

**RANBAXY AUSTRALIA PTY LIMITED**  
**ABN: 17 110 871 826**

**FINANCIAL REPORT**  
**FOR THE 15 MONTH PERIOD ENDED**  
**31 MARCH 2014**

## Independent Auditor's Report

To the members of Ranbaxy Australia Pty Limited

### Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of Ranbaxy Australia Pty Limited, which comprises the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error

#### Auditor's Responsibility

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

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

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We confirm that the independence declaration, which has been given to the directors of Ranbaxy Australia Pty Limited, would be in the same terms if given to the directors as at the time of the auditor's report.

#### Opinion

In our opinion the financial report of Ranbaxy Australia Pty Limited gives a true and fair view of the company's financial position as at 31 March 2014 and of its performance for the year ended on that date in accordance with the significant accounting policies set out in Note 1 to the financial report.

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

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of \$2,378,394-INR 134,372,542 (2012: \$ 8,183,152-INR 452,107,845.30) during the year ended 31 March 2014 and, as of that date, the company's current

## *Ranbaxy Australia Pty Limited*

liabilities exceeded its total assets by \$19,122,966-INR 1,056,517,459(2012 \$ 16,744,572-INR 951,396,136).

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

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities to the members. As a result, the financial report may not be suitable for another purpose.

Shane Chadwick

Dated: 6 May 2014

Sydney

## Financial Report for the 15 month period ended 31 March 2014

### DIRECTORS' REPORT

Your directors present their report together with the financial report of Ranbaxy Australia Pty Limited (the Company) for the financial period 15 months ended 31 March 2014.

#### **Directors**

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

Alexander Nicholas Evans

Akshay Sethi (appointed 2 May 2014)

Rajiv Gulati (resigned 28 April 2014)

Rajeev Sharma (resigned 2 April 2014)

Sanjeev Indravadan Dani (resigned 28 April 2014)

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

#### **Review of Operations**

The loss of the Company for the 15 month financial period ended 31 March 2014 was \$2,378,394: INR 134,372,542 (2012 loss: \$8,183,152: INR 452,107,845).

#### **Significant Changes in the State of Affairs**

The company changed its reporting date from 31<sup>st</sup> December to 31<sup>st</sup> March. No other significant changes in the company's state of affairs occurred during the financial period.

#### **Principal Activities**

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

No significant change in the nature of these activities occurred during the period.

#### **Events Subsequent to the End of the Reporting Period**

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

#### **Likely Developments and Expected Results of Operations**

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

#### **Environmental Regulation**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### **Indemnification and Insurance of Officers and Auditors**

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

#### **Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

*Ranbaxy Australia Pty Limited*

DIRECTORS' REPORT

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 370C of the Corporations Act 2001 is set out on page 5.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

\_\_\_\_\_  
Alexander Evans

Dated this

6<sup>th</sup>

day of

May

2014

*Ranbaxy Australia Pty Limited*

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF RANBAXY AUSTRALIA PTY LIMITED**

I declare that, to the best of my knowledge and belief, during the 15 month financial period ended 31 March 2014 there have been no contraventions of:

- I. the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit: and
- II. any applicable code of professional conduct in relation to the audit.

**BOROUGHES ASSURANCE**

Shane Chadwick  
Partner  
Level 6, 77 Castlereagh Street, Sydney NSW 2000  
Date: 6 May 2014

*Ranbaxy Australia Pty Limited*

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

	Note	15 months 31 March 2014 \$	12 months 31 December 2012 \$
Revenue		26,168,692	14,734,269
Cost of sales		(17,656,398)	(12,505,653)
<b>Gross profit</b>		<b>8,512,294</b>	<b>2,228,616</b>
Distribution expenses		(3,178,197)	(3,503,394)
Personnel expenses	2a	(4,323,547)	(3,085,777)
Marketing expenses		(461,893)	(1,189,473)
Pharmaceutical license expenses		(903,286)	(853,575)
Administration expenses		(1,102,304)	(910,828)
Depreciation expense		(76,630)	(29,570)
Legal and professional expenses		(198,433)	(260,264)
Occupancy expenses		(250,543)	(222,376)
Other expenses		(270,996)	(481,963)
<b>Results from operating activities</b>		<b>(10,765,829)</b>	<b>(8,308,604)</b>
Finance income		7,153	130,235
Finance costs		(132,012)	(4,783)
<b>Net finance income/(costs)</b>		<b>(124,859)</b>	<b>125,452</b>
<b>Loss before income tax</b>		<b>(2,378,394)</b>	<b>(8,183,152)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(2,378,394)</b>	<b>(8,183,152)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(2,378,394)</b>	<b>(8,183,152)</b>

