

**Ranbaxy South Africa
(Proprietary) Limited and its
subsidiary**

Annual Financial Statements
(Reg. No. 1993/001413/07)
for the year ended 31 December 2010.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Ranbaxy South Africa (Proprietary) Limited and its subsidiary, comprising the statements of financial position at 31 December 2010, and the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors' have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Ranbaxy South Africa (Proprietary) Limited and its subsidiary, as identified in the first paragraph, were approved by the board of directors on 21 February 2011 and signed on its behalf by:

Sd/-

Name: Saxen van Coller
Director

Sd/-

Name: Ashish Madan
Director

Independent auditor's report

To the member of Ranbaxy South Africa (Proprietary) Limited

We have audited the group annual financial statements and annual financial statements of Ranbaxy South Africa (Proprietary) Limited, which comprise the statements of financial position at 31 December 2010, and the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 4 to 35.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and the company as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Registered Auditor

Sd/-

Per LP Fourie

Chartered Accountant (SA)

Registered Auditor

Director

21 February 2011

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Directors' report

for the year ended 31 December 2010

The directors have pleasure in presenting their report for the year ended 31 December 2010.

Review of business and operations

Main business and operations

The group is engaged in import, marketing and trade of pharmaceutical goods and operates in principally South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements.

Net profit of the group was R21 201 609 INR 133,848,542(2009: R9 624 897 INR 60,763,239).

Events after reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year.

Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

Dividends

No dividends were declared or paid to the shareholders during the year.

Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality	Changes
R Chakravarti	Indian	Resigned 31/03/2010
D Raubenheimer	South African	Resigned 28/02/20 10
A Sawhney	South African	
A Madan	Indian	
OK Sethi	Indian	
A Sobti	Indian	

Secretary

The company had no secretary during the year.

Holding company

The holding company is Ranbaxy Netherlands BV incorporated in the Netherlands.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Directors' report

for the year ended 31 December 2010 (continued)

Ultimate holding company

The company's ultimate holding company is Daiichi Sankyo Co. Limited incorporated In Japan.

Auditors

KPMG Inc.

Business address

Floor 3
Outspan House
Lenchen Avenue North
Centurion

Postal address

PO Box 10458
Centurion
0046

Registered office

Floor 3
Outspan House
Lenchen Avenue North
Centurion

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Statements of financial position

at 31 December 2010

	Group			Company	Rand
	Notes	2010	2009	2010	2009
		R	R	R	R
Assets					
Non-current assets		2,579,587	4,781,672	1,642,155	1,979,707
Property, plant and equipment	2	1,187,209	1,530,893	1,132,994	1,477,240
Investment in subsidiary					
Deferred tax asset	3			342	342
	4	1,392,378	3,250,779	508,819	502,125
Current assets					
Inventories		187,748,790	164,156,069	158,399,916	164,405,262
Tax prepaid	5	90,485,325	80,389,601	62,575,964	59,505,277
Trade and other receivables	6	86,145,001	67,618,284	88,478,830	96,140,427
Cash and cash equivalents		11,118,464	13,808,011	<u>7,345,122</u>	6,419,385
Total assets		190,328,377	168,937,741	160,042,071	166,384,969
Equity and liabilities					
Equity					
Share capital	7	17,511,923	17,511,923	17,511,923	17,511,923
Retained earnings		54,736,904	33,535,295	55,242,059	38,831,195
Liabilities					
Current liabilities					
Tax payable		775,224		775,224	
Trade and other payables	8	117,304,326	117,890,523	86,512,865	110,041,851
Total equity and liabilities		190,328,377	168,937,741	160,042,071	166,384,969

		Amounts In			
		<u>INR</u>			
	Group <i>Notes</i>	2010 In Rs.	2009 In Rs.	Company 2010 In Rs.	2009 In Rs.
Assets					
Non-current assets		17,370,956	32,199,811	11,058,283	13,331,360
Property, plant and equipment	2	7,994,673	10,309,044	7,629,589	9,947,744
Investment in subsidiary				2,303	2,303
Deferred tax asset	3				
	4	9,376,283	21,890,768	3,426,391	3,381,313
Current assets					
Inventories		1,264,301,616	1,105,428,074	1,066,666,101	1,107,106,141
Tax prepaid	5	609,328,788	541,344,114	421,386,963	400,708,936
Trade and other receivables	6	580,101,017	455,341,980	595,817,037	647,410,283
Cash and cash equivalents		74,871,811	92,983,239	49,462,101	43,228,182
Total assets		1,281,672,572	1,137,627,886	1,077,724,384	1,120,437,502
Equity and liabilities					
Equity					
Share capital	7	117,925,407	117,925,407	117,925,407	117,925,407
Retained earnings		486,524,088	343,752,310	489,925,805	379,414,936
		368,598,680	225,826,902	372,000,397	261,489,529
Liabilities					
Current liabilities					
Tax payable		795,148,485	793,875,576	587,798,579	741,022,566
Trade and other payables	8	5,220,364	793,875,576	582,578,215	741,022,566
Total equity and liabilities		1,281,672,572	1,137,627,886	1,077,724,384	1,120,437,502

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Statements of comprehensive income

for the year ended 31 December 2010

	<i>Notes</i>	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Revenue		352 999 222	347 049 393	275 232 411	280 917 424
Cost of sales		<u>(250 038 385)</u>	<u>(258 473 426)</u>	<u>(194 143 827)</u>	<u>(211 166 624)</u>
Gross profit		102 960 837	88 575 967	81088 584	69 750 800
Other income		9 464 955	8 471 242	9 015 538	7 534 689
Operating expenses	10	<u>(83 565 158)</u>	<u>(84 113 444)</u>	<u>(71 862 895)</u>	<u>(70 706 816)</u>
Operating profit		28 860 634	12 933 765	18 241227	6 578 673
Finance income		<u>570 659</u>	<u>536 459</u>	<u>4 534199</u>	<u>4 849 266</u>
Profit before taxation		29 431293	13 470 224	22 775 426	11427 939
Taxation	9	<u>(8229684)</u>	<u>(3845327)</u>	<u>(6364562)</u>	<u>(3255418)</u>
Profit for the year and total comprehensive income		21201609	9 624 897	16 410 864	8 172 521
Attributable to:					
Equity holders of the parent		21201 609	9 624 897	16 410 864	8 172 521

