

RANBAXY EGYPT COMPANY (L.L.C.)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
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 2016, 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 2016, 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.

Emphasis of matter

Without qualifying our opinion, the Company incurred cumulative losses amounting to L.E 3,172,687 till the year ended 31 March 2016 which exceeds 50% of the paid up capital. In accordance with the Companies Law No. 159 of 1981 and its Executive Regulation and the Company's Articles of incorporation, an Extraordinary General Meeting shall be convened to decide whether the Company should continue its operations.

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: 22 June 2016

Amr EL Shaabini
FESAA - FEST
(RAA 9365)
(EFSAR 103)

RANBAXY EGYPT COMPANY (L.L.C.)

BALANCE SHEET As Of 31 March 2016

	Note	31/3/2016 LE	31/3/2015 LE
Noncurrent assets			
Fixed assets	(3)	57,505,222	207,932
Projects under construction	(4)	-	54,271,563
Due from related parties	(5-1)	2,173,000	2,173,000
Deferred tax asset	(6)	-	204,281
Total noncurrent assets		<u>59,678,222</u>	<u>56,856,776</u>
Current assets			
Inventory	(7)	13,943,663	9,580,182
Trade and notes receivable	(8)	7,217,090	9,878,673
Prepayments and other receivables	(9)	760,354	2,039,464
Due from related parties	(5-1)	18,712	18,712
Cash on hand and at banks	(10)	4,387,368	8,947,922
Total current assets		<u>26,327,187</u>	<u>30,464,953</u>
Current liabilities			
Provisions	(11)	1,245,512	1,272,444
Trade and notes payable		904,867	525,074
Due to related parties	(5-2)	17,719,150	8,049,767
Accrued expenses and other payables	(12)	4,123,850	4,644,829
Income tax payable	(6)	-	1,511,252
Total current liabilities		<u>23,993,379</u>	<u>16,003,366</u>
Working capital		<u>2,333,808</u>	<u>14,461,587</u>
Total investment		<u>62,012,030</u>	<u>71,318,363</u>
Financed as follows			
Equity			
Issued and paid up capital	(13)	4,851,000	4,851,000
Legal reserve		961,105	816,731
Retained earnings		15,910,608	13,167,496
(Losses) Profits for the year		(19,083,295)	2,887,486
Total equity		<u>2,639,418</u>	<u>21,722,713</u>
Non Current liabilities			
Due to related parties	(5-2)	57,719,675	49,595,650
Deferred tax Liability	(6)	1,652,937	-
Non Current liabilities		<u>59,372,612</u>	<u>49,595,650</u>
Total finance of working capital and noncurrent assets		<u>62,012,030</u>	<u>71,318,363</u>

Financial Manager

Parmesh Adarkar

General Manager

Dr. Hany Mashhal

- The accompanying notes from (1) to (20) are an integral part of these financial statements.
- Auditor's report "attached".

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF INCOME

For the year ended 31 March 2016

	Note	31/3/2016 LE	31/3/2015 LE
Sales	(14)	43,656,426	45,928,994
Cost of sales	(15)	(22,780,620)	(22,533,697)
GROSS PROFIT		20,875,806	23,395,297
Selling and marketing expenses		(10,676,355)	(9,678,988)
General and administrative expenses		(10,518,727)	(7,279,706)
Other operating expenses		(4,545,179)	-
Provisions	(11)	(597,620)	(427,209)
Impairment of accounts receivable	(8)	(124,548)	-
Foreign exchange differences		(9,011,833)	(594,588)
OPERATING (LOSSES) PROFITS		(14,598,456)	5,414,806
Gain from sale of fixed assets		750	-
Interest income		408,378	220,318
Finance expenses		(3,036,749)	(1,397,804)
Other income		-	88,286
(LOSSES) PROFITS BEFORE INCOME TAXES		(17,226,077)	4,325,606
Income taxes	(6)	(1,857,218)	(1,438,120)
(LOSSES) PROFITS FOR THE YEAR		(19,083,295)	2,887,486

Financial Manager

Parmesh Adarkar

General Manager

Dr. Hany Mashaal

- The accompanying notes from (1) to (20) are an integral part of these financial statements.