The accompanying notes form part of these financial statements.

*Ranbaxy Australia Pty Limited*

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

	Note	15 months 31 March 2014 INR	12 months 31 December 2012 INR
Revenue		1,478,457,175	814,048,011
Cost of sales		(997,536,610)	(690,920,055)
<b>Gross profit</b>		<u>480,920,565</u>	<u>123,127,956</u>
Distribution expenses		(179,559,153)	(193,557,680)
Personnel expenses	2a	(244,268,192)	(170,484,917)
Marketing expenses		(26,095,650)	(65,716,740)
Pharmaceutical license expenses		(51,033,107)	(47,158,840)
Administration expenses		(62,277,062)	(50,321,989)
Depreciation expense		(4,329,379)	(1,633,702)
Legal and professional expenses		(11,210,904)	(14,379,227)
Occupancy expenses		(14,154,972)	(12,285,967)
Other expenses		(15,310,508)	(26,627,790)
<b>Results from operating activities</b>		<u>(608,238,927)</u>	<u>(459,038,895)</u>
Finance income		404,124	7,195,304
Finance costs		(7,458,305)	(264,254)
<b>Net finance income/(costs)</b>		<u>(7,054,181)</u>	<u>6,931,050</u>
<b>Loss before income tax</b>		(134,372,542)	(452,107,845)
Income tax expense		-	-
<b>Loss for the period</b>		<u>(134,372,542)</u>	<u>(452,107,845)</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<u>(134,372,542)</u>	<u>(452,107,845)</u>

The accompanying notes form part of these financial statements.



*Ranbaxy Australia Pty Limited*

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014

	Note	31 March 2014 \$	31 December 2012 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,103,806	660,525
Trade and other receivables	4	9,883,627	2,814,638
Inventories	5	7,858,140	10,464,978
Prepayments	6	164,835	191,347
<b>TOTAL CURRENT ASSETS</b>		<u>20,010,408</u>	<u>14,131,488</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	207,759	72,711
<b>TOTAL NON-CURRENT ASSETS</b>		<u>207,759</u>	<u>72,711</u>
<b>TOTAL ASSETS</b>		<u><u>20,218,166</u></u>	<u><u>14,204,199</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	19,224,648	24,785,267
Borrowings	9	16,775,000	4,275,000
Provisions	10	3,341,486	1,888,504
<b>TOTAL CURRENT LIABILITIES</b>		<u>39,341,134</u>	<u>30,948,771</u>
<b>TOTAL LIABILITIES</b>		<u>39,341,134</u>	<u>30,948,771</u>
<b>NET LIABILITIES</b>		<u>(19,122,966)</u>	<u>(16,744,572)</u>
<b>EQUITY</b>			
Share capital	11	9,200,000	9,200,000
Accumulated losses		(28,322,968)	(25,944,572)
<b>TOTAL EQUITY</b>		<u>(19,122,966)</u>	<u>(16,744,572)</u>

The accompanying notes form part of these financial statements.