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Statements of comprehensive income

for the year ended 31 December 2010

	Notes	Amounts in INR			
		Group		Company	
		2010 R	2009 R	2010 R	2009 R
Revenue		2,228,530,442	2,190,968,390	1,737,578,352	1,773,468,586
Cost of sales		<u>(1,578,525,158)</u>	<u>(1,631,776,679)</u>	<u>(1,225,655,473)</u>	<u>(1,333,122,626)</u>
Gross profit		650,005,284	559,191,711	511,922,879	440,345,960
Other income		59,753,504	53,480,063	56,916,275	47,567,481
Operating expenses	10	<u>(527,557,816)</u>	<u>(531,019,217)</u>	<u>(453,679,893)</u>	<u>(446,381,414)</u>
Operating profit		182,200,972	81,652,557	115,159,261	41,532,027
Finance income		<u>3,602,645</u>	<u>3,386,736</u>	<u>28,624,994</u>	<u>30,614,053</u>
Profit before taxation		185,803,617	85,039,293	143,784,255	72,146,080
Taxation	9	<u>(51,955,076)</u>	<u>(24,276,054)</u>	<u>(40,180,316)</u>	<u>(20,551,881)</u>
Profit for the year and total comprehensive income		133,848,542	60,763,239	103,603,939	51,594,198
Attributable to:					
Equity holders of the parent		133,848,542	60,763,239	103,603,939	51,594,198

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Statements of changes in equity

for the year ended 31 December 2010

Group	Share capital R	Share premium R	Total share capital R	Retained earnings R	Total R
Balance at 31 December 2008	361 917	17 150 006	17 511 923	23 910 398	41 422 321
Changes in equity					
Total comprehensive income for the year				9 624 897	9 624 897
Balance at 31 December 2009	316 917	17 150 006	17 511 923	33 535 295	51 047 218
Changes in equity					
Total comprehensive income for the year				21201609	21201609
Balance at 31 December 2010	316 917	17150 006	17 511 923	54 736 904	72 248 827
Company					
Balance at 31 December 2008	361 917	17 150 006	17511 923	30 658 674	48 170 597
Changes in equity					
Total comprehensive profit for the year				8 172 521	8 172 521
Balance at 31 December 2009	361 917	17 150 006	17511 923	38 831 195	56 343 118
Changes in equity					
Total comprehensive profit for the year			-	16410864	16410864
Balance at 31 December 2010	361917	17150 006	17 511923	55 242 059	72 753 982

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Statements of changes in equity

for the year ended 31 December 2010

Group	Share capital IN INR	Share premium IN INR	Total share capital IN INR	Retained earnings IN INR	Total IN INR
Balance at 31 December 2008	2,437,152	115,488,256	117,925,407	161,012,781	278,938,189
Changes in equity					
Total comprehensive income for the year				64,814,121	64,814,121
Balance at 31 December 2009	2,134,121	115,488,256	117,925,407	225,826,902	343,752,310
Changes in equity					
Total comprehensive income for the year				142,771,778	142,771,778
Balance at 31 December 2010	2,134,121	115,488,256	117,925,407	368,598,680	486,524,088
Company					
Balance at 31 December 2008	2,437,152	115,488,256	117,925,407	206,455,717	324,381,125
Changes in equity					
Total comprehensive profit for the year				55,033,811	55,033,811
Balance at 31 December 2009	2,437,152	115,488,256	117,925,407	261,489,529	379,414,936
Changes in equity					
Total comprehensive profit for the year			-	110,510,869	110,510,869
Balance at 31 December 2010	2,437,152	115,488,256	117,925,407	372,000,397	489,925,805

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Statements of cash flows

for the year ended 31 December 2010

		Group			Company	<u>Rand</u>
	Notes	2010	2009	2010		2009
		R	R	R		R
Cash flows from operating Activities						
Cash generated by/(used in) operations	12	325,231	11,086,586		(48,370)	(269,796)
Finance income		570,659	536,459		4,534,199	4,849,266
Tax refunded/(paid)		<u>(3,255,957)</u>	<u>1,109,164</u>		<u>(3,255,957)</u>	<u>1,109,164</u>
Net cash (outflows)/inflows						
from operating activities		(2,360,067)	12,732,209		1,229,872	5,688,634
Cash flow from investing activities						
Acquisition of property, plant and equipment		(329,740)	(1,060,335)		(304,395)	(1,051,337)
Proceeds on disposal of property, plant and equipment		260	127,202		260	127,202
Loan to group company repaid		–	–		–	<u>687,149</u>
Net cash (outflows)/inflows from investing activities		(329,480)	(933,133)		(304,135)	(236,986)
Cash movement for the year		(2,689,547)	11,799,076		925,737	5,451,648
Cash at the beginning of the year		<u>13,808,011</u>	<u>2,008,935</u>		<u>6,419,385</u>	<u>967,737</u>
Cash at end of the year		11,118,464	13,808,011		7,345,122	6,419,385

		Group		Company	
	Notes	2010 In Rs.	2009 In Rs.	2010 In Rs.	2009 In Rs.
Cash flows from operating Activities					
Cash generated by/(used in) operations	12	2,190,108	74,657,145	(325,724)	(1,816,808)
Finance income		3,842,822	3,612,519	30,533,327	32,654,990
Tax refunded/(paid)		(21,925,636)	7,469,118	(21,925,636)	7,469,118
Net cash (outflows)/inflows					
from operating activities		(15,892,707)	85,738,781	8,281,966	38,307,300
Cash flow from investing activities					
Acquisition of property, plant and equipment		(2,220,471)	(7,140,303)	(2,049,798)	(7,079,710)
Proceeds on disposal of property, plant and equipment		1,751	856,579	1,751	856,579
Loan to group company repaid		=	=	=	4,627,266
Net cash (outflows)/inflows from investing activities		(2,218,721)	(6,283,724)	(2,048,047)	(1,595,865)
Cash movement for the year		(18,111,428)	79,455,057	6,233,919	36,711,434
Cash at the beginning of the year		92,983,239	13,528,182	43,228,182	6,516,747
Cash at end of the year		74,871,811	92,983,239	49,462,101	43,228,182

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010

1. Presentation of financial statements

1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards

Board and the requirements of the South African Companies Act.

