	12,514,463
Financing activities					
Interest paid		-		-6,874	-307,337
Net cash used in financing activities		-		-6,874	-307,337
Net increase in cash and cash equivalents		2,543,169	113,705,086	273,029	12,207,127
Cash and cash equivalents at 01 January		299,426	13,387,336	32,427	1,449,811
Effect of foreign exchange rate changes				-6,030	-269,601
Cash and cash equivalents at 31 December	12(a)	2,842,595	127,092,422	299,426	13,387,336

The notes on pages 9 to 23 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars unless otherwise stated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 20.

1 Significant accounting policies (continued)

(c) *Fixed assets*

Fixed assets are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(d)(ii)).

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Office equipment	20%-30%
--------------------	---------

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(d) *Impairment of assets*

(i) Impairment of trade and other receivables

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of reporting period to identify indications that investment in a subsidiary or fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss if the carrying amount of such an asset exceeds its recoverable amount.

I Significant accounting policies (continued)

(d) *Impairment of assets (continued)*

(ii) Impairment of other assets (continued)

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(e) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note I (d)(i)), except where the effect of discounting would be immaterial. In such case, the receivables are stated at cost less allowance for impairment of doubtful debts (see note I (d)(i)).

(f) *Trade and other payables*

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(9) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 Significant accounting policies (continued)

(It) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(i) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the group or company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

1 Significant accounting policies (continued)

(i) *Provisions and contingent liabilities (continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the company and the revenue and costs, if applicable, can be measured reliably, revenue from sales of goods is recognised in profit or loss on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is after deduction of any trade discounts.

(k) *Translation of foreign currencies*

Foreign currencies transactions during the year are translated at foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in the terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates.

(l) *Related parties*

For the purposes of these financial statements, a party is considered to be related to the company if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- (ii) the company and the party are subject to common control;

1 Significant accounting policies (continued)

(1) Related parties (continued)

- (iii) the party is an associate of the company or a joint venture in which the company is a venturer;
- (iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the group and the company. None of these amendments and interpretations have material impact on the company's financial statements.

3 Turnover

The principal activity of the company is trading in pharmaceutical products.

Turnover represents the sales value of goods supplied to customers and is after deduction of any trade discounts and rebates.

4 Other revenue

	2010		2009
	USD	In Rs.	
Penalty income	59,568	2,726,195	

S Profit before taxation

Profit before taxation is arrived at after charging:

	<i>2010</i>		<i>2009</i>	
	USD	In Rs.	USD	In Rs.
<i>(a) Finance costs</i>				
Interest expense on loan from a fellow subsidiary			6,874	307,337
<i>(b) Other items</i>				
Cost of inventories	1,950,445	89,264,261	10,367,452	474,477,845
Auditors' remuneration	20,036	916,970	18,074	827,176
Legal and professional charges	39,468	1,806,296	8,235	376,884
Net foreign exchange loss/(gain)	1,204	55,102	-8,688	(397,616)

6 Income tax in the income statement

(a) The statutory tax rate for Hong Kong Profits Tax applicable to the company is 16.5% (2009: 16.5%). No provision for Hong Kong Profits Tax has been made in the financial statements for 2010 and 2009 as the company did not earn any Hong Kong sourced income that is subject to Hong Kong Profits Tax.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	<i>2010</i>		<i>2009</i>	
	USD	In Rs.	USD	In Rs.
Profit before taxation	305,282	13,971,567	2,561,443	117,227,256
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	50,372	2,305,330	422,638	19,342,493
Tax effect of non-deductible expenses	333,409	15,258,830	1,779,667	81,448,418
Tax effect of non-taxable revenue	(383,781)	(17,564,160)	(2,202,305)	(100,790,911)

7 Directors' emoluments

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

		<i>2010</i>	<i>2009</i>
Fees	\$	Nil	Nil
Other emoluments		Nil	Nil

8 Fixed assets

	USD	<i>Office equipment Cost:</i>	In Rs.
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	8,239		368,366
Accumulated depreciation:			
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	8,239		368,366
Net book value:			
At 31 December 2009 and 2010			

9 Investment in a subsidiary (continued)

Particulars of the subsidiary at 31 December 2009 were as follows:

<i>Name of company</i>	<i>Place of establishment</i>	<i>Principal activity and place of operation</i>	<i>Particulars of registered capital</i>	<i>Interest held</i>
Ranbaxy N.A.N.V. Curacao, The Netherlands Antilles	The Netherlands	Dormant	\$30,000 (In Rs.1339,287)	100%

The subsidiary was liquidated on 17 November 2010 without any assets available for distribution to shareholders.

