

**Be - Tabs Investments(Proprietary)
Limited**

(Reg. No. 1993/003349/07)

Annual Financial Statements

for the year ended 31 December 2010

Be -- Tabs Investments (Proprietary) Limited

Directors' responsibility for the annual financial statements

The directors are responsible for the preparation and fair presentation of the annual financial statements of Be-Tabs Investments (Proprietary) Limited, comprising the statement of financial position at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and statement 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 company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Approval of the annual financial statements

The annual financial statements of Be-Tabs Investments (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 21 February 2011 and are signed on their behalf by:

Sd/-

Name : Saxen van Coller

Director

Sd/-

Name : Ashish Madan

Director

February 21, 2011

Independent auditor's report

To the member of Be-Tabs Investments (Proprietary) Limited

Report on the financial statements

We have audited the annual financial statements of Be-Tabs Investments (Proprietary) Limited, which comprise the statement of financial position at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and statement 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 21.

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 Be-Tabs Investments (Proprietary) Limited at 31 December 2010, and its 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.

Sd/-
KPMG Inc.
Registered Auditor

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Sd/-
Per LP Fourie
Chartered Accountant (SA)
Registered Auditor
Director
21 February 2011

Be-Tabs Investments (Proprietary) Limited

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

The business of Be-Tabs Investments is to hold investment property for the purpose of earning rental income.

Financial results

The business and operations of the company during the year under review continued as in the past year and the results are fully disclosed in the financial statements.

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Events after reporting date

There have been no significant post balance sheet events between 31 December 2010 and the date of this report, which may materially affect the presentation of the annual financial statements.

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 have been declared or paid during the year (2009 - R nil).

Holding company

The immediate holding company is Be-Tabs Pharmaceuticals (Proprietary) Limited incorporated in the Republic of South Africa. The ultimate holding company is Daiichi Sankyo Limited incorporated in Japan.

Be-Tabs Investments (Proprietary) Limited

Directors' report

for the year ended 31 December 2010 (continued)

Directors

The directors in office during the financial year and to the date of this report are as follows:

Name	Nationality	
GC Job	South African	
A Sobti	Indian	
R Chakravarti	Indian	
OK Sethi	Indian	
A Madan	Indian	
Business address	Postal address	Registered office
14 Lautre Road	PO Box 43486	121 Boshoff Street
Stormill Ext 1	Industria	New Muckleneuk
Roodepoort	2042	Pretoria
1724		0181

Secretary

The company had no secretary during the year.

Auditors

KPMG Inc.

Sd/-
Saxen van Coller
Director

Sd/-
Ashish Madan
Director

February 21, 2011

Be-Tabs Investments (Proprietary) Limited

Statement of financial position

at 31 December 2010

	<i>Notes</i>	2010 R	2009 R
Assets			
Non-current assets			
Investment property	2	97 598 617	97 598 617
Current assets			
Trade and other receivables	3	6 150 053	7 445 659
Cash and cash equivalents		6 029 216	5 146 004
		120 837	2 299 655
Total assets		103 748 670	105 044 276
Equity and liabilities			
Equity			
Share capital	5	14 045 209	11 363 300
Retained earnings		200	200
		14 045 009	11 363 100
Liabilities			
Non current liabilities			
Loan from holding company	6	89 506 812	93 680 162
Deferred tax liability	4	86 347 646	90 556 424
		3 159 166	3 123 738
Current liabilities			
Trade and other payables		196 649	814
Total equity and liabilities		103 748 670	105 044 276
	<i>Notes</i>	2010 INR	2009 INR
Assets			
Non-current assets			
Investment property	2	657 229 744	657 229 744
Current assets			
Trade and other receivables	3	41 414 498	50 139 118
Cash and cash equivalents		40 600 781	34 653 226
		813 717	15 485 892
Total assets		698 644 242	707 368 862

Equity and liabilities

Equity		94 580 532	76 520 539
Share capital	5	1 347	1 347
Retained earnings		94 579 185	76 519 192
Liabilities			
Non current liabilities		602 739 475	630 842 842
Loan from holding company	6	581 465 630	609 807 569
Deferred tax liability	4	21 273 845	21 035 273
Current liabilities			
Trade and other payables		1 324 236	5 481
Total equity and liabilities		698 644 242	707 368 862

