

**RANBAXY EGYPT COMPANY (L.L.C.)
FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY 2013 TO 31 MARCH 2014
TOGETHER WITH AUDITOR'S REPORT**

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RANBAXY EGYPT COMPANY (L.L.C.)

Report on the Financial Statements

We have audited the accompanying financial statements of **RANBAXY EGYPT COMPANY (L.L.C.)**, represented in the balance sheet as of 31 March 2014 (as the financial year was changed from 31 December to be 31 March for each year), and the related statements of income, changes in equity and cash flows for the period 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 the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable 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. This 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 those financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **RANBAXY EGYPT COMPANY (L.L.C.)**, as of 31 March 2014, and of its financial performance and its cash flows for the period then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Report on other legal and regulatory requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The physical inventory count was undertaken by the Company's Management in accordance with the proper norms.

The financial information included in the General Manager's Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

Cairo: 28 April 2014

Amr M. Shaabini
FESAA – FEST
(RAA 9365)
(EFSAR 103)

Ranbaxy Managers Report
For the period from 1 January 2013 to 31 March 2014

The sales for the period from 1 January 2013 to 31 March 2014 is EGP 47,821,780 (INR 410,844,542) and the cost of goods sold is EGP 23,415,586 (INR 201,167,035) in comparison with year 2013 sales of EGP 42,562,450 (INR 374,669,454) and the cost of goods sold of EGP 18,926,581 (INR 166,607,227).

The Gross profit for the period from 1 January 2013 to 31 March 2014 is EGP 24,406,194 (INR 209,677,507) in comparison with year 2013 Gross profit of EGP 23,635,869 (INR 208,062,227).

The profit for the period from 1 January 2013 to 31 March 2014 is EGP 1,132,693 (INR 9,731,146) in comparison with year 2013 profit of EGP 4,883,777 (INR 42,990,995).

The total profit of the company has reached EGP 13,224,131 (INR 113,610,619) as of 31/03/2014 which represents 272.6 % of the company's capital.

General Manager

Dr. Ibrahim Shalaby

Accounting Manager

Yasser Shaker

RANBAXY EGYPT COMPANY (L.L.C.)

BALANCE SHEET

As Of 31 March 2014

	Note	31/3/2014 LE	31/12/2012 LE
Noncurrent assets			
Fixed assets	(3)	113,543	151,180
Projects under construction	(4)	31,462,843	5,270,124
Due from related parties	(11-1)	2,173,000	2,173,000
Deferred tax asset	(16a)	131,149	198,149
Total noncurrent assets		33,880,535	7,792,453
Current assets			
Inventory	(5)	9,682,774	10,773,460
Trade and notes receivable	(6)	6,644,920	13,066,602
Prepayments and other receivables	(7)	2,960,709	692,260
Due from related parties	(11-1)	18,712	18,108
Cash on hand and at banks	(8)	5,860,935	8,933
Total current assets		25,168,050	24,559,363
Current liabilities			
Provisions	(9)	845,235	486,918
Trade and notes payable		442,863	285,216
Due to related parties	(11-2)	5,590,108	3,941,934
Accrued expenses and other payables	(10)	7,555,032	4,981,614
Total current liabilities		14,433,238	9,695,682
Working capital		10,734,812	14,863,681
Total investment		44,615,347	22,656,134
Financed as follows			
Equity			
Issued and paid up capital	(12)	4,851,000	4,851,000
Legal reserve		760,096	515,907
Retained earnings		12,091,438	7,451,850
Profits for the period / year		1,132,693	4,883,777
Total equity		18,835,227	17,702,534
Noncurrent liabilities			
Due to related parties	(11-2)	25,780,120	4,953,600
Total finance of working capital and noncurrent assets		44,615,347	22,656,134

RANBAXY EGYPT COMPANY (L.L.C.)

BALANCE SHEET

As Of 31 March 2014

	Note	31/3/2014 INR	31/12/2012 INR
Noncurrent assets			
Fixed assets	(3)	973,840	1,336,693
Projects under construction	(4)	269,851,814	46,597,029
Due from related parties	(11-1)	18,637,476	19,213,086
Deferred tax asset	(16a)	1,124,844	1,751,981
Total noncurrent assets		290,587,975	68,898,789
Current assets			
Inventory	(5)	83,047,617	95,256,057
Trade and notes receivable	(6)	56,992,425	115,531,406
Prepayments and other receivables	(7)	25,393,531	6,120,778
Due from related parties	(11-1)	160,490	160,106
Cash on hand and at banks	(8)	50,268,310	78,983
Total current assets		215,862,373	217,147,330
Current liabilities			
Provisions	(9)	7,249,447	4,305,199
Trade and notes payable		3,798,366	2,521,804
Due to related parties	(11-2)	47,945,470	34,853,528
Accrued expenses and other payables	(10)	64,798,311	44,046,101
Total current liabilities		123,791,593	85,726,631
Working capital		92,070,780	131,420,698
Total investment		382,658,754	200,319,487
Financed as follows			
Equity			
Issued and paid up capital	(12)	41,606,258	42,891,247
Legal reserve		6,519,223	4,561,512
Retained earnings		103,706,346	65,887,268
Profits for the period / year		9,714,928	43,181,052
Total equity		161,546,754	156,521,079
Noncurrent liabilities			
Due to related parties	(11-2)	221,112,000	43,798,408
Total finance of working capital and noncurrent assets		382,658,754	200,319,487