*Ranbaxy Australia Pty Limited*

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014

	Note	31 March 2014 INR	31 December 2012 INR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	116,232,376	37,529,830
Trade and other receivables	4	546,056,740	159,922,614
Inventories	5	434,151,381	594,601,023
Prepayments	6	9,106,906	10,871,989
<b>TOTAL CURRENT ASSETS</b>		<u>1,105,547,403</u>	<u>802,925,455</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	11,478,398	4,131,307
<b>TOTAL NON-CURRENT ASSETS</b>		<u>11,478,398</u>	<u>4,131,307</u>
<b>TOTAL ASSETS</b>		<u><u>1,117,025,746</u></u>	<u><u>807,056,761</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,062,135,249	1,408,253,807
Borrowings	9	926,795,580	242,897,727
Provisions	10	184,612,486	107,301,364
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,173,543,315</u>	<u>1,758,452,898</u>
<b>TOTAL LIABILITIES</b>		<u>2,173,543,315</u>	<u>1,758,452,898</u>
<b>NET LIABILITIES</b>		<u>(1,056,517,459)</u>	<u>(951,396,136)</u>
<b>EQUITY</b>			
Share capital	11	508,287,293	522,727,273
Accumulated losses		<u>(1,564,804,862)</u>	<u>(1,474,123,409)</u>
<b>TOTAL EQUITY</b>		<u><u>(1,056,517,459)</u></u>	<u><u>(951,396,136)</u></u>

The accompanying notes form part of these financial statements.

*Ranbaxy Australia Pty Limited*

STATEMENT OF CHANGES IN EQUITY  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

	<b>Share Capital</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 January 2012	9,200,000	(17,761,420)	(8,561,420)
<b>Comprehensive income</b>			
Loss for the year	-	(8,183,152)	(8,183,152)
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	(8,183,152)	(8,183,152)
<b>Balance at 31 December 2012</b>	9,200,000	(25,944,572)	(16,744,572)
Balance at 1 January 2013	9,200,000	(25,944,572)	(16,744,572)
<b>Comprehensive income</b>			
Loss for the period	-	(2,378,394)	(2,378,394)
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	-	(2,378,394)	(2,378,394)
<b>Balance at 31 March 2014</b>	9,200,000	(28,322,966)	(19,122,966)

The accompanying notes form part of these financial statements.

*Ranbaxy Australia Pty Limited*

STATEMENT OF CHANGES IN EQUITY  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

	<b>Share Capital</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>INR</b>	<b>INR</b>	<b>INR</b>
Balance at 1 January 2012	522,727,273	(1,009,171,591)	(486,444,318)
<b>Comprehensive income</b>			
Loss for the year	-	(464,951,818)	(464,951,818)
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	(464,951,818)	(464,951,818)
<b>Balance at 31 December 2012</b>	522,727,273	(1,474,123,409)	(951,396,136)
Balance at 1 January 2013	522,727,273	(1,474,123,409)	(951,396,136)
<b>Comprehensive income</b>			
Loss for the period	-	(131,402,983)	(131,402,983)
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	-	(131,402,983)	(131,402,983)
<b>Balance at 31 March 2014</b>	508,287,293	(1,564,804,751)	(1,056,517,459)

The accompanying notes form part of these financial statements.

*Ranbaxy Australia Pty Limited*

STATEMENT OF CASH FLOWS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

	Note	15 months 31 March 2014 \$	12 months 31 December 2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		19,107,361	14,734,269
Payments to suppliers and employees		(29,827,543)	(15,433,954)
Interest received		7,153	130,235
Finance costs		(132,012)	(4,783)
Net cash used in operating activities	15	(10,845,041)	(238,116)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(211,677)	(9,520)
Net cash used in investing activities		(211,677)	(9,520)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from related party		12,500,000	-
Net cash provided by financing activities		12,500,000	-
Net increase (decrease) in cash held		1,443,281	(247,636)
Cash at beginning of financial year		660,525	908,161
Cash at end of financial year	3	2,103,806	660,525

The accompanying notes form part of these financial statements.

**Ranbaxy Australia Pty Limited**

**STATEMENT OF CASH FLOWS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014**

	<b>Note</b>	<b>15 months 31 March 2014 INR</b>	<b>12 months 31 December 2012 INR</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,078,565,651	814,048,011
Payments to suppliers and employees		(1,686,118,191)	(852,704,641)
Interest received		404,124	7,195,304
Finance costs		(7,458,305)	(264,254)
Net cash used in operating activities	15	<u>(614,606,721)</u>	<u>(12,118,844)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(11,959,153)	(525,967)
Net cash used in investing activities		<u>(11,959,153)</u>	<u>(525,967)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from related party		705,268,419	-
Net cash provided by financing activities		<u>705,268,419</u>	<u>-</u>
Net increase (decrease) in cash held		78,702,546	(12,644,811)
Cash at beginning of financial year		37,529,830	50,174,641
Cash at end of financial year	3	<u><u>116,232,376</u></u>	<u><u>37,529,830</u></u>

The accompanying notes form part of these financial statements.

