

# **Ranbaxy Egypt (L.L.C.)**

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

The sales for year 2010 is 33,254,154 EGP (In Rs. 267,316,350 and the cost of goods sold is 14,073,193EGP (In Rs. 113,128,561) in comparison with year 2009 sales of 27,546,861EGP (In Rs. 221,437,789 ) and the cost of goods sold of 10,935,720EGP (In Rs. 87,907,717 ).

The Gross profit for 2010 is 19,180,961EGP (In Rs. 154,187,789 ) in comparison with year 2009 Gross profit of 16,611,141EGP (In Rs. 133,530,072 )

The profit for 2010 is 3,685,304 EGP (In Rs. 29,624,630 ) in comparison with year 2009 profit of 3,422,823 EGP (In Rs. 27,514,654 )

The total profit of the company has reached 3,898,476 EGP (In Rs. 31,338,232) as of 31/12/2010 which represent 80.36% of the company's capital .

Sd/-  
General Manager

Sd/-  
Finance Manager

March 17, 2011

# Hazem Hassan

Public Accountants & Consultants

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Translation From Arabic

## Auditor's Report

### To the shareholders of Ranbaxy Egypt (L.L.C.)

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

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

Hazem Hassan

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

*Opinion*

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

*Report on Other Legal and Regulatory Requirements*

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

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

SD/-  
KPMG Hazem Hassan

Cairo, March 17, 2011

KPMG Hazem Hassan  
Public Accountants and Consultants

Translation from Arabic

Ranbaxy Egypt (L.L.C.)

Balance Sheet as at 31 December 2010

	<b>Note</b>	<b>31.12.2010</b>		<b>31.12.2009</b>	
	<b>No.</b>	<b><u>L.E.</u></b>	<b><u>In Rs.</u></b>	<b><u>L.E.</u></b>	<b><u>In Rs.</u></b>
<u>Long Term Assets</u>					
Fixed assets	(3-2,4)	204,533	1,574,542	221,104	1,702,109
Total long term assets		204,533	1,574,542	221,104	1,702,109
<u>Current assets</u>					
Inventories	(3-4,5)	6,591,944	50,746,297	5,081,839	39,121,162
Accounts & notes receivables	(3-5,6)	4,698,501	36,170,139	3,311,798	25,494,981
Debtors & other debit balances	(3-5,7)	1,032,522	7,948,591	398,242	3,065,758
Due from related parties	(11-1)	3,228,536	24,854,011	2,821,024	21,716,890
Cash and cash equivalents	(3-6,8)	2,012,977	15,496,359	602,931	4,641,501
Total current assets		17,564,480	135,215,396	12,215,834	94,040,293
<u>Current Liabilities</u>					
Provisions	(3-11,9)	3,774,785	29,059,161	3,857,785	29,698,114
Creditors & notes payable		515,232	3,966,374	337,379	2,597,221
Due to related parties	(I 1-2)	1,234,672	9,504,788		
Other credit balances	(3-15,10)	3,356,721	25,840,808	3,037,584	23,384,018
Total current liabilities		8,881,410	68,371,132	7,232,748	55,679,353
Working capital		8,683,070	66,844,265	4,983,086	38,360,939
Total investment		8,887,603	68,418,807	5,204,190	40,063,048
Financed by:					
<u>Shareholders' Equity</u>					
Issued and paid-up capital	(1 3)	4,851,000	37,344,111	4,851,000	37,344,111
Legal reserve	(3-16)	134,924	1,038,676	123,703	952,294
Retained earnings/ (deficit)		213,172	1,641,047	(3,198,430)	(24,622,248)

Profit of the year		3,685,304	28,370,316	3,422,823	26,349,677
Total shareholders' equity		8,884,400	68,394,149	5,199,096	40,023,834
<u>Lone Term Liabilities</u>					
Deffered tax liabilities	(3-13,19)	3,203	24,657	5,094	39,215
<b>Total finance</b>		<b>8,887,603</b>	<b>68,418,807</b>	<b>5,204,190</b>	<b>40,063,048</b>

\* The notes on pages (1) to (15) are an integral part of these financial statements and should be read therewith.

Sd/-  
Financial Manager  
March 17, 2011 Saumitra Bhat ar

Sd/-  
General Manager  
Dr. Ibrahim Shalaby

Translation from Arabic

Ranbaxy Egypt (L.L.C.)