10 Trade receivables

	<i>2010</i>		<i>2009</i>	
	USD	In Rs.	USD	In Rs.
Trade debtors	292,850	13,093,324	2,601,789	116,325,986

All of the trade receivables are expected to be recovered within one year.

Trade debtors is current. Trade debtors are due within 60 days from the day of billing. Further details on the company's credit policy are set out in note 16(a).

Trade receivables that are not impaired

The ageing analysis of trade receivables (including trade-related balances due from a fellow subsidiary) that are neither individually nor collectively considered to be impaired are as follows:

	<i>2010</i>		<i>2009</i>	
	USD	In Rs.	USD	In Rs.
Neither past due nor impaired	292,850	13,093,324	5,228,110	233,748,798

Receivables that were neither past due nor impaired relate to a customer, Kyodo International Corporation, for whom there was no recent history of default.

The company does not hold any collateral over these balances.

11 Amounts due from/(to) a fellow subsidiary and ultimate holding company

The amount due from a fellow subsidiary and the amount due to ultimate holding company represent trade-related balances which are unsecured, interest-free and with a credit period of 75 days and 60 days respectively.

12 Cash and cash equivalents

(a) *Cash and cash equivalents comprise:*

	2010		2009	
	USD	In Rs.	USD	In Rs.
Cash and cash equivalents in the statements of financial position	2,842,595	127,092,422	299,426	13,387,336

(b) *Reconciliation of profit before taxation to cash generated from operations:*

	Note	2010		2009	
		USD	In Rs.	USD	In Rs.
Profit before taxation		305,282	13,971,567	2,561,443	117,227,256
Adjustments for:					
Finance costs	5 (a)			6,874	314,596
Changes in working capital					
Decrease/(increase) in trade receivables		2,308,939	105,671,133	-149,189	(6,827,799)
Decrease/(increase) in amount due from a fellow subsidiary		2,626,321	120,196,470	2,626,321	(120,196,470)
(Decrease)/increase in trade and other payables		-521,033	(23,845,648)	584,453	26,748,134
Decrease in amount due to ultimate holding company		<u>2,179,569</u>	(99,750,373)	<u>-124,511</u>	(5,698,383)
Cash generated from operations		2,539,940	116,243,148	252,749	11,567,336

13 Trade and other payables

	2010		2009	
	USD	In Rs.	USD	In Rs.
Creditors			495,000	22,13,450
Other payables	177,528	7,937,277	203,561	9,101,212
	177,528	7,937,277	698,561	31,232,662

All of the trade and other payables are expected to be settled within one year.

14 Income tax in the statement of financial position

(a) *Current taxation in the statements of financial position represents:*

	2010	2009
	USD	In Rs.
Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year		
Provisional Profits Tax paid	-3,229	(147,778)
Current tax recoverable	-3,229	(147,778)

(b) *Deferred tax assets not recognised*

As at 31 December 2010, the company has not recognised deferred tax assets in respect of cumulative tax losses of \$153,576 (In Rs.6,856,078) [2009: \$153,576 (In Rs.6,856,078)] as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

15 Capital and reserves

(a) *Share capital*

	Currency	2010		2009	
		\$	In Rs.	\$	In Rs.
Authorised, issued and fully paid:					
2,400,000 ordinary shares of HK\$1 each at I January and 31 December	HK\$	2,400,000	13,801,035	2,400,000	13,801,035
USD Equivalent	US\$	307,811	13,762,230	307,811	13,762,230

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

15 Capital and reserves (continued)

(b) *Capital management*

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern. As the company is part of Ranbaxy Group, the company's sources of additional capital and policies for distribution of excess capital may also be affected by Ranbaxy Group's capital management objectives.