Auditor

Amr M. Shaabini

Accounting Manager

Yasser Shaker

General Manager

Dr. Ibrahim Shalaby

- The accompanying notes from (1) to (19) are an integral part of these financial statements.
- Auditor's report "attached".

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF INCOME

For The Period From 1 January 2013 to 31 March 2014

	Note	From 1/1/2013 to 31/3/2014 LE	From 1/1/2012 to 31/12/2012 LE
Sales	(13)	47,821,780	42,562,450
Cost of sales	(14)	(23,415,586)	(18,926,581)
GROSS PROFIT		24,406,194	23,635,869
Selling and marketing expenses		(12,435,944)	(10,275,845)
General and administrative expenses		(7,924,691)	(6,255,930)
Impairment of trade and notes receivable		-	(35,835)
Impairment of other debit balances		-	(512)
Provisions	(9)	(401,847)	(46,000)
Provision no longer required		-	1,175
Foreign exchange differences		(525,611)	(23,439)
OPERATING PROFITS		3,118,101	6,999,483
Gain from sale of fixed assets		1,237	-
Finance expenses		(1,940,020)	(1,152,656)
Other income		473,901	306,346
PROFITS BEFORE INCOME TAXES		1,653,219	6,153,173
Income taxes	(16b)	(453,526)	(1,468,508)
Deferred tax	(16a)	(67,000)	199,112
PROFITS FOR THE PERIOD / YEAR		1,132,693	4,883,777

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF INCOME

For The Period From 1 January 2013 to 31 March 2014

	Note	From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
Sales	(13)	410,844,542	374,669,454
Cost of sales	(14)	(201,167,035)	(166,607,227)
GROSS PROFIT		209,677,507	208,062,227
Selling and marketing expenses		(106,839,179)	(90,456,382)
General and administrative expenses		(68,082,285)	(55,069,806)
Impairment of trade and notes receivable		-	(315,449)
Impairment of other debit balances		-	(4,507)
Provisions	(9)	(3,452,332)	(404,930)
Provision no longer required		-	10,343
Foreign exchange differences		(4,515,608)	(206,329)
OPERATING PROFITS		26,788,103	61,615,167
Gain from sale of fixed assets		10,627	-
Finance expenses		(16,667,021)	(10,146,620)
Other income		4,071,359	2,696,708
PROFITS BEFORE INCOME TAXES		14,203,068	54,165,255
Income taxes	(16b)	(3,896,314)	(12,927,007)
Deferred tax	(16a)	(575,608)	1,752,746
PROFITS FOR THE PERIOD / YEAR		9,731,146	42,990,995

Accounting Manager

Yasser Shaker

General Manager

Dr. Ibrahim Shalaby

- The accompanying notes from (1) to (19) are an integral part of these financial statements.

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF CHANGES IN EQUITY

For The Period From 1 January 2013 to 31 March 2014

	Capital LE	Legal reserve LE	Retained earnings LE	Profits for the year / period LE	Total LE
Balance as of 1 January 2012	4,851,000	319,189	3,714,211	3,934,357	12,818,757
Transferred to retained earnings	-	-	3,934,357	(3,934,357)	-
Transferred to legal reserve	-	196,718	(196,718)	-	-
Profits for the year	-	-	-	4,883,777	4,883,777
Balance as of 31 December 2012	<u>4,851,000</u>	<u>515,907</u>	<u>7,451,850</u>	<u>4,883,777</u>	<u>17,702,534</u>
Transferred to retained earnings	-	-	4,883,777	(4,883,777)	-
Transferred to legal reserve	-	244,189	(244,189)	-	-
Profits for the period	-	-	-	1,132,693	1,132,693
Balance as of 31 March 2014	<u>4,851,000</u>	<u>760,096</u>	<u>12,091,438</u>	<u>1,132,693</u>	<u>18,835,227</u>