Income Statement for the year ended 31 December 2010

	<u>Note</u>	2010		2009	
	No.	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Net sales	(3-12,15)	33,254,154	267,316,350	27,546,861	221,437,789
Cost of sales	( 1 6)	<u>(14,073,193)</u>	<u>(113,128,561)</u>	<u>(10,935,720)</u>	<u>(87,907,717)</u>
Gross profit		19,180,961	154,187,789	16,611,141	133,530,072
<u>Other Expenses</u>					
Selling & marketing expenses		8,229,146	66,150,691	6,295,681	50,608,368
General & administrative expenses		5,524,833	44,411,841	5,054,566	40,631,559
Provisions		-		193,698	1,557,058
Impairment of receivables & debtors		-		32,227	259,059
Total expenses		<u>13,753,979</u>	<u>110,562,532</u>	<u>11,576,172</u>	<u>93,056,045</u>
Operating profit		5,426,982	43,625,257	5,034,969	40,474,027
<u>Add/ (less):</u>					
<u>Other income (expenses)</u>					
Financing expenses	(3-8)				

		(1,020,810)	(8,205,868)	(829,585)	(6,668,690)
Foreign exchange differences	(3-1)	69	555	(827)	(6,648)
Capital gain from sale of fixed assets		-		3,300	26,527
Other income		246,639	1,982,629	32,061	257,725
Provision no longer required		19,527	156,969	93,242	749,534
Net profit before income tax		4,672,407	37,559,542	4,333,160	34,832,476
<u>Income tax</u>					
Income tax for the year		(988,994)	(7,950,113)	(910,546)	(7,319,502)
Deferred tax income		1,891	15,201	209	1,680
Net income tax	(3-13,20)	(987,103)	(7,934,912)	(910,337)	(7,317,822)
Net profit after income tax		3,685,304	29,624,630	3,422,823	27,514,654
Profit per quota	( 1 4)	<b>75.97</b>	<b>611</b>	<b>70.56</b>	<b>567</b>

\* The notes on pages (1) to (15) are an integral part of these financial statements and should be read therewith.

Translation from Arabic

Ranbaxy Egypt L.L.C

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

	<u>Note</u> No.	2010 <u>L.E.</u>	<u>In Rs.</u>	2009 <u>L.E.</u>	<u>In Rs.</u>
<u>Cash flows from operating activities :</u>					
Net profit for the year before income tax		4,672,407	35,969,261	4,333,160	33,357,660
Adjustments to reconcile net profit to net cash provided by operating activities:					
Depreciation		108,467	835,004	115,915	892,340
Provisions formed		-		193,698	1,491,132
Allowance for inventories		511,129	3,934,788	585,975	4,510,970
Provision no longer required		(45,113)	(347,290)	(93,242)	(717,798)
Impairment of receivables & other debit balances		-		32,227	248,091
Capital gain on disposals of fixed assets		-		(3,300)	(25,404)
Operating profit before the change in working capital		5,246,890	40,391,763	5,164,433	39,756,990
<hr/>					
Provisions used		(466,911)	(3,594,388)	(3,101,800)	(23,878,368)
(Increase) in inventory		(1,592,211)	(12,257,206)	(386,646)	(2,976,490)
(Increase) decrease in accounts and notes receivable		(1,386,703)	(10,675,158)	2,431,874	18,721,124
(Increase) in debtors & other debit balances		(634,277)	(4,882,810)	(177,794)	(1,368,699)
(Decrease) increase in notes payable & other credit balances		(669,860)	(5,156,736)	412,010	3,171,747
Change in affiliated companies		1,005,014	7,736,828	(3,931,253)	(30,263,687)
Net cash provided by operating activities		1,501,942	11,562,294	410,824	3,162,617

Cash flows from investing activities :

Proceeds from sale of fixed assets	-		181,505	1,397,267
Cash paid for purchase of fixed assets and work in progress	(91,896)	(707,436)	(5,366)	(41,309)
Net cash (used in) provided by investing activities	(91,896)	(707,436)	176,139	1,355,958
Net change in cash & cash equivalents	1,410,046	10,854,858	586,963	4,518,576
Cash & cash equivalents at beginning of the year	602,931	4,641,501	15,968	122,925
Cash & cash equivalents at end of the year	(3-6,8) <b>2,012,977</b>	<b>15,496,359</b>	<b>602,931</b>	<b>4,641,501</b>

\* The notes on pages (1) to (15) are an integral part of these financial statements and should be read therewith.

Ranbaxy Egypt (L.L.C.)