1.2 Basis of preparation

The consolidated annual financial statements and annual financial statements of the group and the company are presented in Rand, which is the group's functional currency. They are prepared on the historical cost basis except for certain financial instruments recognised at fair value as stated below.

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

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following accounting policies and notes:

e Depreciation on property, plant and equipment

e Impairment of assets

e Deferred tax assets

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

1.3 Basis for consolidation

Subsidiary

A subsidiary is an entity controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account

The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised gains or losses and income or expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Presentation of financial statements (continued)

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and other costs incurred directly in the construction of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Subsequent costs

The company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense when incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives to estimated residual values of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvements	Period of the lease
Furniture and fixtures	6 years
Motor vehicles	7 years
IT equipment	3 years

Where appropriate, and if significant, expected residual values are taken into account in determining the depreciable values of assets.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values, methods of depreciation and useful lives of assets are reassessed annually. Depreciation of an item of property, plant and equipment begins when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised.

Gains and losses on the disposal of property, plant and equipment determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment are included in the statement of comprehensive income.

1.5 Impairment of non financial assets

The carrying amount of the company's assets other than inventories and deferred tax assets are reviewed at least annually to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated.

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the statement of comprehensive income.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Presentation of financial statements (continued)

1.6 Financial assets

The company classifies its financial assets as loans and receivables:

Financial assets are recognised on transaction date when the company becomes a party to the contracts and thus obtains rights to receive economic benefits and are derecognised when these rights no longer exist.

Financial assets are stated initially on transaction date at fair value including transaction costs and are subsequently stated at amortised cost using the effective interest rate method.

An assessment is performed at each reporting date to determine whether objective evidence exists that a financial asset is impaired.

1.7 Loans to group companies

These include loans to fellow subsidiaries and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss. Loans to group companies are classified as loans and receivables.

1.8 Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently stated at amortised cost. An impairment is recognised when there is evidence that an entity will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is charged to the statement of comprehensive income.

1.9 Cash and cash equivalents

Cash and cash equivalents are stated at carrying value which is deemed to be their fair value.

1.10 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Presentation of financial statements (continued)

1.10 Impairment of financial assets (continued)

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 its estimated *future* cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in profit or loss. The allowance account in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is impossible: at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Reversal of impairment

A previously recognised impairment loss is reversed if there is an indication that the impairment loss no longer exists and the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

1.11 Inventories

The cost of inventories is based on the weighted average cost basis, 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.

Inventories are stated at the lower of cost and net realisable value taking account of market conditions and technology changes.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

1.12 Foreign currency transactions

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date. To the extent that transactions occur regularly throughout the year, they are translated at the average rate of exchange for the year since this is deemed to provide a good approximation of the actual exchange rates at which those transactions occurred. Monetary assets and liabilities are translated into the functional currency of the entity at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are recognised in the statement of profit or loss, except when they relate to cash flow hedging activities in which case these gains and losses are recognised as other comprehensive income and are included in the hedging reserve.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Presentation of financial statements (continued)

1.13 Share capital

Ordinary share capital is stated at the amount of the proceeds received less directly attributable issue cost.

1.14 Debt

Debt, which constitutes a financial liability, includes short-term debt. Debt is initially recognised at fair value, net of transaction costs incurred and is subsequently stated at amortised cost. Debt is classified as short-term unless an entity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Debt is derecognised when the obligation in the contract is discharged, cancelled or has expired. Premiums or discounts arising from the difference between the fair value of debt raised and the amount repayable at maturity date are charged to the statement of comprehensive income as finance expenses based on the effective interest rate method.

1.15 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

1.16 Provisions

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

1.17 Taxation

Tax on the profit or loss for the *year* comprises current, deferred tax and secondary tax on companies. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustments of tax payable for previous years.

Deferred tax is provided for using the liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary taxation on companies is recognised as part of the current tax charge in the statement of comprehensive income when the related dividend is declared.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Presentation of financial statements (continued)

1.18 Revenue

Goods and services

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, value added tax, trade discounts, rebates and marketing and logistics fees. Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of or continuing management involvement with the goods.

1.19 Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

1.20 Finance expenses

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

1.21 Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessee by way of penalty is recognised as an expense in the period in which the termination takes place.

1.22 Employee benefits

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration to employees is charged to the profit or loss. An accrual is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Retirement benefits

For defined contribution plans, the company pays contributions to Sanlam and Momentum on a contractual or voluntary basis. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	Cost	Accumulated	Carrying
	R	depreciation	value
2. Property, plant and equipment	R	R	R
Group			
2010			
Leasehold improvements	623 289	(543 437)	79 852
Furniture and fixtures	1 173 742	(850 363)	323 379
Motor vehicles	1040123	(538 512)	501 611
IT equipment	<u>1 883 852</u>	<u>(1 601485)</u>	<u>282 367</u>
	4 670 324	(3533797)	1187 209
2009			
Leasehold improvements	623 289	(231 793)	391 496
Furniture and fixtures	1 123 060	(727 049)	396 011
Motor vehicles	1040 123	(430 264)	609 859
IT equipment	<u>1 605 053</u>	<u>(1 471526)</u>	<u>133 527</u>
	4 391 525	(2860632)	1 530 893
Company			
2010			
Leasehold improvements	623 289	(543 437)	79 852
Furniture and fixtures	1061 813	(766 467)	295 346
Motor vehicles	1040123	(538 512)	501 611
IT equipment	<u>1832 837</u>	<u>(1576 651)</u>	<u>256186</u>
	4 549 062	(3425067)	1132 995
2009			
Leasehold improvements	623 289	(231 793)	391 496
Furniture and fixtures	1 011 131	(661 809)	349 322
Motor vehicles	1 040 123	(430 264)	609 859
IT equipment	<u>1 579 383</u>	<u>(1452820)</u>	<u>126 563</u>
	4 253 926	(2776686)	1477 240