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF CHANGES IN EQUITY

For The year ended 31 March 2016

	Capital	Legal	Retained	Profits/Losses for	Total
	LE	reserve	earnings	the year	LE
Balance as of 1 April 2014	4,851,000	760,096	12,091,438	1,132,693	18,835,227
Transferred to retained earnings	-	56,635	1,076,058	(1,132,693)	-
Profits for the year	-	-	-	2,887,486	2,887,486
Balance as of 31 March 2015	4,851,000	816,731	13,167,496	2,887,486	21,722,713
Transferred to retained earnings and legal reserve	-	144,374	2,743,112	(2,887,486)	-
Losses for the year	-	-	-	(19,083,295)	(19,083,295)
Balance as of 31 March 2016	4,851,000	961,105	15,910,608	(19,083,295)	2,639,418

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF CASH FLOWS For The year ended 31 March 2016

	Note	31/3/2016 LE	31/3/2015 LE
Cash Flows From Operating Activities			
Profits before income taxes		(17,226,077)	4,325,606
Fixed assets depreciation	(3)	2,515,182	66,699
Write down of expired and slow moving inventory	(7)	1,761,263	1,216,064
Reversal of write down of inventory	(7)	(427,350)	(306,180)
Impairment of accounts receivable	(8)	124,548	-
Gain from sale of fixed assets		(750)	-
Interest revenue		(408,378)	(220,318)
Provisions	(11)	597,620	427,209
		<u>(13,688,494)</u>	<u>5,509,080</u>
Change in inventory	(7)	(4,670,193)	(807,292)
Change in trade and notes receivable	(8)	2,537,035	(3,233,753)
Change in prepayments and other receivables	(9)	1,279,110	921,245
Change in due from related parties	(5-1)	-	-
Change in trade and notes payable		369,793	82,211
Change in due to related parties	(5-2)	9,669,383	2,459,659
Change in accrued expenses and other payables	(12)	(520,979)	(2,456,677)
Cash Flows Provided from Operating Activities		<u>(4,389,793)</u>	<u>2,474,473</u>
Provisions Used		(1,651,753)	-
Income tax paid		(1,511,252)	(453,526)
Net Cash Flows (Used In) provided from operating Activities		<u>(7,552,798)</u>	<u>2,020,947</u>
Cash Flows From Investing Activities			
Payments for purchase of fixed assets	(3)	(21,203)	(161,088)
Proceeds from sale of fixed assets		750	-
Interest income received		408,378	220,318
Payments in projects under construction	(4)	(5,519,706)	(22,808,720)
Net Cash Flows (Used In) Investing Activities		<u>(5,131,781)</u>	<u>(22,749,490)</u>
Cash Flows From Financing Activities			
Receipt of long term loan from related parties	(5-2)	8,124,025	23,815,530
Net Cash Flows Provided From Financing Activities		<u>8,124,025</u>	<u>23,815,530</u>
Increase in cash and cash equivalents-during the year		<u>(4,560,554)</u>	<u>3,086,987</u>
Cash and cash equivalent – beginning of the year		8,947,922	5,860,935
Cash and cash equivalent – end of the year	(10)	<u>4,387,368</u>	<u>8,947,922</u>

- The accompanying notes from (1) to (20) are an integral part of these financial statements.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

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, 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. Constructing, managing and operating pharmaceutical industries and medical raw material
2. Manufacturing, trading, selling and distributing of all types of pharmaceutical and chemical products, and its related raw materials.
3. Handling all exporting matters
4. Manufacturing for others and at others

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.

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 2016

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	5-10
Building	25
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 2016

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 50% 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 2016

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 92% and 8% 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 the board of directors.