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

	Share Capital	Legal reserve	Net Profit/ (Loss) for the year	Retained Earnings (deficit)	Total
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Balance at 1/1/2009	4,851,000	123,703	(3,237,980)	39,550	1,776,273
Transfer to retained earnings			3,237,980	(3,237,980)	-
Profit of the year 2009			3,422,823		3,422,823
Balance at 31/12/2009	4,851,000	123,703	3,422,823	(3,198,430)	5,199,096
Transfer to retained earnings			(3,422,823)	(3,422,823)	-
Transfer to legal reserve		11,221	-	(11,221)	-
Profit for the year 2010			3,685,304	-	3,685,304
Balance as at 31/12/2010	4,851,000	134,924	3,685,304	213,172	8,884,400

	<u>In Rs</u>	<u>In Rs</u>	<u>In Rs</u>	<u>In Rs</u>	<u>In Rs</u>
Balance at 1/1/2009	37,344,111	952,294	(24,926,713)	304,465	13,674,157
Transfer to retained earnings			24,926,713	(24,926,713)	-
Profit of the year 2009			26,349,677	-	26,349,677
Balance at 31/12/2009	37,344,111	952,294	26,349,677	(24,622,248)	40,023,834
Transfer to retained earnings			(26,349,677)	(26,349,677)	-
Transfer to legal reserve		86,382	-	(86,382)	-
Profit for the year 2010			28,370,316	-	28,370,316
Balance as at 31/12/2010	37,344,111	1,038,676	28,370,316	1,641,047	68,394,149

\* The notes on pages (1) to (15) are an integral part of these financial statements and should be read therewith.

## **Ranbaxy Egypt (L.L.C.)**

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

### 1. General

#### 1.1 Company background

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

The company was registered in commercial register in Giza under no. 105570 in January 22, 1996, the company legal domicile in Giza - Arab Republic of Egypt.

The company is subsidiary of Ranbaxy Netherland, which is consider the major shareholder with percentage of 99.9%.

#### 1.2 Purpose of the Company

1. Manufacturing, trading, selling and distribution of all types of pharmaceutical and chemical products, and its related raw materials.
2. Construction and operation of factories for production of all types of pharmaceutical and chemical products & exporting.

#### 1.3 The Company's duration

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

#### 1.4 Company's location

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

### 2. Basis of preparation

#### 2-1 Statements of Compliance

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

These financial statements were authorized by the managers for issue on March 16, 2011.

#### 2-2 Basis of Measurements

The financial statements are prepared on the historical cost convention.

#### 2-3 Functional and presentation currency

These financial statements are presented in the Egyptian Pound.

Ranbaxy Egypt (L.L.C.)

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

*Translation from Arabic*

#### 2-4 Use of estimates and judgments

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

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

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

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

#### 3. Significant accounting policies

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

##### 3-1 Foreign Currency Translation

The company maintains its books of accounts in Egyptian Pounds. Transactions denominated in foreign currencies are recorded at the prevailing exchange

rate at the date of transaction. Balances of monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the prevailing exchange rates. The exchange differences are recorded in the income statement.

### 3-2 Fixed Assets and Depreciation

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

Ranbaxy Egypt (L.L.C.)

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

<u>Asset description</u>	<u>Years</u>
Buildings and constructions	50
Machinery and equipment	5
Tools and furniture	10
Office equipment	3-10
Leasehold Improvements	Lower of estimated useful life or actual rent period

### 3-3- Work in progress

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

### 3-4 Inventories

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

Inventories of raw and packing materials using weighted average method.

At the beginning of year 2010, the company's management has changed the

Inventory Valuation Method using weighted average method instead of FIFO

method to be consistent with accounting policies of the Mother Company.

The difference resulted from change of accounting policy amounted to L.E.

4 998

and as the difference immaterial, the comparative figures has not been restated.

Inventories of finished products at lower of manufacturing cost or net realizable value.

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

3-5 Accounts receivable and other debit balances

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

3-6 Cash and cash equivalents

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

### 3-7 Impairment of Assets

#### *A- Financial assets*

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

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

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

#### *B- Non-financial assets*

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

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

in the profit and loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Ranbaxy Egypt (L.L.C.)

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

3-8 Borrowing cost

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

3-9 Employees' retirements benefits

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

3-10 Cash dividends

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

3-11 Provisions

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

3-12 Revenue recognition

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

3-13 Income tax

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

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

Deferred tax is provided using the balance sheet liability method,

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

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

3-14 Loans and borrowings

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

3-15 Other credit balances

Creditors and other credit balances are stated at cost.