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

in INR

	Cost IN INR	Accumulated depreciation IN INR	Carrying value IN INR
2. Property, plant and equipment			
Group			
2010			
Leasehold improvements	4,197,232	(3,659,508)	537,724
Furniture and fixtures	7,903,987	(5,726,350)	2,177,636
Motor vehicles	7,004,195	(3,626,343)	3,377,852
IT equipment	<u>12,685,872</u>	<u>(10,784,411)</u>	<u>1,901,461</u>
	31,449,993	(23,796,613)	7,994,673
2009			
Leasehold improvements	4,197,232	(1,560,896)	2,636,337
Furniture and fixtures	7,562,694	(4,895,953)	2,666,741
Motor vehicles	7,004,195	(2,897,401)	4,106,795
IT equipment	<u>10,808,438</u>	<u>(9,909,266)</u>	<u>899,172</u>
	29,572,559	(19,263,515)	10,309,044
Company			
2010			
Leasehold improvements	4,197,232	(3,659,508)	537,724
Furniture and fixtures	7,150,256	(5,161,394)	1,988,862
Motor vehicles	7,004,195	(3,626,343)	3,377,852
IT equipment	<u>12,342,337</u>	<u>(10,617,178)</u>	<u>1,725,158</u>
	30,633,414	(23,064,424)	7,629,596
2009			
Leasehold improvements	4,197,232	(1,560,896)	2,636,337
Furniture and fixtures	6,808,963	(4,456,626)	2,352,337
Motor vehicles	7,004,195	(2,897,401)	4,106,795
IT equipment	<u>10,635,576</u>	<u>(9,783,300)</u>	<u>852,276</u>
	28,645,966	(18,698,222)	9,947,744

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements for the year ended 31 December 2010 (continued)

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Group	Opening balance	Additions	Disposals	Depreciation	Total
2010	R	R	R	R	R
Leasehold improvements	391 496	-	-	(311 644)	79 852
Furniture and fixtures	396 011	50 681	-	(123 313)	323 379
Motor vehicles	609 859	-	-	(108 248)	501 611
IT equipment	<u>133 527</u>	<u>279 059</u>	<u>(260)</u>	<u>(129 959)</u>	<u>282 367</u>
	1530 893	329 740	(260)	(673164)	1187 209

Reconciliation of property, plant and equipment

2009

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Leasehold improvements	-	623 289	-	(231 793)	391 496
Furniture and fixtures	319 069	241 125	--	(164 183)	396 011
Motor vehicles	666 557	104 386	(51 255)	(109 829)	609 859
IT equipment	<u>132 080</u>	<u>91 485</u>	<u>-</u>	<u>(90038)</u>	<u>133 527</u>
	1 117 706	1 060 285	(51255)	(595 893)	1 530 893

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

in INR

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Group	Opening balance	Additions	Disposals	Depreciation	Total
2010	IN INR	IN INR	IN INR	IN INR	IN INR
Leasehold improvements	2,636,337	-	-	(2,098,613)	537,724
Furniture and fixtures	2,666,741	341,286	-	(830,391)	2,177,636
Motor vehicles	4,106,795	-	-	(728,943)	3,377,852
IT equipment	899,172	1,879,185	(1,751)	(875,145)	1,901,461
	10,309,044	2,220,471	(1,751)	(4,533,091)	7,994,673

Reconciliation of property, plant and equipment

2009

	Opening balance	Additions	Disposals	Depreciation	Total
	IN INR	IN INR	IN INR	IN INR	IN INR
Leasehold improvements	-	4,197,232	-	(1,560,896)	2,636,337
Furniture and fixtures	2,148,613	1,623,737	-	(1,105,609)	2,666,741
Motor vehicles	4,488,599	702,936	(345,152)	(739,589)	4,106,795
IT equipment	889,428	616,061	-	(606,316)	899,172
	7,526,640	7,139,966	(345,152)	(4,012,747)	10,309,044

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Company 2010	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Leasehold improvements	391496	-	-	(311644)	79 852
Furniture and fixtures	349 322	50 681	-	(104 657)	295 346
Motor vehicles	609 859	-	-	(108 248)	501611
IT equipment	<u>126 563</u>	<u>253 714</u>	<u>(260)</u>	<u>(123 831)</u>	<u>256186</u>
	1477 240	304 395	(260)	(648 380)	1132 994

Reconciliation of property, plant and equipment

2009	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Leasehold improvements	-	623 289	-	(231 793)	391 496
Furniture and fixtures	253 724	241 125	-	(145 527)	349 322
Motor vehicles	666 557	104 386	(51 255)	(109 829)	609 859
IT equipment	<u>130 154</u>	<u>82 537</u>	<u>-</u>	<u>(86 128)</u>	<u>126 563</u>
	1050 435	1 051 337	(51 255)	(573 277)	1477 240

3. Investment in subsidiary

Name of company	% Holding 2010	% Holding 2009	Carrying amount 2010	Carrying amount 2009
Sonke Pharmaceuticals (Proprietary) Limited	68.40	68.40	342	342

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

in INR

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Company	Opening balance	Additions	Disposals	Depreciation	Total
2010	IN INR	IN INR	IN INR	IN INR	IN INR
Leasehold improvements	2,636,337	-	-	(2,098,613)	537,724
Furniture and fixtures	2,352,337	341,286	-	(704,761)	1,988,862
Motor vehicles	4,106,795	-	-	(728,943)	3,377,852
IT equipment	<u>852,276</u>	<u>1,708,512</u>	<u>(1,751)</u>	<u>(833,879)</u>	<u>1,725,158</u>
	9,947,744	2,049,798	(1,751)	(4,366,195)	7,629,589

Reconciliation of property, plant and equipment

2009	Opening balance	Additions	Disposals	Depreciation	Total
	IN INR	IN INR	IN INR	IN INR	IN INR
Leasehold improvements	-	4,197,232	-	(1,560,896)	2,636,337
Furniture and fixtures	1,708,579	1,623,737	-	(979,980)	2,352,337
Motor vehicles	4,488,599	702,936	(345,152)	(739,589)	4,106,795
IT equipment	<u>876,458</u>	<u>555,805</u>	<u>-</u>	<u>(579,987)</u>	<u>852,276</u>
	7,073,636	7,079,710	(345,152)	(3,860,451)	9,947,744

3. Investment in subsidiary

Name of company	% Holding 2010	% Holding 2009	IN INR Carrying amount 2010	IN INR Carrying amount 2009
Sonke Pharmaceuticals (Proprietary) Limited	68.40	68.40	2,303	2,303

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

4.	Deferred tax asset	Group		Company	
		2010 R	2009 R	2010 R	2009 R
	Accelerated capital allowances for tax purposes	(50 930)	(50 930)	(50 930)	(50 930)
	Tax losses available for set off against furniture taxable income	775 730	2 729 819	--	-
	Provisions	667 578	571 890	559 749	553 055
		1392 378	3 250 779	508 819	502 125