Be-Tabs Investments (Proprietary) Limited

Statement of comprehensive income

for the year ended 31 December 2010

	<i>Notes</i>	2010 R	2009 R
Revenue	7	11400 000	6 000 000
Other operating income		619 649	123 450
Operating expenses	8	<u>(1820875)</u>	<u>(1402241)</u>
Operating profit		10198 774	4 721 209
Finance income	9.1	-	1 164
Finance expense	9.2	<u>(7481437)</u>	<u>(4661034)</u>
Profit before taxation		2 717 337	61 339
Taxation	10	(35428)	(17722)
Profit for the year and total comprehensive income for the year		2681909	43 617

	<i>Notes</i>	2010 INR	2009 INR
Revenue	7	71 969 697	37 878 788
Other operating income		3 911 926	779 356
Operating expenses	8	<u>(11 495 423)</u>	<u>(8 852 532)</u>
Operating profit		64 386 199	29 805 612
Finance income	9.1	-	7 348
Finance expense	9.2	<u>(47 231 294)</u>	<u>(29 425 720)</u>
Profit before taxation		17 154 905	387 241
Taxation	10	(223 662)	(111 881)
Profit for the year and total comprehensive income for the year		16,931,244	275 360

Be-Tabs Investments (Proprietary) Limited

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

	Share capital	Retained income	Total equity
	R	R	R
Balance at 31 December 2008	200	11 319 483	11 319 683
Total comprehensive income for the year	-	<u>43 617</u>	<u>43 617</u>
Balance at 31 December 2009	200	11 363 100	11 363 300
Total comprehensive income for the year	-	<u>2 681 909</u>	<u>2 681 909</u>
Balance at 31 December 2010	200	14 045 009	14 045 209
	INR	INR	INR
Balance at 31 December 2008	1 347	76 225 475	76 226 822
Total comprehensive income for the year	-	<u>293 717</u>	<u>293 717</u>
Balance at 31 December 2009	1 347	76 519 192	76 520 539
Total comprehensive income for the year	-	<u>18 059 993</u>	<u>18 059 993</u>
Balance at 31 December 2010	1 347	94 579 185	94 580 532

Be-Tabs Investments (Proprietary) Limited

Cash flow statement

for the year ended 31 December 2010

	Notes	2010 R	2009 R
Cash flows from operating activities			
Cash generated by operations	12.1	9 511 397	1 756 841
Finance income		-	1 164
Finance expense		<u>(7 481 437)</u>	<u>(4 661 034)</u>
Net cash inflow/(outflow) from operating activities		2 029 960	(2 903 029)
Cash flow from investing activities			
Additions to investment property	2	-	<u>(29 318 729)</u>
Net cash outflow from investing activities		-	(29 318 729)
Cash flow from financing activities			
(Decrease)/increase in loan from fellow subsidiary		<u>(4 208 778)</u>	<u>34 479 764</u>
Net cash (outflow)/inflow from financing activities		(4 208 778)	34 479 764
Total cash movement for the year		(2 178 818)	2 258 006
Cash at the beginning of the year		<u>2 299 655</u>	<u>41 649</u>
Total cash at end of the year		120 837	2 299 655

Cash flow statement

for the year ended 31 December 2010

	INR	INR
Cash flows from operating activities		
Cash generated by operations	64 049 811	11 830 579
Finance income	-	7 838
Finance expense	(50 380 047)	(31 387 434)
Net cash inflow/(outflow) from operating activities	<u>13 669 764</u>	<u>(19 549 017)</u>
Cash flow from investing activities		
Additions to investment property	-	(197 432 519)
Net cash outflow from investing activities	-	(197 432 519)
Cash flow from financing activities		
(Decrease)/increase in loan from fellow subsidiary	(28 341 939)	232 186 963
Net cash (outflow)/inflow from financing activities	<u>(28 341 939)</u>	<u>232 186 963</u>
Total cash movement for the year	<u>(14 672 175)</u>	<u>15 205 428</u>
Cash at the beginning of the year	15 485 892	280 465
Total cash at end of the year	<u>813 717</u>	<u>15 485 892</u>

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010

1. Accounting policies

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 (IASB) and the requirements of the South African Companies Act.

1.2 Basis of preparation

These annual financial statements are presented in Rand, which is the company's functional currency. They are prepared on the historical cost basis except for financial instruments which are stated at their fair value.

The preparation of financial statements in conformity with IFRS requires management to make 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.

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

1.3 Investment property

Investment property is represented by land and buildings held to earn rental income or for capital appreciation or both. Investment property is initially recognised at cost and subsequently measured at fair value, with fair value gains and losses recognised in profit or loss for the period. The fair value of investment property is determined at the reporting date by an independent sworn appraiser based on market evidence of the most recent prices obtained in arms length transactions of similar properties in the same area.