	Capital INR	Legal reserve INR	Retained earnings INR	Profits for the year / period INR	Total INR
Balance as of 1 January 2012	41,606,258	2,737,633	31,856,199	33,744,356	109,944,445
Transferred to retained earnings	-	-	33,744,356	(33,744,356)	-
Transferred to legal reserve	-	1,687,219	(1,687,219)	-	-
Profits for the year	-	-	-	41,887,381	41,887,381
Balance as of 31 December 2012	<u>41,606,258</u>	<u>4,424,853</u>	<u>63,913,335</u>	<u>41,887,381</u>	<u>151,831,826</u>
Transferred to retained earnings	-	-	41,887,381	(41,887,381)	-
Transferred to legal reserve	-	2,094,370	(2,094,370)	-	-
Profits for the period	-	-	-	9,714,928	9,714,928
Balance as of 31 March 2014	<u>41,606,258</u>	<u>6,519,223</u>	<u>103,706,346</u>	<u>9,714,928</u>	<u>161,546,754</u>

- The accompanying notes from (1) to (19) are an integral part of these financial statements.

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF CASH FLOWS

For The Period From 1 January 2013 to 31 March 2014

	Note	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012
		LE	LE
Cash Flows From Operating Activities			
Profits for the period / year before income taxes		1,653,219	6,153,173
Fixed assets depreciation	(3)	80,396	55,139
Write down of expired & slow moving inventory	(5,14)	913,354	1,027,753
Reversal of write down of inventory	(5,14)	(109,028)	-
Impairment of trade and notes receivable		-	35,835
Impairment of other receivables		-	512
Gain from sale of fixed assets	(3)	(1,237)	-
Provisions	(9)	401,847	46,000
Provisions no longer required	(9)	-	(1,175)
		2,938,551	7,317,237
Change in inventory		1,521,322	(6,564,917)
Change in trade and notes receivable		6,421,682	(8,228,997)
Change in prepayments and other receivables		(2,268,449)	(298,255)
Change in due from related parties		(604)	875,123
Change in trade and notes payable		157,647	(182,875)
Change in due to related parties		1,648,174	3,941,934
Change in accrued expenses and other payables		3,588,400	551,845
Cash Flows Provided from (Used in) Operating Activities		14,006,723	(2,588,905)
Income tax paid	(10)	(1,468,508)	(1,084,262)
Provisions used	(9)	(43,530)	(46,825)
Used from write down of inventory	(5)	(1,234,962)	-
Net Cash Flows Provided from (Used in) Operating Activities		11,259,723	(3,719,992)
Cash Flows From Investing Activities			
Payments for purchase of fixed assets	(3)	(42,921)	(80,674)
Proceeds from sale of fixed assets	(3)	1,399	-
Payments in projects under construction		(26,192,719)	(5,270,124)
Net Cash Flows (Used In) Investing Activities		(26,234,241)	(5,350,798)
Cash Flows From Financing Activities			
Receipt of long term loan from related parties	(11-2)	20,826,520	4,953,600
Net Cash Flows Provided From Financing Activities		20,826,520	4,953,600
Increase (Decrease) in cash and cash equivalents-during the period / year		5,852,002	(4,117,190)
Cash and cash equivalent – beginning of the period / year		8,933	4,126,123
Cash and cash equivalent – end of the period / year	(8)	5,860,935	8,933

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF CASH FLOWS

For The Period From 1 January 2013 to 31 March 2014

	Note	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012
		INR	INR
Cash Flows From Operating Activities			
Profits for the period / year before income taxes		14,179,397	54,404,713
Fixed assets depreciation	(3)	689,544	487,524
Write down of expired & slow moving inventory	(5,14)	7,833,692	9,087,118
Reversal of write down of inventory	(5,14)	(935,116)	-
Impairment of trade and notes receivable		-	316,844
Impairment of other receivables		-	4,527
Gain from sale of fixed assets	(3)	(10,610)	-
Provisions	(9)	3,446,578	406,720
Provisions no longer required	(9)	-	(10,389)
		25,203,486	64,697,056
Change in inventory		13,048,137	(58,045,243)
Change in trade and notes receivable		55,077,748	(72,758,594)
Change in prepayments and other receivables		(19,456,127)	(2,637,091)
Change in due from related parties		(5,180)	7,737,604
Change in trade and notes payable		1,352,113	(1,616,932)
Change in due to related parties		14,136,127	34,853,528
Change in accrued expenses and other payables		30,777,138	4,879,266
Cash Flows Provided from (Used in) Operating Activities		120,133,441	(22,890,407)
Income tax paid	(10)	(12,595,160)	(9,586,755)
Provisions used	(9)	(373,350)	(414,014)
Used from write down of inventory	(5)	(10,592,073)	-
Net Cash Flows Provided from (Used in) Operating Activities		96,572,858	(32,891,176)
Cash Flows From Investing Activities			
Payments for purchase of fixed assets	(3)	(368,127)	(713,298)
Proceeds from sale of fixed assets	(3)	11,999	-
Payments in projects under construction		(224,650,796)	(46,597,029)
Net Cash Flows (Used In) Investing Activities		(225,006,924)	(47,310,327)
Cash Flows From Financing Activities			
Receipt of long term loan from related parties	(11-2)	178,625,759	43,798,408
Net Cash Flows Provided From Financing Activities		178,625,759	43,798,408
Increase (Decrease) in cash and cash equivalents-during the period / year		50,191,693	(36,403,095)
Cash and cash equivalent – beginning of the period / year		76,617	36,482,078
Cash and cash equivalent – end of the period / year	(8)	50,268,310	78,983