## *Ranbaxy Australia Pty Limited*

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ranbaxy Australia Pty Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Ground Floor, 9-13 Waterloo Rd, North Ryde NSW 2113. The ultimate parent company is Ranbaxy Netherlands (RNBV), a company incorporated in Netherlands. The financial statements are as at and for the 15 month period ended 31 March 2014.

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

#### **Basis of Preparation**

##### **a. Statement of compliance**

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

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

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

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

The financial statements were authorised for issue on 2014 by the directors of the company.

##### **b. Basis of measurement**

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

##### **c. Functional and presentation currency**

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

##### **d. Use of estimates and judgements**

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

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

##### **e. Going concern**

The Company incurred losses of \$2,378,394: INR 134,372,542 (2012: \$8,183,152: INR 452,107,845) for the period 15 months ended 31st March 2014 and, as at 31 March 2014 the Company had a deficiency of net assets of \$19,122,966: INR 1,056,517,459 (2012: \$16,744,572: INR 951,396,136).

The ability of the Company to continue as a going concern is dependent upon the ongoing financial support from its parent entity to the level required by the Company to allow it to fulfil all obligations as and when they fall due for a period of no less than twelve months from the date of signing these financial statements. The reliance on the parent entity support gives rise to a material uncertainty which may affect the company's ability to continue as a going concern. The parent entity has confirmed in writing that it will provide ongoing financial support, including that it will not call for repayment outstanding balances at 31 March 2014, unless the Company is able to financially make such repayments without impairing its ability to conduct its normal business operations and pay other liabilities.

## *Ranbaxy Australia Pty Limited*

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### f. **Accounting Policies**

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

##### g. **Foreign currency transactions and balances**

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognized in profit or loss.

##### h. **Financial instruments**

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

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

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

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

###### *Trade and other receivables*

Trade and other receivables are recognized initially at fair *value* plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

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

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

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

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

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.



## *Ranbaxy Australia Pty Limited*

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(iii) *Share capital*

*Ordinary shares*

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

i. **Income Tax**

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

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

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

j. **Inventories**

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

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

k. **Property, Plant and Equipment**

(i) *Recognition and measurement*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment. and is recognized net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

## Ranbaxy Australia Pty Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ii) *Subsequent costs*

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

(iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset. That component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Furniture and fittings	20%
Office equipment	20%

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

**I. Leases payments**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases; the leased assets are not recognized in the Company's statement of financial position.

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

**m. Impairment of Assets**

(i) *Non-derivative financial assets*

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

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

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

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

## *Ranbaxy Australia Pty Limited*

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(ii) *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

n. **Employee Benefits**

(i) *Defined contribution plans*

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

(ii) *Short-term benefits*

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

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

o. **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

## *Ranbaxy Australia Pty Limited*

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Rebate claims*

A provision for future claims for rebates from customers is recorded to reflect claims which are expected to be made based on sales made prior to the period end. This is recorded as an adjustment to revenue in the statement of comprehensive income.

p. **Revenue**

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

q. **Finance income and finance costs**

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

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

r. **Goods and Services Tax (GST)**

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

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

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

s. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

t. **Key Estimates and Judgments**

##### *Allowance for inventory obsolescence*

The allowance for inventory obsolescence is determined with regard to the expiry date of each stock item on hand at balance date. An allowance is made for items that fall within the following expiry categories: less than six months from balance date, shelf life between six months and 12 months from balance date, discontinued, obsolete and shelf life less than 50% where life of product exceeds 2 years.