Amounts In INR

4.	Deferred tax asset	Group		Company	
		2010 IN INR	2009 IN INR	2010 IN INR	2009 IN INR
	Accelerated capital allowances for tax purposes	(342,963)	(342,963)	(342,963)	(342,963)
	Tax losses available for set off against furniture taxable income	5,223,771	18,382,620	-	-
	Provisions	4,495,475	3,851,111	3,769,354	3,724,276
		9,376,283	21,890,768	3,426,391	3,381,313

Recognition of deferred tax asset

The company's subsidiary, Sonke Pharmaceuticals (Proprietary) Limited, has a calculated loss for tax purposes which resulted in the deferred tax asset for the group. The deferred tax asset for this loss has been recognised as the subsidiary has budgeted to make a profit in 2011.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
5. Inventories				
Raw materials	13 805 284	18 696 906	20131	-
Finished goods	65 386 594	51 328 415	52 711 973	50 219 880
Packaging material	106 573	-	106 573	-
Goods in transit	<u>11 186 874</u>	<u>10 364 280</u>	<u>9 737 287</u>	<u>9 285 397</u>
	90 485 325	80 389 601	62 575 964	59 505 277

Amounts IN INR

	Group		Company	
	2010 IN INR	2009 IN INR	2010 IN INR	2009 IN INR
Inventories				
Raw materials	92,964,875	125,905,091	135,562	-
Finished goods	440,313,764	345,645,892	354,962,781	338,181,010
Packaging material	717,663	-	717,663	-
Goods in transit	<u>75,332,485</u>	<u>69,793,131</u>	<u>65,570,956</u>	<u>62,527,926</u>
	609,328,788	541,344,114	421,386,963	400,708,936

6. Trade and other receivables

Trade receivables	79 280 017	59 289 325	81222 928	87 921 778
Employee costs in advance	232 381	193 027	132 381	91 269
Prepayments	5371443	3 689 746	5 370 196	3 681 194
VAT	211284	4 113 970	703 449	4 113 970
Other receivables	1049 876	332 216	1049 876	332 216
	86145 001	67 618 284	88 478 830	96 140 427

Trade and other receivables

Amounts IN INR

Trade receivables	533,872,168	399,254,714	546,955,744	592,065,845
Employee costs in advance	1,564,855	1,299,845	891,455	614,606
Prepayments	36,171,333	24,846,774	36,162,936	24,789,185
VAT	1,422,788	27,703,502	4,737,030	27,703,502
Other receivables	7,069,872	2,237,145	7,069,872	2,237,145
	580,101,017	455,341,980	595,817,037	647,410,283

The carrying value of trade receivables is considered a reasonable approximation of fair value.

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
7. Share capital				
<i>Authorised</i>				
1 004 000 Ordinary shares of R 1 each	1 004 000	1 004 000	1 004 000	1 004 000
<i>Issued</i>				
361 917 Ordinary shares of R 1 each	361 917	361 917	361 917	361 917
Share premium	<u>17 150 006</u>	<u>17 150 006</u>	<u>17 150 006</u>	<u>17 150 006</u>
	17 511 923	17 511 923	17 511 923	17 511 923

	Group		Company	
	2010	2009	2010	2009
	IN INR	IN INR	IN INR	IN INR
7. Share capital				
<i>Authorised</i>				
1 004 000 Ordinary shares of R 1 each	6,760,943	6,760,943	6,760,943	6,760,943
<i>Issued</i>				
361 917 Ordinary shares of R 1 each	2,437,152	2,437,152	2,437,152	2,437,152
Share premium	<u>115,488,256</u>	<u>115,488,256</u>	<u>115,488,256</u>	<u>115,488,256</u>
	117,925,407	117,925,407	117,925,407	117,925,407

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
8. Trade and other payables				
Trade payables	87 014 309	99 164 117	66 190 902	96 495 089
Other payables	26 535 786	14 400 032	17 031 413	9 843 373
Accrued leave pay	1 150 847	1 028 573	687 166	961 306
Accrued bonus	2 603 384	2 909 957	2 603 384	2 742 083
VAT	-	387 844	-	-
	117 304 326	117 890 523	86 512 865	110 041 851

Amounts in INR

	Group		Company	
	2010	2009	2010	2009
	IN INR	IN INR	IN INR	IN INR
Trade and other payables				
Trade payables	585,954,943	667,771,832	445,729,980	649,798,579
Other payables	178,692,162	96,969,912	114,689,650	66,285,340
Accrued leave pay	7,749,811	6,926,418	4,627,380	6,473,441
Accrued bonus	17,531,205	19,595,670	17,531,205	18,465,205
VAT	-	2,611,744	-	-
	789,928,121	793,875,576	582,578,215	741,022,566

The carrying value are considered to be reasonable approximation of fair value.

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
9. Taxation				
South African normal tax				
Current	6 371 354	3 443 541	6371354	3443541
Deferred	1 858 330	401 786	(6792)	(188123)
	8 229 684	3 845 327	6 364 562	3 255 418
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	29 431 293	13 470 224	22 775 426	11 427 939
Tax at the applicable tax rate of 28% (2009:28%)	8 240 762	3 771 663	6377119	3 199 795
<i>Tax effect of adjustments on taxable income</i>				
Donations	-	-	-	-
Legal fees	1480	73 664	-	55 623
Penalties and fine	(12 557)	-	(12 557)	-
	8 229 684	3 845 327	6 364 562	3 255 418

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	<i>Amounts in INR</i>			
	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
Taxation				
South African normal tax				
Current	40,223,194	21,739,527	40,223,194	21,739,527
Deferred	11,731,881	2,536,528	(42,879)	(1,187,645)
	51,955,076	24,276,054	40,180,316	20,551,881
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	185,803,617	85,039,293	143,784,255	72,146,080
Tax at the applicable tax rate of 28% (2009:28%)	52,025,013	23,811,004	40,259,590	20,200,726
<i>Tax effect of adjustments on taxable income</i>				
Donations	-	-	-	-
Legal fees	9,343	465,051	-	351,155
Penalties and fine	(79,274)	-	(79,274)	-
	51,955,076	24,276,054	40,180,316	20,551,881