Pe-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Accounting policies (continued)

1.4 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.

1.5 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 profit or loss.

1.6 Cash and cash equivalents

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

1.7 Share capital

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

1.8 Loans from group companies

Loans from group companies, which constitutes a financial liability, includes short-term debt. Loans from group companies are initially recognised at fair value, plus transaction costs incurred and are subsequently stated at amortised cost using the effective interest rate method. Loans from group companies are 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. Loans from group companies are derecognised when the obligation in the contract is discharged, cancelled or has expired.

1.9 Trade and other payables

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

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

1. Accounting policies (*continued*)

1.10 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.

1.1 1 Revenue

Rental income

Rental income from investment property is recognised in profit or loss on a straight- line basis over the term of the lease.

1.12 Finance income and finance expense

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

Finance expenses comprise interest expense on borrowings. Finance expenses are capitalised against qualifying assets as part of investment property. Such finance expenses are capitalised over the period during which the asset is being acquired or constructed and borrowings have been incurred. The capitalisation rate is the actual finance expense incurred on the borrowings. Further finance expenses are charged to profit or loss.

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

2. Investment property	2010 R	2009 R
Reconciliation of the carrying amount of investment property -		
Carrying amount at beginning of year	97 598 617	68 279 888
- cost	86 722 058	57 403 329
- fair value adjustment	10 876 559	10 876 559
Acquisitions		29318729
Carrying amount at end of year	97 598 617	97 598 617
-- cost	86 722 058	86 722 058
- fair value adjustment	10 876 559	10 876 559

	2010 INR	2009 INR
Reconciliation of the carrying amount of investment property -		
Carrying amount at beginning of year	657 229 744	459 797 226
- cost	583 986 923	386 554 404
- fair value adjustment	73 242 822	73 242 822
Acquisitions		197 432 519
Carrying amount at end of year	657 229 744	657 229 744
-- cost	583 986 923	583 986 923
- fair value adjustment	73 242 822	73 242 822

The investment property comprises commercial properties that *are* leased to a fellow subsidiary BeTabs Pharmaceuticals (Proprietary) Limited.

Properties consists of:

- Erf 2 Stormill Extension 1, Gauteng, with improvements thereon;
- Erf 15 Stormill Extension 1, Gauteng, with improvements thereon;
- Erf 16 Stormill Extension 1, Gauteng, with improvements thereon;
- Erf 18 Stormill Extension 1, Gauteng, with improvements thereon;
- Erf 19 & 20 Stormill Extension 1, Gauteng, with improvements thereon;
- Erf 9 & 10 Lea Glen Township, Gauteng;
- Erf 75 Robertville, Gauteng;

The investment properties were independently valued as at 22 January 2007. The valuation was carried out in accordance with the Property Valuers Professional Act of 2000 by a registered Associated Valuer, Clifford Wakelin who was qualified to express an opinion thereon. The basis of the valuation was open market value with existing use.

	2010 R	2009 R
Investment property includes assets under construction amounting to –		75 098 617

	2010 INR	2009 INR
Investment property includes assets under construction		

Borrowing costs of Rnil (2009: R2 590 807 [IN INR 16,356,105]) were capitalised during the year at an effective rate of 10.6% (2009: 10.6%).

	2010	2009
3. Trade and other receivables	R	R
Trade receivables	5 970 000	3 100 000
Value added taxation ("VAT")	-	1 986 788
Deposit	<u>59 216</u>	<u>59 216</u>
	6 029 216	5 146 004
	2010	2009
Trade and other receivables	INR	INR
Trade receivables	40 202 020	20 875 421
Value added taxation ("VAT")	-	13 379 044
Deposit	398 761	398 761
	40 600 781	34 653 226