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 2016

3 FIXED ASSETS

Cost	Land LE	Building LE	Machinery and Equipment LE	Tools and Furniture LE	Office Equipment LE	Leasehold Improvements LE	Total LE
As of 31 March 2015	-	-	252,327	156,830	848,544	100,343	1,358,044
Additions	-	-	-	-	21,203	-	21,203
Transfers from projects under construction	5,508,989	21,367,162	29,672,532	3,242,585	-	-	59,791,268
Disposal	-	-	-	-	(5,037)	-	(5,037)
As of 31 March 2016	5,508,989	21,367,162	29,924,859	3,399,415	864,710	100,343	61,165,478
Accumulated depreciation							
As of 31 March 2015	-	-	(252,327)	(124,576)	(672,866)	(100,343)	(1,150,112)
Depreciation for the year	-	(432,092)	(1,839,805)	(170,140)	(73,144)	-	(2,515,181)
Accumulated depreciation of the Disposal	-	-	-	-	5,037	-	5,037
As of 31 March 2016	-	(432,092)	(2,092,132)	(294,716)	(740,973)	(100,343)	(3,660,256)
Net book value as of 31 March 2016	5,508,989	20,935,070	27,832,730	3,104,699	123,734	-	57,505,222
Net book value as of 31 March 2015	-	-	-	32,254	175,678	-	207,932

- The depreciation of fixed assets are charged as follows:

	31/3/2016 LE	31/3/2015 LE
General and administrative expenses	77,902	53,495
Projects under construction	-	13,204
Other operating expenses	2,470,062	-
Total	2,515,182	66,699

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

4 PROJECT UNDER CONSTRUCTION

	31/3/2016	31/3/2015
	LE	LE
Beginning Balance	54,271,563	31,462,843
Additions during the year	5,519,706	22,808,720
Transfers to fixed assets	<u>(59,791,269)</u>	<u>-</u>
Balance at year end	<u>-</u>	<u>54,271,563</u>

5 DUE FROM / TO AND RELATED PARTIES

5-1 Due from related parties

	31/3/2016	31/3/2015
	LE	LE
Current		
Rexcel Egypt (Loan) Accrued interest	<u>18,712</u>	<u>18,712</u>
	<u>18,712</u>	<u>18,712</u>
Non Current		
Rexcel Egypt (L.L.C) (Loan Principal) *	<u>2,173,000</u>	<u>2,173,000</u>
	<u>2,173,000</u>	<u>2,173,000</u>

*This amount represents a loan granted to Rexcel Egypt with an amount of LE 1,650,000 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 as per the contract dated June 2010, with an annual fixed interest rate of 10%.

5-2 Due to related parties

	31/3/2016	31/3/2015
	LE	LE
Current		
Ranbaxy Netherland (loan accrued interest)	755,232	124,644
Rexcel Egypt (L.L.C)	6,220,178	4,815,242
Ranbaxy Laboratories Limited (India)	<u>10,743,740</u>	<u>3,109,881</u>
	<u>17,719,150</u>	<u>8,049,767</u>
Non Current		
Ranbaxy Netherland (Loan Principal) *	<u>57,719,675</u>	<u>49,595,650</u>
	<u>57,719,675</u>	<u>49,595,650</u>

* A loan facility granted from Ranbaxy Netherlands B.V with a total amount of USD 6,500,000. The company received the full amount USD 6,500,000 (Equivalent to LE 57,719,675) at the balance sheet date (31 March 2015: USD 6,500,000 Equivalent to LE 49,595,650) The loan bears interest at the rate of six monthly US Dollar LIBOR plus 250bp (2.5%) p.a. on the principal amount outstanding.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

6 INCOME TAXES

	31/3/2016	31/3/2015
	LE	LE
Current income tax	-	(1,511,252)
Deferred tax	(1,857,218)	73,132
	<u>(1,857,218)</u>	<u>(1,438,120)</u>

(A) Recognized deferred tax Assets (liabilities)

	Balance sheet		Income statement	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	LE	LE	LE	LE
Depreciation of fixed assets	(3,571,239)	(10,844)	(3,560,395)	(10,605)
Carry Forward tax losses	1,813,623	-	1,813,623	-
Write down of inventories (expired goods)	104,679	215,125	(110,446)	83,737
Net deferred income tax Assets (liabilities)	<u>(1,652,937)</u>	<u>204,281</u>	<u>(1,857,218)</u>	<u>73,132</u>