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
10. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Auditors' remuneration				
Fees	780 481	583 312	689 801	500 812
Other services	-	8 735	-	-
	780 481	592 047	689 801	500 812
<i>Operating lease charges</i>				
Premises				
Contractual amounts	2 268 924	2 274 596	2 096 620	2 122 881
Equipment				
Contractual amounts	291 648	193 453	284 877	193 453
	2 560 572	2 468 049	2 381 497	2 316 334
Profit on disposal of property plant and equipment	-	75 947	-	75 947
Loss on exchange transactions	(449 799)	(932 357)	18 526	(2 962)
Depreciation on property, plant and equipment	673 165	595 893	648 380	573 277
Employee costs	33 957 829	40 039 499	32 243 761	37 398 207
Directors' emoluments	5 020 559	11 651 887	3 489 324	10 029 650

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
10. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Auditors' remuneration				
Fees	4,927,279	3,682,525	4,354,804	3,161,692
Other services	-	55,145	-	-
	4,927,279	3,737,670	4,354,804	3,161,692
<i>Operating lease charges</i>				
Premises				
Contractual amounts	14,324,015	14,359,823	13,236,237	13,402,027
Equipment				
Contractual amounts	1,841,212	1,221,294	1,798,466	1,221,294
	16,165,227	15,581,117	15,034,703	14,623,321
Profit on disposal of property plant and equipment	-	479,463	-	479,463
Loss on exchange transactions	(2,839,640)	(5,886,092)	116,957	(18,699)
Depreciation on property, plant and equipment	4,249,779	3,761,951	4,093,308	3,619,173
Employee costs	214,380,234	252,774,615	203,559,097	236,099,792
Directors' emoluments	31,695,448	73,559,893	22,028,561	63,318,497

11. Retirement benefits

Defined contribution plan

It is the policy of the company to provide retirement benefits to all its full-time employees. Two defined contribution provident funds, which are subject to the Pensions Fund Act exist for this purpose. The scheme is funded both by member and by company contributions which are charged to the income statement as they are incurred. The total company contribution to the scheme in the current period was R3 303 298 (2009: RI 848 399).

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

11. Retirement benefits

Defined contribution plan

It is the policy of the company to provide retirement benefits to all its full-time employees. Two defined contribution provident funds, which are subject to the Pensions Fund Act exist for this purpose. The scheme is funded both by member and by company contributions which are charged to the income statement as they are incurred. The total company contribution to the scheme in the current period was R3 303 298 INR 20,854,154 (2009: RI 848 399 INR 11,669,186).

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
12. Cash generated by/(used in) operations				
Profit before taxation	29 431 293	13 470 224	22 775 426	11 427 939
<i>Adjustments for:</i>				
Depreciation	673 163	595 893	648 380	573 277
Profit on sale of property, plant and equipment	-	(75 947)	--	(75 947)
Finance income	(570 657)	(536 459)	(4 534 199)	(484 926)
<i>Changes in working capital:</i>				
(Increase)/decrease in inventories	(10 095 724)	6 526 739	(30 706 87)	(13 084 793)
(Increase)/decrease in trade and other receivables	(18 526 717)	9 390 742	7 661 597	24 892 824
(Decrease)/increase in trade and other payables	<u>(586 127)</u>	<u>18 284 606</u>	<u>(23 528 887)</u>	<u>(19 153 830)</u>
	325 231	11 086 586	(48 370)	(269 796)

Amounts in INR

	Group		Company	
	2010 IN INR	2009 IN INR	2010 IN INR	2009 IN INR
12. Cash generated by/(used in) operations				
Profit before taxation	185,803,617	85,039,293	143,784,255	72,146,080
<i>Adjustments for:</i>				
Depreciation	4,249,766	3,761,951	4,093,308	3,619,173
Profit on sale of property, plant and equipment	-	(479,463)	-	(479,463)
Finance income	(3602,633)	(3,386,736)	(28,624,994)	(30,614,053)
<i>Changes in working capital:</i>				
(Increase)/decrease in inventories	(63,735,631)	41,204,160	(19,385,650)	(82,605,016)
(Increase)/decrease in trade and other receivables	(116,961,597)	59,284,987	48,368,668	157,151,667
(Decrease)/increase in trade and other payables	<u>(3,700,297)</u>	<u>115,433,119</u>	<u>(148,540,953)</u>	<u>(120,920,644)</u>
	2,053,226	69,991,073	(305,368)	(1,703,258)

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
13. Lease commitments				
<i>Operating leases</i>				
Minimum lease payments due				
- within one year	1913 997	1 918 588	1913 997	1 918 588
- in second to fifth year inclusive	467 499	232 930	467 499	232 930
	2381496	2 151 518	2381496	2 151 518

AMOUNTS IN INR

Lease commitments

Operating leases

Minimum lease payments due				
- within one year	12,888,869	12,919,785	12,888,869	12,919,785
- in second to fifth year inclusive	3,148,141	1,568,552	3,148,141	1,568,552
	16,037,010	14,488,337	16,037,010	14,488,337

Operating lease payments represent rentals payable by the company for certain of its office space and equipment.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

14. Related parties

Relationships

Ultimate holding company

Daiichi Sankyo Co. Limited

Holding company

Ranbaxy Netherlands BV

Subsidiary

Sonke Pharmaceuticals (Pty) Limited

Fellow subsidiaries

Be-Tabs Pharmaceuticals (Pty) Limited
Be-Tabs Investments (Pty) Limited

Directors

A Sawhney
A Madan
O Sethi
A Sobti

		2010 R	2009
Related party balances - group			
<i>Trade and other payables</i>			
Ranbaxy Laboratories Limited		(53 555 074)	(96 209 800)
	In INR	(360,640,229)	(647,877,441)
<i>Trade and other receivables</i>			
Be-Tabs Pharmaceuticals (Proprietary) Limited		2101950	5 748 250
	In INR	14,154,545	38,708,754
Related party transactions			
<i>Purchases from related parties</i>			
Ranbaxy Laboratories Limited		190 283 886	214 134 607
	In INR	1,201,287,159	1,351,859,893
<i>Management fees received from related parties</i>			
Be-Tabs Pharmaceuticals (Pty) Limited		(5015156)	(6614784)
	In INR	(31,661,338)	(41,760,000)