- The accompanying notes from (1) to (19) are an integral part of these financial statements.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

1 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 the commercial registry in Giza under no. 105570 on 22 January 1996. The company's legal domicile is in Giza – Arab Republic of Egypt.

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

The company is a subsidiary of Ranbaxy Netherlands B.V, which is considered the major shareholder with a share of 99.9%.

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

The principal activities of the company are:

1. Manufacturing, trading, selling and distributing 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.

According to the Extraordinary General Assembly dated 10 December 2013 the financial year end was changed from 31 December to 31 March for each year.

The financial statements of the company for the period ended 31 March 2014 were authorized for issue by management on 28 April 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements are prepared in accordance with the going concern and historical cost basis.

Statement of compliance

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

2-2 Changes in accounting policies

The accounting policies adopted this year are consistent with those of the previous year.

2-3 Foreign currency translation

- The financial statements are prepared and presented in Egyptian pound, which is the company's functional currency.
- Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. All differences are recognized in the statement of income.
- Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.
- Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

2-4 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the building, plant, and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the building, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of income as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Machinery and equipment	5
Tools and furniture	10
Office equipment	3-10
Leasehold improvements	Lower of estimated useful life or actual rent period

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of income when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each balance sheet date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2-5 Projects under construction

Projects under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Projects under construction are valued at cost less impairment.

2-6 Inventory

Inventory is valued at the lower of cost (using the moving average method) or net realizable value.

The amount of any write down of inventories to net realizable value shall be recognized in cost of sales in the statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of income in the period in which the reversal occurs.

2-7 Accounts receivable and other receivables

Accounts receivable and other receivables are stated at original invoice amount net of any impairment losses.

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of income. Reversal of impairment is recognized in the statement of income in the period in which it occurs.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

2-8 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate.

In case of significant time value of money, the amount recognized as a provision is the present value expected to settle the obligation.

2-9 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.

2-10 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 20% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

2-11 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, usually on delivery of the goods.

Interest income

Interest income is recognized on the basis of the proportion of time taking into account the effective rate of return on the asset.

2-12 Borrowings

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

2-13 Borrowing Cost

Borrowing cost is directly recognized in the income statement as finance expense during the period in which it occurred. Borrowing cost represents the amount of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-14 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

2-15 Expenses

All operating expenses are accounted for including general and administrative costs, and are all included in the statement of income for the period in which they are incurred.

Some administrative, general and marketing are divided between Ranbaxy Egypt Ltd. and Rexcel Egypt by average of 89% and 11% respectively.

These expenses serve both companies according to present agreements.

2-16 Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets & liabilities and revenues & expenses during the reporting period. Actual results may differ from those estimates.

2-17 Impairment

Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non financial assets

The company assesses at each balance sheet date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) or its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2-18 Related party transactions

Related parties represent associated companies, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of those transactions are approved by management.

2-19 Statement of cash flows

The company prepares a statement of cash flows based on the indirect method.

2-20 Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months less bank credit balances.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

3 FIXED ASSETS

	Machinery & Equipment LE	Tools & Furniture LE	Office Equipment LE	Leasehold Improvements LE	Total LE
Cost					
As of 1 January 2013	252,327	144,177	661,735	100,343	1,158,582
Additions	-	7,465	35,456	-	42,921
Disposals*	-	(4,547)	-	-	(4,547)
As of 31 March 2014	<u>252,327</u>	<u>147,095</u>	<u>697,191</u>	<u>100,343</u>	<u>1,196,956</u>
Accumulated depreciation					
As of 1 January 2013	(252,327)	(104,574)	(550,158)	(100,343)	(1,007,402)
Depreciation for the period	-	(15,482)	(64,914)	-	(80,396)
Accumulated depreciation of disposals	-	4,385	-	-	4,385
As of 31 March 2014	<u>(252,327)</u>	<u>(115,671)</u>	<u>(615,072)</u>	<u>(100,343)</u>	<u>(1,083,413)</u>
Net book value as of 31 March 2014	<u>-</u>	<u>31,424</u>	<u>82,119</u>	<u>-</u>	<u>113,543</u>
Net book value as of 31 December 2012	-	39,603	111,577	-	151,180

- The machinery and equipment are fully depreciated and still being used in operations.