(B) Reconciliation of effective tax rate

	31/3/2016	31/3/2015
	LE	LE
Net profits before income taxes	(17,226,077)	4,325,606
Depreciation of fixed assets	(5,569,961)	(55,630)
Provision for expected claims	597,620	427,209
Unrealized Forex	8,954,551	-
Impairment of account receivables	124,549	-
Write down of inventory	1,761,263	1,216,064
Reversal of sales return accrual	(325,229)	325,229
Reversal of write down of inventory	(427,350)	(306,180)
Tax base at 5% paid in last year	(210,209)	-
Capital gain	(750)	-
Inventory provision used	(1,024,311)	(688,563)
Allowance for doubtful accounts	-	(5,553)
Sales return during the year	131,734	(147,131)
Provision for claims used	(624,552)	-
Nondeductible expenses	208,216	113,122
Taxable income	<u>(13,630,506)</u>	<u>5,204,173</u>
Tax bases at 22.5%	-	-
Tax bases at 25%	-	1,301,043
Tax base at 5%	-	210,209
	-	35%
		<u>1,511,252</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

7 INVENTORY

	31/3/2016	31/3/2015
	LE	LE
Raw and packing materials	5,944,798	4,599,274
Goods in transit	645,361	92,137
Work in progress	3,270,727	3,066,736
Finished Goods	5,150,641	2,187,927
Expired Goods	465,241	860,501
	<u>15,476,768</u>	<u>10,806,575</u>
Write down of slow moving inventory	(1,067,864)	(365,891)
Write down of expired Goods	(465,241)	(860,502)
	<u>13,943,663</u>	<u>9,580,182</u>

- The amount of write down/reversal of write down of inventory is included in the cost of sales (note 15).

-The balance of write down of inventory as of 31 March 2016 represented as follows:

	Write down of slow moving inventory	Write down of expired goods	Total
	LE	LE	LE
Balance as of 31 March 2015	365,891	860,502	1,226,393
Charged during the period	1,001,916	759,347	1,761,263
Used during the period	(9,061)	(1,018,140)	(1,027,201)
Reversal of write down	(290,882)	(136,468)	(427,350)
Balance as of 31 March 2016	<u>1,067,864</u>	<u>465,241</u>	<u>1,533,105</u>

8 TRADE AND NOTES RECEIVABLE

	31/3/2016	31/3/2015
	LE	LE
Trade receivable	6,921,343	9,338,104
Notes receivable	450,577	570,851
	<u>7,371,920</u>	<u>9,908,955</u>
Impairment of trade and notes receivable	(154,830)	(30,282)
	<u>7,217,090</u>	<u>9,878,673</u>

The movement in the Allowance for doubtful accounts is as follows:

	31/3/2016	31/3/2015
	LE	LE
Beginning balance	30,282	35,835
Written off	-	(5,553)
Charged during the year	124,548	-
Ending Balance	<u>154,380</u>	<u>30,282</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

9 PREPAYMENTS AND OTHER RECEIVABLES

	31/3/2016	31/3/2015
	LE	LE
Imprest funds and advances	281,062	266,095
Prepaid expenses	136,403	157,657
Advances to suppliers	228,223	921,010
Refundable deposits	33,430	27,875
Tax authority – withholding taxes	299,356	884,947
Other debit balances	142,209	142,209
	<u>1,120,683</u>	<u>2,399,793</u>
Impairment of other receivables	<u>(360,329)</u>	<u>(360,329)</u>
	<u>760,354</u>	<u>2,039,464</u>

10 CASH ON HAND AND AT BANK

	31/3/2016	31/3/2015
	LE	LE
a) Local Currency		
Cash on hand	2,680	665
Current accounts	2,473,647	3,793,804
	<u>2,476,327</u>	<u>3,794,469</u>
b) Foreign currency		
Cash on hand	1,160	1,160
Current accounts	1,909,881	5,152,293
	<u>1,911,041</u>	<u>5,153,453</u>
	<u>4,387,368</u>	<u>8,947,922</u>