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

4.	Deferred tax liability	2010	2009
		R	R
	Comprising:		
	Accelerated capital allowances for tax purposes	1389 299	1 319 359
	Tax losses available for set off against future taxable income	(102 587)	(68 075)
	Arising from the fair value adjustment of investment property	<u>1872 454</u>	<u>1 872 454</u>
		3159 166	3 123 738
		2010	2009
		INR	INR
	Comprising:		
	Accelerated capital allowances for tax purposes	9 355 549	8 884 572
	Tax losses available for set off against future taxable income	(690 822)	(458 418)
	Arising from the fair value adjustment of investment property	<u>12 609 118</u>	<u>12 609 118</u>
		21 273 845	21 035 273
5.	Share capital		
	<i>Authorised</i>		
	1000 Ordinary shares of R1 [IN INR 6.73 each	1000	1 000
	<i>Issued</i>		
	200 Ordinary shares of R1 [IN INR 6.73]each	200	200
		INR	INR
	<i>Authorised</i>		
	1000 Ordinary shares of R1 each	6 734	6 734
	<i>Issued</i>		
	200 Ordinary shares of R1 each	1 347	1 347
6.	Loan from holding company		
	<i>Holding company</i>		
	Be-Tabs Pharmaceuticals (Proprietary) Limited	86 347 646	90 556 424
	The amount is unsecured and bears interest at 10% (2009: 10.6%).		
		INR	INR
	<i>Holding company</i>		
	Be-Tabs Pharmaceuticals (Proprietary) Limited	581 465 630	609 807 569
	The amount is unsecured and bears interest at 10% (2009:		

10.6%).

7. Revenue

Rentals received on the lease of investment property	11400 000	6 000 000
	INR	INR
Rentals received on the lease of investment property	71 969 697	37 878 788

8. Operating profit

Operating profit is shown after taking into consideration the following:

Auditors' remuneration -- audit fees	143 273	73 932
	INR	INR
Auditors' remuneration -- audit fees	904 501	466 742

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	2010	2009
	R	R
9. Finance income and expense		
9.1 Finance income		
Interest received on bank balances	-	1 164
9.2 Finance expense		
Interest paid to related parties:		
Holding company - Be-Tabs Pharmaceuticals (Proprietary) Limited Capitalised	7481437	7 251 841
	-	(2590807)
	7481437	4 661 034
10 Taxation		
Deferred taxation		
- current year	35 428	17 722
	35 428	17 722
<i>Reconciliation of rate of taxation</i>	%	%
Standard taxation rate	28.00	28.00
Non-deductable expenditure	(26.70)	
	1.30	28.00

No provision has been made for current tax as the company has no taxable income. The calculated tax loss available for set off against future taxable income is R366 383 (2009: R243 125)

11. Directors' emoluments

No director's emoluments were paid to the directors during the year (2009: Nil).

	2010	2009
	INR	INR
9. Finance income and expense		
9.1 Finance income		
Interest received on bank balances	-	7 348
9.2 Finance expense		
Interest paid to related parties:		
Holding company - Be-Tabs Pharmaceuticals (Proprietary) Limited Capitalised	47 231 294	45 781 824
	-	16 356 105)

10 Taxation

Deferred taxation
- current year

223 662 111 881
223 662 111 881

2 313 024 119 340

Reconciliation of rate of taxation

% %

Standard taxation rate

28.00 28.00

Non-deductable expenditure

(26.70)

1.30 28.00

No provision has been made for current tax as the company has no taxable income. The calculated tax loss available for set off against future taxable income is R366 383 [INR 2 4167,226] (2009: R243 125 [INR 1534 880])

11. Directors' emoluments

No director's emoluments were paid to the directors during the year (2009: Nil).

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

	2010	2009
	R	R
12 Note to the statement of cash flows		
12.1 Cash generated by operations		
Profit before taxation	2 717 337	61 339
Adjustments for non cash flow items		
- Finance income		(1 164)
- Finance expense	7481437	4 661 034
Changes in working capital:		
Increase in trade and other receivables	(883 212)	(2932516)
Increase / (decrease) in trade and other payables	195 835	(31 852)
	9511397	1 756 841
	INR	INR
Profit before taxation	18 298 566	413 057
Adjustments for non cash flow items		
- Finance income		(7 838)
- Finance expense	50 380 047	31 387 434
Changes in working capital:		
Increase in trade and other receivables	(5 947 556)	(19 747 582)
Increase / (decrease) in trade and other payables	1 318 754	(214 492)
	64 049 811	11 830 579
13. Related parties		
Relationships		
Ultimate holding company		Daiichi Sankyo Co. Ltd
Holding company		Be-Tabs Pharmaceuticals (Pty) Ltd
Fellow subsidiaries		Ranbaxy (SA) (Pty) Ltd Sonke Pharmaceuticals (Pty) Ltd
Key management		Directors are shown on page 5. No loans were made to or received from any director.
	2010	2009
	R	R
Related party balances		
<i>Loan accounts</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	86 347 646	90 556 424

<i>Amounts included in trade and other receivables</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	5 970 000	3 100 000
Related party transactions		
<i>Rent received</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	11 400 000	6 000 000
<i>Interest paid</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	7 481 437	7 251 841
	2010	2009
	INR	INR
Related party balances		
<i>Loan accounts</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	581 465 630	609 807 569
<i>Amounts included in trade and other receivables</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	40 202 020	20 875 421
Related party transactions		
<i>Rent received</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	71 969 697	37 878 788
<i>Interest paid</i>		
Be-Tabs Pharmaceuticals (Pty) Ltd	47 231 294	45 781 824

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

14. Financial instruments

14.1 Overview

In the normal course of business the company is exposed to the following risks:

- Credit risk
- Liquidity risk
- Interest rate 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 counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's cash deposits and cash equivalents.