- There is no pledge over the fixed assets.

* These disposals represent office equipment that had been sold.

- The depreciation of fixed assets are charged as follows:

	From 1/1/2013 to 31/3/2014 LE	From 1/1/2012 to 31/12/2012 LE
General and administrative expenses	77,494	54,858
Projects under construction	2,902	281
Total	<u>80,396</u>	<u>55,139</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

4 FIXED ASSETS

	Machinery & Equipment INR	Tools & Furniture INR	Office Equipment INR	Leasehold Improvements INR	Total INR
Cost					
As of 1 January 2013	2,164,169	1,236,583	5,675,596	860,626	9,936,974
Additions	-	64,026	304,100	-	368,127
Disposals*	-	(38,999)	-	-	(38,999)
As of 31 March 2014	2,164,169	1,261,610	5,979,697	860,626	10,266,102
Accumulated depreciation					
As of 1 January 2013	(2,164,169)	(896,915)	(4,718,618)	(860,626)	(8,640,327)
Depreciation for the period	-	(132,787)	(556,757)	-	(689,544)
Accumulated depreciation of disposals	-	37,609	-	-	37,609
As of 31 March 2014	(2,164,169)	(992,092)	(5,275,375)	(860,626)	(9,292,261)
Net book value as of 31 March 2014	-	269,519	704,322	-	973,840
Net book value as of 31 December 2012	-	339,669	956,978	-	1,296,647

- The machinery and equipment are fully depreciated and still being used in operations.

- There is no pledge over the fixed assets.

* These disposals represent office equipment that had been sold.

- The depreciation of fixed assets are charged as follows:

	From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
General and administrative expenses	664,654	485,040
Projects under construction	24,890	2,485
Total	689,544	487,524

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

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5 PROJECT UNDER CONSTRUCTION

Balance as of 1 January 2013 LE	Additions during the period LE	Balance as of 31 March 2014 LE
5,270,124	26,192,719	31,462,843
<u>5,270,124</u>	<u>26,192,719</u>	<u>31,462,843</u>
Balance as of 1 January 2013 INR	Additions during the period INR	Balance as of 31 March 2014 INR
46,597,029	223,254,785	269,851,814
<u>46,597,029</u>	<u>223,254,785</u>	<u>269,851,814</u>

6 INVENTORY

	31/3/2014 LE	31/12/2012 LE
Raw and packing materials	6,952,220	4,955,267
Work in progress	1,066,872	1,332,579
Finished Goods	2,143,202	4,914,730
Expired Goods	525,552	1,006,592
	<u>10,687,846</u>	<u>12,209,168</u>
Write down of slow moving inventory	(479,520)	(429,116)
Write down of expired Goods	(525,552)	(1,006,592)
	<u>9,682,774</u>	<u>10,773,460</u>
	31/3/2014 INR	31/12/2012 INR
Raw and packing materials	59,628,088	43,813,148
Work in progress	9,150,392	11,782,308
Finished Goods	18,381,904	43,454,730
Expired Goods	4,507,576	8,900,018
	<u>91,667,960</u>	<u>107,950,203</u>
Write down of slow moving inventory	(4,112,767)	(3,794,129)
Write down of expired Goods	(4,507,576)	(8,900,018)
	<u>83,047,617</u>	<u>95,256,057</u>

- The amount of write down/reversal of write down of inventory is included in the cost of sales (note 14).

-The balance of write down of inventory as of 31 March 2014 represented as follows:

	Write down of slow moving inventory LE	Write down of expired goods LE	Total LE
Balance as of 1 January 2013	429,116	1,006,592	1,435,708
Charged during the period	156,251	757,103	913,354
Used during the period	(57,619)	(1,177,343)	(1,234,962)
Reversal of write down	(48,228)	(60,800)	(109,028)
Balance as of 31 March 2014	<u>479,520</u>	<u>525,552</u>	<u>1,005,072</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

	Write down of slow moving inventory	Write down of expired goods	Total
	INR	INR	INR
Balance as of 1 January 2013	3,680,460	8,900,018	1,435,708
Charged during the period	1,340,140	6,694,103	913,354
Used during the period	(494,189)	(10,409,752)	(1,234,962)
Reversal of write down	(413,644)	(537,577)	(109,028)
Balance as of 31 March 2014	479,520	525,552	1,005,072