*Ranbaxy Australia Pty Limited*

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

**NOTE 2: LOSS FOR THE PERIOD**

	<b>15 months 31 March 2014 \$</b>	<b>12 months 31 December 2012 \$</b>
<b>a. Personnel expenses</b>		
Wages and salaries	3,365,886	2,560,619
Other associated personnel expenses	640,232	275,534
Contributions to defined contribution plans	317,429	249,624
	<u>4,323,547</u>	<u>3,085,777</u>
<b>b. Impairment charges</b>		
Inventory allowance	1,747,263	1,244,900
Replacement inventory	-	397,567
Inventory write off	405,535	278,073
	<u>2,152,798</u>	<u>1,920,540</u>
<b>c. Auditor's remuneration</b>		
Audit of financial reports	25,000	25,000
Non-audit services	15,550	3,000
	<u>40,550</u>	<u>28,000</u>

**NOTE 2: LOSS FOR THE PERIOD**

	<b>15 months 31 March 2014 INR</b>	<b>12 months 31 December 2012 INR</b>
<b>a. Personnel expenses</b>		
Wages and salaries	190,163,051	141,470,663
Other associated personnel expenses	36,171,299	15,222,873
Contributions to defined contribution plans	17,933,842	13,791,381
	<u>244,268,192</u>	<u>170,484,917</u>
<b>b. Impairment charges</b>		
Inventory allowance	98,715,424	68,779,006
Replacement inventory	-	21,965,028
Inventory write off	22,911,582	15,363,149
	<u>121,627,006</u>	<u>106,107,182</u>
<b>c. Auditor's remuneration</b>		
Audit of financial reports	1,412,429	1,381,215
Non-audit services	878,531	165,746
	<u>2,290,960</u>	<u>1,546,961</u>

**Ranbaxy Australia Pty Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014**

**NOTE 3: CASH AND CASH EQUIVALENTS**

	<b>31 March 2014</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	2,103,806	660,525
	2,103,806	660,525
	2,103,806	660,525

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	2,103,806	660,525
	2,103,806	660,525
	2,103,806	660,525

	<b>31 March 2014</b>	<b>31 December 2012</b>
	<b>INR</b>	<b>INR</b>
Cash at bank	116,232,376	37,529,830
	116,232,376	37,529,830
	116,232,376	37,529,830

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	116,232,376	37,529,830
	116,232,376	37,529,830
	116,232,376	37,529,830

**NOTE 4: TRADE AND OTHER RECEIVABLES**

	<b>31 March 2014</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Trade receivables	9,869,345	1,374,883
Other receivables	5,830	1,113,274
Amount due from related parties	8,452	326,481
	9,883,627	2,814,638
	9,883,627	2,814,638

	<b>31 March 2014</b>	<b>31 December 2012</b>
	<b>INR</b>	<b>INR</b>
<b>CURRENT</b>		
Trade receivables	545,267,680	78,271,698
Other receivables	322,099	63,378,372
Amount due from related parties	466,961	18,586,470
	546,056,740	160,236,539
	546,056,740	160,236,539

*Ranbaxy Australia Pty Limited*

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

**NOTE 5: INVENTORIES**

	<b>31 March 2014</b>	<b>31 December 2012</b>
CURRENT	<b>\$</b>	<b>\$</b>
Finished goods	10,641,272	11,270,387
Allowance for inventory obsolescence	(3,067,403)	(1,320,140)
Stock in transit	284,271	514,731
	<u>7,858,140</u>	<u>10,464,978</u>

**NOTE 5: INVENTORIES**

	<b>31 March 2014</b>	<b>31 December 2012</b>
CURRENT	<b>INR</b>	<b>INR</b>
Finished goods	587,915,580	641,619,921
Allowance for inventory obsolescence	(169,469,779)	(75,155,194)
Stock in transit	15,705,580	29,303,489
	<u>434,151,381</u>	<u>595,768,216</u>

**NOTE 6: OTHER CURRENT ASSETS**

	<b>\$</b>	<b>\$</b>
Prepaid insurance	38,771	82,926
Other prepaid expenses	126,064	108,421
	<u>164,835</u>	<u>191,347</u>