• *Trade and other receivables*

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

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

The group 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 group 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. 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.

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

14. Financial instruments (continued)

14.1 Overview (continued)

Market risk

Market risk is the risk that changes in market prices, such as 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.

- *Interest rate risk*

Group company borrowings are linked to the JIBAR rate plus 2%.

14.2 Credit risk

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	6 029 216	3 159 216
Cash and cash equivalents	<u>120 837</u>	<u>2 299 655</u>
	6150 053	5 458 871
	INR	INR
Trade and other receivables	40 600 781	21 274 182
Cash and cash equivalents	<u>813 717</u>	<u>15 485 892</u>
	41 414 498	36 760 074

14.3 Liquidity risk

The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities

	Carrying amount R	Contractual cash flows R	1 year or less R	1 to 2 years R
2010				
Trade and other payables	68 700	68 700	68 700	-
Loan from holding company	<u>86 347 646</u>	<u>86 347 646</u>	-	<u>86 347 646</u>
	86 416 346	86 416 346	68 700	86 347 646
2009				
Trade and other payables	814	814	814	-
Loan from holding company	<u>90 556 424</u>	<u>90 556 424</u>	-	<u>90 556 424</u>
	90 557 238	90 557 238	814	90 556 424

	INR	INR	INR	INR
2010				
Trade and other payables	4 62 626	4 62 626	4 62 626	-
Loan from holding company	581 465 630	581 465 630	-	581 465 630
	581 928 256	581 928 256	462 626	581 465 630
2009				
Trade and other payables	5 481	5 481	5 481	-
Loan from holding company	609 807 569	609 807 569	-	609 807 569
	609 813 051	609 813 051	5 481	609 807 569

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

14. Financial instruments (continued)

14.4 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

	2010 R	2009 R
Cash and cash equivalents	120 837	2 299 655
Loan from holding company	<u>(86 347 646)</u>	<u>(90 556 424)</u>
	86 226 809	(88 256 769)
	INR	INR
Cash and cash equivalents	813 717	15 485 892
Loan from holding company	<u>(581 465 630)</u>	<u>(609 807 569)</u>
	580 651 912	(594 321 677)

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

	2010		2009	
	100 bp Decrease	100 bp Increase	100bp Decrease	100bp Increase
Variable rate instruments - net	862 268	(862 268)	882 568	(882 568)
	INR	INR	INR	INR
Variable rate instruments - net	5 443 611	(5 443 611)	5 571 768	(5 571 768)

14.5 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 :

	2010		2009	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Trade and other receivables	6029216	6029216	3159 216	3159216
Cash and cash equivalents	120837	120837	2299 655	2299655

Loan from holding company	(86347646)	(86347646)	(90556 424)	(90556424)
Trade and other payables	(68700)	(68700)	(814)	(814)
	INR	INR	INR	INR
Trade and other receivables	40 600 781	40 600 781	21 274 182	21 274 182
Cash and cash equivalents	813 717	813 717	15 485 892	15 485 892
Loan from holding company	(581 465 630)	(581 465 630)	(609 807 569)	(609 807 569)
Trade and other payables	(462 626)	(462 626)	(5 481)	(5 481)

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (continued)

14. Financial instruments (continued)

14.6 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 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.

15. 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 - Statements 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 standard 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. These statements will not have a significant effect on the financial statements.

Be-Tabs Investments (Proprietary) Limited

Notes to the financial statements

for the year ended 31 December 2010 (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
IFRS 7	Financial instruments: Disclosure	Additional disclosure will be provided regarding transfers of financial assets that are: - not derecognised in their entirety, and - derecognised in their entirety but for which the company returns continuing involvement	1 July 2011
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
IAS 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
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	The interpretation applies to the accounting by the debtor in a debt for equity swap transaction.	1 July 2010

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

- i) Items relating to profit and loss account at average rate: 1 South African Zar = 0.1584**
- ii) Items relating to balance sheet at Closing rate : 1 South African Zar = 0.1485**