7 TRADE AND NOTES RECEIVABLE

	31/3/2014	31/12/2012
	LE	LE
Trade receivable	6,667,084	12,723,316
Notes receivable	13,671	379,121
	6,680,755	13,102,437
Impairment of trade and notes receivable	(35,835)	(35,835)
	6,644,920	13,066,602

	31/3/2014	31/12/2012
	INR	INR
Trade receivable	57,182,522	112,496,163
Notes receivable	117,254	3,352,087
	57,299,776	115,848,249
Impairment of trade and notes receivable	(307,351)	(316,844)
	56,992,425	115,531,406

8 PREPAYMENTS AND OTHER RECEIVABLES

	31/3/2014	31/12/2012
	LE	LE
Imprest funds and advances	284,927	237,046
Prepaid expenses	181,552	114,785
Advances to suppliers	2,017,848	372,139
Refundable deposits	18,900	18,900
Tax authority – withholding taxes	276,971	180,837
Margin on letters of Credit (Note 17)	405,047	-
Other debit balances	135,793	128,882
	3,321,038	1,052,589
Impairment of other receivables	(360,329)	(360,329)
	2,960,709	692,260

RANBAXY EGYPT COMPANY (L.L.C.)

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31 March 2014

	31/3/2014	31/12/2012
	INR	INR
Imprest funds and advances	2,443,774	2,095,897
Prepaid expenses	1,557,143	1,014,898
Advances to suppliers	17,306,762	3,290,354
Refundable deposits	162,102	167,109
Tax authority – withholding taxes	2,375,536	1,598,912
Margin on letters of Credit (Note 17)	3,474,024	-
Other debit balances	1,164,675	1,139,540
	28,484,016	9,306,711
Impairment of other receivables	(3,090,485)	(3,185,933)
	25,393,531	6,120,778

9 CASH ON HAND AND AT BANK

	31/3/2014	31/12/2012
	LE	LE
Cash on hand	3,296	3,430
Cash at banks	5,857,639	5,503
	5,860,935	8,933

	31/3/2014	31/12/2012
	INR	INR
Cash on hand	28,269	30,327
Cash at banks	50,240,041	48,656
	50,268,310	78,983

10 PROVISIONS

	Balance as of 1 January 2013	Charged during the period	Used during the period	Balance as of 31 March 2014
	LE	LE	LE	LE
Provisions for expected claims	486,918	401,847	(43,530)	845,235
	486,918	401,847	(43,530)	845,235

	Balance as of 1 January 2013	Charged during the period	Used during the period	Balance as of 31 March 2014
	INR	INR	INR	INR
Provisions for expected claims	4,176,218	3,446,578	(373,350)	7,249,447
	4,176,218	3,446,578	(373,350)	7,249,447

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

11 ACCRUED EXPENSES AND OTHER PAYABLES

	31/3/2014	31/12/2012
	LE	LE
Accrued expenses	2,539,300	2,327,235
Fixed assets creditors	3,691,398	-
Tax authority – salaries tax	163,404	189,101
Tax authority – withholding tax	96,255	32,337
Tax authority – sales tax	159,152	650,713
Social insurance	156,984	127,399
Medical stamp tax	115,866	171,398
Other credit balances	179,147	14,923
	7,101,506	3,513,106
Tax authority - income tax payable	453,526	1,468,508
	7,555,032	4,981,614

	31/3/2014	31/12/2012
	INR	INR
Accrued expenses	21,779,173	20,576,790
Fixed assets creditors	31,660,535	-
Tax authority – salaries tax	1,401,490	1,671,981
Tax authority – withholding tax	825,564	285,915
Tax authority – sales tax	1,365,021	5,753,431
Social insurance	1,346,427	1,126,428
Medical stamp tax	993,764	1,515,455
Other credit balances	1,536,515	131,945
	60,908,491	31,061,945
Tax authority - income tax payable	3,889,821	12,984,156
	64,798,311	44,046,101

12 DUE FROM / TO AND RELATED PARTIES

11-1 Due from related parties

	31/3/2014	31/12/2012
	LE	LE
Current		
Rexcel Egypt (Loan) Accrued interest	18,712	18,108
	18,712	18,108
Non Current		
Rexcel Egypt (L.L.C) (Loan Principal) *	2,173,000	2,173,000
	2,173,000	2,173,000
	INR	INR
Current		
Rexcel Egypt (Loan) Accrued interest	160,490	160,106
	160,490	160,106
Non Current		
Rexcel Egypt (L.L.C) (Loan Principal) *	18,637,476	19,213,086
	18,637,476	19,213,086

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

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*This amount represents a loan granted to Rexcel Egypt with an amount of L.E. 1,650,000 (INR 14,151,788) as per the contract dated 28 December 2009, with an annual fixed interest rate of 10%, and another loan with an amount of L.E. 523,000 (INR 4,485,688) as per the contract dated June 2010, with an annual fixed interest rate of 10%.