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

14. Related parties (continued)

		2010 R	2009 R
Related party balances - company			
<i>Trade and other payables</i>			
Ranbaxy Laboratories Limited		(53 555 074)	(96 209 800)
	In INR	(360,640,229)	(647,877,441)
<i>Trade and other receivables</i>			
Sonke Pharmaceuticals (Proprietary) Limited		25 385 571	48 277 206
	In INR	170,946,606	325,099,030
Be-Tabs Pharmaceuticals (Proprietary) Limited		2101950	5 748 250
	In INR	14,154,545	38,708,754
Related party transactions			
<i>Interest received from related parties</i>			
Sonke Pharmaceuticals (Proprietary) Limited		3 972 404	4 320 787
	In INR	25,078,308	27,277,696
<i>Purchases from/(sales to) related parties</i>			
Ranbaxy Laboratories Limited		190 283 886	214 134 607
	In INR	1,201,287,159	1,351,859,893
Sonke Pharmaceuticals (Proprietary) Limited		(44 781409)	(35 264 682)
	In INR	(282,710,915)	(222,630,568)
<i>Management fees received from related parties</i>			
Be-Tabs Pharmaceuticals (Proprietary) Limited		(5 015156)	(6614784)
	In INR	(31,661,338)	(41,760,000)

15. Financial instruments

15.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The Board of Directors is also responsible for analysing the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers, cash deposits and cash equivalents.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

• Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base, including the default risk of the industry and country in which customers operate also has an influence on credit risk.

The company has established a credit process under which each new customer is evaluated individually for creditworthiness before the company's standard payment terms and conditions are offered. Exposure limits are established for each customer, in accordance with the approval framework.

The company does not require collateral in respect of trade and other receivables, as it mainly renders services to major companies in the industries in which they operate and the exposure to credit risk is monitored on an ongoing basis.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

• Cash and cash equivalents

The company limits its exposure to credit risk by only investing in liquid investments in financial institutions with a high credit rating. Given these high credit ratings, management does not expect any counter party to fail to meet its obligations. Cash balances are all maintained with reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal conditions.

The company manages its working capital requirements stringently and ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates may cause a decrease in fair values of future cash flows of financial instruments and consequently result in a financial loss for the company.

• Currency risk

The company is exposed to currency risk on certain group creditors that are denominated in a currency other than the functional currency of the company, the South African Rand. The currencies in which these transactions primarily are denominated is the United States Dollar.

• Interest rate risk

External borrowings are generally at a rate linked to the prime bank overdraft rate.

Group company borrowings are linked to the South African prime bank overdraft rate plus 2%.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.1 Credit risk

Group

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 R	2009 R
Trade and other receivables	86145 001	59 814 568
Cash and cash equivalents	11 118 464	13 808 011
	97 263 465	73 622 579
	In INR	
	2010 R	2009 R
Trade and other receivables	580,101,017	402,791,704
Cash and cash equivalents	74,871,811	92,983,239
	654,972,828	495,774,943

The group is not exposed to and significant credit risk exposure to any one single counterparty,

Neither a provision for bad or doubtful debts has been raised in respect to a related party.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.1 Credit risk (continued)

Company

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 R	2009 R
Trade and other receivables	87 775 381	88 345 263
Cash and cash equivalents	<u>7 345 122</u>	<u>7 388 626</u>
	95 120 503	95 733 889
	In INR	
	2010 R	2009 R
Trade and other receivables	591,080,007	594,917,596
Cash and cash equivalents	<u>49,462,101</u>	<u>49,755,057</u>
	640,542,108	644,672,653

The company is exposed to significant credit risk relating to its subsidiary Sonke Pharmaceuticals (Proprietary) Limited.

Impairment losses

The ageing of trade receivables at the reporting date was:

Not past due	46,245,281	16,173,562
Past due 0 - 30 days	7,038,606	13,577,739
Past due 31 - 120 days	922,384	3,265,987
Past due 121 -- 150 days	187,503	63,153
Past due more than 151 days	889,282	2,145,196
	55,283,056	35,225,637

In INR

The ageing of trade receivables at the reporting date was:

Not past due	311,416,034	108,912,875
Past due 0 - 30 days	47,398,020	91,432,586
Past due 31 - 120 days	6,211,340	21,993,178
Past due 121 -- 150 days	1,262,646	425,273
Past due more than 151 days	5,988,431	14,445,764
	372,276,471	237,209,677

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2010 R	2009 R
Balance at beginning of period	1,351,390	378,191
Reversal of impairment losses	--	--
Impairment loss recognised in profit or loss	<u>397,861</u>	<u>973,199</u>
Balance at end of period	1,749,251	1 351,390

In INR

	2010 R	2009 R
Balance at beginning of period	9,100,269	2,546,741
Reversal of impairment losses	--	--
Impairment loss recognised in profit or loss	<u>2,679,199</u>	<u>6,553,529</u>
Balance at end of period	11,779,468	9,100,269

Neither a provision for bad or doubtful debts has been raised in respect to a related party.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities

	Carrying amount R	Contractual cash flows R	<u>Rand</u> 1 year or less R
Group 2010			
Trade and other payables	117,304,296	117,304,296	117,304,296
2009			
Trade and other payables	117,502,679	117,502,679	117,502,679
Company 2010			
Trade and other payables	63,851,974	63,851,974	63,851,974
2009			
Trade and other payables	110,041,851	110,041,851	110,041,851
			<u>Amounts In</u>
			<u>INR</u>
	Carrying amount IN INR	Contractual cash flows IN INR	1 year or less IN INR
Group 2010			
Trade and other payables	789,927,919	789,927,919	789,927,919
2009			
Trade and other payables	791,263,832	791,263,832	791,263,832
Company 2010			
Trade and other payables	429,979,623	429,979,623	429,979,623
2009			
Trade and other payables	741,022,566	741,022,566	741,022,566

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.3 Currency risk

The company's exposure to foreign currency risk was as follows based on equivalent Rand amounts:

	Rate used	Foreign currency amount	R
Group 2010			
<i>Uncovered foreign liabilities</i>			
United States Dollar			
2009			
<i>Uncovered foreign liabilities</i>			
United States Dollar	7.415	226 270	1 677 792
In INR			11,298,263
Company 2010			
<i>Uncovered foreign liabilities</i>			
United States Dollar			
2009			
<i>Uncovered foreign liabilities</i>			
United States Dollar	7.415	226 270	1 667 792
In INR			11,298,263