**NOTE 6: OTHER CURRENT ASSETS**

	<b>INR</b>	<b>INR</b>
Prepaid insurance	2,142,044	4,720,954
Other prepaid expenses	6,964,862	6,172,377
	<u>9,106,906</u>	<u>10,893,330</u>

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

	<b>\$</b>	<b>\$</b>
PLANT AND EQUIPMENT		
Furniture and fittings at cost	242,812	211,046
Accumulated depreciation	(165,159)	(156,486)
	<u>77,653</u>	<u>54,560</u>
Office equipment at cost	330,484	150,573
Accumulated depreciation	(200,378)	(132,422)
	<u>130,106</u>	<u>18,151</u>
Total property, plant and equipment	<u>207,759</u>	<u>72,711</u>

**Ranbaxy Australia Pty Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014**

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

PLANT AND EQUIPMENT	INR	INR
Furniture and fittings at cost	13,415,028	12,014,789
Accumulated depreciation	(9,124,807)	(8,908,703)
	<u>4,290,221</u>	<u>3,106,085</u>
Office equipment at cost	18,258,785	8,572,078
Accumulated depreciation	(11,070,608)	(7,538,747)
	<u>7,188,177</u>	<u>1,033,331</u>
Total property, plant and equipment	<u><u>11,478,398</u></u>	<u><u>4,139,417</u></u>

**NOTE 8: TRADE AND OTHER PAYABLES**

	31 March 2014	31 December 2012
	\$	\$
<b>CURRENT</b>		
Trade payables	2,361,228	2,218,781
Amount due to related parties	16,241,482	21,218,974
Sundry payables and accrued expenses	621,938	1,347,512
	<u>19,224,648</u>	<u>24,785,267</u>

	INR	INR
<b>CURRENT</b>		
Trade payables	130,454,586	126,314,570
Amount due to related parties	897,319,448	1,207,990,145
Sundry payables and accrued expenses	34,361,215	76,713,474
	<u>1,062,135,249</u>	<u>1,411,018,189</u>

**NOTE 9: BORROWINGS**

	\$	\$
<b>CURRENT</b>		
Unsecured intra-group loans	16,775,000	4,275,000
	<u>16,775,000</u>	<u>4,275,000</u>

	INR	INR
<b>CURRENT</b>		
Unsecured intra-group loans	926,795,580	243,374,532
	<u>926,795,580</u>	<u>243,374,532</u>



*Ranbaxy Australia Pty Limited*

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014

**NOTE 10: PROVISIONS**

	<b>31 March 2014</b>	<b>31 December 2012</b>
CURRENT	<b>\$</b>	<b>\$</b>
Employee benefits	189,292	169,442
Customer rebates	3,152,194	1,719,062
	<u>3,341,486</u>	<u>1,888,504</u>

	<b>31 March 2014</b>	<b>31 December 2012</b>
CURRENT	<b>INR</b>	<b>INR</b>
Employee benefits	10,458,122	9,646,285
Customer rebates	174,154,365	97,865,710
	<u>184,612,486</u>	<u>107,511,995</u>

**NOTE 11: ISSUED CAPITAL**

	<b>\$</b>	<b>\$</b>
9,200,000 (2012: 9,200,000) fully paid ordinary shares	<u>9,200,000</u>	<u>9,200,000</u>
	<b>INR</b>	<b>INR</b>
9,200,000 (2012: 9,200,000) fully paid ordinary shares	<u>508,287,293</u>	<u>523,753,379</u>

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

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

**Ranbaxy Australia Pty Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2014**

**NOTE 12: CAPITAL AND LEASING COMMITMENTS**

	<b>31 March 2014</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Lease Commitments</b>		
Non-cancellable operating lease rentals are payable as follows:		
Payable – minimum lease payments:		
– Less than one year	266,451	109,634
– Between one and five years	339,360	-
	605,811	109,634
	605,811	109,634
	<b>INR</b>	<b>INR</b>

**Operating Lease Commitments**

Non-cancellable operating lease rentals are payable as follows:

Payable – minimum lease payments:

– Less than one year	14,721,050	6,241,432
– Between one and five years	18,749,171	-
	33,470,221	6,241,432
	33,470,221	6,241,432

The property lease is a non-cancellable lease, with rent payable monthly in advance. The lease will expire on 30 June 2016.