11-2 Due to related parties

	31/3/2014	31/12/2012
	LE	LE
Current		
Ranbaxy Netherland (loan accrued interest)	277,352	22,540
Rexcel Egypt (L.L.C)	3,824,365	3,919,394
Ranbaxy Laboratories Limited (India)	1,488,391	-
	<u>5,590,108</u>	<u>3,941,934</u>
Non-Current		
Ranbaxy Netherland (Loan Principal) *	25,780,120	4,953,600
	<u>25,780,120</u>	<u>4,953,600</u>
	LE	LE
Current		
Ranbaxy Netherland (loan accrued interest)	2,378,804	199,293
Rexcel Egypt (L.L.C)	32,800,972	34,654,235
Ranbaxy Laboratories Limited (India)	12,765,694	-
	<u>47,945,470</u>	<u>34,853,528</u>
Non-Current		
Ranbaxy Netherland (Loan Principal) *	221,112,000	43,798,408
	<u>221,112,000</u>	<u>43,798,408</u>

* A loan facility granted from Ranbaxy Netherlands B.V with a total amount of USD 6,500,000. The company received an amount of USD 3,700,000 (Equivalent to LE 25,780,120: INR 221,112,000) at the balance sheet date (31 December 2012: LE 4,953,600: INR 42,486,241). The loan bears interest at the rate of six monthly US Dollar LIBOR plus 250bp (2.5%) p.a. on the principal amount outstanding.

13 CAPITAL

The company's authorized capital amounted to L.E 4,851,000 (INR 42,891,247) while the issued and paid up capital of the company amounts to L.E 4,851,000 (INR 42,891,247) divided over 48510 quotas of par value L.E 100 (INR 884) each.

	Number of quotas	LE	Percentage
Ranbaxy (Netherlands) B.V	48460	4,846,000	99.9%
Ranbaxy (UK) limited	50	5,000	0.1%
	<u>48510</u>	<u>4,851,000</u>	<u>100%</u>
	Number of quotas	INR	Percentage
Ranbaxy (Netherlands) B.V	48460	41,563,373	99.9%
Ranbaxy (UK) limited	50	42,884	0.1%
	<u>48510</u>	<u>41,606,258</u>	<u>100%</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

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14 SALES

	From 1/1/2013 to 31/3/2014 LE	From 1/1/2012 to 31/12/2012 LE
Sales	69,244,282	61,324,911
Less:		
Allowable discounts	(21,422,502)	(18,762,461)
	<u>47,821,780</u>	<u>42,562,450</u>

	From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
Sales	594,888,674	539,831,963
Less:		
Allowable discounts	(184,044,133)	(165,162,509)
	<u>410,844,542</u>	<u>374,669,454</u>

15 COST OF SALES

	From 1/1/2013 to 31/3/2014 LE	From 1/1/2012 to 31/12/2012 LE
Cost of goods sold	22,103,814	17,175,105
Other production expense	339,288	388,440
Product registration charges	65,700	175,261
Write down of expired & slow moving goods (Note 5)	913,354	1,027,753
Reversal of write down of inventory (Note 5)	(109,028)	-
Other expenses	102,458	160,022
	<u>23,415,586</u>	<u>18,926,581</u>

	From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
Cost of goods sold	189,897,393	151,189,305
Other production expense	2,914,877	3,419,366
Product registration charges	564,439	1,542,790
Write down of expired & slow moving goods (Note 5)	7,846,770	9,047,121
Reversal of write down of inventory (Note 5)	(936,677)	-
Other expenses	880,233	1,408,644
	<u>201,167,035</u>	<u>166,607,227</u>

16 TAXES

From 1 January 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.

15-1 Corporate Tax

- The company's books were inspected from 2001 till December 2004 and the company paid all taxes due.
- No tax inspection took place from 2005 till date.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

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15-2 Salary Tax

- The company's records were inspected from 1999 till December 2004 and the company paid all due taxes.
- The company's records were inspected from 2005 till December 2011. The company objected on the assessment and the issue is currently in the Internal Committee.
- No tax inspection took place for the Company's records from 2012 till date.

15-3 Sales Tax

- The company's records were inspected since inception till December 2011 and the company paid all the due taxes.
- No tax inspection took place for the company's records from 2012 till date.

15-4 Stamp Tax

- The company's records were inspected since inception till July 2006 and the company paid all the due taxes.
- No tax inspection took place for the company's records from August 2006 till date .