The company defines "capital" as including all components of equity plus loan from group companies. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the company as capital.

The company's capital structure is regularly reviewed and managed with due regard to the capital management practices of Ranbaxy group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the company or Ranbaxy group, to the extent that these do not conflict with the directors' fiduciary duties towards the company or the requirements of the Hong Kong Companies Ordinance. The results of the directors' review of the company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The company is not subject to externally imposed capital requirements in either the current or prior year. The company's strategy, which was unchanged from 2009, is to maintain the capital in order to cover any net debt position.

16 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the company's business.

The company's exposure to these risks and the financial risk management policies and practices used by the company to manage these risks are described below.

(a) *Credit risk*

The company's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are current. Normally, the company does not obtain collateral from customers.

16 Financial risk management and fair values (continued)

(a) Credit risk (continued)

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the company has significant exposure to individual customers. At the end of reporting period, 100% (2009: 50%) of the total trade receivables was due from the company's largest customer.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position. The company does not provide any other guarantees which would expose the company to credit risk.

Further quantitative disclosures in respect of the company's exposure to credit risk arising from trade receivables are set out in note 10.

(b) Liquidity risk

The company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the company can be required to pay:

	USD					
	2010			2009		
	<i>Total</i>	<i>Within</i>	<i>Total</i>	<i>Contractual</i>	<i>Within</i>	<i>Within</i>
<i>Carrying</i>	<i>contractual</i>	<i>1 year or</i>	<i>Carrying</i>	<i>undiscounted</i>	<i>1 year or</i>	
<i>amount</i>	<i>undiscounted</i>	<i>on</i>	<i>Amount</i>	<i>cash flow</i>	<i>on demand</i>	
<i>amount</i>	<i>cash flow</i>	<i>demand</i>	<i>Amount</i>	<i>cash flow</i>	<i>on demand</i>	
Trade and other payables	177,528	177,528	177,528	698,561	698,561	698,561
Amount due to ultimate holding company	-	=	-	<u>2,179,569</u>	2,179,569	2,179,569
	177,528	177,528	177,528	2,878.13	2,878,130	2,878,130

	In Rs.					
	<i>2010</i>			<i>2009</i>		
	<i>Total contractual</i>		<i>Within 1 year or on demand</i>	<i>Total contractual</i>		<i>Within 1 year or on demand</i>
<i>Carrying amount</i>	<i>undiscounted cash flow</i>		<i>Carrying amount</i>	<i>undiscounted cash flow</i>		
Trade and other Payables	7,937,277	7,937,277	7,937,277	31,232,662	31,232,662	31,232,662
Amount due to ultimate holding company	-	=	-	97,448,530	97,448,530	97,448,530
	7,937,277	7,937,277	7,937,277	128,681	128,681,292	128,681,292

(c) *Interest rate risk*

The company is not exposed to significant interest rate risk.

16 Financial risk management and fair values (continued)

(d) *Currency risk*

The company is not exposed to significant currency risk as most of the transactions are denominated in its functional currency.

(e) *Fair value*

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

17 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the company entered into the following material related party transactions:

(a) *Transactions with group companies*

	<i>2010</i>		<i>2009</i>	
	USD	In Rs.	USD	In Rs.
Purchases from ultimate holding company	1,947,250	89,118,038	7,077,020	323,887,605
Sales to a fellow subsidiary	-	5,250,000	240,272,025	
Loan interest paid to a fellow subsidiary			6,874	314,596

(b) *Transactions with key management personnel*

All members of key management personnel are the directors of the company, and the remuneration for them is disclosed in note 7.

18 Immediate and ultimate controlling party

The directors consider the immediate parent and ultimate controlling party at 31 December 2010 to be Ranbaxy Laboratories Limited, which is incorporated and listed in India. This entity produces financial statements available for public use.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

The company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

20 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The principal accounting policies are set out in note 1. The company believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Impairment loss for bad and doubtful debts

The company maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The company estimates the future cash flows based on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Note: Conversion rate against Indian Rupees for the year 2010 and 2009 have been used:

- i) Items relating to Profit and Loss account at average rate : 1 USD = 45.7661
- ii) Items relating to Balance Sheet at Closing rate : 1USD = 44.7100