3-16 Legal Reserves

As per the Company's statutes, 5% of the annual net profit is set aside to form a legal reserve; the transfer to such reserve ceases once it reaches 20% of the Company's issued share capital.. If the reserve falls below 20%, the Company should resume setting aside 5% of its annual net profit. The reserve can be utilized in covering losses or increasing the Company's share capital.

3-17 Expense recognition

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

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

These expenses serve both companies according to preset agreements.

3-18 Statement of cash flow

Cash flow statement is prepared according to the indirect method.

4. Fixed assets

	Buildings & Construction	Machinery & Equipment	Tools & Furniture	Office Equipment	Leasehold Improvement s	Total
	<b><u>L.E.</u></b>	<b><u>L.E.</u></b>	<b><u>L.E.</u></b>	<b><u>L.E.</u></b>	<b><u>L.E.</u></b>	<b><u>L.E.</u></b>
<u>Cost</u>	-					
At 1/1/2010	-	252,327	116,157	581,933	100,343	1,060,760
Additions	-	-	-	91,896	-	91,896
At 31/12/2010	-	252,327	126,157	673,829	100,343	1,152,656
<u>Accumulated Depreciation</u>						
At 1/1/2010	-	252,327	65,396	458,824	63,109	839,656
Depreciation for the year	-	12,616	70,167	25,684	108,467	
At 31/12/2010	-	252,327	78,012	528,991	88,793	948,123
<u>N.B.V.</u>						
At 31/12/2010	-	-	48,145	144,838	11,550	204,533
At 31/12/2009	-	-	60,761	123,109	37,234	221,104
	<b><u>In Rs.</u></b>	<b><u>In Rs.</u></b>	<b><u>In Rs.</u></b>	<b><u>In Rs.</u></b>	<b><u>In Rs.</u></b>	<b><u>In Rs.</u></b>
<u>Cost</u>	-					
At 1/1/2010	-	1,942,471	894,203	4,479,854	772,463	8,165,974
Additions	-	-	-	707,436	-	707,436
At 31/12/2010	-	1,942,471	971,186	5,187,290	772,463	8,873,410
<u>Accumulated Depreciation</u>						
At 1/1/2010	-	1,942,471	503,433	3,532,132	485,828	6,463,865
Depreciation for the year	-	97,121	540,162	197,721	835,004	

At 31/12/2010 <u>N.B.V.</u>	-	1,942,471	600,554	4,072,294	683,549	7,298,868
At 31/12/2010	-	-	370,631	1,114,996	88,915	1,574,542
At 31/12/2009	-	-	467,752	947,721	286,636	1,702,109

Ranbaxy Egypt (L.L.C.)

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

5. Inventories

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>.E.</u>	<u>In Rs.</u>
Raw and packing materials	2,018,935	15,542,225	2,516,393	19,371,771
Goods in transit	724,722	5,579,076	41,633	320,500
Finished products	3,838,315	29,548,229	2,420,528	18,633,780
Work in process	140,464	1,081,324	271,361	2,088,999
Expired inventory	426,399	3,282,517	306,710	2,361,124
	<u>7,148,835</u>	<u>55,033,372</u>	<u>5,556,625</u>	<u>42,776,174</u>
Less:				
Allowance for slow moving inventory	(130,492)	(1,004,557)	(168,076)	(1,293,888)
Allowance for expired inventory	(426,399)	(3,282,517)	(306,710)	(2,361,124)
	<u>6,591,944</u>	<u>50,746,297</u>	<u>5,081,839</u>	<u>39,121,162</u>

6. Accounts & notes receivable

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Accounts receivables	3,612,713	27,811,493	2,895,990	22,293,995
Notes receivable	1,085,788	8,358,645	415,808	3,200,985
	<u>4,698,501</u>	<u>36,170,139</u>	<u>3,311,798</u>	<u>25,494,981</u>
Less:				
Impairment	<u>4,698,501</u>	<u>36,170,139</u>	<u>3,311,798</u>	<u>25,494,981</u>

7. Debtors & other debit balances

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Imprest and advances	267,123	2,056,374	258,704	1,991,563
Prepaid expenses	40,044	308,268	53,455	411,509
Advances to suppliers	761,522	5,862,371	48,458	373,041
Other debit balances	134,672	1,036,736	133,792	1,029,962
Refundable deposits	14,400	110,855	14,400	110,855
Tax authority - withholding taxes	<u>175,498</u>	1,351,024	<u>250,170</u>	1,925,866
	<u>1,393,259</u>	<u>10,725,627</u>	<u>758,979</u>	<u>5,842,794</u>
Less				
Impairment	<u>(360,737)</u>	(2,777,036)	<u>(360,737)</u>	(2,777,036)
	<u>1,032,522</u>	<u>7,948,591</u>	<u>398,242</u>	<u>3,065,758</u>