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.3 Currency risk (continued)

Sensitivity analysis

Group	2010 R	2009 R
A 10% strengthening of the Rand against the above currencies would have increased profits by-		167 779
In INR		1,129,825
Company		
A 10% strengthening of the Rand against the above currencies would have increased profits by-		167 779
In INR		1,129,825

A 10% weakening of the Rand against the above currencies would have decreased profits on exchange differences by the equal but opposite effect of the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

15.4 Interest rate risk

At the reporting date the interest rate profile of the company's interest bearing financial instruments was as follows :

Variable rate instruments

Group	2010 R	2009 R
Cash and cash equivalents	11 118 464	13 808 011
In INR	74,871,811	92,983,239

A change of 50 (2009: 100) basis points in interest rates would have increased/(reduced) profits by the amounts shown below based on balances at year end.

	2010		2009	
	50 by Decrease	50 by Increase	100 by Decrease	100 by Increase
Variable rate instruments - net	55 592	(55 592)	138 080	(138 080)
In INR	374,357	(374,357)	929,832	(929,832)

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.4 Interest rate risk (continued)

Company	2010 R	2009 R
Cash and cash equivalents	<u>7 345 122</u>	<u>6 419 385</u>
	7 345 122	6 419 385
In INR		
Company	2010 R	2009 R
Cash and cash equivalents	<u>49,462,101</u>	<u>43,228,182</u>
	49,462,101	43,228,182

A change of 50 (2009: 100) basis points in interest rates would have increased/(reduced) profits by the amounts shown below based on balances at year end.

	2010		2009	
	50 by Decrease	50 by Increase	100 by Decrease	100 by Increase
Variable rate instruments -				
net	36 726	(36 726)	64 194	(64 194)
In INR	247,313	(247,313)	432,283	(432,283)

15.5 Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows :

Group	2010		2009	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Trade and other receivables	80 562 274	80 562 274	59 814 568	59 814 568
Cash and cash equivalents	11 118 464	11 118 464	13 808 011	13 808 011
Trade and other payables	(117 304 296)	(117 304 296)	(117 502 679)	(117 502 679)
Company				
Trade and other receivables	88 478 830	88 478 830	88 345 263	88 345 263
Cash and cash equivalents	7 345 122	7 345 122	6 419 385	6 419 385
Trade and other payables	(86 512 866)	(86 512 866)	(110 041 851)	(110 041 851)

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

Group	Amounts in <i>INR</i>			
	2010		2009	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Trade and other receivables	542,506,896	542,506,896	402,791,704	402,791,704
Cash and cash equivalents	74,871,811	74,871,811	92,983,239	92,983,239
Trade and other payables	(789,927,919)	(789,927,919)	(791,263,832)	(791,263,832)
Company				
Trade and other receivables	595,817,037	595,817,037	594,917,596	594,917,596
Cash and cash equivalents	49,462,101	49,462,101	43,228,182	43,228,182
Trade and other payables	(582,578,222)	(582,578,222)	(741,022,566)	(741,022,566)

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

15. Financial instruments (continued)

15.6 Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair value of financial instruments reflected in the table above:

Trade and other receivables

The fair value of trade and other receivables is estimated at its carrying value as these instruments are short term in nature and thus carrying amount approximates fair value.

Trade and other payables

The fair value of trade and other payables is estimated at its carrying value as these instruments are short term in nature and thus carrying amount approximates fair value.

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

16. Judgements made by management

In preparing financial statements in conformity with International Financial Reporting Standards, estimates and assumptions that affect the reported amounts and related disclosures are as follows:

Depreciation on property, plant and equipment

The useful lives and residual values of property, plant and equipment are reassessed annually based on current utilisation, prospects and market conditions.

Impairment of assets

Property, plant and equipment is considered for impairment when conditions indicate that impairment may be necessary. These conditions include the economic conditions of the operating unit as well as the viability of the asset itself.

Deferred tax assets

Deferred tax assets have been raised at year end on computed tax losses and temporary differences based on current profit forecasts for the business.

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

17. Standards and interpretations in issue but not yet effective

Standards and interpretations adopted during the year:

During the year, the following accounting standards, interpretations and amendments to published accounting standards were adopted:

- IAS 1 - Presentation of financial statements
- IAS 7 - Statement of cash flows
- IAS 17- Leases
- IFRS 2-- Share based payments
- IFRS 5- Non-current assets held for sale and discontinued operations
- IAS 36- Impairment of assets
- IAS 39- Financial instruments hedge accounting

The newly adopted standards did not significantly impact the financial results.

Standards and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements.

Standards and interpretations	Details of amendment	Effective for annual periods beginning on or after	
IFRS 9	Financial Instruments	Introduces a new standard that forms part of a three-part project to replace <i>IAS 39: Financial instruments: Recognition and Measurement</i> .	1 January 2013
LAS 24	Related Party Disclosures	Simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.	1 January 2011
IAS 32	Financial Instruments: Presentation	Addresses the accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.	1 February 2010
IFRIC 14 IAS 19	The limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction	Addresses the amendments relating to the recognition as assets of some voluntary prepayments for minimum funding contributions.	1 January 2011

Ranbaxy South Africa (Proprietary) Limited and its subsidiary

Notes to the financial statements

for the year ended 31 December 2010 (continued)

17. Standards and interpretations in issue but not yet effective (continued)

New standards and interpretations not yet adopted (continued)

<i>Standards and interpretations</i>		<i>Details of amendment</i>	Effective for annual periods beginning on or after 1 July 2010
IFRIC 19	Extinguishing Financial Liabilities with equity Instruments	The interpretation applies to the accounting by the debtor in a debt for equity swap transaction.	
IFRS 7 amended	Financial instruments disclosure	Additional disclosure will be provided regarding transfers of financial assets that are: Not derecognised in their entirety Derecognised in their entirety but for which the company retains continuing involvement.	1 July 2011

Note: Conversion rate used against Indian Rupees for the year 2010 and 2009 are as under:

- i) Items relating to Profit and Loss Account at Average: Rate 1 South African Rand = 0.1584
- ii) Items relating to Balance Sheet at Closing rate: 1 South African rand = 0.1485