17 INCOME TAXES

(A) Recognized deferred tax Assets (liabilities)

	Balance sheet		Income statement	
	31/3/2014	31/12/2012	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012
	LE	LE	LE	LE
Depreciation of fixed assets	(239)	(3,170)	(2,930)	(2,207)
Write down of inventories (expired goods)	131,388	201,319	69,930	201,319
Net deferred income tax Assets (liabilities)	<u>131,149</u>	<u>198,149</u>	<u>67,000</u>	<u>199,112</u>

	Balance sheet		Income statement	
	31/3/2014	31/12/2012	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012
	INR	INR	INR	INR
Depreciation of fixed assets	(2,050)	(28,028)	(25,172)	(19,428)
Write down of inventories (expired goods)	1,126,894	1,780,009	600,780	1,772,174
Net deferred income tax Assets (liabilities)	<u>1,124,844</u>	<u>1,751,981</u>	<u>575,608</u>	<u>1,752,746</u>

(B) Reconciliation of effective tax rate

		From 1/1/2013 to 31/3/2014		From 1/1/2012 to 31/12/2012
		LE		LE
Profit for the period / year before income tax		<u>1,653,219</u>		<u>6,153,173</u>
Income tax using the domestic corporate tax rate	25%	413,305	20%	1,230,634
Non-deductible expenses		<u>40,221</u>		<u>237,874</u>
	27%	<u>453,526</u>	24%	<u>1,468,508</u>

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		From 1/1/2013 to 31/3/2014		From 1/1/2012 to 31/12/2012
		INR		INR
Profit for the period / year before income tax		14,203,068		54,165,255
Income tax using the domestic corporate tax rate	25%	3,550,769	20%	10,833,046
Non-deductible expenses		345,545		2,093,961
	27%	3,896,314	24%	12,927,007

18 CONTINGENT LIABILITIES

The letters of credit issued in favour of third parties as of 31 March 2014 amounted to LE 405,047 (INR 3,474,024) totally covered (Note 7).

19 FINANCIAL INSTRUMENTS AND RISK MANAGMENT

- a) The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hand and at banks, trade and notes receivable, due from related parties and some of other receivables, and the financial liabilities include trade and notes payable, due to related parties, and some of other payables.

The significant accounting policies applied for the recognition and related income and expenses are included in note (2) of the notes to the financial statements.

b) Interest rate risk

The company monitors the maturity structure of the financial assets and liabilities with the related interest rates.

c) Foreign currency risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currencies, the total financial assets denominated in foreign currencies amounted to LE 4,422,203 (INR 37,928,534) and the financial liabilities denominated in foreign currencies amounted to LE 30,503,674 (INR 261,625,173).

d) Fair value for financial instruments

According to the followed bases in the evaluation of the financial assets and liabilities of the company referred to in note (2), the fair value of the financial instruments are not materially different from their fair values at the financial statements date.

e) Credit risk

Credit risk refers to the risks arising from the failure of a party's obligations under a financial instrument that can lead to financial loss, the company was exposed to credit risk on balances due from related parties.

f) 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 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.

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i) 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.

20 RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with the parent company and associate companies. The outstanding balances associated with those transactions are included in note (11). The transactions that recognized in the income statement during the period are as follows:

Nature of transaction		From 1/1/2013 to 31/3/2014 LE	From 1/1/2012 to 31/12/2012 LE
Ranbaxy Laboratories Limited (India)	Purchase of raw materials through Rexcel Egypt	7,812,087	9,259,319
Rexcel company (Egypt)	Commission Expense for Rexcel for importing raw and packing materials	342,068	388,227
	Purchases through Rexcel (Other suppliers)	5,579,503	4,206,961
	Loan interest (Revenue)	(274,643)	(220,318)
	Expenses charged to Rexcel (Cross charge expenses)	1,753,137	1,475,084
Ranbaxy Netherlands B.V	Loan interest (Capitalized on project under constructions)	541,832	102,737
Nature of transaction		From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
Ranbaxy Laboratories Limited (India)	Purchase of raw materials through Rexcel Egypt	67,114,886	81,508,090
Rexcel company (Egypt)	Commission Expense for Rexcel for importing raw and packing materials	2,938,761	3,417,491
	Purchases through Rexcel (Other suppliers)	47,934,400	37,033,107
	Loan interest (Revenue)	(2,359,502)	(1,939,419)
	Expenses charged to Rexcel (Cross charge expenses)	15,061,480	12,984,894
Ranbaxy Netherlands B.V	Loan interest (Capitalized on project under constructions)	4,654,965	904,375

Note : Conversion rate used against Indian Rupees for the year 2013-14 and 2012 are:

i) Items relating to Profit and Loss account at Average rate: 1 LE = INR 0.1164 [2012: 1 LE =INR 0.1136]

ii) Items relating to Balance sheet at Closing rate: 1 LE = INR 0.1166 [2012: 1 LE=INR 0.1131]