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

8. Cash and cash equivalents

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Cash on hand	3,252	25,035	3,902	30,038
Cash at banks	<u>2,009,725</u>	15,471,324	<u>599,029</u>	4,611,463
	<u>2,012,977</u>	15,496,359	602,931	4,641,501

9. Provisions

Balance at 01.01.2010	Formed during the year	Used during the Year	Provisions no longer required	Balance at 31.12.2010
<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
3857785	-	-63473	-19527	3774785
<u>3857785</u>	=	<u>-63473</u>	<u>-19527</u>	<u>3774785</u>

<u>In Rs.</u>	<u>In Rs.</u>	<u>In Rs.</u>	<u>In Rs.</u>	<u>In Rs.</u>
29,698,114	-	(488,629)	(150,323)	29,059,161
29,698,114	=	(488,629)	<u>(150,323)</u>	<u>29,059,161</u>

10. Other credit balances

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Accrued expenses	1,879,522	14,468,992	1,734,010	13,348,807
Tax authority - salaries tax	85,237	656,174	72,729	559,885
Tax authority - withholding tax	26,242	202,017	15,627	120,300
Tax authority - sales tax	182,743	1,406,798	135,343	1,041,901
Other credit balances	14,415	110,970	17,531	134,958
Social insurance	44,748	344,480	42,207	324,919
Medical stamp	134,820	1,037,875	109,591	843,657
Income tax payable	988,994	7,613,503	910,546	7,009,592
	<u>3,356,721</u>	<u>25,840,808</u>	<u>3,037,584</u>	<u>23,384,018</u>

11. Related parties

11-1 Dune from related parties

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Rexcel Egypt	1036824	7,981,709	1169649	9,004,226
* Rexcel Egypt - loan	<u>2191712</u>	<u>16,872,302</u>	<u>1651375</u>	<u>12,712,664</u>
	<u>3228536</u>	<u>24,854,011</u>	<u>2821024</u>	<u>21,716,890</u>

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

11-2 Due to related parties

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Rexcel Egypt	<u>1234673</u>	9,504,796	=	=
	1234673	9,504,796	-	-

\* This amount represent two loan granted to Rexcel Egypt, the first one with an amount of L.E. 1 650 00 (In Rs. 98,802,395 ) as per the contract dated December 28, 2009, with an annual fixed interest rate of 10%, which will be settled within two years and another loan

amounting to L.E. 523 000 (In Rs. 31,317,365 ) as per the contract dated June 2010, with an annual

fixed interest rate of 10% which will be settled within two years.

12. Related parties transaction

	Transaction value during			
	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Ranbaxy India (purchase of raw materials by Rexcel Egypt)	5,050,264	40,596,977	3,782,332	30,404,598
Rexcel Egypt (commission for importing raw and packing materials)	185,173	1,488,529	51,949	417,596
Rexcel Egypt - (loan)	2,173,000	17,467,846	1,650,000	13,263,666
Rexcel Egypt (expenses paid on behalf of the company)	1,337,563	10,752,114	1,712,963	13,263,666
Rexcel Egypt (Purchase by Rexcel Egypt)	1,962,823	15,778,320	-	-
Rexcel Egypt (Loan interest)	195,040	1,567,846	1,375	11,053

13. Capital

a. Authorized capital of the company is L.E. 4.851(In Rs. 37,344) million.

b. Issued and paid up capital of the company is amounted to L.E. 4.851 (In Rs. 37,344) million represented in 48 510 quotas at par value L.E. 100 each.

14. Profit/(loss) per quota

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Net profit for the year (L.E.)	3,685,476	29,626,013	3,422,823	27,514,654
Average number of quotas	48510	48510	48510	48510
Profit per quota (L.E.)	75.97	611	70.56	567

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

15. Net sales

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Sales	47795445	384,207,757	40279216	323,787,910
Less: allowable discounts	-14541291	(116,891,407)	-12732355	(102,350,121)
	33254154	267,316,350	27546861	221,437,789

16. Cost of sales

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Cost of goods sold	13,518,302	108,668,023	10,230,044	82,235,080
Inventory write off	109	876	52,335	420,699
Expired & slow moving inventory	536,332	4,311,350	633,130	5,089,469
Product registration charges	18,450	148,312	20,147	161,953
Operating depreciation	-	-	64	514
	14,073,193	113,128,561	10,935,720	87,907,717

17. Contingent liabilities

In addition to amounts which have been taken in the balance sheet, there are no contingent liabilities against the company as of 31/12/2010.