11 PROVISIONS

	Balance as of 31 March 2015	Charged during the year	Used during the year	Balance as of 31 March 2016
	LE	LE	LE	LE
Provisions for expected claims	1,272,444	597,620	(624,552)	1,245,512
	<u>1,272,444</u>	<u>597,620</u>	<u>(624,552)</u>	<u>1,245,512</u>

12 ACCRUED EXPENSES AND OTHER PAYABLES

	31/3/2016	31/3/2015
	LE	LE
Accrued expenses	3,294,776	2,424,826
Fixed assets creditors	-	774,306
Tax authority – salaries taxes	173,276	312,627
Tax authority – withholding taxes	29,760	37,664
Tax authority – sales taxes	251,834	357,661
Social insurance authority	178,452	153,036
Medical stamp tax	170,668	204,624
Other credit balances	25,084	380,085
	<u>4,123,850</u>	<u>4,644,829</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

13 CAPITAL

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

	Number of quota	LE	Percentage
Ranbaxy (Netherlands) B.V	48,460	4,846,000	99.9%
Ranbaxy (UK) limited	50	5,000	0.1%
	<u>48,510</u>	<u>4,851,000</u>	<u>100%</u>

14 SALES

	31/3/2016	31/3/2015
	LE	LE
Sales	65,956,316	66,798,994
Less:		
Allowable discounts	<u>(22,299,890)</u>	<u>(20,870,000)</u>
	<u>43,656,426</u>	<u>45,928,994</u>

15 COST OF SALES

	31/3/2016	31/3/2015
	LE	LE
Cost of goods sold	20,896,297	21,045,344
Other production expense	417,115	437,384
Product registration charges	44,200	70,807
Write down of inventory (Note 7)	1,761,263	1,216,064
Reversal of write down of inventory (Note 7)	<u>(427,350)</u>	<u>(306,180)</u>
Other expenses	89,095	70,278
	<u>22,780,620</u>	<u>22,533,697</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

16 TAXES

16-1 Corporate Tax

- The company's books were inspected from inception till year 2004 and the taxes due were paid
- No tax inspection took place for the company's records for the years from 2005 till year 2015.

16-2 Salary Tax

- The company's records were inspected from inception till years 2004 and the taxes due were paid.
- The company's records were inspected from years 2005 till 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 for the years 2012 till year 2015.

16-3 Sales Tax

- The company's records were inspected from inception till year 2014 and the taxes due were paid.
- No tax inspection took place for the company's records for the years from 2014 till year 2015.

16-4 Stamp Tax

- The company's records were inspected since inception till July 2010 and the taxes due were paid
- No tax inspection took place for the company's records from 2010 till year 2015.

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NOTES TO THE FINANCIAL STATEMENTS

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17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

- 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 1,918,164 and the financial liabilities denominated in foreign currencies amounted to LE 69,430,959.

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.

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.

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

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18 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 (5). The transactions that recognized in the income statement during the period are as follows:

	Nature of transaction	31/3/2016 LE	31/3/2015 LE
Ranbaxy Laboratories Limited (India)	Purchase of raw materials	6,605,852	-
Rexcel company (Egypt)	Commission Expense for Rexcel for importing raw and packing materials	250,582	371,105
	Purchases of raw materials	9,383,621	12,351,351
	Loan interest (Revenue)	220,922	220,318
	Expenses charged to Rexcel (Cross charge expenses)	1,320,281	1,031,692
Ranbaxy Netherlands B.V	Loan interest	1,559,123	1,019,869

19 CURRENT EVENTS

The events that took place in Egypt since the first quarter of the year 2011 have substantially impacted the economic sectors in general which in turn led to substantial decrease in the economic activities. Accordingly, there might be a significant effect for these events on the assets, liabilities and its recoverable amount as well as the financial results of the future periods. While it is difficult to quantify this effect at this point of time, the impact will become visible in the future financial statements. The significance of such an impact will depend on the extent and length until which these events and its effect will end.

20 COMPARATIVE FIGURES

Certain comparative figures for year 2015 have been reclassified to conform to the current year's presentation.