**NOTE 13: ECONOMIC DEPENDENCE**

Ranbaxy Australia Pty Limited is economically dependent on its ultimate parent entity, Ranbaxy Laboratories Limited, to provide inventory and is also dependent on Ranbaxy (Netherlands) B.V. for financial support to continue its operations.

**NOTE 14: CONTINGENT LIABILITIES**

Contingencies being held by the bank as a guarantee at 31 March 2014 totaled \$94,899: INR 5,243,039 (2012: \$100,774: INR 5,725,795) for the rental property.

**Ranbaxy Australia Pty Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR 15 MONTH TO 31 MARCH 2014**

**NOTE 15: CASH FLOW INFORMATION**

	<b>15 months 31 March 2014</b>	<b>12 months 31 December 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of Cash Flow from Operations with loss after Income Tax</b>		
Loss after income tax	(2,378,394)	(8,183,152)
Non -cash flows in profit:		
– depreciation	76,630	29,570
Changes in assets and liabilities:		
– increase in trade and other receivables	(7,068,990)	(1,126,186)
– decrease/(increase) in other assets	26,512	(95,672)
– decrease/(increase)in inventories	2,606,838	(6,420,430)
– Decease/(increase) in payables	(5,560,619)	15,045,653
– increase in provisions	1,452,982	512,101
	<u>(10,845,041)</u>	<u>(238,116)</u>

	<b>INR</b>	<b>INR</b>
<b>Reconciliation of Cash Flow from Operations with loss after Income Tax</b>		
Loss after income tax	(131,402,983)	(465,864,512)
Non -cash flows in profit:		
– depreciation	4,233,702	1,683,412
Changes in assets and liabilities:		
– increase in trade and other receivables	(390,551,934)	(64,113,448)
– decrease/(increase) in other assets	1,464,751	(5,446,580)
– decrease/(increase)in inventories	144,024,199	(365,513,251)
– Decease/(increase) in payables	(307,216,519)	856,544,739
– increase in provisions	80,275,249	29,153,764
	<u>(599,173,536)</u>	<u>(13,555,876)</u>

**NOTE 16: SUBSEQUENT EVENTS**

There have been no events subsequent to reporting date which would have a material effect on the Company's financial statements at 31 March 2014.

**NOTE 17: COMPANY DETAILS**

The registered office of the company is:  
Ranbaxy Australia Pty Limited  
Ground Floor  
9-13 Waterloo Rd  
North Ryde NSW 2113

The principal place of business is:  
Ranbaxy Australia Pty Limited  
Ground Floor  
9-13 Waterloo Rd  
North Ryde NSW 2113

## *Ranbaxy Australia Pty Limited*

### DIRECTORS' DECLARATION

1. In the opinion of the directors of Ranbaxy Australia Pty Limited (the Company):
  - a. the Company is a small proprietary company and is not a reporting entity;
  - b. the financial statements and notes, set out on pages 4 to 20, are drawn up, in accordance with the basis of accounting and accounting policies described in Note 1, so as to present fairly the financial position of the Company as at 31 March 2014 and its performance, as represented by the results of its operations, for the financial period ended on that date; and
  - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable for the reasons set out in Note 1(e).
2. In respect of the 15 month period ended 31 March 2014 the Company has:
  - a. kept such accounting records as correctly record and explain its transactions and financial position;
  - b. kept its accounting records so that a true and fair financial report of the Company can be prepared from time to time; and
  - c. kept its accounting records so that the financial report of the Company can be conveniently and properly audited or reviewed.

Director

\_\_\_\_\_  
Alexander Evans

Dated this

6<sup>th</sup>

day of

May

2014

**Note : Conversion rate used against Indian Rupees for the year 2014 and 2012 are:**

**i) Items relating to Profit and Loss account at Average rate: 1 AUD= 0.0177 [2012: 1 AUD =0.0181]**

**ii) Items relating to Balance sheet at Closing rate: 1 AUD = 0.0181 [2012: 1 AUD =0.0176]**