18. Taxes

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

18.1 Corporate taxes

From start of operation till - 2000

The company's books were inspected from start of operation till year 2000, where full settlement took place.

Years 2001 - 2002

The company received (Form No. 19) and the company appealed against it, and no claims were received for this period till now.

Years 2003 - 2004

The Tax Authority inspected the company's books, and the file was transmitted to conflict resolving Committee, and the situation is still under consideration with the Committee.

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

Years 2005-2009

The tax authority didn't inspect the company's books and no claims were received for these years.

18-2 Salaries Tax

From start of operation - till 2004

- The tax authority has inspected the company's books till 2004 where full settlement took place.

Years 2005 - 2009

The tax authority didn't inspect the company's books and no claims were received for these years.

18-3 Sales Tax

From start of operation till 2007

- The company's books were inspected and full settlement took place.

Years from 2008 - till 2010

- The tax authority didn't inspect the company's books and no claims were received for these years.

19-Deferred tax assets /( liabilities)

(A) Recognized deferred tax (assets) / liabilities

	<u>Liabilities</u>			
	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Fixed assets	3,203	24,657	5,094	39,215
Total deferred tax assets/(liabilities)	3,203	24,657	5,094	39,215

(B) Unrecognized deferred tax assets

	31.12.2010		31.12.2009	
	<u>L.E.</u>	<u>In Rs.</u>	<u>L.E.</u>	<u>In Rs.</u>
Inventory	111,378	857,413	94,957	731,001
Provisions	87,725	675,327	104,325	803,118
Debtors	<u>72,147</u>	555,404	<u>72,147</u>	555,404
Total unrecognized deferred tax assets	<u>271,250</u>	2,088,145	271,429	2,089,523

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

**20. Reconciliation of effective tax rate**

	31.12.2010			31.12.2010		
	<u>L.E.</u>	<u>In Rs.</u>		<u>L.E.</u>	<u>In Rs.</u>	
Profit of the year before income tax	<u>4,672,407</u>	37,559,541		<u>4,333,160</u>	34,832,476	
Income tax using the domestic corporate tax rate (20%)	934,481	7,511,905	20%	866,632	6,966,495	20%
- Non deductible expenses	142,459	1,145,169	3.04%	169,018	1,358,666	3.90%
- Others	(89,837)	(722,162)	-1.92%	(137,708)	(1,106,977)	-3.18%
- Differences resulting from previous years deferred tax	-	-	-	12,395	99,638	0.29%
	<u>987,103</u>	7,93,912	21%	910,337	731,782	21%

**21. Financial instruments fair value**

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

22. Financial instruments and risk management

Overview

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

\* Liquidity risk

\* Market risk

\* Capital Management

This note presents information about the Company's exposure to each of the above risks,

and the Company's management of capital. Further quantitative disclosures are included

throughout these financial statements.

Ranbaxy Egypt (L.L.C.)

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

The Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit and liquidity risks

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

b) Liquidity risk is the risk that the Company will not be able to meet its financial

obligations as they fall due. The Company approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

c) Market risk

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

(1) Foreign currency risk

The foreign currency exchange risk represents the risk of fluctuation in exchange rates, which in turn effects the company's cash inflows and outflows as well as the value of its foreign currency assets and liabilities. As of the date of the balance sheet the company has foreign currency assets and liabilities equivalent to L.E. 118 424 (In Rs. 7,091,257 )and

L.E. Nil respectively. The company's net exposure in foreign currencies are as follows:-

<u>Foreign Currency</u>	<u>Increase</u>
U.S.Dollars	434
Rand (South Africa)	598

Lil?yan Dinar	97
Euro	14367
Sudanese Dinar	26500

(2) Interest rate risk

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

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

d) Capital management

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

The Company is not subject to externally imposed capital requirements.

**Note:**

**Conversion rate against Indian Rupee for the year 2010 and 2009 have been used as under:**

- 1) **For items relating to Profit and Loss account at Average rate: 1 Egyptian Pond = 0.1244**
- 2) **For Items relating to Balance Sheet at Closing rate: 1 Egyptian Pond = 0.1299**

\*\*\*\*\*